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**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**OF**

**CONTINENTAL RIDGE RESOURCES INC.**

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NOTICE IN HEREBY GIVEN that an Extraordinary General Meeting of the Shareholders of Continental Ridge Resources Inc., (hereinafter called the "Company"), will be held at 1000-840 Howe Street, in the City of Vancouver, in the Province of British Columbia, on Friday, February 28, 2003 at the hour of 10:00 a.m. (local time) for the following purposes:

1. To consider and, if thought advisable, to pass an ordinary resolution of the Minority Shareholders of the Company to approve of the proposed acquisition of all of the issued and outstanding shares of Blue Mountain Power Company Inc.;
2. To consider and, if thought advisable, to pass a Special Resolution approving of the change of name of the Company, to "Continental Geothermal Power Inc." or such other name as may be approved by the directors;
3. To elect R. Gordon Bloomquist as an additional director of the Company; and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

Shareholders who are unable to attend the Meeting in person are requested to date and sign the enclosed form of instruction of Proxy and to return it to Computershare Trust Company of Canada, 2<sup>nd</sup> Floor, 510 Burrard Street, Vancouver, BC, V6C 3B9, not less than 48 hours (exclusive of Saturdays, Sundays and statutory holidays) before the Meeting on February 28, 2003.

**DATED** at Vancouver, British Columbia, this 29th day of January, 2003.

**BY ORDER OF THE BOARD**

*"Brian D. Fairbank"*

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Brian D. Fairbank  
President and Chief Executive Officer

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## GLOSSARY

Continental Ridge Resources Inc.

Information Circular

<b>“BMP”</b>	means Blue Mountain Power Company Inc.;
<b>“BMP Shareholders”</b>	means all of the shareholders of BMP;
<b>“BMP Shares”</b>	means all of the issued and outstanding shares of BMP;
<b>“Circular”</b>	means the Information Circular of the Company dated January 29, 2003 prepared by the Company’s management in connection with the Extraordinary General Meeting of the shareholders of the Company to be held on February 28, 2003.
<b>“Company”</b>	means Continental Ridge Resources Inc.;
<b>“Debt Settlement”</b>	means the settlement of approximately \$250,000 of current indebtedness of the BMP prior to completion of the transaction;
<b>“Director”</b>	means a director of the Company;
<b>“DOE”</b>	means U.S. Department of Energy;
<b>“Employee”</b>	means an employee of the Company;
<b>“Exchange”</b>	means the TSX Venture Exchange;
<b>“Fairness Opinion”</b>	means the Fairness Opinion prepared by Glanville, dated December, 2002;
<b>“FEL”</b>	means Fairbank Engineering Ltd.
<b>“Financial Statements”</b>	means the audited financial statements of the Company for the period ended June 30, 2002;
<b>“GeothermEx”</b>	means GeothermEx, Inc. of Richmond, California;
<b>“Geothermal Property”</b>	means the geothermal leases owned by Noramex which are located in Humboldt County, Nevada;

<b>“Glanville”</b>	means Ross Glanville & Associates Inc. of Burnaby, B.C.;
<b>“Independent Committee”</b>	means the independent committee of the directors of the Company, consisting of James E. Yates and Michael Marchand;
<b>“Letter of Intent”</b>	means the Letter of Intent dated December 13, 2003, entered into between the Company and BMP relating to the Proposed Transaction;
<b>“Management”</b>	means an officer, director or senior employee of the Company;
<b>“Meeting”</b>	means the Extraordinary General Meeting of the Shareholders of the Company to be held on February 28, 2003;
<b>“Minority Shareholders”</b>	means the holders of common shares other than a related party, as such term is defined in the Policy;
<b>“Noramex”</b>	means Noramex Corp., a wholly-owned subsidiary of BMP;
<b>“Officer”</b>	means an officer of the Company;
<b>“Option”</b>	means the option agreement dated June 19, 2001, as amended, between the Company and BMP;
<b>“Policy”</b>	means Policy 5.9 of the Exchange, which incorporates OSC Rule 61-501, Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions;
<b>“Private Placement”</b>	means a non-brokered offering of up to 1,250,000 Units at a price of \$0.40 per Unit;
<b>“Project”</b>	means the Blue Mountain Geothermal Power Project, consisting of Geothermal Property and related assets owned indirectly by BMP;
<b>“Proposed Transaction”</b>	means the proposed acquisition of the BMP Shares by the Company pursuant to the terms of the Letter of Intent;
<b>“Proxy”</b>	means the form of proxy accompanying the Circular;
<b>“Review Report”</b>	Means an independent technical and cash-flow review report prepared by GeothermEx, dated December 16, 2002.
<b>“Share Exchange Agreement”</b>	means the formal share exchange agreement between the Company, BMP and the BMP Shareholders;
<b>“Transaction Shares”</b>	means 5,500,000 fully paid and non-assessable common shares of the Company to be issued to the BMP Shareholders pursuant to the Proposed

**“Transfer Agent”**

Transaction at a deemed price of \$0.38 per common share; and  
means Computershare Trust Company of Canada.

## SUMMARY

Continental Ridge Resources Inc.

Information Circular

*The following is a summary of, and is qualified in its entirety by, the more detailed information appearing or referred to elsewhere in this Circular. Shareholders are urged to read the Circular in its entirety including the Appendices. Certain capitalized words and terms used in this Summary are defined in the Glossary.*

### ***The Meeting***

An Extraordinary General Meeting of the Shareholders of the Company will be held at Suite 1000-840 Howe Street, Vancouver, B.C. on Friday, February 28, 2003, at 10:00 a.m. At the Meeting, the Company's shareholders will receive and consider, among other matters, an ordinary resolution of the disinterested shareholders to approve the proposed acquisition by the Company of the BMP Shares; a special resolution to change the name of the Company to "Continental Geothermal Power Inc." or such other name as may be acceptable to certain regulatory authorities and approved by the directors; and an ordinary resolution to elect Gordon Bloomquist as a director of the Company.

### ***The Proposed Transaction***

The Company has agreed to acquire the BMP Shares pursuant to the terms of the Letter of Intent. BMP, through Noramex (a wholly owned Nevada subsidiary) holds a 100% interest in certain geothermal leases and related assets located in Humboldt County, Nevada, known as the Blue Mountain Geothermal Project.

The Proposed Transaction is a "related party transaction" under Exchange policy since certain directors, officers and substantial shareholders of the Company (Brian D. Fairbank, Jack W. Milligan and Frank Diegmann) are also directors, officers or shareholders of BMP. As a result, Messrs Fairbank, Milligan and Diegmann are disqualified from voting their shares of the Company on the resolution to consider and approve the Proposed Transaction. The Company has commissioned a Review Report of the Project prepared by GeothermEx, and a Fairness Opinion on the Proposed Transaction prepared by Glanville. Refer to "Proposed Acquisition of BMP" and Appendices II and III hereto.

As consideration for the acquisition, the Company is proposing to issue the Transaction Shares to the BMP Shareholders. Upon completion of the Proposed Transaction and the Private Placement, the Transaction Shares will constitute approximately 29.5% of the Company's issued

and outstanding share capital, based upon there being 9,714,724 common shares currently issued and outstanding.

### ***BMP***

Blue Mountain Power Company Inc. (“BMP”) was incorporated under the laws of the Province of British Columbia on October 22, 1993. BMP owns, through Noramex, a 100% interest in the Project. BMP has no assets or operations other than the Project, and a lease application for 1280 acres of federal land located in Pershing County, Nevada.

The Company currently holds an option to earn up to a 60% interest in the Project pursuant to an agreement dated June 19, 2001 (the “Option”). In order to earn a 60% interest the Company must pay US\$50,000, incur a total of US\$1,650,000 of exploration expenditures and issue 600,000 common shares to BMP over a three year period. To date the Company has paid US\$20,000, issued 200,000 common shares and incurred US\$150,000 in exploration expenditures under the Option. The Proposed Transaction will replace the Option and increase the interest of the Company in the Project to 100%. Over the next 12 months the Company intends to focus its resources on the further exploration and development of the Project and its existing mineral properties. Refer to “Business of BMP” for further details.

### ***Conditions to Completion of Proposed Transaction***

The completion of the Proposed Transaction is subject to a number of conditions. Among other things, the Company, BMP and the BMP Shareholders must enter into a formal Share Exchange Agreement. The Proposed Transaction is subject to the approval of a majority of the Company’s Minority Shareholders represented at the Meeting, and is further subject to acceptance for filing by the Exchange. Refer to “Conditions to Completion of Proposed Transaction”.

### ***Recommendations of the Board of Directors***

A committee of independent directors of the Company, consisting of James E. Yates and Michael Marchand, was formed on December 4, 2002, to consider and negotiate the terms of the Proposed Transaction. The Independent Committee, having considered all factors they have deemed to be necessary to be considered, including the GeothermEx Review Report and the Fairness Opinion, have concluded that completion of the Proposed Transaction is appropriate and favourable for the Company and recommend that the Minority Shareholders vote in favour of the resolution to approve the Proposed Transaction.

The Board of Directors has determined that the Proposed Transaction is fair to the Minority Shareholders and is in the best interests of the Company and recommends that the Minority Shareholders vote in favour of the resolution to approve the Proposed Transaction.

## CONTINENTAL RIDGE RESOURCES INC.

### Information Circular

#### SOLICITATION OF PROXIES

This Information Circular is provided in connection with the solicitation of proxies by the management of Continental Ridge Resources Inc. (the "Company"). The form of proxy which accompanies this Circular (the "Proxy") is for use at the Extraordinary General Meeting of the shareholders of the Company to be held on February 28, 2003 (the "Meeting"), at the time and place set out in the accompanying notice of meeting. The Company will bear the cost of this solicitation. The solicitation will be made by mail, but may also be made by telephone.

#### APPOINTMENT AND REVOCATION OF PROXY

##### **Registered Shareholders**

Registered shareholders may vote their common shares by attending the Meeting in person or by completing the enclosed proxy. Registered shareholders should deliver their completed proxies to Computershare Investor Services Inc., of 2<sup>nd</sup> Floor, 510 Burrard Street, Vancouver, B.C., V6C 3B9 (by mail, fax, telephone or internet according to the instructions on the proxy), not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting, otherwise the shareholder will not be entitled to vote at the Meeting by proxy. The persons named in the proxy are directors and officers of the Company. A shareholder who wishes to appoint some other person to represent them at the Meeting may do so by striking out the printed names and inserting the desired person's name in the blank space provided.

A registered shareholder may revoke a proxy by:

- (I) signing a proxy with a later date and delivering it at the time and place noted above;
- (II) signing and dating a written notice of revocation and delivering it to the registered office of the Company, Suite 1000, 840 Howe Street, Vancouver, British Columbia,

V6Z 2M1, at any time up to and including the last business day preceding the day of the Meeting or to the Chairman of the Meeting on the day of the Meeting or in any other manner provided by law; or

- (III) attending the Meeting or any adjournment of the Meeting and registering with the scrutineer as a shareholder present in person.

### **Non-Registered Shareholders**

In many cases common shares of the Company beneficially owned by a holder (a “Non-Registered Holder”) are registered either:

- (a) in the name of an intermediary (an “Intermediary”) that the Non-Registered Holder deals with in respect of the shares, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSP’s, RRIF’s, RESP’s and similar plans; or
- (b) in the name of a clearing agency (such as the Canadian Depository for Securities Limited) of which the Intermediary is a participant.

Intermediaries are required to forward meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often Intermediaries will use service companies to forward the meeting materials to Non-Registered Holders. Generally Non-Registered Holders who have not waived the right to receive meeting materials will *either*:

- (I) be given a proxy which has been signed by an Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and return it in accordance with the instructions provided in the form; or
- (II) more typically, be given a voting instruction form which must be completed and signed by the Non-Registered Holder in accordance with the directions on the voting instruction form. In this case, the Non-Registered Holder should return it in accordance with the instructions provided in the form.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares they beneficially own. Should a Non-Registered Holder who receives either a proxy or a

voting instruction form wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided or, in the cases of a voting instruction form, follow the corresponding instructions on the form. ***In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies. If Non-Registered Holders do not follow such instructions and attend the Meeting, they will not be entitled to vote at the Meeting.***

A Non-Registered Holder may revoke a voting instruction form or a waiver of the right to receive meeting materials and to vote given to an Intermediary at any time by written notice to the Intermediary, except that an Intermediary is not required to act on a revocation of a voting instruction form or a waiver of the right to receive materials and to vote that is not received by the Intermediary at least seven days prior to the Meeting.

#### **PROVISIONS RELATING TO VOTING OF PROXIES**

The shares represented by proxy in the enclosed form will be voted by the designated holder in accordance with the direction of the shareholder appointing him. If there is no direction by the shareholder, those shares will be voted for all proposals set out in the Proxy and for the election of directors and the appointment of the auditor as set out in this Circular.

The Proxy or voting instruction form gives the person named in it the discretion to vote as they see fit on any amendments or variations to matters identified in the notice of meeting, or any other matters which may properly come before the Meeting. At the time of printing this Circular, the management of the Company knows of no other matters which may come before the Meeting other than those referred to in the notice of meeting.

#### **PERSONS MAKING THIS SOLICITATION**

This solicitation is made on behalf of Management and the cost of such solicitation will be borne by the Company. No Director has given Management notice that he intends to oppose any action intended to be taken by Management at the Meeting.

The solicitation will be by mail and possibly supplemented by telephone or other personal contact to be made without special compensation by officers and employees of the Company. No solicitation will be made by specifically engaged employees or soliciting agents. Brokers, nominees or other persons holding shares in their names for others shall be reimbursed for their reasonable charges and expenses in forwarding proxies and proxy material to the beneficial owners of such shares.

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

No Director or Officer, past or present or any person on behalf of whom this solicitation is made has any interest, direct or indirect, in any matter to be acted upon at the Meeting, except for Brian D. Fairbank, Jack W. Milligan and Frank Diegmann who are directors, officers or substantial shareholders of BMP. Accordingly, they shall be disqualified from voting the shares of the Company that they hold with respect to the resolution to consider and approve the Proposed Transaction.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

On January 17, 2003, the Company had 9,714,724 common shares outstanding. All shares in the capital of the Company are of the same class and each carries the right to one vote.

Shareholders registered on January 17, 2003 are entitled to attend and vote at the Meeting. Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the Proxy or voting instruction form to attend and vote, deliver their proxies or voting instruction forms at the place and within the time set forth in the notes to the Proxy or voting instruction form.

To the knowledge of the senior officers of the Company, as of the date of this Circular, no persons beneficially own, directly or indirectly, or exercise control or direction over, more than 10% of the common shares of the Company except for:

Frank Diegmann who controls 2,223,833 shares representing 22.9% of the outstanding shares of the Company; and

Brian D. Fairbank who controls 1,518,333 shares representing 15.6% of the outstanding shares of the Company.

## PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING

The shareholders of the Company and their duly appointed proxies in attendance at the Meeting will be asked to consider the following items:

A. **PROPOSED ACQUISITION OF BMP**

### **General Transaction Terms**

The Company has agreed to acquire all of the BMP Shares pursuant to the terms of the Letter of Intent. As consideration for this acquisition, the Company will issue the Transaction Shares to the BMP Shareholders. The Company shall also transfer 100,000 common shares in the capital of BMP to FEL, a non-reporting company owned by Brian D. Fairbank. Refer to “Interest of management and Others in Material Transactions”.

The Company has agreed to fund the costs related to the Proposed Transaction, which are estimated to be \$35,000.

Upon completion of the Proposed Transaction and the Private Placement, the Transaction Shares will represent approximately 29.5% of the Company’s then issued and outstanding share capital based upon there being 9,714,724 common shares of the Company currently issued and outstanding. (Refer to “Share Capital - Existing and Proposed Share Capital”).

The Transaction Shares will be issued pursuant to exemptions from the prospectus and registration requirements of applicable securities legislation in the jurisdictions where the BMP Shareholders reside, and will be subject to a four month hold period. Transaction Shares issued to certain individuals and entities will also be subject to escrow restrictions prescribed by the Exchange.

### **Related Party Transaction**

Certain Directors, Officers and major shareholders of the Company, Brian D. Fairbank, Jack W. Milligan and Frank Diegmann, are also directors officers or substantial shareholders of BMP. As a result, the Proposed Transaction is a “related party transaction” under the Policy. In order to comply with the provisions of the Policy the Company is required to:

1. issue a News Release and file a Material Change Report disclosing the material terms of the Proposed Transaction;
2. form a Committee of Independent Directors of the Company to represent the interests of the Company with respect to the Proposed Transaction;
3. convene a general meeting of shareholders to consider Minority Shareholder approval to the Proposed Transaction;
4. prepared and send an Information Circular to shareholders which provides disclosure of all material information concerning the Proposed Transaction;
5. obtain a formal valuation, unless an exemption for such is available under the Policy; and
6. obtain Minority Shareholder approval for the Proposed Transaction.

The Company has satisfied the requirements of the Policy indicated in items 1 through 4 above, and has applied to the Exchange, for an exemption from the formal valuation requirements on the basis that the Project is considered to be of “indeterminate” value under the Policy. The Policy provides that assets or businesses may be considered to be of “indeterminate” value where there is only a minimal history of operations and there are no cumulative earnings, little or no sales or revenues and no positive cash flow.

The Company is seeking Minority Shareholder approval for the Proposed Transaction at the Meeting. This means a positive vote of a majority (50% plus one share) of the shares of the Company represented at the meeting, excluding shares held by a “related party”, as defined in the Policy. For the purposes of the Meeting, all shares owned by Bran D. Fairbank, Jack W. Milligan, Frank Diegmann and their affiliates, will be disqualified from voting on the Proposed Transaction. Based upon their current shareholding this means that 3,756,166 shares will not be eligible to vote on this matter.

### **Conditions to Completion of the Proposed Transaction**

The Letter of Intent provides that the completion of the Proposed Transaction is subject to a number of conditions. These conditions, and the status of their completion, are summarized below:

1. The Company, BMP and the BMP Shareholders must enter into a formal Share Exchange Agreement. As of the date hereof, the Share Exchange Agreement has been prepared and is currently being circulated for execution by the parties;
2. The Proposed Transaction is subject to Minority Shareholder approval at the Meeting; and
3. All transaction documentation related to the Proposed Transaction is subject to acceptance for filing by the Exchange. The Company has applied for Exchange acceptance.

## Available Funds

As of December 31, 2002, the estimated proforma working capital of the Company and BMP (assuming completion of the Debt Settlement) was (\$83,567). The Company is seeking to raise gross proceeds of approximately \$500,000 through the Private Placement. In the event that the Private Placement is fully subscribed, and a finders fee is paid with respect to all subscriptions, the Company will receive net proceeds of \$455,000. This would result in \$371,433 of Available Funds.

## Principal Purposes

The Company will utilize the Available Funds and the proceeds of the Private Placement in order or priority as follows:

<b>Application of Funds</b>	<b>Amount</b>
Estimated transaction costs remaining	\$25,000
Share of cost to drill Deep Blue No. 2	\$255,000 <sup>(1)</sup>
Share of long term testing program	\$39,000 <sup>(2)</sup>
Working capital reserve for general and administrative expenses <sup>(3)</sup>	\$52,433
<b>TOTAL</b>	<b>\$371,433</b>

(1) Canadian \$ equivalent of US\$165,000 converted at estimated exchange rate of 1.55

(2) Canadian \$ equivalent of US\$25,000 converted at estimated exchange rate of 1.55

(3) the general and administrative expenses of the Company are approximately \$30,000 per month

## Blue Mountain Power Company Inc.

### *Name and Incorporation*

BMP was incorporated under the laws of the Province of British Columbia as "Powertec Development Company Ltd." on October 22, 1993. The name of BMP was changed to "Blue Mountain Power Company Inc." on February, 25, 1994. BMP has one wholly-owned subsidiary, Noramex Corp., a Nevada corporation, which owns the geothermal leases and related assets located in Humboldt County, Nevada, known as the Blue Mountain Geothermal Project.

### *Business of BMP*

Except for the Review Report provided by GeothermEx and the Fairness Opinion provided by Glanville, the following information relating to the business of BMP has been provided by BMP to the Company. The Company believes the information to be accurate and complete and has

relied upon BMP in this regard.

### Description and General Development of Business

Since 1993 BMP has been engaged in the exploration and development of geothermal resources in the State of Nevada. At the present time the Project is the sole asset of BMP.

### Location, Access and Physiographic Setting

The Geothermal Property is located in Humboldt County of north central Nevada about 30 km (20 miles) west of the town of Winnemucca. From Winnemucca the site is accessible year-round via the Jungo Road, an adequately maintained gravel county road that passes south of Blue Mountain. From the Jungo Road at a point just west of Blue Mountain a dirt road leads north along the eastern edge of the valley providing good access to the entire lease area.

The site is at an elevation of about 1300 metres (4300 feet) above sea level on the western pediment of Blue Mountain and the flat basin of Desert Valley. Bedrock outcrops are abundant at the base of the mountain in the eastern parts of Sections 12, 14 and 23 but are absent on the desert flat to the west, which is mantled in alluvium. Terrain in the principal area of interest is regular and most of the property is readily accessible by vehicle.

Local vegetation consists of arid land or desert plants such as sagebrush, bunch grass and a few other small shrubs. The climate is typical of the Basin and Range Desert: hot dry summers and cold winters with occasional snowfalls. The area is also sporadically subject to high winds.

### Description of Tenures

Noramex is the registered owner of three geothermal leases covering seven sections of land comprising 4,567.04 acres, more or less, in Humboldt County, Nevada. The lease descriptions and particulars of ownership area as follows:

Lease # L-6805:

Lessor: Burlington Northern and Santa Fe Railway Company (BNSF)-(formerly Atchison, Topeka & Santa Fe Railway Co.).

- |          |       |            |             |
|----------|-------|------------|-------------|
| 1) T.36N | R.34E | Section 15 | (640 Acres) |
| 2) T.36N | R.34E | Section 23 | (640 Acres) |

Lease #N57435:

Lessor: U.S. Bureau of Land Management (BLM).

- |          |       |            |                |
|----------|-------|------------|----------------|
| 3) T.36N | R.34E | Section 10 | (654.66 Acres) |
| 4) T.36N | R.34E | Section 12 | (654.88 Acres) |

5) T.36N      R.34E Section22      (649.44 Acres)  
 6) T.36N      R.34E Section26      (666.70 Acres)

Lease # N58196:

Lessor: U.S. Bureau of Land Management (BLM).

7) T.36N      R.34E Section14      (663.36 Acres)

### Exploration Work

The Blue Mountain geothermal prospect was originally discovered during the course of drilling undertaken for precious metal exploration on mining claims held by Nassau Ltd. ("Nassau"), a mineral exploration company based in Sparks, Nevada. Nassau staked the original claims in 1982 and carried out exploration work on the property in 1982 and 1983. During the course of the next several years the property was optioned by five different mining and exploration companies including Noramex in 1994. The optionees conducted a variety of exploration programs including geological mapping; seismic, IP, magnetic and SP surveys and drilling at a cost of approximately US\$2,000,000.

Hot water was encountered in several of the holes drilled between 1985 and 1987 by Billiton Minerals Co. ("Billiton") and later in additional holes drilled by Placer-Dome, Lac Minerals and, most recently, by BMP. A total of at least 31 of the 93 holes drilled to date are reported to have encountered hot water and artesian flows of 20 to 30 gallons per minute (gpm) at an average temperature of 79°C (175°F) have been observed in six of these holes. The holes have now all been plugged and abandoned in compliance with BLM requirements and are not accessible for testing.

Neither Nassau nor any of the mineral claim optionees made application for the geothermal rights, although a Billiton employee did apply for and lease one section for a year. In 1993 Noramex recognized the geothermal potential of the area and acquired the geothermal leases. BMP was formed in October 1993 to initiate the development work and obtained the rights to the leases from Noramex. BMP's management subsequently commissioned Martin Booth of Geothermal Development Associates to review the existing data and plan a geothermal exploration program. Booth concluded that a partially defined geothermal resource underlies parts of sections 14 and 23 and recommended a drill program to further delineate the resource. The proposed program included thirteen shallow temperature-gradient test holes and two small diameter test wells to a nominal depth of 3,000 feet (900m) designed to intersect the inferred reservoir.

Between 1996 and 1999 BMP drilled eleven holes and, with scientific support from the Energy and Geoscience Institute of the University of Utah (EGI), carried out valuable geophysical and geochemical studies of the project area. These included a Self Potential (SP) survey; downhole temperature logging; hydrogeochemical sampling and analyses; and geothermometry determinations. On the basis of the positive results of this work, BMP entered into negotiations

with the U.S. Department of Energy (DOE) to cost-share a confirmation-drilling program under DOE Cooperative Agreement No. DE-FC04-00AL66972; Amendment No. A001 dated February 21, 2001.

In May 2001 an agreement was reached whereby the DOE will contribute 80% of the funding for the drilling and preliminary testing of a 700 metre (2,300 ft) test well costing US\$450,000 (Deep Blue No.1). BMP subsequently optioned the project to the Company which, as BMP's successor, contributed 20% of the cost.

In the spring of 2002, the Company successfully completed the Deep Blue No.1 test well which resulted in the discovery of a significant geothermal resource at Blue Mountain in north-central Nevada. Preliminary testing of the Deep Blue No. 1 test well confirmed that both high temperatures and excellent permeability were encountered at relatively shallow depths.

Deep Blue No. 1 well was cased to 175 meters and drilled to a total depth of 672 meters. A slotted liner was installed in the lower part of the hole. Well logs (temperature, pressure, and gamma ray) run immediately after hole completion yielded temperatures of up to 146°C (295°F) with temperatures still increasing in the bottom interval. Continuous circulation of cold fluids during drilling has the effect of cooling the formation around the well bore which then takes 1-2 months to fully heat up or "equilibrate" to pre-drilling temperatures. The reservoir temperature indicated by Deep Blue No. 1 is expected to be somewhat greater than 150°C (300°F). Further tests are planned.

### Geological Setting

The project area is in the Basin and Range geomorphic province of northern Nevada, a region characterized by high terrestrial heat-flows and, not incidentally, one of North America's leading gold-producing areas. The high heat-flows are attributed to crustal extension and thinning enabled by neogene and recent lateral and normal (block and/or detachment) faulting. Many of the gold deposits are considered to be genetically related to these heat-flow and structural regimes. Within the Basin and Range terrain the highest heat-flows occur in the "Battle Mountain Heat-Flow High". This is an extensive region of northern Nevada characterized by heat-flows, which are, on average, over 50% higher than those elsewhere in the Basin and Range. These heat-flow values lie in the 100 to 120 mW/m<sup>2</sup> range and, depending upon conductivity, they translate to geothermal gradients of between 40° and 80°C/km. All Basin and Range geothermal power projects are in or near areas with heat-flows in the range of 100 mW/m<sup>2</sup> or greater. This means that temperatures of 150 to 200°C can occur between 1.5 to 2.5 km of the surface. These temperatures are appropriate for power generation and, throughout the region, they occur within a maximum acceptable economic drilling depth of 4 km.

Blue Mountain lies well within the heat-flow anomaly and temperatures up to 81°C have been measured within 125 m of the surface at the project site. Observed geothermal gradients vary from 86°C/km to 738°C/km. These gradients may be influenced by variations in subsurface conductivity and by convective movement of geothermal fluid but they are nevertheless anomalously high. A gradient of about 80°C/km for example (consistent with those elsewhere in explored Basin and Range geothermal areas), would indicate temperatures in the 200°C range at

depths of about 1.5km (390°F-4900ft).

2002 drilling found that permeable zones are present in rock formations intersected by Deep Blue No. 1. The well intersected numerous open fracture zones lined by crystalline quartz as well as other fractures partially sealed by silicification from an earlier phase of geothermal activity. Additional flow and permeability tests are to be conducted later this year to determine well productivity as part of the continuing joint program with DOE.

### Drillhole Temperature Observations

Of 93 mineral exploration and shallow gradient drillholes collared on the property, 31 are reported to have produced variable amounts of warm or hot water. The evidence of geothermal activity is, in some instances, anecdotal but for most there are reliable references in drill logs and 10 of the most recent holes have been studied in detail. These studies included temperature logging, gradient determinations, water sampling and analyses and geothermometry.

The early drilling was done for mineral exploration purposes and, as the geothermal potential of the area had not yet been recognized, no specific effort was made to collect geothermal data from drillholes BM 001 through BM 078. For this reason many drillholes with no reported water or temperatures lie within the geothermally anomalous area as it is now known but they do not constrain it. In other cases hot water was noted during drilling but no effort was made to obtain any scientific data. These drillholes provide valuable information on the near surface distribution of the geothermal fluids and the extent of the possible reservoir.

Well logs (temperature, pressure, and gamma ray) from the Deep Blue No. 1 well, run immediately after hole completion, yielded temperatures of up to 146° C (295°F) with temperatures still increasing in the bottom interval. The reservoir temperature indicated by Deep Blue No. 1 is thus somewhat greater than 150°C (300°F). The pattern of temperature increase with depth indicates that higher temperature zones may be found within the geothermal system and possibly east of the Deep Blue No. 1 site.

The DOE has recently awarded new funding for a second deep test well, in 2003, to further explore the eastern part of the resource area.

### Background on the Industry

North American electricity markets are currently experiencing transitions attributable to a variety of sources. Among these are modifications in government energy policies, deregulation of utilities, effects of NAFTA, environmental concerns, dramatic price fluctuations and growing demand. These factors directly affect the viability of new power projects but overall the market for new power is strong with U.S. domestic electrical consumption in projects to increase by 1.8% per year through 2020. To meet this demand and to compensate for obsolete plant retirements, construction of 393,000 MW of new generating capacity will be needed (DOE Energy Information Administration; 2001). Most of this is forecast to be filled by fossil fuel-fired plants although recent announcements on U.S energy policies suggest that nuclear power too may be poised for a comeback. Both of these technologies, however, have been

adversely impacted by environmental issues: greenhouse gas and other emissions from fossil fuels and radiation hazards from nuclear plants. As a result, if future electricity demand is to be satisfied and environmental issues addressed, a substantial investment in renewable and environmentally clean energy such as a geothermal can be realistically expected.

Western U.S. energy prices are currently strong but forecast to fall off somewhat in the long term. California's Department of Water Resources, for instance, has committed to 38 power purchase contracts over 17 years at prices ranging between \$58 and \$249 per MWh. The average initial price is reported to be \$138/MWh (Energy Newsdata: June 2001) but the average mid-term price for which figure are provided appears to be \$81/MWh. Energy pricing, however, is complicated and contracts may incorporate different price schedules for capacity, energy, baseload (energy and capacity) and peaking power sales. Given the western U.S. energy demand, however, and the fact that geothermal energy is a renewable resource, a strong market at favourable prices can be realistically expected for any output from the Blue Mountain Geothermal project.

There are currently 14 geothermal power facilities operating in the Basin and Range physiographic province of Nevada, California and Utah. Field outputs range from 800 KW to 248 MW with total 1996 productive capacity in excess of 500 MW (Benoit 1996, GRC 2001).

The plants utilize either single or dual direct-flash systems, binary systems or, in some cases, a combination of direct-flash and binary. In a direct-flash system, hot water from a well is flashed to steam and used directly to drive a turbine. Binary plants employ heat exchangers coupled to closed cycle vapour turbines to make efficient use of lower temperature fluids and are becoming increasingly popular. Both technologies, however, are well established have been in use for decades in a number of countries including the U.S., Italy, Japan, Philippines, New Zealand, Mexico, El Salvador, Nicaragua and Costa Rica among others.

The Blue Mountain Geothermal project is not advanced to the point where detailed approaches to extraction and production technologies can be specified but some perspective on the potential of the site is appropriate. A realistic model would be a phased development with first stage plant comparable in capacity to the existing generating facilities in the region as listed below (after Benoit 1996; Geo-Heat Center 1997).

List of Operating Geothermal Plants; Basin and Range Region

Name	Type	Output (MW)	Name	Type	Output (MW)
<b><u>NEVADA</u></b>			<b><u>CALIFORNIA</u></b>		
Beowawe	Dual Flash	16.0	Amedee	Binary	1.6
Brady's	Dual Flash	24.0	Coso	Dual Flash	248.0
Desert Peak	Dual Flash	8.7	Casa Diablo	Binary	27.0
Dixie Valley	Dual Flash	66.0	Wineagle	Binary	0.8
Empire	Binary	3.6			
Soda Lake	Binary	16.6	<b><u>UTAH</u></b>		
Steamboat	Binary	35.1	Cove Fort	Single Flash & Binary	11.0
Steamboat Hills	Single Flash	14.4	Roosevelt	Single Flash	23.0
Stillwater	Binary	13.0			

The average of 15 plant capacities shown is approximately 34 MW. A facility of this size operating at a 95% plant factor would produce 283 GWh/year on a renewable basis. Assuming a mid-term wholesale energy price of US\$81/MWh, the gross value of the annual production would be US\$21.8 million (C\$25.5 million).

### Conclusions

DEEP BLUE No.1 was drilled to a total depth of 2205ft (672.1m) in forty-seven (47) days, from spud to rig release. The maximum temperature recorded in the well (WELACO) was 292.5°F (144.7°C) at a depth of 2114.6ft (644.5m). The top expression of the geothermal system is interpreted from the BHT data to be at 1530 feet (466m).

From the temperatures measured in the well and the extent of quartz veining and silicification observed in much of the core, it appears that DEEP BLUE No.1 intersected a moderate temperature resource at 1530 feet (466m). Temperatures measured in the well likely represent the low end of the 'system' temperatures. Higher temperatures may occur in wells that are drilled deeper and that intersect permeable fractures that are in communication with the high temperature reservoir at depth. Preliminary interpretation of the temperature profiles from DEEP BLUE No.1 by David Blackwell, (W. B. Hamilton Professor of Geophysics, Southern Methodist University, Dallas, TX) suggests two possible large-scale scenarios for the thermal regime at Blue Mountain (Blackwell pers. com, August 2002).

In the first scenario, a single major flow path that might correspond to the Central Fault lies to the east of the well, and temperatures at DEEP BLUE No.1 would be equal to or less than those along the fault. If fluid circulation from depth is confined to a fault to the east of the well, the 'system' temperatures are unconstrained by the current temperatures recorded from DEEP BLUE No.1 and could be significantly higher than the temperatures measured in the well.

Alternatively, there might be multiple flow paths along an extensive and more complex system

of faults and fractures at depth between the range front (western scarp of Blue Mountain) and Desert Valley to the west. Additional faults channelling hot fluids from depth may be present to the west of the well. In this case the temperature recorded in the well may more closely represent the 'system' temperatures, but the size (area) of the potential high temperature resource might be much larger than in the case of a system supplied by a single fault.

### Recommendations

The temperatures measured in DEEP BLUE No.1 are encouraging. A maximum temperature of 292.5F (144.7C) at 2114.6ft (644.5m) was recorded in rocks that are moderately permeable. Higher temperatures might be encountered in other areas of the property at similar depth as indicated by higher temperature gradients to the southeast or in permeable zones at depth. The extensive hydrothermal alteration exposed at surface at Blue Mountain, and widespread silicification encountered in exploration holes suggests that a large, actively convecting hydrothermal system has existed at Blue Mountain over an extended period of time.

An second deep slim hole to 1000 meters (DEEPBLUE No.2) is planned 100 metres southeast of DEEPBLUE No. 1, to test other structural targets and provide additional information to on the nature of the high temperature thermal regime at depth. The well operations will be similar in scope to DEEPBLUE No.1 and will require cemented casing, Blow-Out-Prevention equipment, and specialised drilling procedures for safety. The DEEPBLUE No.2 hole will be drilled in early 2003 and has been approved for cost sharing with the DOE.

Approximately 10 widely-spaced, 150-metre deep temperature gradient wells are recommended stepping out from the of the 2000 X 3000 metre known thermal anomaly to determine the outer margins of the geothermal system. The thermal anomaly as measured in shallow drill holes (above the geothermal reservoir is open in all directions and thus the lateral dimensions of the geothermal system are not known.

The Company has initiated discussion for power sales agreements with both the Sierra Pacific, the northern Nevada utility, and with large industrial power consumers.

Retail power costs to customers of the two large regulated utilities, Nevada Power in the south and Sierra Power in the north, have risen over the past year especially to industrial customers. The state of Nevada has recently legislated a renewable energy quota system governing regulated utilities and major power consumers not on the utility system. Renewable energy credits (RECs) will accrue to producers of geothermal power allowing major power consumers to opt out of the utility power system and abide by the required percentage of renewable power by purchasing RECs.

A power market study should be conducted to outline new Nevada State and U.S. federal government legislation and determine how they may benefit or otherwise effect the Blue Mountain Geothermal Project. It is anticipated that BMP will be able to sell power directly to large industrial customers. Power pricing, transmission line routing and the means available to wheel power to industrial customers should be included in the study.

### Cost Estimate

The cost of the proposed Deep Blue No. 2 drilling project is estimated at US\$825,000 with an additional US \$125,000 required for well testing and other long-term drilling project expenditures. The 10 hole shallow gradient-drilling program is projected to cost CDN\$250,000. The Power market study is budgeted at CDN\$100,000. Project costs in U.S. funds except where otherwise stated. For purposes of this estimate, all figures have been rounded to the nearest \$1000.

Under the terms of the DOE agreement, the DOE has undertaken to contribute 80% of the US\$825,000 Deep Blue No. 2 drilling cost or US \$660,000 as well as 80% of the US\$125,000 contingent long-term testing program or US\$100,000. The Company will be responsible for the remaining 20% of the direct drilling and post drilling costs of US\$165,000 and US\$25,000, respectively.

The Company will fund 100% of the shallow temperature gradient drilling program (CDN\$250,000) and the power market study (CDN\$100,000).

At the completion of the above work, the Company will focus on initial plans to develop a 30MW power plant within a 2½-year time frame. The Company will embark on a drilling campaign to include at least two production wells. With the production test results in hand, plant design, costing studies and a feasibility report will be completed.

Pre-feasibility study of an initial 30MW power plant has been completed over the past year. It is envisioned that production wells and steam turbines will develop a 150-200°C reservoir. Supply wells will produce from 500-1000 metres below surface. Drilling has outlined a five square kilometre (2 square mile) zone with subsurface rock temperatures increasing 40°C every 100 metres of depth. The initial 30MW plant construction would cost about \$65 million. The Project is close to the transmission grid and large industrial power consumers.

The Deep Blue No. 2 test well will target a different part of the Blue Mountain geothermal system where previous shallow temperature gradient wells recorded some of the highest temperature gradients on the Blue Mountain property. This well will be drilled to 1 km in depth, significantly deeper than the 672 m deep Deep Blue No. 1 well.

### Other Properties Owned by BMP

BMP and Noramex do not hold an interest in any geothermal or mineral property other than the Project, and a lease application for 1280 acres of federal land located in Pershing County, Nevada.

### **Review Report**

The Company commissioned an independent technical and cash-flow report from GeothermEx, dated December 16, 2002, to determine the value of the Project owned by BMP. GeothermEx reviewed the geothermal resource of the Blue Mountain Geothermal Project and prepared discounted cash flows under two different operating cost scenarios. Refer to the Review Report

dated December 16, 2002, which is attached as Appendix II to the Circular for full details.

GeothermEx's major conclusions are summarized below:

- The Blue Mountain Project has identified a significant geothermal resource of about 150°C temperature at 500 to 700 m depth; this temperature is suitable for use in commercial binary power plants, and the relatively shallow depth of the resource implies relatively low drilling cost.
- Given the attractive temperature level for the drilling depth, the existence of an extensive geothermal anomaly, and the relatively flat and accessible terrain of the project site, the Blue Mountain project is as attractive as any being explored or developed in Nevada today.

GeothermEx calculated a net present value of U.S. \$40.6 million for 100% of the Project. However, GeothermEx also calculated a net present value of U.S. \$17.3 million by utilizing much higher annual operating costs (U.S. \$7.5 million per year versus U.S. \$4.5 million per year). GeothermEx stated that, "While the U.S. \$ 17.3 million is considerably less than the U.S. \$40.6 million calculated under your current base case, the fact that the project still has a positive net present value under a high-side operating and maintenance scenario indicates that there is a considerable cushion in the economics against possible operational problems."

### **Fairness Opinion**

The Company commissioned an independent Fairness Opinion by Glanville, dated December 2002, to determine the fair market value of both BMP and the Company, and to determine if the Proposed Transaction is fair, from a financial point of view, to the shareholders of the Company.

In order to provide the Fairness Opinion, Glanville determined the Fair Market Values of each of BMP and the Company, and reviewed the share trading history of Continental. For this purpose, Fair Market Value means "the highest price available (at a specific time) in an open and unrestricted market between informed and prudent parties, acting at arm's length and under no compulsion or constraint to transact, expressed in terms of cash".

Glanville considered many things in determining the fairness of the Proposed Transaction to the shareholders of the Company. Although Glanville evaluated, analyzed, and reviewed many factors, the following were considered the most important:

- the fair market value of BMP (approximately Cdn. \$3.5 million) compared to the value of the share consideration (about Cdn. \$2.1 million at a share price of 38 cents per share) to be issued by the Company
- the trading volumes and prices of the shares of the Company
- the ownership dilution (or the converse) implications of the transaction
- the present financial positions of the companies

- prior transactions or financings by BMP and the Company
- the elimination of the required expenditures, payments, and share issuances by the Company in order to earn its interest (and thus provide a certain 100% interest, as opposed to a possible 60% interest)
- the elimination of the overhead required for managing two separate companies
- the removal of actual or perceived conflicts of interest
- the liquidity afforded the shareholders of BMP (via ownership of shares of a publicly-traded company)
- the likelihood that the amalgamated company would be in a better position to raise major financing for advancement of the Geothermal Project
- the fact that 100 percent of the Project would be owned by one company, thus making it more likely that a major joint venture partner would be interested in investing in the Project

Based on the foregoing considerations, as well as others set out in the Fairness Opinion, it is Glanville's opinion that the proposed transaction is fair, from a financial point of view, to the shareholders of the Company. In reaching this opinion, Glanville has concluded that the value to an existing shareholder of the Company after the proposed transaction is completed would not be lower than the value prior to the transaction. However, Glanville expressed no opinion as to the expected trading price of the shares of the Company if the proposed transaction is completed. In addition, the Fairness Opinion does not constitute a recommendation to buy or sell the shares of the Company. Refer to Appendix III to the Circular for full details of the Fairness Opinion.

### Share and Loan Capital Structure of BMP

The following table sets forth BMP's share and loan capital structure:

<i>Designation of Security</i>	<i>Amount Authorized</i>	<i>Amount Outstanding as at October 31, 2002 (unaudited)</i>	<i>Amount Outstanding as at December 31, 2002 (unaudited)</i>
Common Shares without par value	20,000,000	5,371,720 shares	5,499,720 shares
Current debt	n/a	\$334,744 <sup>(1)</sup>	\$34,200

(1) the majority of this debt is due to FEL, a company owned by Brian D. Fairbank, who is a director and officer of BMP and the Company. FEL settled the majority of the debt for additional BMP shares prior to December 31, 2002.

As at October 31, 2002, BMP owed FEL the sum of \$250,000, on account of accrued management fees and expenses paid by FEL on behalf of BMP. FEL is an engineering consulting and management services company owned by Brian D. Fairbank.

As at October 31, 2002, BMP's deficit was \$196,608. Refer to the BMP Balance Sheet as at October 31, 2002, attached as Appendix I.

### **Directors and Officers of BMP**

The following table sets forth the directors, officers and principal shareholders of BMP (direct and indirect holdings):

<i><b>Nam and Municipality of Residence</b></i>	<i><b>Common Shares</b></i>	<i><b>% of Common</b></i>
Brian D. Fairbank President, Director North Vancouver, BC	3,932,000	71.5%
Jack W. Milligan Secretary, Director West Vancouver, BC	510,000	9.3%
R. Gordon Bloomquist Director Olympia, WA	100,000	1.8%

### **Share Capital of the Company**

#### *Existing and Proposed Share Capital*

The following table sets forth the Company's common share capital both before and after the completion of the Proposed Transaction.

	<i><b>No. of Issued Shares</b></i>	<i><b>% of Total</b></i>
Issued as at the date of the Circular	9,714,724	52.1
To be issued pursuant to Proposed Transaction.	5,500,000	29.5

	<i>No. of Issued Shares</i>	<i>% of Total</i>
To be issued under Private Placement <sup>(1)</sup>	1,250,000	6.6
Shares reserved for options and warrants <sup>(2)</sup>	2,192,000	11.8
<b>Totals:</b>	18,656,724	100

(1) assumes the Private Placement is fully subscribed

(2) assumes the exercise of issued and outstanding share purchase warrants, stock options and the maximum number of warrants to be issued under the Private Placement (see "Options and Other Rights to Purchase Shares")

### *Private Placement*

The Company is seeking to raise up to \$500,000 by the sale of up to 1,250,000 units at a price of \$0.40 per unit pursuant to a non-brokered private placement. Each Unit will consist of one common share and on-half of one non-transferable share purchase warrant. One whole warrant will entitle the holder to purchase one additional common share at a price of \$0.40 per share for a period of one year from closing. The Company may pay a finder fee in connection with the Private Placement. There is no certainty that the Private Placement will be completed in whole or in part.

### *Options and Other Rights to Purchase Shares*

As at the date of this Information Circular, the Company has issued options and warrants entitling the holders to purchase up to an aggregate of 1,567,000 shares. In the event that the Private Placement is fully subscribed a further 625,000 common shares shall be reserved for issue upon the exercise of the warrants issued as part of the units. There are no outstanding options, warrants or other rights to acquire shares of BMP. Upon completion of the Proposed Transaction, the Company may grant options to purchase additional common shares to certain Directors, Officers and Employees of the Company.

## **Directors, Officers and Principal Shareholders**

### *Directors and Officers*

The Company's current Directors are Brian D. Fairbank (President and Chief Executive Officer), John W. Milligan (Secretary and Chief Financial Officer), James E. Yates, Michael Marchand and Markus K. Christen. There will be no changes to the Company's Directors and Officers as a result of the Proposed Transaction, however R. Gordon Bloomquist has been proposed for election as a director at the Meeting.

Dr. Bloomquist is a Senior Scientist and Director of the Integrated Community Energy Program

at Washington State University. This program is responsible for all Washington State policy decisions, technical assistance to resource development, and investigation related to integrated community energy system studies and implementation. Dr. Bloomquist holds a Ph.D. in Geochemistry, M.S. and B.S. degrees in Geology, and is the author of numerous publications for the World Geothermal Congress.

Upon completion of the Proposed Transaction, it is intended that the Company's Directors and Officers will be those individuals as set forth in the table below. The table also states the municipality of residence, the number of shares of the Company currently owned by them, directly and indirectly, before and on completion of the Proposed Transaction, and the percentage of shares proposed to be held by them upon completion of the Proposed Transaction. Upon completion of the Proposed Transaction and the Private Placement, the parties noted below will beneficially own, as a group, 6,046,000 common shares representing approximately 32.4% of the Company's issued and outstanding share capital.

<i>Name and Municipality of Residence</i>	<i>Number of Shares Before Proposed Transaction</i>	<i>Number of Shares After Proposed Transaction</i>	<i>Percentage of Shares After Proposed Transaction <sup>(1)</sup></i>
Brian D. Fairbank President/CEO, Director North Van, B.C.	1,518,333	5,450,333	29.2%
Jack W. Milligan Secretary, CFO, Director West Van, B.C.	14,000	524,000	2.8%
James E. Yates Director North Van, B.C.	65,000	65,000	0.4%
Michael Marchand Director Calgary, Alberta	6,667	6,667	0.04%
Markus K. Christen Director Somerset, NJ	nil	nil	n/a
R. Gordon Bloomquist Proposed Director Olympia, WA	nil	nil	n/a

(1) these figures are not calculated on a fully diluted basis

### *Principal Shareholders*

Upon completion of the Proposed Transaction and the Private Placement the following parties will beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the then issued shares of the Company:

<i>Name</i>	<i>No. of Shares</i>	<i>Percentage of Shares</i>
Brian D. Fairbank	5,450,333	29.2%
Frank Diegmann	2,630,833	14.1%

### **Conflicts of Interest**

There are potential conflicts of interest to which the Directors and Officers of the Company will be subject in connection with the operations of the Company. Some of the directors and officers are engaged and will continue to be engaged in the mining industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. It is therefore possible that situations may arise in connection with potential acquisitions and investments where the other interests of these Directors and Officers may conflict with the interests of the Company. Conflicts of interest, if any, will be subject to and governed by the procedures and remedies available under the *Company Act* (British Columbia) which require a director or officer of a corporation who is a party to, or is a director of or has a material interest in any person who is a party to, a material contract or proposed material contract with the Company to disclose his interest in such contract and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the *Company Act* (British Columbia).

### **Risk Factors**

There are a number of risk factors associated with the securities of the Company which are described below:

- (a) There is no known body of ore of commercial grade or tonnage on any of the Company's mineral properties, nor is there any certainty that the Company's geothermal property has the necessary attributes to generate geothermal power. The Company must sell equity capital to raise funds to carry out further exploration with the objective of determining the commercial potential of its resource properties. If the Company's exploration programs are successful, additional funds will be required for the development of resource and to place it in commercial production. The only sources of future funds presently available to the Company are the sale of equity capital, or the offering by the Company of an interest in its property to be earned by another party or parties carrying out further exploration or development thereof.

- (I) Exploration for natural resources is a speculative venture necessarily involving substantial risk. There is no certainty that the expenditures to be made by the Company in the acquisition of the interests described herein will result in discoveries of commercial quantities of natural resources or an economically viable geothermal resource.
- (II) The marketability of natural resources which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of resources and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.
- (III) Mining operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations or other conditions are involved. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Company's financial position.
- (IV) The Company has conducted enquiries that it considers to be sufficient in order to verify title to its resource properties, it has not obtained the usual industry standard title reports with respect to its resource properties, therefore there is no guarantee of title. These properties may be subject to prior unregistered agreements or transfers or native land claims, and title may be affected by undetected defects. In addition, some of the Company's properties consist of recorded mineral claims and geothermal leases, most of which have not been surveyed, and therefore, the precise area and location of such claims or leases may be in doubt.
- (V) The Company's resource exploration activities may be affected in varying degrees by the extent of political and economic stability, and by the nature of various government regulations relating to the mining industry and

foreign investment. Any changes in regulations or shifts in political or economic conditions or foreign currency exchange rates are beyond the control of the Company and may adversely affect its business and/or its holdings.

- (VI) The Company is a development stage company with a limited operating history with no pre-tax profit. There can be no assurance that the Company's operations will be profitable in the future. The Company will require additional financing to carry out its operating plan and if financing would be unavailable for any reason, the Company would become unable to carry out its operating plan. The failure of the Company to satisfy its various work commitments and option payments could result in the loss of its interest in its resource properties.
- (VII) The Company has not paid any dividends since the date of its incorporation and it is not anticipated that the Company will declare dividends in the near future.

### **Executive Compensation**

The Company currently pays a management fee of \$2,500 per month to FEL, a non-reporting company owned by Brian D. Fairbank.

### **Escrowed Securities**

In accordance with the policies of the Exchange, a portion of the Transaction Shares to be issued to certain directors and offices of BMP will be held in escrow by the Transfer Agent. The shares subject to escrow restrictions shall be released from escrow over a period of either 3 or 6 years, depending upon acceptance of evidence of the value of BMP by the Exchange. The escrowed shares shall also be subject to a statutory hold period of 4 months from the date of issue.

The balance of the Transaction Shares which are not held in escrow shall be subject to a statutory four month hold period and additional restrictions, if any, as determined under the seed share matrix policy of the Exchange.

### **Investor Relations Arrangements**

The Company has entered into an agreement with Unity Petroleum Inc. dated March 15, 2002, pursuant to which Unity provide investor relations services to the Company in consideration for the sum of \$6,000 per month. Unity is controlled by Gregg Wilson.

### **Interests of Management and Others in Material Transactions**

BMP has entered into agreements with Directors, Officers and insiders of BMP and their respective associates or affiliates, as follows:

- (a) FEL provides management services to BMP pursuant to an agreement dated October 22, 1993;
- (b) Noramex has agreed to pay a variable royalty to Brian D. Fairbank of up to 2.5% on geothermal revenue, pursuant to an agreement dated October 20, 1993;
- (c) FEL has agreed to settle approximately \$250,000 of debt owed to it by BMP prior to completion of the Proposed Transaction; and
- (d) The Company has agreed to transfer 100,000 common shares in the capital of BMP to FEL in connection with the Proposed Transaction. These shares were acquired by the Company as partial consideration for the transfer of an interest in certain mineral claims from the Company to BMP, pursuant to an agreement dated July 31, 1997. The location of mineral claims in question coincided with the area of the geothermal project. BMP has allowed its interest in the mineral claims has lapsed, therefore no further shares will be earned by the Company under this agreement. In the course of negotiating the terms of the Proposed Transaction, the Company agreed to transfer the 100,000 BMP shares to FEL as an inducement for it to enter into the Debt Settlement.

### **Dividend Record**

No dividends have been paid on any shares of the Company or BMP since incorporation and it is not contemplated that any dividends will be paid in the near future.

### **Relationship Between the Company and Professional Persons**

Gregory C. Smith of Miller Thomson LLP, legal counsel for the Company, owns, directly and indirectly, 275,000 common shares of the Company, and Mr. Smith's spouse owns 20,000 shares of BMP.

### **Legal Proceedings**

The Company is not, nor is BMP, a party to any legal proceedings, nor are any legal proceedings contemplated.

### **Indebtedness of Directors and Officers**

None of the Directors or Officers or other members of management of BMP have been indebted to BMP within the financial year ended October 31, 2002, or during the two month period ending December 31, 2002.

### **Auditor and Transfer Agent**

The Auditors of the Company and BMP are Morgan and Company, Chartered Accountants, of Suite 1730, 700 West Georgia Street, Vancouver, BC, V7Y 1A1.

The Transfer Agent for the Company is The Computershare Trust Company of Canada, of 510 Burrard Street, Vancouver, B.C., V6C 3B9

### **Material Contracts**

The following are the material contracts which have been entered into by BMP:

1. Share Purchase Agreement dated October 22, 1993 between Powertec Development Company Ltd. and Brian D. Fairbank, whereby Powertec acquired all of the shares of Noramex Corp.;
2. Royalty Agreement dated October 20, 1993 between Noramex Corp. and Brian D. Fairbank, whereby Noramex agrees to pay a royalty on geothermal revenue to Fairbank;
3. Management Agreement dated October 22, 1993 between Powertec Development Company Ltd. and Fairbank Engineering Ltd., whereby Powertec agreed to pay a management fee;
4. Transfer Agreement dated July 31, 1997 between Blue Mountain Power Company Inc., Noramex Corp., Blue Desert Mining Inc., and Blue Desert Mining (U.S.) Inc., whereby Blue Mountain and Noramex acquired the mineral rights to the Golden Sage Property, Humbolt Co. Nevada;
5. Option Agreement dated June 19, 2001, as amended on August 7, 2002 and November 12, 2002, between Blue Mountain Power Company Inc. and Continental Ridge Resources Inc., whereby Continental was granted the option to earn up to a 60% interest in the Blue Mountain Geothermal Project; and
6. Letter of Intent dated December 13, 2002 with Continental Ridge Resources Inc.

The following material contracts have been entered into by the Company:

1. Refer to items 4, 5 and 6 from the list of BMP material contracts;
2. Management Agreement dated April 14, 1995, as amended, between Blue Desert Mining Inc. and Fairbank Engineering Ltd., whereby Blue Desert agreed to pay a management fee to Fairbank;
3. Agreement dated April 30, 2002, as amended, between Continental Ridge Resources Inc. and Mindat Research Inc., whereby Continental agreed to pay certain finders fees to Mindat;
4. Agreement dated March 15, 2002, between Continental Ridge Resources Inc. and Unity Petroleum Inc., whereby Continental retained Unity as a consultant to provide investor relations services;

5. Amended and restated agreement dated April 22, 1999 between Blue Desert Mining Inc., and The Hunter Exploration Group (Lawrence Barry), whereby Blue Desert acquired the option to earn a 100% interest in the Portal and Gobi properties, Alaska;
6. Agreement dated January 4, 2000 between Blue Desert Mining Inc. and AngloGold (U.S.A.) Exploration Inc. whereby Blue Desert granted AngloGold an option to earn a 60% interest in the Gobi Mojave and Sahara properties, Alaska.

*Copies of all of the material contracts and reports referred to in this Circular may be inspected at the Company's address for service in British Columbia, Suite 1000-840 Howe Street, Vancouver, B.C. at any time prior to the Meeting.*

### **Consent of Experts**

Glanville has confirmed that the Fairness Opinion may be relied upon by the Board of Directors, regulatory authorities, and shareholders of the Company, but may not be used or relied upon by any other person without express prior written consent. However, Glanville has consented to the duplication and inclusion of this Fairness Opinion in a Prospectus or Information Circular.

### **Consent of GeothermEx**

GeothermEx has confirmed that the Review Report may be relied upon by the Board of Directors, regulatory authorities, and shareholders of the Company, but may not be used or relied upon by any other person without express prior written consent. However, GeothermEx has consented to the duplication and inclusion of this Review Report in a Prospectus or Information Circular.

### **Directors Approval**

The Independent Committee has concluded, based in part upon the Fairness Opinion and the Review Report, that the Proposed Transaction is fair, from a financial point of view, to the Minority Shareholders and is in the best interests of the Company. On January 29, 2003, a meeting of the Board of Directors was held to receive the conclusions and recommendations of the Independent Committee. The Board of Directors resolved to approve the Proposed Transaction, subject to Minority Shareholder and Exchange approval.

**The Board of Directors has determined that the Proposed Transaction is fair to the Minority Shareholders and is in the best interests of the Company, and recommends that the Minority Shareholders vote in favour of the resolution to approve the Proposed Transaction.**

### **Approval Sought**

The Minority Shareholders of the Company represented at the Meeting will be requested to pass an ordinary resolution approving the Proposed Transaction on behalf of the Company. The

shareholders will be asked to approve the Proposed Transaction including all aspects of the Proposed Transaction as described in this Circular. It is intended that the Proposed Transaction will be completed on the terms generally described in this Circular, however, there may be circumstances currently not foreseen by the Company which may cause it to complete the Proposed Transaction on different terms, however any variance will not be materially adverse from the terms described herein.

Unless authority to do so is withheld, the persons names in the form of Proxy accompanying the Circular intend to vote for approval of this resolution. In order to be effective, this Resolution must be approved by a majority of the votes cast in respect thereof, excluding shares owned by Brain D. Fairbank, Jack W. Milligan, Frank Diegmann and their affiliates.

**B. SPECIAL RESOLUTION TO CHANGE NAME**

Shareholders will be asked to consider, and, if thought advisable, pass a Special Resolution to change the Company's name to "Continental Geothermal Power Inc.", or to such other name as may be acceptable to the Directors of the Company, the Registrar of Companies for the Province of British Columbia and the applicable securities regulatory authorities.

The Directors of the Company believe that the passing of this resolution is in the best interests of the Company and recommends that shareholders vote in favour of the resolution.

Unless authority to do so is withheld, the persons names in the form of Proxy accompanying the Notice of Meeting intend to vote for approval of this resolution. In order to be effective, this resolution must be approved by three-quarters of the votes cast in respect thereof.

**C. ELECTION OF ADDITIONAL DIRECTOR**

Shareholders will be asked to consider, and, if thought advisable, pass an ordinary resolution to elect R. Gordon Bloomquist as an additional director of the Company.

The Directors of the Company believe that the passing of this resolution is in the best interests of the Company and recommends that shareholders vote in favour of the resolution.

Unless authority to do so is withheld, the persons names in the form of Proxy accompanying the

Notice of Meeting intend to vote for approval of this resolution. In order to be effective, this resolution must be approved by a majority of the votes cast in respect thereof.

D. OTHER BUSINESS

Approval of such other business as may properly come before the meeting or any adjournment thereof

Save for the matters referred to herein, management knows of no other matters intended to be brought before the Meeting. However, if any matters which are not now known to management shall properly come before the Meeting, the Proxy given pursuant to this solicitation by Management will be voted on such matters in accordance with the best judgement of the person voting the Proxy, in the event such discretionary authority is provided in the Proxy.

BOARD APPROVAL

The contents of this Circular have been approved and its mailing authorized by the directors of the Company.

**ADVANCE NOTICE** of the Meeting was published in the Globe and Mail, on December 30, 2002.

**DATED** at Vancouver, B.C., this 29th day of January, 2003.

**ON BEHALF OF THE BOARD**

*"Brian D. Fairbank"*

**Brian D. Fairbank, President**

**ON BEHALF OF THE INDEPENDENT COMMITTEE**

*"James E. Yates"*

**James E. Yates, Chairman of  
Independent Committee**

*Appendix I - Unaudited Balance Sheet of BMP as at October 31, 2002*

**BLUE MOUNTAIN POWER COMPANY INC.**

**CONSOLIDATED BALANCE SHEET  
AS AT October 31, 2002**

(in CDN dollars)

**ASSETS**

**Current**

Cash	\$ 29,883
Accounts receivable	39,542
	<hr/>
	69,425
<i>Mineral Property Costs</i>	886,685
<i>Capital Assets</i>	<hr/>
	437
	<hr/>
	\$ 956,547

**LIABILITIES**

**Current**

Accounts payable	\$ 334,744
------------------	------------

**SHAREHOLDERS' EQUITY**

<i>Share Capital</i>	1
<b>Unissued Common Stock Subscribed</b>	818,410
<i>Deficit</i>	<hr/>
	(196,608)
	<hr/>
	\$ 956,547

Prepared by Management

*Appendix II – GeothermEx Review Report*

# GeothermEx, Inc.

5221 CENTRAL AVENUE, SUITE 201  
RICHMOND, CALIFORNIA 94804-5829

TELEPHONE: (510) 527-9876

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FAX: (510) 527-8164

E-MAIL: [mw@geothermex.com](mailto:mw@geothermex.com)

## MEMORANDUM

**To:** **Brian D. Fairbank**  
Continental Ridge Resources, Inc.  
409 Granville Street, Suite 900  
**Vancouver, British Columbia V6C 1T2**  
Canada

**Date:** 16 December 2002

**Page:** 1 of 11

**Fax:** (505) 983-8120

**From:** James Lovekin, P. Eng.

**Re:** Blue Mountain Geothermal Project

Per your request, GeothermEx has reviewed the resource information you have provided on the Blue Mountain Geothermal Project, as well as the discounted cash flow (DCF) models you have sent us. This memo summarizes our conclusions based on this review.

### *Geothermal Resource*

Our review of the geothermal resource is based on the following documents:

1. "A Report on the Blue Mountain Project, Humboldt County, Nevada" by T. L. Sadlier – Brown, dated June 26, 2001.
2. "Report on the Blue Mountain Geothermal Area, Humboldt County, Nevada" by Fairbank Engineering Ltd., dated October 31, 2000.
3. A memo from Noramex Corporation to David Blackwell, dated July 17, 2002, on the results from well Deepblue No.1.
4. "Blue Mountain Geothermal Project, Deep Blue No. 1 Test Hole, Blue Mountain, Humboldt County, Nevada, U.S.A." by Fairbank Engineering, dated October 2002.

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Our conclusions with respect to the geothermal resource are as follows:

- The Blue Mountain Project has identified a significant geothermal resource of about 150°C temperature at 500 to 700 m depth; this temperature is suitable for use in commercial binary power plants and the relatively shallow depth of the resource implies relatively low drilling cost.
- Exploration results suggest a proven thermal area of at least 4.8 km<sup>2</sup> extent, and the project has a total leasehold of 7 sections (7 square miles or 18 square kilometers).
- The first deep well (Deepblue No. 1) indicates a reservoir top at about 450 meters and no temperature reversal up to the total depth of the well (672 m). Therefore, the reservoir is more than 222 m thick, and may be considerably thicker. For the purposes of this analysis we have assumed a reasonable minimum thickness of 300 m and a plausible maximum thickness of 1,000 m with equal probability.
- Well Deepblue No. 1 heated up to 144°C within 26 hours after stoppage of drilling; therefore, it is reasonable to believe that the well will heat up some more before reaching thermal equilibrium. In similar geologic settings in Nevada, geothermal resources typically reach 180°C to 200°C in temperature. Therefore, considering that exploration in the Blue Mountain area is still in progress, a temperature level of at least 180°C can possibly be confirmed by further drilling in this field. For the purposes of this analysis, we have assumed the average resource temperature within the exploitable reservoir to lie in the 144°C to 180°C range with equal probability.
- Using the above conclusions and some reasonable assumptions applicable to such projects (see Table 1), we have developed a histogram of the estimated MW (gross) capacity per square km as shown in Figure 1; the figure indicates that the reserves have a most-likely value of 3.5 MW (gross) per km<sup>2</sup>. Given the minimum estimated thermal area of 4.8 km<sup>2</sup> and the total leasehold area of 18 km<sup>2</sup>, the most-likely value of reserves lies in the range of 17 to 63 MW (gross). Figure 2 shows the results as a cumulative probability plot. This figure indicates, with a 90% confidence level, that the MW (gross) per km<sup>2</sup> will be at least 2.5; therefore, with this level of confidence, the reserves for the project lie between 12 to 45 MW (gross).

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- The above estimates of reserves would prove conservative if the system has a significant source of hot fluid recharge. On the other hand, these reserves estimates would prove optimistic if the fluid flow is controlled by one or more discrete faults rather than an areally extensive and pervasive fractured reservoir.
- Given the attractive temperature level for the drilling depth, the existence of an extensive geothermal anomaly and the relatively flat and accessible terrain of the project site, the Blue Mountain project is as attractive as any being explored or developed in Nevada today.

## *Discounted Cash Flow (DCF) Analysis*

Our review has focused on a DCF analysis that you sent us on 9 December 2002. This base-case analysis is similar to earlier DCF analyses for the Blue Mountain Geothermal Project that we reviewed last August, the principal difference being that the tax treatment has been refined. The current scenario envisions an electricity price of 6.5¢ (US) per kilowatt-hour (kWh) and 50% financing. The purpose of our review has been to perform a “reality check” on the assumptions in the DCF analysis, based on our familiarity with actual development and operating costs for comparable geothermal projects and the current market for electricity in Nevada. From our perspective, the following assumptions of the DCF analysis warrant comment:

- Plant output
- Wellfield exploration and development
- Plant construction costs
- Operating costs
- Electricity price

## *Plant Output*

The DCF scenario assumes an average plant output of 30 net megawatts (NMW) with a capacity factor of 95% (accounting for down time), yielding an average of 28.5 NMW available for sale. This is a reasonable assumption, given adequate geothermal resource.

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However, it should be realized that the plant has to be sized to account both for both seasonal variations in ambient temperatures and for parasitic loads. For air-cooled binary plants in Nevada, the peak output in the winter is likely to be about 33% higher than the annual average (*i.e.*, a winter peak output of 40 NMW to achieve an annual average of 30 NMW). Parasitic loads in the winter are likely to be at least 15%, yielding a plant capacity requirement of about 47 gross megawatts (GMW). The GMW capacity of the plant is the value typically used to estimate the number of wells required.

## *Wellfield Exploration and Development*

The current DCF scenario assumes a total of thirty-two full-sized wells: two “production test wells” to confirm the field, plus ten more production wells, twelve injection wells and 8 dry holes in the development phase. The number of production wells is reasonable, since a total of twelve production wells to achieve 47 GMW is consistent with typical productivity of 4 GMW for Nevada geothermal wells in this temperature range. The number of injection wells is likewise reasonable: the experience of a number of binary geothermal projects shows that it is wise to plan on the same number of injectors as producers. Finally, the inclusion of 8 dry holes in the DCF analysis is prudent, because typically 25% of the total number of wells drilled in a geothermal project prove to be unsuitable for either production or injection.

The current DCF scenario assumes a cost of US\$500,000 per well for a resource depth of approximately 670 meters (2,200 feet). This is consistent with costs of recent geothermal wells of comparable depths and temperatures in Nevada. Thus, it is GeothermEx’s opinion that the proposed drilling budget of US\$16,000,000 (thirty-two wells at US\$500,000 each) is reasonable.

## *Plant Construction Costs*

The DCF analysis assumes a plant construction cost of US\$45,000,000. This is consistent with recent cost estimates GeothermEx has seen for air-cooled binary units with a capacity of 30 NMW. In our opinion, this plant construction cost estimate is reasonable.

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## *Operating Costs*

The DCF scenario assumes Operating and Maintenance (O&M) costs of US\$4,500,000 per year for the plant and wellfield combined. This is equivalent to US\$150,000 per year per NMW of average output. For air-cooled binary plants in the temperature range expected for Blue Mountain, O&M costs can range anywhere from US\$150,000 to US\$250,000 per NMW per year. Thus, in our opinion, the O&M costs assumed in the current DCF scenario are reasonable assuming no significant technical difficulties in the development of the Blue Mountain resource.

## *Electricity Price*

The DCF scenario assumes a base price of 6.5¢/kWh on the premise that this is intermediate between Sierra Pacific's current price for renewables (about 4.5¢/kWh) and the bulk rate Sierra Pacific is seeking to charge new industrial customers (about 7.5¢/kWh). In GeothermEx's opinion, the assumption of 6.5¢/kWh from potential industrial consumers is plausible if two conditions are met. First, the electricity market in Nevada would have to be restructured to allow wheeling of power from an Independent Power Producer (IPP) to specific industrial customers through Sierra Pacific's territory. Second, a combination of industrial customers would have to be identified who have a demand for as much as 40 NMW in the winter but can tolerate receiving as little as 22 NMW in the summer (allowing for the lower efficiency of air-cooled binary plants when ambient temperatures are high). The restructuring of electricity markets to allow power wheeling has been under consideration for some time, but it is unclear when it will be enacted.

There are several ways in which the project could potentially benefit from electricity prices above 6.5¢/kWh, including:

- a federal Production Tax Credit (PTC);
- a credit for carbon trading; and
- Renewable Energy Credits (RECs) within the state of Nevada.

The PTC for geothermal has been actively debated in the federal congress, and an incentive of 1.5¢/kWh has already been granted to wind plants. Carbon trading credits have also been under

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consideration for some time. Regulations governing RECs in Nevada have recently been passed by the Nevada Public Utilities Commission (NPUC), and the RECs are estimated to have a market value in the range of 1 to 2 ¢/kWh for renewable energy generated by IPPs. Still, since the PTC and carbon trading credit have yet to be formally enacted, and since there is not yet any track record on the implementation of RECs in Nevada, it is appropriate to reserve consideration of possible higher electricity prices to upside scenarios in evaluating the Blue Mountain project.

## *Impact on Present Value*

The DCF scenario we received from you on 9 December showed a present value of US\$40.6 million at a discount rate of 10%, assuming a total investment of \$67.5 million and 50% financing. Figure 3 shows a tabulation of this base-case scenario for a 25-year project life. This scenario incorporates certain changes in tax treatment in comparison with the DCF scenarios we reviewed last August, including:

- an increase in the development drilling write-off from 75% to 85%; and
- an investment tax credit of 10%.

Although GeothermEx is not qualified to give tax advice, the tax-related calculations in the current DCF scenario for Blue Mountain appear to be numerically correct and consistent with assumptions we have seen applied at other geothermal projects.

To investigate the potential impact of higher O&M costs, GeothermEx has run a sensitivity case using the spreadsheet you sent us on 9 December, assuming an annual O&M cost of \$7.5 million. This is equivalent to US\$250,000 per year per NMW of average output, which is at the high end of O&M costs we have observed for binary geothermal plants in the temperature range of Blue Mountain. Figure 4 shows the tabulation for this sensitivity case (the spreadsheet file for this case is included with the transmittal of this memo). This case shows a net present value of \$17.3 million. While this is considerably less than the \$40.6 million calculated under your current base case, the fact that the project still has a positive net present value under a high-side O&M scenario indicates that there is a considerable cushion

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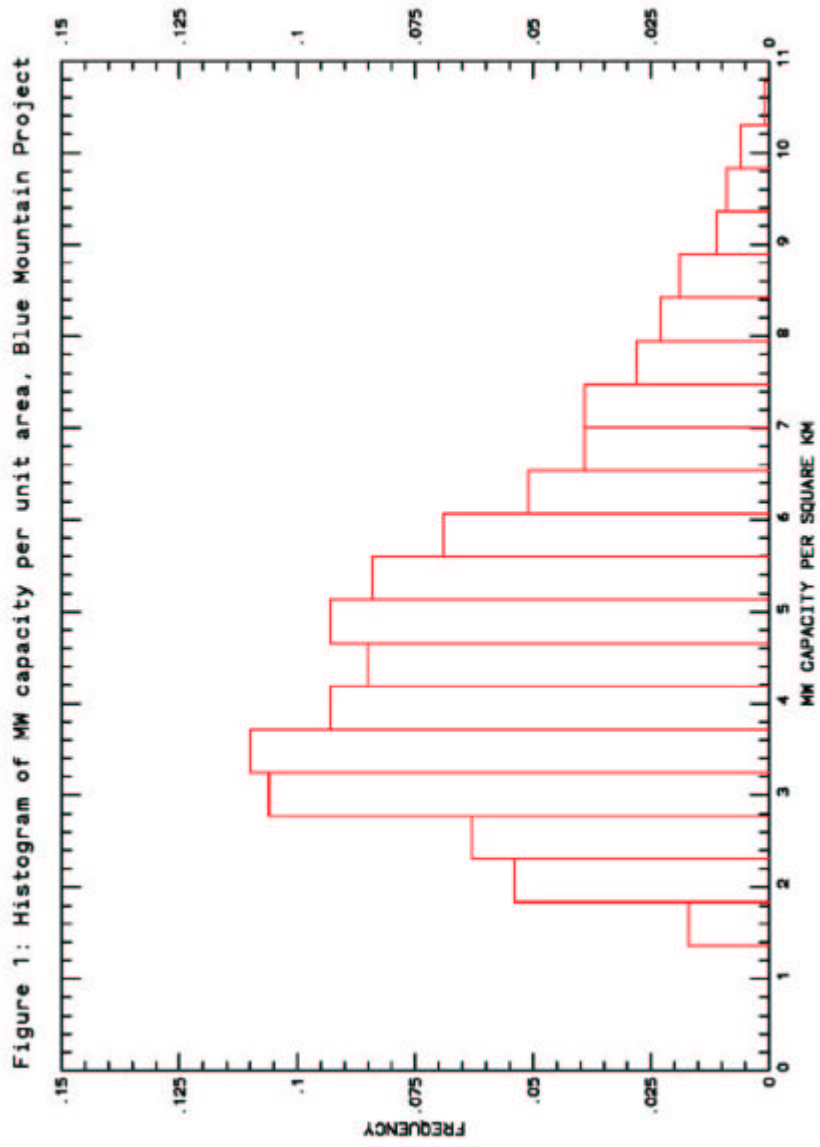
in the economics against possible operational problems.

If you have any questions or comments, please feel free to call me.

Best regards.

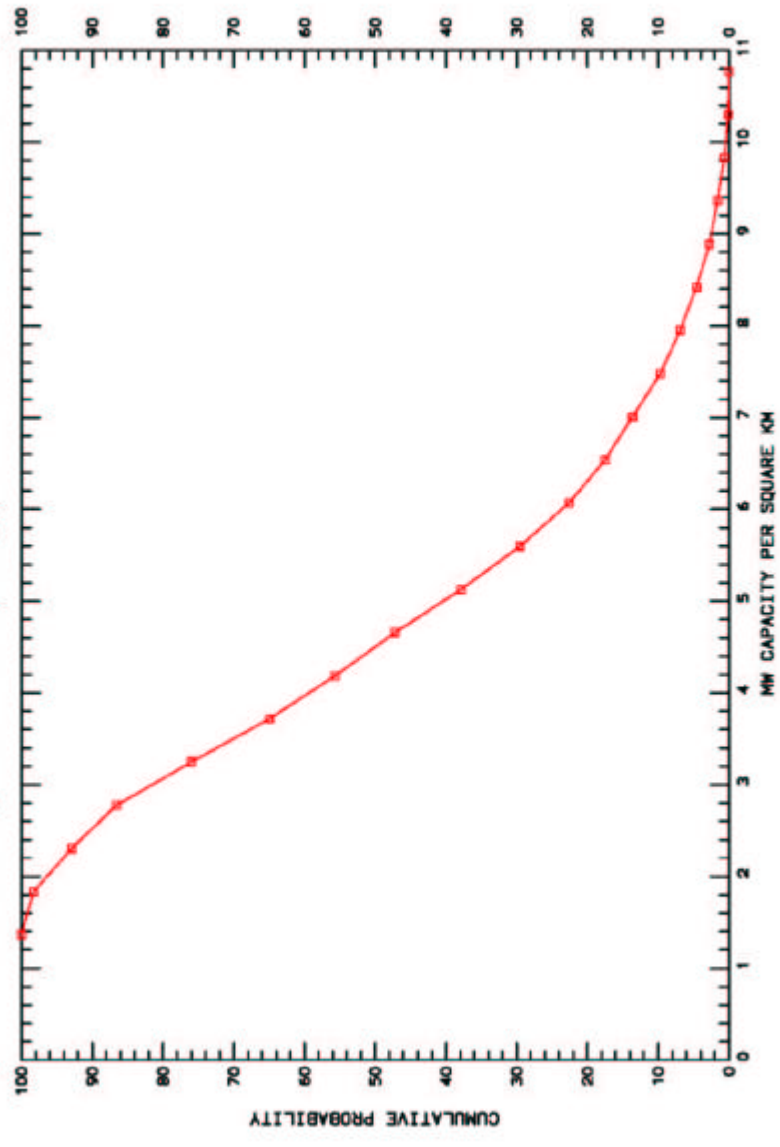
## Table 1: Parameters used for Reserve Estimation

<b>Reservoir porosity:</b>	3% to 7% with equal probability (typical for the Basin & Range Province)
<b>Volumetric specific heat of rock:</b>	2600 kJ/m <sup>3</sup> /°C (typical for geothermal reservoirs)
<b>Reservoir heat recovery factor:</b>	10% to 20% with equal probability (typical for geothermal reservoirs)
<b>Rejection temperature:</b>	15°C (average ambient temperature in Northern Nevada)
<b>Power plant utilization factor:</b>	0.45 (typical for water-cooled binary plants)
<b>Power plant load factor:</b>	90% (typical for geothermal power plants)
<b>Power plant life:</b>	25 years (typical amortization period for geothermal plants)



GeothermEx, Inc.  
08-14-2002 BLUEMNTS.PLT

Figure 2: Cumulative prob. of MW capacity per unit area, Blue Mountain Project



GeothermEx, Inc.  
08-14-2002 BLUEMOUNT.PLT

**Figure 3: DISCOUNTED CASH FLOW - PRICE OF \$0.065/ KWH; 50% DEBT (10% DISCOUNT FACTOR)  
Base-case Scenario for Blue Mountain Geothermal Project - 9 December 2002**

YEAR	COSTS X \$1,000				INCOME X \$1,000					TAXATION							CASH FLOW ANALYSIS			
	EXPLORATION & DEVELOPMENT	O & M	INTEREST	PRINCIPAL PMT	EQUITY	DEBT	POWER SALES GROSS	ROYALTY	NET REVENUE	NET INCOME	Investment Tax Credit	CAPITALIZE	DEPREC	LOSS CFWD	NET TAX. INC BEF. DEPL	DEPLETION	TAX PAYABLE	NET CASH FLOW	DISC FACTOR 10%	DISC CASH FLOW
	2,500				2,500					(2,500)					(2,500)			(2,500)	1	(2,500)
	65,000				31,250	33,750			(65,000)	5,225	49,638			(7,725)	(20,475)			(31,250)	1	(31,250)
1		4,500	3,038	2,221			16,228	426	15,802				10,450	(20,475)				6,043	1.10	5,494
2		4,568	2,838	2,421			16,228	426	15,802				16,720	(22,661)				5,975	1.21	4,938
3		4,636	2,620	2,639			16,228	426	15,802				9,928	(30,984)				5,907	1.33	4,438
4		4,706	2,382	2,877			16,228	426	15,802				6,270	(32,365)				5,837	1.46	3,987
5		4,776	2,123	3,136			16,228	426	15,802				5,748	(29,921)				5,767	1.61	3,581
6		4,848	1,841	3,418			17,482	459	17,023				3,135	(26,766)				6,916	1.77	3,904
7		4,920	1,533	3,726			17,482	459	17,023					(8,997)				6,844	1.95	3,512
8		4,994	1,198	4,061			17,482	459	17,023					1,834	2,553			6,770	2.14	3,158
9		5,069	833	4,426			17,482	459	17,023						2,553	2,999		3,696	2.36	1,568
10		5,145	434	4,825			17,482	459	17,023						2,553	3,112		3,507	2.59	1,352
11		5,222	-	-			20,289	533	19,756						14,534	2,963	4,050	10,484	2.85	3,675
12		5,301	-	-			20,289	533	19,756						14,455	2,963	4,022	10,433	3.14	3,324
13		5,380	-	-			20,289	533	19,756						14,376	2,963	3,994	10,381	3.45	3,007
14		5,461	-	-			20,289	533	19,756						14,295	2,963	3,966	10,329	3.80	2,720
15		5,543	-	-			20,289	533	19,756						14,213	2,963	3,937	10,276	4.18	2,460
16		5,626	-	-			25,366	666	24,700						19,074	3,705	5,379	13,695	4.59	2,980
17		5,710	-	-			25,366	666	24,700						18,989	3,705	5,349	13,640	5.05	2,699
18		5,796	-	-			25,366	666	24,700						18,904	3,705	5,320	13,584	5.56	2,443
19		5,883	-	-			25,366	666	24,700						18,817	3,705	5,289	13,528	6.12	2,212
20		5,971	-	-			25,366	666	24,700						18,728	3,705	5,258	13,470	6.73	2,002
21		6,061	-	-			34,164	897	33,267						27,206	4,990	7,776	19,430	7.40	2,626
22		6,152	-	-			34,164	897	33,267						27,115	4,990	7,744	19,371	8.14	2,380
23		6,244	-	-			34,164	897	33,267						27,023	4,990	7,711	19,311	8.95	2,157
24		6,338	-	-			34,164	897	33,267						26,929	4,990	7,679	19,250	9.85	1,954
25		6,433	-	-			34,164	897	33,267						26,834	4,990	7,645	19,189	10.83	1,771
TOTAL	67,500	135,284	18,839	33,750	33,750	33,750	567,639	14,901	552,738	331,115			52,250	(171,259)	131,657	65,952	91,230	239,885	110	40,592

Price: \$ 0.065  
Well #: 20  
Cost per Well \$ 500,000  
Plant Cost: \$ 45,000,000  
Output MW/h 30.0  
Capacity 95%

**Figure 4: DISCOUNTED CASH FLOW - PRICE OF \$0.065/ KWH; 50% DEBT (10% DISCOUNT FACTOR)  
High-side O&M Scenario (\$7.5 million per year)**

YEAR	COSTS X \$1,000				INCOME X \$1,000					TAXATION							CASH FLOW ANALYSIS			
	EXPLORATION & DEVELOPMENT	O & M	INTEREST	PRINCIPAL PMT	EQUITY	DEBT	POWER SALES GROSS	ROYALTY	NET REVENUE	NET INCOME	Investment Tax Credit	CAPITALIZE	DEPREC	LOSS CFWD	NET TAX. INC BEF. DEPL	DEPLETION	TAX PAYABLE	NET CASH FLOW	DISC FACTOR 10%	DISC CASH FLOW
	2,500				2,500				(2,500)						(2,500)			(2,500)	1	(2,500)
1	65,000				31,250	33,750			(65,000)	5,225	49,638			(7,725)	(20,475)			(31,250)	1	(31,250)
2		7,500	3,038	2,221			16,228	426	15,802	5,264			10,450	(20,475)	(25,661)			3,043	1.10	2,766
3		7,613	2,838	2,421			16,228	426	15,802	5,352			16,720	(25,661)	(37,029)			2,930	1.21	2,422
4		7,727	2,620	2,639			16,228	426	15,802	5,456			9,928	(37,029)	(41,501)			2,816	1.33	2,116
5		7,843	2,382	2,877			16,228	426	15,802	5,577			6,270	(41,501)	(42,193)			2,700	1.46	1,844
6		7,960	2,123	3,136			16,228	426	15,802	5,718			5,748	(42,193)	(42,222)			2,583	1.61	1,604
7		8,080	1,841	3,418			17,482	459	17,023	7,103			3,135	(42,222)	(38,255)			3,685	1.77	2,080
8		8,201	1,533	3,726			17,482	459	17,023	7,289				(38,255)	(30,966)			3,563	1.95	1,829
9		8,324	1,198	4,061			17,482	459	17,023	7,501				(30,966)	(23,465)			3,440	2.14	1,605
10		8,449	833	4,426			17,482	459	17,023	7,742				(23,465)	(15,723)			3,316	2.36	1,406
11		8,575	434	4,825			17,482	459	17,023	8,014				(15,723)	(7,709)			3,189	2.59	1,229
12		8,704	-	-			20,289	533	19,756	11,052				(7,709)	3,343	2,963	133	10,919	2.85	3,827
13		8,835	-	-			20,289	533	19,756	10,921				-	10,921	2,963	2,785	8,136	3.14	2,592
14		8,967	-	-			20,289	533	19,756	10,789				-	10,789	2,963	2,739	8,050	3.45	2,332
15		9,102	-	-			20,289	533	19,756	10,654				-	10,654	2,963	2,692	7,963	3.80	2,097
16		9,238	-	-			20,289	533	19,756	10,518				-	10,518	2,963	2,644	7,874	4.18	1,885
17		9,377	-	-			25,366	666	24,700	15,323				-	15,323	3,705	4,066	11,257	4.59	2,450
18		9,517	-	-			25,366	666	24,700	15,182				-	15,182	3,705	4,017	11,165	5.05	2,209
19		9,660	-	-			25,366	666	24,700	15,040				-	15,040	3,705	3,967	11,072	5.56	1,991
20		9,805	-	-			25,366	666	24,700	14,895				-	14,895	3,705	3,916	10,978	6.12	1,795
21		9,952	-	-			25,366	666	24,700	14,748				-	14,748	3,705	3,865	10,883	6.73	1,618
22		10,101	-	-			34,164	897	33,267	23,165				-	23,165	4,990	6,361	16,804	7.40	2,271
23		10,253	-	-			34,164	897	33,267	23,014				-	23,014	4,990	6,308	16,706	8.14	2,052
24		10,407	-	-			34,164	897	33,267	22,860				-	22,860	4,990	6,255	16,606	8.95	1,854
25		10,563	-	-			34,164	897	33,267	22,704				-	22,704	4,990	6,200	16,504	9.85	1,676
	10,721	-	-	-			34,164	897	33,267	22,546				-	22,546	4,990	6,144	16,401	10.83	1,514
<b>TOTAL</b>	<b>67,500</b>	<b>225,473</b>	<b>18,839</b>	<b>33,750</b>	<b>33,750</b>	<b>33,750</b>	<b>567,639</b>	<b>14,901</b>	<b>552,738</b>	<b>240,926</b>			<b>52,250</b>	<b>(304,724)</b>	<b>(91,997)</b>	<b>58,292</b>	<b>62,093</b>	<b>178,833</b>	<b>110</b>	<b>17,314</b>

Price: \$ 0.065  
Well #: 20  
Cost per Well: \$ 500,000  
Plant Cost: \$ 45,000,000  
Output MW/h 30.0  
Capacity 95%

# GeothermEx, Inc.

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E-MAIL: [mw@geothermex.com](mailto:mw@geothermex.com)

## *MEMORANDUM via e-mail*

**To:** **Brian D. Fairbank**  
Continental Ridge Resources, Inc.  
**409 Granville Street, Suite 900**  
**Vancouver, British Columbia V6C 1T2**  
Canada

**Date:** **28 January 2003**

e-mail: [fairbank@intergate.bc.ca](mailto:fairbank@intergate.bc.ca)

**From:** Subir K. Sanyal

**Re:** Consent to use Review Report on Blue Mountain Geothermal Project

GeothermEx has prepared a memorandum entitled "Blue Mountain Geothermal Project," dated 16 December 2002, hereinafter referred to as the "Review Report." This Review Report may be relied upon by the Board of Directors, regulatory authorities, and shareholders of Continental Ridge Resources, Inc., but may not be used or relied upon by any other person without express prior written consent. However, GeothermEx consents to the duplication and inclusion of this Review Report in a Prospectus or Information Circular.

*"Subir K. Sanyal"*

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## STATEMENT OF QUALIFICATIONS OF GEOTHERMEX, INC.

GeothermEx is a U.S. corporation, in business since 1973, specializing exclusively in providing consulting, operational and training services in the exploration, development, assessment and valuation of geothermal energy. We are the largest and longest-established such organization in the Western Hemisphere. The staff consists of specialists in geosciences (geology, geochemistry, geophysics, hydrology), engineering (drilling, well testing, reservoir, production, power plant, chemical), computer science and economic analysis. All technical staff members have advanced degrees and lengthy geothermal experience (average 15 years), with several members having more than 25 years in the geothermal industry.

GeothermEx's clients include:

- major oil and mineral companies requiring assistance in exploration, drilling and field development;
- electrical utilities requiring independent resource evaluation;
- financial organizations requiring advice on loan, acquisition and grant programs; and
- agencies of government, landowners, legal counselors, and engineering companies requiring specialized technical assistance.

GeothermEx has been associated with more than 750 projects for some 180 clients in 44 countries. The company has been involved in the development of The Geysers geothermal field in California and in all the other producing geothermal fields in the United States, including those in the Imperial Valley, the Basin and Range, Hawaii, Alaska and the Cascade Range. GeothermEx has carried out detailed geothermal exploration, drilling, field development and/or assessment projects for government agencies or private companies in Canada, Costa Rica, Nicaragua, Indonesia, Papua New Guinea, Guatemala, Portugal (the Azores), Iran, Mexico, the Philippines, El Salvador, Honduras, Peru, Macedonia, Argentina, Italy, Japan and Taiwan. We have also carried out geothermal reconnaissance and evaluation projects in Viet Nam, Bolivia, China, Panama, St. Lucia, Kenya, Ethiopia, Mozambique, Yemen, Turkey, India, Thailand,

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Djibouti, Uganda, Hungary, Samoa, Jordan, Madagascar, and Fiji for the United Nations or World Bank. GeothermEx has conducted technology transfer or training projects in many countries, including Bolivia, Brazil, China, Costa Rica, Greece, Japan, Nicaragua, New Zealand and The Philippines.

GeothermEx's specialties include:

- Design and implementation of exploration programs.
- Design and management of drilling projects.
- Design and management of well logging operations.
- Design, execution and interpretation of well tests.
- Conceptual modeling based on integration of geologic, geochemical, geophysical, drilling and well-test data.
- Reservoir engineering and numerical simulation of reservoirs.
- Wellbore simulation and well design.
- Optimization of resource use.
- Design of power plants and gathering systems.
- Economic evaluation, risk appraisal and project financing support.
- Monitoring and maintenance of producing fields.
- Production chemistry services.
- Project feasibility studies.

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GeothermEx has conducted due diligence and verified resource adequacy for financial institutions in nearly all geothermal projects in the United States and abroad financed by bank loans or bonds. This has enabled the development of more than 6,000 MW of geothermal power, the total financed to date being nearly US \$7,000,000,000.

**Visit our website at [www.geothermex.com](http://www.geothermex.com)**

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## CERTIFICATE OF QUALIFICATIONS OF SUBIR K. SANYAL

### **I, Subir K. Sanyal, certify that:**

1. I reside at 904 Placer Ridge Road, Walnut Creek, California 94596, U.S.A.
2. I have a Ph.D. in Petroleum Engineering from Stanford University, and a Master's degree in Petroleum Engineering from the University of Birmingham (U.K.).
3. I have worked as a reservoir engineer since 1969.

My expertise includes project financing and management, economic analysis, property appraisals, reservoir engineering, numerical simulation, training of reservoir engineers, and software development. I joined GeothermEx in 1980 as Vice President and Manager of Reservoir Engineering Services and I have been President and Manager of Reservoir Engineering at GeothermEx since 1995.

Before joining GeothermEx in 1980, I was a Consulting Professor and Manager of the Petroleum Research Institute at Stanford University, Vice President of Geonomics, Inc., Senior Staff Specialist for the United States Geological Survey, Consulting Engineer for Scientific Software Corporation, and a Senior Petroleum Engineer for Texaco, Inc.

Since 1975, I have managed major geothermal projects in the United States, The Philippines, Japan, Costa Rica, Indonesia, Mexico, Nicaragua, Guatemala and Italy.

I have led teams of specialists in the assessment of many well known geothermal fields; and power plants have now been installed at most of these sites. These fields include: The Geysers, Coso, Salton Sea, East Mesa, Heber, Brawley and Mammoth (California); Dixie Valley, Steamboat, Soda Lake, Stillwater, Beowawe, Desert Peak and Brady's (Nevada); Puna (Hawaii), Unalaska (Alaska); Momotombo and San Jacinto (Nicaragua); Miravalles (Costa Rica); Zunil and Amatitlán (Guatemala); Ahuachapán and Berlín (El Salvador); Olkaria (Kenya); Tiwi, MacBan, Palinpinon, Leyete and BacMan (Philippines); Dieng, Patuha, Wayang Windu, Karaha, Kamojang and Darajat (Indonesia); Uenotai, Wasabizawa, Minami Aizu, Oku Aizu, Hakkoda, Kokubu,

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Takigami and Niseko (Japan); Latera and Mofete (Italy); Wairakei and Ohaaki (New Zealand); Asal (Djibouti); Kochani (Yugoslavia); Zugdidi (Republic of Georgia); and others.

I have served as an expert witness in numerous litigations. I have conducted technology transfer programs in Japan, Greece, Bolivia, Brazil and The Philippines, and undertaken assessment of geothermal fields in two dozen countries around the world. I have also assisted clients in geothermal power sales and steam sales contract negotiations, property appraisals and market studies, and provided advice and due diligence for project financing in numerous countries. To date, this has enabled the generation of more than 6,000 MW of geothermal power, the total financed being nearly US \$7,000,000,000.

I have been the author or co-author of over 100 technical publications.

4. I am a member of the Board of Directors of the Geothermal Resources Council (Davis, California), and a former Board member of the Geothermal Energy Association (Washington, D.C.) and the International Geothermal Association (Pisa, Italy).
5. My knowledge of the Blue Mountain Geothermal Project is based on the study of documents listed in this Review Report.
6. I have no interest, nor do I expect to receive any interest, either directly or indirectly, in Continental, Blue Mountain, or their subsidiary or associated companies.
7. I hereby grant my permission for Continental to use this report for whatever purposes they deem appropriate, subject to the disclosures set out in this Certificate and this Review Report.

Dated at Richmond, California, USA, this 28th day of January, 2003.

“Subir K. Sanyal”

Subir K. Sanyal, Ph.D.

# GeothermEx, Inc.

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## CERTIFICATE OF QUALIFICATIONS OF JAMES W. LOVEKIN

### **I, James W. Lovekin, certify that:**

1. I reside at 2100 Jefferson Avenue, Berkeley, CA 94703-1415, U.S.A.
2. I have an Engineer's Degree in Petroleum Engineering from Stanford University and am a registered Professional Engineer in the State of California. I also have a Bachelor's degree in Geological Engineering from the University of Nevada, Reno, as well as a Bachelor's degree in American Studies from Amherst College.
3. I have worked as a geothermal engineer since 1987 and joined GeothermEx as Manager of Field Operations in 1996.

My expertise includes: planning and execution of geothermal project development; assessment of geothermal reserves and sustainable reservoir capacity; design and supervision of well workovers; prevention of scale in geothermal wells and surface facilities; selection of optimal injection strategies for geothermal fields; forecasting reservoir performance and estimating make-up drilling requirements; and budgeting for drilling and for monitoring reservoir performance.

I have been responsible for planning development and monitoring project performance at numerous geothermal fields in the United States, Indonesia, and Central America.

Prior to joining GeothermEx, as Director of Geothermal Resources for CalEnergy Company, I was a key person in field development and power plant construction for nine years, during which a total generation capacity of 270 MW (9 individual power plants) was installed at the Coso geothermal field in California. I was personally involved in the testing and evaluation of approximately 50 production wells at Coso, and established a reservoir-monitoring program at Coso incorporating flow rate measurements, pressure and temperature surveys, geochemical sampling, and tracer studies.

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During my tenure with CalEnergy Company, I also managed field development and operations at the Salton Sea (240 MW), Roosevelt Hot Springs (25 MW), and Desert Peak (9 MW) geothermal fields, and coordinated the assessment and development planning for a number of exploratory geothermal projects, including Newberry Crater in Oregon, Glass Mountain (Telephone Flat) in northern California, San Jacinto-Tizate in Nicaragua, and the Dieng and Patuha fields in Indonesia.

4. I am a board member of the Geothermal Resources Council and a member of the International Geothermal Association, the Society of Petroleum Engineers, and the American Association of Petroleum Geologists.
5. My knowledge of the Blue Mountain Geothermal Project is based on the study of documents listed in this Review Report.
6. I have no interest, nor do I expect to receive any interest, either directly or indirectly, in Continental, Blue Mountain, or their subsidiary or associated companies.
8. I hereby grant my permission for Continental to use this report for whatever purposes they deem appropriate, subject to the disclosures set out in this Certificate and this Review Report.

Dated at Richmond, California, USA, this 28th day of January, 2003.

“James W. Lovekin”

James W. Lovekin, P.E. (State of California, No. 1594)

*Appendix III – Glanville Fairness Opinion*

**A FAIRNESS OPINION**

REGARDING

THE PROPOSED ISSUANCE OF 5,500,000 SHARES

OF

CONTINENTAL RIDGE RESOURCES INC.

IN EXCHANGE FOR ALL OF THE SHARES

OF

BLUE MOUNTAIN POWER COMPANY INC.

DECEMBER 2002

PREPARED BY: ROSS GLANVILLE & ASSOCIATES LTD.  
7513 PANDORA DRIVE  
BURNABY, B.C., CANADA  
604-291-6731  
[glanville@telus.net](mailto:glanville@telus.net)

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## EXECUTIVE SUMMARY

Ross Glanville & Associates Ltd. (“Glanville”) has been retained by the Directors of Continental Ridge Resources Inc. (“Continental”) to determine the fairness of the proposed issuance of five and one half million (5,500,000) shares of Continental in exchange for all of the shares of Blue Mountain Power Company Inc. (“Blue Mountain”). In order to provide the Fairness Opinion, Glanville determined the Fair Market Values of each of Blue Mountain and Continental, and reviewed the share trading history of Continental. For this purpose, Fair Market Value means “the highest price available (at a specific time) in an open and unrestricted market between informed and prudent parties, acting at arm’s length and under no compulsion or constraint to transact, expressed in terms of cash”.

Continental’s major asset is its option to earn up to a 60 percent interest in Blue Mountain’s geothermal leases in Nevada (referred to as the “Blue Mountain Geothermal Project”, or “Project”). Other assets/liabilities of Continental consist of its gold exploration properties in Alaska (two contiguous properties), a TSX Venture Exchange listing, 100,000 shares of Blue Mountain (or just under a 2 percent interest), negative working capital, income tax pools, and capital assets. As of September 30, 2002, there were approximately 9.5 million common shares issued and outstanding. Over the past six months, the trading price has generally been in the range of 30 cents to 45 cents per share, and the last trade before the “halt-trading” (prior to the opening of the TSX Venture Exchange for trading on December 16, 2002) was 38 cents per share.

Noramex Corporation Inc., a Nevada company (wholly-owned by Blue Mountain), owns a 100 percent interest (subject to royalties payable and the Option Agreement with Continental) in geothermal leases (the “Project”) located in Humboldt County, Nevada. These leases (consisting of seven sections, or about 18 square kilometers, situated 20 miles west of the town of Winnemucca) have the potential for the development of a high temperature resource suitable for the generation of electric power.

According to the Option Agreement, dated June 19, 2001, Blue Mountain granted Continental the option to earn up to a 60 percent interest (subject to royalties) in the Blue Mountain Geothermal Project in two stages. The Initial Option allows Continental to earn a 20% interest in the Project by incurring expenditures of U.S. \$500,000<sup>1</sup>, making cash payments of U.S. \$30,000, and issuing 400,000 of its shares over a two year period. The Subsequent Option allows Continental to acquire a further 40 percent (and therefore a total interest of 60 percent) by expending an additional U.S.\$1,200,000, making additional cash payments of U.S. \$20,000, and issuing an additional 200,000 shares on or before the third anniversary (August 1, 2004) of the option date (August 1, 2001).

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<sup>1</sup> Subsequently changed to U.S. \$450,000, according to an Option Amendment Agreement dated November 12, 2002

Continental and Blue Mountain are alternative energy companies, focusing on the development of large geothermal power projects in the Western U.S.A.

Geothermal energy has become the “green” energy alternative of choice because it is natural, clean, renewable, reliable, efficient, and inexpensive to operate. The western United States have a generous endowment of geothermal potential, with Nevada occupying the area of highest crustal heat flow in North America due to that State’s increased magmatic activity related to plate tectonics. Geothermal heat can be (and is being) harnessed for the generation of clean electrical power wherever there is high heat flow in deep, fractured rock formations and a shallower, non-fractured (or sealed) caprock. Ground water in the deep fractures becomes heated and rises to form a geothermal reservoir under the cap rock. Production wells are typically drilled to a depth of one to two kilometers to bring the hot water (at least 150 degrees C.) up to surface where it flashes to steam. The steam is used to drive turbines for generating electricity, and the residual water is pumped back down injection wells to recharge the reservoir.

In the fall of 2000, Noramex was awarded a cost-share program under the U.S. Department of Energy’s Geothermal Resource Exploration and Definition program. Phase I of the cost-share program was completed in October 2000, and Fairbank Engineering Ltd. (on behalf of Noramex) submitted a summary evaluation report on the geothermal potential of the Blue Mountain area to the Department of Energy (DOE) of the U.S. Government. Phase II of the program provided funding for the first intermediate depth test hole, designated Deep Blue No. 1, at Blue Mountain. The well was drilled from April 27 to June 12, 2002, and to a final depth of 672 meters (about 2,205 feet). The DOE provided U.S. \$435,000 in support of the Phase II costs.

Testing of the Deep Blue No. 1 confirmed that both high temperatures and excellent permeability were encountered at relatively shallow depths. Well logs (temperature, pressure, and gamma ray) run immediately after hole completion yielded temperatures of up to 146 degrees C (295 degrees F), with temperatures still increasing in the bottom interval. Since continuous circulation of cold fluids during drilling has the effect of cooling the formation around the well bore (which then takes one to two months to fully heat up or “equilibrate” to pre-drilling temperatures), the reservoir temperature indicated by Deep Blue No. 1 is thus somewhat greater than 150 degrees C (300 degrees F). The foregoing appears to confirm the presence of a geothermal resource at Blue Mountain at a temperature high enough to produce electricity on a commercial basis (it should be noted that the Steamboat Springs geothermal plant near Reno operates with equilibrated water temperatures of only 155 degrees C). The pattern of temperature increase with depth indicates that higher temperature zones may be found within the geothermal system and possibly east of the Deep Blue No. 1 site.

The Blue Mountain Power Project has recently been awarded additional funding from the DOE (approximately U.S. \$660,000 to be applied to the estimated cost of U.S.\$825,000 for the drilling of a second, deeper well) to further develop the Blue Mountain Geothermal Project. This Deep Blue No. 2 test well will target a different part of the Blue

Mountain geothermal system where previous shallow temperature gradient wells recorded some of the highest temperature gradients on the Blue Mountain property. In addition to the second deep test well, another ten shallow gradient wells will be drilled in order to better define the overall size and core of the Blue Mountain geothermal resource; and at least two production wells are to be completed. Based on the results of the foregoing work, a feasibility study is expected to be completed. Although the initial focus will be on a 30 MW power plant, the site appears to have the potential for significant additional production.

GeothermEx, Inc. (“Geothermex”) reviewed the geothermal resource of the Blue Mountain Geothermal Project and prepared discounted cash flows under two different operating cost scenarios (summarized in a memorandum dated December 16, 2002). Geothermex’s major conclusions are summarized below:

- The Blue Mountain Project has identified a significant geothermal resource of about 150°C temperature at 500 to 700 m depth; this temperature is suitable for use in commercial binary power plants, and the relatively shallow depth of the resource implies relatively low drilling cost.
- Given the attractive temperature level for the drilling depth, the existence of an extensive geothermal anomaly, and the relatively flat and accessible terrain of the project site, the Blue Mountain project is as attractive as any being explored or developed in Nevada today.

Geothermex calculated a net present value of U.S. \$40.6 million for 100% of the Project. However, Geothermex also calculated a net present value of U.S. \$17.3 million by utilizing much higher annual operating costs (U.S. \$7.5 million per year versus U.S. \$4.5 million per year). Geothermex stated that, “While the U.S. \$ 17.3 million is considerably less than the U.S. \$40.6 million calculated under your current base case, the fact that the project still has a positive net present value under a high-side operating and maintenance scenario indicates that there is a considerable cushion in the economics against possible operational problems.”

The fair market values (in Canadian dollars) of Blue Mountain’s interest in the Blue Mountain Geothermal Project (and therefore the fair market value of Blue Mountain, since this will be the only material asset/liability that will remain in Blue Mountain), based on five different valuation methods (as set out in detail in this report), are summarized below, along with the number of shares that could be issued by Continental for all of the shares of Blue Mountain.

<u>VALUATION METHOD</u>	<u>INDICATED VALUES OF BLUE MOUNTAIN</u> (Canadian Dollars)	<u>SHARES TO BE ISSUED</u>	
		<u>35 CENTS<sup>2</sup></u>	<u>40 CENTS</u>
Terms of Option Agreement:	\$2,019,000	5,769,000	5,048,000
Adjusted Market Capitalization:	\$3,487,000	9,963,000	8,718,000
Investment by DOE:	\$5,078,000	14,508,000	12,695,000
Adjusted DCF/NPV:	\$4,450,000	12,714,000	11,125,000
Increase in Market Capitalization:	\$3,290,000	9,400,000	8,225,000
Averages:	\$3,665,000	10,471,000	9,162,000
Medians:	\$3,487,000	9,963,000	8,718,000

Based on the foregoing indicated values (and noting that the “Terms of Option Agreement” is a minimum value, since there have been significant positive events since the Option Agreement was signed), the proposed issuance of 5,500,000 shares of Continental in exchange for all of the shares of Blue Mountain is fair to the shareholders of Continental. In fact, if one were to utilize the median value of \$3,487,000, it would be fair for Continental to issue between 8,718,000 shares (based on a Continental share price of 40 cents) and 9,963,000 shares (based on a Continental share price of 35 cents).

Glanville considered many things in determining the fairness of the proposed transaction to the shareholders of Continental. Although Glanville evaluated, analyzed, and reviewed many factors, the following were considered the most important:

- \* the fair market value of Blue Mountain (approximately Cdn. \$3.5 million) compared to the value of the share consideration (about Cdn. \$2.1 million at a share price of 38 cents per share) by Continental
- \* the trading volumes and prices of the shares of Continental
- \* the ownership dilution (or the converse) implications of the transaction
- \* the present financial positions of the companies
- \* prior transactions or financings by Blue Mountain and Continental
- \* the elimination of the required expenditures, payments, and share issuances by Continental in order to earn its interest (and thus provide a certain 100% interest, as opposed to a possible 60% interest)
- \* the elimination of the overhead required for managing two separate companies
- \* the removal of actual or perceived conflicts of interest
- \* the liquidity afforded the shareholders of Blue Mountain (via ownership of shares of a publicly-traded company)
- \* the likelihood that the amalgamated company would be in a better position to raise

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<sup>2</sup> It should be noted that the last trade prior to the trading halt before the opening of the TSX Venture Exchange on December 16, 2002, was 38 cents per share.

major financing for advancement of the Geothermal Project

- \* the fact that 100 percent of the Project would be owned by one company, thus making it more likely that a major joint venture partner would be interested in investing in the Project

Based on the foregoing considerations, as well as others set out in this report, **it is Glanville's opinion that the proposed transaction is fair, from a financial point of view, to the shareholders of Continental.** In reaching this opinion, Glanville has concluded that the value to an existing shareholder of Continental after the proposed transaction is completed would not be lower than the value prior to the transaction. However, Glanville expresses no opinion as to the expected trading price of the shares of Continental if the proposed transaction is completed. In addition, this Fairness Opinion does not constitute a recommendation to buy or sell the shares of Continental

This fairness opinion (and valuation) may be relied upon by the Board of Directors, regulatory authorities, and shareholders of Continental, but may not be used or relied upon by any other person without express prior written consent. However, Glanville consents to the duplication and inclusion of this Fairness Opinion in a Prospectus or Information Circular.

## INTRODUCTION AND TERMS OF REFERENCE

## ENGAGEMENT TERMS

Glanville was retained by the Board of Directors of Continental to determine the fairness of the proposed transaction whereby Continental would issue 5.5 million of its shares in exchange for all of the shares of Blue Mountain. Under the terms of the engagement, Glanville will be paid a fee and will be reimbursed for his out-of-pocket expenses. The payment of the fee in connection with the engagement is not dependent upon the fairness opinion rendered. Glanville is an independent arm's length consultant who does not have a financial interest (nor does he expect to have any future interest), directly or indirectly, in Continental, Blue Mountain, or their subsidiary or associated companies, nor does he expect any consideration other than the fee and expenses for preparation of this report.

## CREDENTIALS OF GLANVILLE

Ross Glanville & Associates Ltd. is a company specializing in valuations of public and private resource exploration and development companies, as well as providing fairness opinions and litigation support (such as being an expert witness in court cases involving valuation disputes) related to financial and technical issues. The president, Ross Glanville, graduated from the University of British Columbia in 1970 with a Bachelor of Applied Science Degree (Mining Engineering) and became a member of the Association of Professional Engineers of British Columbia in 1972 (P.Eng.). In 1974, Glanville obtained a Master of Business Administration Degree (MBA), specializing in finance and securities analysis. In 1980, Glanville became a member of the Certified General Accountants of B.C. (CGA). He is also a member of the Canadian Association of Mineral Valuers (CAMV).

Glanville has valued more than five hundred mining and exploration properties and/or companies in Canada, the U.S.A., Australia, and Mexico, as well as over one hundred and fifty in many other areas of the world, including Africa, South America, Europe, and Asia. Glanville has formed public companies (listed on the Toronto Stock Exchange, the Australian Stock Exchange, NASDAQ, and the TSX Venture Exchange) and has served on the Boards of Directors of three companies with producing mines. Ross Glanville has also acted in more than 50 court cases and assessment appeal board hearings in Canada, the U.S.A., Australia, and the U.K. He has written several articles, and given many presentations, related to the valuation of exploration and mining companies. Some of these articles were published by the United Nations, the Society of Mining Engineers, and by various Canadian magazines and newspapers.

Glanville has provided a large number of fairness opinions (more than 200) for mergers, amalgamations, and acquisitions of public and private companies. These assignments were undertaken for investment dealers, regulatory bodies (including stock exchanges), banks, various government agencies, venture capital firms, forestry companies, mining and exploration companies, oil and gas companies, and others.

## SCOPE OF REVIEW

In order to prepare this Valuation Opinion, Glanville carried out the following, among other things:

- \* reviewed annual reports (latest to June 30, 2002) and quarterly reports (the most recent being to September 30, 2002)
- \* reviewed the input parameters and assumptions utilized in the December 2002 Geothermex report
- \* analyzed the discounted cash flow/net present value calculations by Geothermex
- \* studied maps of Continental's properties in Nevada and Alaska
- \* had discussions with professional geologists who have visited the properties
- \* reviewed the Sedar filings for Continental
- \* obtained details of prior exploration expenditures
- \* had discussions with management and members of the Board of Directors of Blue Mountain and Continental
- \* determined market capitalizations of companies with similar or comparable properties
- \* reviewed reports and studies related to future energy price projections
- \* had conversations with legal counsel for Continental
- \* had discussions with the author (James Lovekin, P.Eng.) of the December 2002 Geothermex report
- \* had discussions with the auditors of Continental
- \* read press releases issued by Continental
- \* had a discussion with a representative of a division of the U.S. Government that is involved in geothermal power generation
- \* met with individuals with expertise in geothermal power generation
- \* read a number of geologic/technical reports on the Blue Mountain Geothermal Project in Nevada and on Continental's gold properties in Alaska
- \* had discussions with Continental's legal and tax counsel
- \* reviewed information regarding the tax position, as well as the corporate structure of Continental
- \* reviewed the draft agreement (December 2002) between Continental and Blue Mountain regarding the proposed share exchange transaction
- \* carried out such other reviews, calculations, analysis, research and investigations deemed appropriate

## KEY ASSUMPTIONS AND LIMITATIONS

In providing this valuation and fairness opinion, Ross Glanville assumed and relied upon the accuracy and completeness of all technical, financial, and other information furnished to him by Continental, Blue Mountain, and their consultants and representatives. He has not undertaken any specific independent verification of such information (although data was reviewed to determine its "reasonableness"), nor has he undertaken any physical inspections or appraisals of the individual assets of the companies. However, Glanville has no reason to believe that the information provided to him is not accurate or complete,

and has not been denied access to any information that he requested from the representatives of Continental and Blue Mountain.

Glanville decided upon the methodologies to be utilized in this Fairness Opinion, and did not request or receive suggestions as to the methodologies that might have been utilized by the management of either company. The properties have not been visited for purposes of preparing this report; however, Glanville has previously visited other properties near the Blue Mountain Geothermal Project and the mineral exploration properties in Alaska. Glanville has relied upon independent reports, information from management, past expenditures, results to date, and independent research. It should be emphasized that this report is a valuation and fairness opinion, not a technical report. For additional technical detail, the geological and technical reports should be reviewed.

Glanville reserves the right to amend or withdraw this valuation and fairness opinion in certain circumstances, including in the event that there occurs a material change in any of the facts or representations upon which Glanville relied, or in the event that Glanville reasonably concludes that the information provided or any representation he relied upon contains an untrue statement of material fact or omits to state a material fact that, in his reasonable opinion, would make this Fairness Opinion untrue or inaccurate in any material respect.

## CONTINENTAL / BLUE MOUNTAIN OPTION AGREEMENT

According to the "Option Agreement for Blue Mountain Geothermal Project, Humbolt County, Nevada" (dated June 19 2001, and amended August 7, 2002), Continental will have the option to acquire from Blue Mountain up to a 60% interest in and to the "Property" ("Property" means a 100% undivided interest in 4,567 acres of geothermal leases<sup>3</sup>), subject to various royalties. The option to earn up to 60% is a two-stage option, with the first stage referred to as the "Initial Option" and the second stage referred to as the "Subsequent Option".

To exercise the Initial Option, and thereby acquire a 20% interest in the property, Continental must:

- (1) make cash payments to Blue Mountain totaling U.S. \$30,000 in accordance with the following schedule:
  - U.S. \$10,000 on the Option Date (August 1, 2001) (paid)

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<sup>3</sup> These are leases from the Bureau of Land Management (BLM) of the United States Federal Government and from the Atchison, Topeka & Santa Fe Railway Company (ATSF). The leases have attached royalties (which vary depending on the type of energy or products generated) that are payable to either the BLM or the ATSF, and Brian Fairbank.

- a further U.S. \$10,000 on or before December 31, 2002 (paid)
  - a further U.S. \$10,000 on or before August 1, 2003
- (2) complete work programs on the Property totaling U.S. \$500,000 in accordance with the following schedule:
- U.S. \$200,000<sup>4</sup> on or before December 31, 2002
  - U.S. \$300,000 on or before August 1, 2003
- (3) issue to Blue Mountain a total of:
- 200,000 common shares<sup>5</sup> on or before August 1, 2002 (issued)
  - a further 200,000 shares on or before August 1, 2003

Upon fulfillment of the Initial Option, Continental will have the right to acquire a further 40 percent interest in the Property (the "Subsequent Option") by:

- (1) delivering written notice of its intention to proceed with the Subsequent Option within 30 days after fulfillment of the Initial Option;
- (2) making a cash payment of U.S. \$20,000 on or before August 1, 2004
- (3) completing a U.S. \$1,200,00 work program on the Property on or before August 1, 2004
- (4) issuing 200,000 common shares on or before August 1, 2004

Other key terms of the Option Agreement are as follows:

- Continental is responsible for all lease payments and property maintenance costs arising during the option period, which payments shall be credited as part of the work program.
- According to the Option Amendment Agreement, any contributions to the Project from the U.S. Department of Energy (DOE) do not count as expenditures by Continental.
- Continental shall be the operator of the Project during the option period, and

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<sup>4</sup> Changed to U.S. \$150,000 on November 12, 2002 (by a second Option Amendment Agreement) to provide certainty that Continental would meet the expenditure requirements (to December 31, 2002) of the Option Agreement

<sup>5</sup> These shares are to be free and clear of all liens, charges, encumbrances, save for a hold period, as imposed by applicable securities legislation or the TSX Venture Exchange

subsequently for so long a Continental holds a minimum 50% interest in the Property.

- There is a “standard” dilution formula based on actual expenditures by Continental and deemed expenditures by Blue Mountain. The deemed expenditures shall be U.S. \$2,000,000 in the event that Continental only completes the Initial Option, and shall be U.S. \$1,133,333 if Continental completes both the Initial Option and the Subsequent Option.
- If Continental exercises the Initial Option and is subsequently diluted to a 10% interest, Continental’s interest in the Property will terminate (reduced to zero).
- If Continental exercises the Subsequent Option, and either Blue Mountain or Continental are diluted to a 10% interest, the diluting party’s interest shall be converted to a royalty on revenue generated from the Property equal to 2.5% for geothermal energy, 1% for by-products, 0.75% for electric power produced with binary technology.
- There is an area of influence of two (2) miles surrounding the outer perimeter of the Property.

## CONTINENTAL RIDGE RESOURCES INC.

### CORPORATE OVERVIEW

The Company was incorporated on April 13, 1995, in the Province of British Columbia, Canada, under the name “Blue Desert Mining Inc.”, and its shares were listed for trading on the Alberta Stock Exchange on January 31, 1996. The Company was designated a “Reporting Issuer” in B.C. on December 5, 1996; and since November 29, 1999, the Company’s shares have been listed for trading on the Canadian Venture Exchange (now the TSX Venture Exchange). On May 25, 2000, the name of the Company was changed to “Canada Fluorspar Inc.” and the Company consolidated its share capital on the basis of three old shares for one new share. On December 20, 2000, the Company changed its name to “Continental Ridge Resources Inc.” (“Continental”).

Continental’s major asset is its option agreement with Blue Mountain Power Company Inc. (“Blue Mountain”), which gives Continental the right to earn a 60 percent interest in Blue Mountain’s geothermal project in Nevada. Other assets/liabilities of Continental consist of its gold exploration properties in Alaska, a TSX Venture Exchange listing, just under a 2 percent interest in Blue Mountain, negative working capital, income tax pools, and capital assets. As of September 30, 2002, there were just over 9.5 million common shares issued and outstanding. Over the past six months, the trading price has generally been in the range of 30 cents to 45 cents per share

## BLUE MOUNTAIN GEOTHERMAL PROJECT

### OVERVIEW

Noramex Corporation Inc., a Nevada company (wholly-owned by Blue Mountain Power Company Inc.), owns a 100 percent interest (subject to royalties payable and the Option Agreement<sup>6</sup> with Continental Ridge Resources Inc.) in geothermal leases located in Humboldt County, Nevada. These leases have the potential for the development of a high temperature resource suitable for the generation of electric power.

Geothermal energy has become the “green” energy alternative of choice because it is natural, clean, renewable, reliable, efficient, and inexpensive to operate. The western United States have a generous endowment of geothermal potential, with Nevada occupying the area of highest crustal heat flow in North America due to that State’s increased magmatic activity related to plate tectonics. Geothermal heat can be (and is being) harnessed for the generation of clean electrical power wherever there is high heat flow in deep, fractured rock formations and a shallower, non-fractured (or sealed) caprock. Ground water in the deep fractures becomes heated and rises to form a geothermal reservoir under the cap rock. Production wells are typically drilled to a depth of one to two kilometers to bring the hot water (at least 150 degrees C.) up to surface where it flashes to steam. The steam is used to drive turbines for generating electricity, and the residual water is pumped back down injection wells to recharge the reservoir.

Continental Ridge / Blue Mountain Power are alternative energy companies, focusing on the development of large geothermal power projects in the Western U.S.A. Their Blue Mountain Geothermal Project has recently been awarded additional funding<sup>7</sup> from the U.S. Department of Energy (approximately U.S. \$660,000 to be applied to the estimated cost of U.S.\$825,000 for the drilling of a second, deeper well) to further develop the Project. This project has the potential to generate a substantial amount of energy and thereby help to meet the growing demand for power in California and the Pacific Northwest, as well as provide a clean alternative to coal, oil, and gas-fired power plants.

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<sup>6</sup> This Option Agreement, dated June 19, 2001, granted Continental the option to earn a 60 percent interest (subject to royalties) in the Blue Mountain Geothermal Project.

<sup>7</sup> The companies have already received U.S. \$435,000 (from the U.S. Department of Energy), which was applied towards the drilling of the first well.

## LOCATION/ACCESS/INFRASTRUCTURE

The Blue Mountain Geothermal Project (“BMGP”) consists of seven (7) sections of geothermal leases, located 20 miles west of the town of Winnemucca, Nevada. The BMGP (centered at Latitude 41 degrees 00 minutes N, Longitude 118 degrees, 08 minutes W) is situated at the western base of Blue Mountain. The project area is accessible year-round via Jungo Road from Winnemucca, off of Interstate Highway I-80. Local dirt roads provide access within the geothermal lease area. The project lies at an elevation of about 4,300 feet above sea level, and local relief is moderate to flat. The BMGP is 15 miles (over relatively flat, undeveloped lands) from the Rose Creek Substation, located on a 130kV-transmission line owned by Sierra Pacific Power Company. The BMGP leases are ideally situated for development, with no obvious environmental, cultural, social, or logistical impediments to drilling operations or future geothermal steam field and power plant development.

## BRIEF HISTORY (PRIOR TO 2000)

Hot water was originally discovered at Blue Mountain during drilling for precious metals on mineral claims staked (in 1982) by Nassau Ltd., which subsequently optioned the mineral rights to several different mining companies. Approximately U.S. \$2.0 million was expended on exploration for precious metals, including detailed geologic mapping; geochemical sampling; aeromagnetic, ground magnetic, IP-resistivity, gravity, and seismic surveys; and over 25,000 feet of drilling in 74 rotary and three diamond drill holes (all less than 500 feet deep) on the Federal lands controlled by Nassau. Hot water was encountered in the mineral exploration holes drilled.

In 1993 and 1994, Noramex acquired geothermal leases covering five sections of BLM (Bureau of Land Management of the United States Federal Government) land and two sections of private land owned by Atchison Topeka and Santa Fe Railway (“ATSF”). A geothermal evaluation was completed using existing geotechnical data, augmented by new geologic mapping and analysis of aerial photographs. A self-potential (“SP”) survey indicated that the flow of near-surface geothermal fluid might be controlled by north-trending faults.

In 1994, Noramex commissioned Geothermal Development Associates (located in Reno, Nevada) to recommend a program of additional work (GDA, 1994). GDA recommended a program of thirteen shallow temperature gradient holes, three intermediate depth holes to 1,500 feet, and two small diameter (nominal 5 to 6-inch) test holes to 3,000 feet to intersect the geothermal reservoir. From 1996 to 1999, geological and geophysical surveys were conducted, and temperature gradients were measured in eleven new holes drilled to depths between 164 and 705 feet (with assistance from the Energy & Geoscience Institute in Utah).

## RECENT DEVELOPMENTS (2000 TO 2002)

In the fall of 2000, Noramex was awarded a cost-share program under the U.S. Department of Energy's Geothermal Resource Exploration and Definition program. Phase I of the cost-share program was completed in October 2000, and Fairbank Engineering Ltd. (on behalf of Noramex) submitted a summary evaluation report on the geothermal potential of the Blue Mountain area to the DOE. Phase II of the program provided funding for the first intermediate depth test hole, designated Deep Blue No. 1, at Blue Mountain. The well was drilled from April 27 to June 12, 2002, and to a final depth of 672 meters (about 2,205 feet). The DOE initially provided U.S. \$360,000 in support of the Phase II costs, and approved an additional \$50,000 in May 2002 when drilling progress was hindered by severe problems related to lost circulation. A further \$25,000 was granted in early June 2002.

## RESULTS TO DATE

Preliminary testing of the Deep Blue No. 1 well confirmed that both high temperatures and excellent permeability were encountered at relatively shallow depths. Well logs (temperature, pressure, and gamma ray), run immediately after hole completion, yielded temperatures of up to 146 degrees C (295 degrees F), with temperatures still increasing in the bottom interval. Since continuous circulation of cold fluids during drilling has the effect of cooling the formation around the well bore (which then takes one to two months to fully heat up or "equilibrate" to pre-drilling temperatures), the reservoir temperature indicated by Deep Blue No. 1 is thus somewhat greater than 150 degrees C (300 degrees F). The foregoing appears to confirm the presence of a geothermal resource at Blue Mountain at a temperature high enough to produce electricity on a commercial basis (it should be noted that the Steamboat Springs geothermal plant near Reno operates with equilibrated water temperatures of only 155 degrees C). The pattern of temperature increase with depth indicates that higher temperature zones may be found within the geothermal system and possibly east of the Deep Blue No. 1 site.

Permeable zones are present in rock formations intersected by Deep Blue No. 1. The well intersected numerous open fracture zones lined by crystalline quartz, as well as other fractures partially sealed by silicification from an earlier phase of geothermal activity. Additional flow and permeability tests are to be conducted shortly to determine well productivity as part of the continuing joint program with the U.S. Department of Energy.

## PLANS/PROGRAMS

The DOE has recently awarded new funding (almost U.S. \$660,000) for a second test well (to a depth of about one kilometer, or about 50 percent deeper than Deep Blue No. 1 hole) to further explore the eastern part of the resource area. This Deep Blue No. 2 test well will target a different part of the Blue Mountain geothermal system where previous

shallow temperature gradient wells recorded some of the highest temperature gradients on the Blue Mountain property. In addition to the second deep test well, another ten shallow gradient wells will be drilled in order to better define the overall size and core of the Blue Mountain geothermal resource.

Blue Mountain / Continental plan to focus on the objective of developing a 30 MW power plant within the next two and one half years. In addition to the plans outlined in the prior paragraph, the Companies expect to complete at least two production wells. Based on the results of the foregoing work, a feasibility study is expected to be completed. Although the initial focus is on a 30 MW power plant, the site appears to have the potential for additional power capacity.

In 2001, a Pre-feasibility study of an initial 30 MW power plant was completed, envisioning that production wells and steam turbines would develop a 150 to 200 degree C reservoir. Supply wells would produce from depths of between 500 and 1000 meters below the surface. It was expected that the initial 30 MW plant construction would cost about U.S. \$65 million, and power sales (at U.S. 6.5 cents per kilowatt-hour) would be approximately U.S. \$20 million per year for 25 years. The net present value (NPV), utilizing a discount rate of 10 percent, was projected to be about U.S. \$40 million.

#### GEOTHERMEX, INC. REPORT DATED DECEMBER 16, 2002

GeothermEx, Inc. ("Geothermex") reviewed the geothermal resource of the Blue Mountain Geothermal Project and prepared discounted cash flows under two different operating cost scenarios. The review (summarized in a memorandum dated December 16, 2002) was based on the following documents (which were also analyzed by Glanville):

1. "A Report on the Blue Mountain Project, Humboldt County, Nevada" by T. L. Sadlier-Brown, P.Geo., dated June 26, 2001
2. "Report on the Blue Mountain Geothermal Area, Humboldt County, Nevada" by Fairbank Engineering Ltd., dated October 31, 2000
3. A memo from Noramex Corporation to David Blackwell, dated July 17, 2002, on the results from well Deep Blue No.1
4. "Blue Mountain Geothermal Project, Deep Blue No. 1 Test Hole, Blue Mountain, Humboldt County, Nevada, U.S.A." by Fairbank Engineering, dated October 2002

Geothermex's major conclusions are summarized below:

- The Blue Mountain Project has identified a significant geothermal resource of about 150°C temperature at 500 to 700 m depth; this temperature is suitable for use in commercial binary power plants; and the relatively shallow depth of the resource implies relatively low drilling cost.
- Exploration results suggest a proven thermal area of at least 4.8 square kilometers,

and the project has a total leasehold of 7 sections (7 square miles, or 18 square kilometers).

- The first deep well (Deep Blue No. 1) indicates a reservoir top at about 450 meters and no temperature reversal up to the total depth of the well (672 m). Therefore, the reservoir is more than 222 meters thick, and may be considerably thicker.
- Well Deep Blue No. 1 heated up to 144°C within 26 hours after stoppage of drilling; therefore, it is reasonable to believe that the well will heat up some more before reaching thermal equilibrium. In similar geologic settings in Nevada, geothermal resources typically reach 180°C to 200°C in temperature. Therefore, considering that exploration in the Blue Mountain area is still in progress, a temperature level of at least 180°C can possibly be confirmed by further drilling in this field.
- Using the above conclusions and some reasonable assumptions applicable to such projects, Geothermex developed a histogram of the estimated MW (gross) capacity per square km, indicating that the reserves have a most-likely value of 3.5 MW (gross) per square kilometer. Given the minimum estimated thermal area of 4.8 square kilometers and the total leasehold area of 18 square kilometers, the most-likely value of reserves lies in the range of 17 to 63 MW (gross).
- The above estimates of reserves would prove conservative if the system has a significant source of hot fluid recharge. On the other hand, these reserve estimates would prove optimistic if the fluid flow is controlled by one or more discrete faults rather than an areally extensive and pervasive fractured reservoir.
- Given the attractive temperature level for the drilling depth, the existence of an extensive geothermal anomaly and the relatively flat and accessible terrain of the project site, the Blue Mountain project is as attractive as any being explored or developed in Nevada today.

Geothermex prepared a discounted cash flow analysis, utilizing the following major assumptions or input parameters:

- an average plant output of 30 net megawatts (NMW), with a capacity factor of 95% (accounting for down time), yielding an average of 28.5 NMW available for sale
- electricity price of U.S. 6.5 cents per kilowatt-hour
- a total of thirty-two (32) full-sized wells: two “production test wells” to confirm the field, ten more production wells, twelve injection wells, and eight dry holes in the development phase
- a cost of U.S. \$500,000 per well for a resource depth of about 670 meters
- a plant construction cost of U.S. \$45,000,000 (for an air-cooled binary unit of 30 NMW)
- operating and maintenance costs of U.S. \$4,500,000 per year for the plant and

- well field combined
- average royalty rate of 2.62% of gross power sales
  - 50% equity and 50% debt financing (at an interest rate of 9%)
  - U.S federal tax rate of 35%
  - inflation rate of 1.5% (although the assumed sale price of electricity stays constant for five year periods, and is inflated at the end of each five year period)
  - reservoir porosity, volumetric specific heat of rock, reservoir heat recovery factor, power plant utilization factor, load factor, and power plant life (25 years) were based on typical geothermal operations (applicable to Northern Nevada)

Based on the foregoing, Geothermex calculated a net present value of U.S. \$40.6 million for 100% of the Project. However, Geothermex also calculated a net present value of U.S. \$17.3 million by utilizing much higher annual operating costs (U.S. \$7.5 million per year versus U.S. \$4.5 million per year). Geothermex stated that, “While this \$17.3 million is considerably less than the U.S. \$40.6 million calculated under your current base case, the fact that the project still has a positive net present value under a high-side operating and maintenance scenario indicates that there is a considerable cushion in the economics against possible operational problems.”

## GOLD EXPLORATION PROPERTIES IN ALASKA

Continental acquired the Gobi, Mojave and Sahara gold properties in the Pogo area of Alaska (approximately 135 kilometers southeast of Fairbanks) over the period from November 1998 to March 1999<sup>8</sup>. In the Pogo area, a staking rush was precipitated by a high-grade gold discovery by partners Teck Corporation and Sumitomo Metal Mining (in 1999, Teck/Sumitomo released a resource estimate of almost 10 million tons grading 0.52 ounces of gold per ton). In January 2000, Continental signed a letter agreement with Anglo Gold (U.S.A.) Inc. (“Anglogold”) covering the three properties. On each of the properties, Anglogold had to spend U.S. \$750,000<sup>9</sup> and make certain cash payments<sup>10</sup> to earn a 60% joint venture interest. Since then, Anglogold has dropped its option on the Mojave and Sahara properties, and only retains the Gobi option (also referred to as the Portal/Gobi claims). Continental retains a 100 percent interest in the Mojave property (on

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<sup>8</sup> The Company has an option to acquire 100% interests in a number of claims by the issue of 66,667 shares (already issued), by cash payments of \$17,500 (paid), and by the payment of an annual advance royalty of \$10,000. The optionor retains a 2% Net Smelter Royalty, of which 1% may be purchased by Continental for \$1,000,000.

<sup>9</sup> \$75,000 on or before January 1, 2001, an additional \$75,000 on or before January 1, 2002, an additional \$200,000 on or before January 1, 2003, an additional \$200,000 on or before January 1, 2004, and an additional \$200,000 on or before January 1, 2005

<sup>10</sup> U.S. \$10,000 on or before December 1, 2000, and annually thereafter

which AngloGold incurred \$86,000 of exploration, including stream sampling, follow-up grid sampling, and prospecting), but has dropped the Sahara property.

The Gobi property is situated immediately southwest of (and contiguous to) Teck/Sumitomo's Pogo Property, while the Mojave property is to the south of (and contiguous to) the Gobi property (the two properties cover a combined area of about 27,000 acres). North-south and northeast trending faults and intrusive dikes, in a similar geological environment to that of Pogo, may localize gold on the Continental properties.

In 2002, AngloGold completed a three-hole 1088-meter diamond drilling program to test the Hook target on the Gobi property. The Hook target is a 100-meter wide zone of gold mineralization hosted by granodiorite intrusive rocks near their contact with the surrounding gneissic metamorphic rocks. This style of gold mineralization has some similarities to both the Pogo deposit and the Fort Knox mine near Fairbanks. Multiple sericite-altered, quartz-veined zones were intersected in hole AGGP-1. The best assay results were 1.05 gpt over 3.0 meters, including 5.26 gpt over 0.5 meters and 0.45 gpt over 3.2 meters from separate zones. AngloGold has met its earn-in obligations to date on the Gobi property, and is expected to complete an exploration program (including drilling) in 2003.

Although Continental's properties are well-located relative to the Pogo deposit, they are still at a relatively early stage of exploration. Results to date have been encouraging, but no significant intersections of gold mineralization have been encountered. Based on the results to date, the option agreement with AngloGold, the fact that AngloGold dropped its option on the Mojave property (and both AngloGold and Continental dropped the Sahara property), the proximity to the Pogo deposit, prior expenditures, and comparable properties, it is Glanville's opinion that the net value of the interests of Continental in its gold exploration properties is between Cdn \$250,000 and Cdn \$500,000. For purposes of this valuation and fairness opinion, Glanville has utilized the mid-point value of Cdn \$375,000.

## TSX VENTURE EXCHANGE LISTING

Based on transaction prices for "shell companies" (those with no material assets or liabilities) listed on the TSX Venture Exchange, the value of a TSX Venture Exchange listing is approximately \$250,000. This attributed value reflects the time, cost, and risk of obtaining a listing.

## WORKING CAPITAL

The working capital of Continental as at November 1, 2002, was approximately negative \$135,000, made up of current assets of about \$25,000 and current liabilities of approximately \$160,000.

## OTHER ASSETS

The other assets of Continental are relatively insignificant, and include capital assets (computers and furniture with an estimated value of about \$10,000), shares of Blue Mountain (100,000 @ 35 cents per share), and income tax pools (estimated to have a value of approximately \$50,000). Thus, the total value of other assets is about \$95,000.

## SHARE STRUCTURE

As at September 30, 2002, there were 9,505,725 common shares issued and outstanding. The fully diluted shares (assuming the exercise of all options and warrants that are in-the-money, meaning those that have exercise prices lower than, or equal to, the present trading price on the TSX Venture Exchange) and additional cash are summarized below:

	<u>Cash</u>	<u>Shares</u>
September 30, 2002:		9,505,725
Options Exercisable at \$0.10 per share:	\$44,500	445,000
Options Exercisable at \$0.25 per share:	54,000	216,000
Options Exercisable at \$0.25 per share:	25,000	100,000
Warrants Exercisable at \$0.25 per share:	\$149,375	597,500
Warrants Exercisable at \$0.35 per share:	53,200	152,000
Recent Financing at \$0.40 per share:	\$78,000	195,000
Totals:	----- \$404,075	----- 11,211,225

## SHARE TRADING HISTORY

The share trading history (price and volume) of Continental over the past two years may be viewed in the attached chart. As can be determined from that chart, the trading price over the past six months has generally ranged from about 30 cents to 45 cents per share, with recent trading around 35 cents per share. The yearly high and low were 48 cents and 20 cents per share, respectively; while the two year high and low were 48 cents and 7 cents, respectively. The last trade prior to the trading halt before the opening of the TSX Venture Exchange on December 16, 2002, was 38 cents per share.

## BLUE MOUNTAIN POWER COMPANY INC.

Blue Mountain Power Company Inc. (“Blue Mountain”) is a private British Columbia company. Its major asset is its ownership (via its wholly-owned subsidiary, Noramex Corp.) of geothermal leases in the State of Nevada. These leases, referred to as the Blue Mountain Geothermal Project, have already been described in a prior section of this report (see “Blue Mountain Geothermal Project” immediately after the “Overview” of Continental). Although Blue Mountain has other leases, an extensive database, and an experienced management team; for purposes of this valuation and fairness opinion, no additional value has been placed on these other tangible and intangible assets. The values of Blue Mountain’s interest in the Blue Mountain Geothermal Project, based on different valuation methods, are set out in the next section of this report.

Blue Mountain presently has a negative working capital position of more than Cdn \$250,000; however, the principals of the Company will arrange it so that on closing of the proposed transaction, the total liabilities will not be greater than Cdn \$10,000 in the aggregate. There are 5,317,720 issued shares of Blue Mountain, of which Continental owns 100,000, or just under 2 percent.

## VALUE OF BLUE MOUNTAIN’S GEOTHERMAL INTERESTS

Since the only major asset of Blue Mountain is (or, at least, it will be upon closing the proposed transaction) its interest in the Blue Mountain Geothermal Project, Glanville has determined the value of Blue Mountain’s interest in the Project (and effectively the value of Blue Mountain). The following sections place values on Blue Mountain’s interest by utilizing five different valuation approaches.

## TERMS OF CONTINENTAL / BLUE MOUNTAIN OPTION AGREEMENT

The terms of the option agreement between Continental and Blue Mountain (signed on June 19, 2001) may be utilized to determine a minimum value for Blue Mountain, since there have been significant positive factors over the year and one half since the agreement was signed. These factors include the positive results from the completion of the Deep Blue No. 1 well to a depth of 672 meters, as well as the commitment of the DOE to provide funds (approximately U.S. \$660,000, or Cdn \$1,030,000) for the drilling of a second deeper hole (to 1,000 meters), expected to cost a total of about U.S. \$825,000.

The option agreement requires Continental to incur substantial expenditures, issue shares of Continental, and make cash payments in order to earn an interest (see the section of this report entitled “Continental/Blue Mountain Option Agreement” for the details of the two-stage agreement). Glanville has adjusted (via a 10 percent discount rate) the expenditures, cash, and cash-equivalent shares to a “present value” as of December 31, 2002. The details of the calculations are set out below (with the dollar values in U.S.

dollars):

<u>DATE</u>	<u>SHARES</u>	<u>CASH</u>	<u>EXPENDITURES</u>
August 1, 2002	200,000 (\$20,000) <sup>11</sup> x 1.13 <sup>12</sup> \$23,000 <sup>13</sup>	\$10,000  x 1.13 \$11,000	
December 31, 2002		\$10,000	\$200,000 <sup>14</sup> x 1.05 <sup>15</sup> \$210,000
August 1, 2003	200,000 \$45,000 <sup>16</sup> x 0.94 \$42,000	\$10,000  x 0.94 \$9,000	\$300,000  x 0.95 \$285,000
August 1, 2004	200,000 \$45,000 x 0.85 \$38,000 -----	\$20,000  x 0.85 \$17,000 -----	\$1,200,000  x 0.89 \$1,068,000 -----
Adjusted Costs <sup>17</sup>	\$103,000 <sup>18</sup>	\$47,000	\$ 1,563,000
Attributed 40% <sup>19</sup>	\$69,000	\$31,000	\$1,042,000

<sup>11</sup> This is the approximate value of the shares (in U.S. dollars) at that time

<sup>12</sup> This is the factor to “bring” all dollars to December 31, 2002

<sup>13</sup> All dollar figures have been rounded to the nearest \$1,000

<sup>14</sup> Subsequently changed to U.S. \$150,000 to provide certainty that Continental would meet the expenditure terms of the Option Agreement

<sup>15</sup> This reflects the fact that most of the expenditures were incurred just before mid-year

<sup>16</sup> This is about Cdn 35 cents per share, or approximately U.S. 22.5 cents per share

<sup>17</sup> This is the cost to Continental to acquire a 60 percent interest. It should be noted that the cost per percentage point to acquire the first 20 percent is higher than that to acquire the 60 percent (which, in turn would have generated a higher value for Blue Mountain’s interest)

<sup>18</sup> \$23,000 plus \$42,000 plus \$38,000

Plus Cash <sup>20</sup>	\$103,000	\$47,000	0
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Value of 40% <sup>21</sup>	\$172,000	\$78,000	\$1,042,000

The total attributed value to Blue Mountain's interest is therefore U.S. \$1,292,000 (\$172,000 plus \$78,000 plus \$1,042,000), or Cdn. \$2,019,000 (at an exchange rate of Cdn \$1.00 equal to U.S. \$0.64). As stated above, one would be justified in adding a substantial premium to the foregoing attributed value, due to the encouraging results generated since the agreement was signed.

#### ADJUSTED MARKET CAPITALIZATION OF CONTINENTAL

The market capitalization of a company listed on a public share exchange equals the trading price per share multiplied by the number of issued shares. This method is applicable where the public company's major asset is the property to be valued, such as Continental's option to earn an interest in the Blue Mountain Geothermal Project. Adjustments are made to the market capitalization (fully diluted) to allow for other assets/liabilities such as working capital, minor exploration properties, exchange listing value, etc. This method results in a reasonable approximation of value, although one must be careful to utilize a price at which there has been substantial trading, rather than a price of one particular trade on a specific date.

As set out in the Share Trading History (of Continental) section of this report, the trading price of Continental over the past six months has generally been between 30 cents and 45 cents per share, with a recent financing at 40 cents per unit (consisting of one share and one-half of a common share purchase warrant entitling the holder of one warrant to purchase one additional common share at 60 cents per share for a period of one year). The last trade prior to the halt-trading before the opening of the TSX Venture Exchange on December 16, 2002, was 38 cents per share. Utilizing a slightly lower share price of 35 cents results in a value attributed to Continental's interest in the Geothermal Project as calculated below:

Market Capitalization (11,211,225 shares x 35 cents per share):	\$3,924,000
Alaska Mineral Exploration Properties:	(375,000)

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<sup>19</sup> These numbers represent two thirds (40% divided by 60%) of the Adjusted Costs

<sup>20</sup> This is the cash and cash equivalent (for the shares), which are received by Blue Mountain

<sup>21</sup> This is the value of Blue Mountain's 40% interest

Investment In Shares Of Blue Mountain:	(35,000)
TSX Venture Exchange Listing:	(250,000)
Income Tax Pools:	(50,000)
Capital Assets:	(10,000)
Cash From Exercise Of Options And Warrants:	(326,000)
Recent Financing:	(78,000)
Working Capital At November 1, 2002:	135,000
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Value Of Continental's Interest:	\$2,935,000

The foregoing attributed value is the net value of Continental's right to earn a 60% interest; and it is not the value of a 60% interest. Continental must pay a "present value equivalent" of U.S. \$1,469,000 (\$103,000 plus \$47,000 plus \$1,563,000, minus the \$244,000<sup>22</sup> already incurred to the present time), as set out in the prior section of this report, in order to acquire an unencumbered interest (except for royalties) of 60%. Thus, the indicated value of a 60% interest in the Blue Mountain Geothermal Project would be Cdn \$2,935,000 plus Cdn \$2,295,000 (U.S. \$1,469,000), or Cdn \$5,230,000. As a result, the 40% interest of Blue Mountain would be valued at \$3,487,000 (two thirds of Continental's 60%).

#### INVESTMENT BY THE U.S. DEPARTMENT OF ENERGY

The U.S. Department of Energy ("DOE") has invested U.S. \$435,000, and committed to an additional U.S. \$660,000, in the Blue Mountain Geothermal Project, for a total of U.S. \$1,095,000. In return, the U.S. Government BLM (Bureau of Land Management) will receive royalties from future production of steam, heat, energy, by-products, and demineralized water. Although the formula for the calculation of the royalties is somewhat complex, it is equivalent to an "NSR" royalty of between 3% and 4% (note that Geothermex utilized an average rate of 2.62 percent for the Project, including a lower royalty rate payable on the lands owned by the Atchison, Topeka & Santa Fe Railway Company, or ATSF). However, it should be noted that the BLM royalty only applies to about 70% of the prospective geothermal leases of Blue Mountain (different percentage royalties apply to the other 30% of the prospective leases, and are payable to ATSF). Since a 1% NSR royalty equivalent s approximately equivalent to a 3% to 4% participating interest, a 4%<sup>23</sup> NSR-equivalent royalty would be worth between 12% and 16% of the value of the BLM geothermal leases. However, the BLM leases would be

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<sup>22</sup> This is the total of \$23,000, \$11,000, and \$210,000, as set out in the prior section of this report.

<sup>23</sup> If Glanville had utilized the 3% NSR equivalent, it would have resulted in a much higher value for the interest of Blue Mountain.

worth about 70% of the value of all of the Blue Mountain Geothermal Project. Consequently, the BLM royalty is worth between 8.4% (70% of 12%) and 11.2% (70% of 16%) of the whole Project. If one utilizes the 11.2% number (which results in a lower value of the Blue Mountain's interest than if the 8.4% number had been utilized), the indicated value of Blue Mountain's interest would be calculated as follows:

- BLM "purchases" an effective 11.2% in the whole project for U.S. \$1,095,000
- Blue Mountain's effective net interest in the whole project is 40% of 86.5%<sup>24</sup>, or 36.4%
- The attributed value of Blue Mountain's interest would therefore be about U.S. \$3,250,000 (\$1,095,000 multiplied by 36.4% divided by 11.2%), or Cdn. \$5,078,000.

#### ADJUSTED DISCOUNTED CASH FLOW / NET PRESENT VALUE

The net present value of the Blue Mountain Geothermal Project has been calculated by Geothermex to be approximately U.S. \$40.6 million, or U.S. \$17.3 million utilizing operating and maintenance costs two-thirds higher than that for the base case. However, no discount rate was applied to the two and one-half year period from now until the expected completion of the power plant and sales of electric power. Adjusting these by the same 10 percent discount rate utilized by Geothermex to calculate the net present values results in net present values today of U.S. \$33.6 million and U.S. \$14.3 million, respectively. As a result, the net present values of Blue Mountain's 40% interest would be U.S. \$13.4 million and U.S. \$5.7 million, respectively.

For purposes of this Fairness Opinion Glanville has taken a more conservative approach by utilizing the lower value (based on high operating costs) of U.S. \$5.7 million, and reducing it by a factor of 50% to allow for additional unforeseen risks. Consequently, the attributed value, utilizing the Adjusted Discounted Cash Flow / Net Present Value method, would be U.S. \$2.85 million, or Cdn \$4.45 million.

#### INCREASE IN MARKET CAPITALIZATION SINCE THE OPTION AGREEMENT

Prior to Continental's option agreement with Blue Mountain, the shares of Continental were trading in a range of 7 cents to 15 cents per share, with most of the trading near 10 cents per share. Based on the 6.8 million shares issued and outstanding at the time, the

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<sup>24</sup> This is 100 percent minus the effective equivalent participating interests (total of BLM, ATSF, and Fairbank) of about 13.5%, or four times the total royalty interest (amounting to 3.37%, and consisting of the 2.62% utilized by Geothermex, plus the 0.75% payable to Fairbank)

total market capitalization of the Company was about \$680,000. This value included the TSX Venture Exchange listing, the exploration properties in Alaska, working capital, and other minor assets.

Since the agreement between Continental and Blue Mountain in June 2001, almost all of the focus of Continental has been on its option to earn a 60% interest in the Blue Mountain Geothermal Project in Nevada. A review of the press releases, quarterly reports, and management reports since then confirm the foregoing focus, as do the expenditures by Continental. In addition, two of the Alaska properties that were optioned by AngloGold in 2000 were dropped by AngloGold after the middle of 2001.

The present market capitalization of Blue Mountain (prior to dilution<sup>25</sup>) is presently about \$3,325,000, based on the September 30 issued shares of about 9.5 million (35 cents per share multiplied by 9.5 million shares). Thus, the market capitalization has increased by about \$2,645,000 (\$3,325,000 minus \$680,000), which is the value that may be attributed to Continental's option on the Blue Mountain Geothermal Project.

The foregoing attributed value is the net value of Continental's right to earn a 60% interest; and it is not the value of a 60% interest. Continental must pay a "present value equivalent" of U.S. \$1,469,000, as set out in a prior section of this report, in order to acquire an unencumbered interest (except for royalties) of 60%. Thus, the indicated value of a 60% interest in the Blue Mountain Geothermal Project would be Cdn \$2,645,000 plus Cdn \$2,295,000 (U.S. \$1,469,000), or Cdn \$4,940,000. As a result, the 40% interest of Blue Mountain would be valued at approximately \$3,290,000 (40% divided by 60%, multiplied by the \$4,940,000 value of Continental's interest).

## FAIR MARKET VALUE OF BLUE MOUNTAIN

The fair market values (in Canadian dollars) of Blue Mountain's interest in the Blue Mountain Geothermal Project (and therefore the fair market values of Blue Mountain, since this will be the only material asset/liability that will remain in Blue Mountain), based on the five different valuation methods (as set out in the prior sections of this report), are summarized below, along with the number of shares that could be issued by Continental for all of the shares of Blue Mountain:

<u>VALUATION METHOD</u>	<u>INDICATED VALUES</u>	<u>SHARES TO BE ISSUED</u>
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<sup>25</sup> The Company would have a higher market capitalization if fully-diluted shares were to be used.

	<u>OF BLUE MOUNTAIN</u> (Canadian Dollars)	<u>35 CENTS<sup>26</sup></u>	<u>40 CENTS</u>
Terms of Option Agreement:	\$2,019,000	5,769,000	5,048,000
Adjusted Market Capitalization:	\$3,487,000	9,963,000	8,718,000
Investment by DOE:	\$5,078,000	14,508,000	12,695,000
Adjusted DCF/NPV:	\$4,450,000	12,714,000	11,125,000
Increase in Market Capitalization:	\$3,290,000 -----	9,400,000 -----	8,225,000 -----
Averages:	\$3,665,000	10,471,000	9,162,000
Medians:	\$3,487,000	9,963,000	8,718,000

Based on the foregoing indicated values (and noting that the “Terms of Option Agreement” is a minimum value, since there have been significant positive events after the Option Agreement was signed), it appears that the proposed issuance of 5,500,000 shares of Continental in exchange for all of the shares of Blue Mountain is fair to the shareholders of Continental. In fact, if one were to utilize the median value of \$3,487,000, it would be fair for Continental to issue between 8,718,000 shares (based on a Continental share price of 40 cents) and 9,963,000 shares (based on a Continental share price of 35 cents).

## DEFINITION OF FAIRNESS

For purposes of this Fairness Opinion, the proposed transaction would be fair to the shareholders of Continental (from a financial point of view) if the financial value of the rights and interests attributable to Continental shareholders after the proposed transaction is completed is not less than the financial value of their interests as shareholders prior to the proposed transaction. In other words, the proposed transaction should not result in a decrease in the financial value to the shareholders of Continental

## FAIRNESS CONSIDERATIONS

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<sup>26</sup> It should be noted that the last trade prior to the trading halt before the opening of the TSX Venture Exchange on December 16, 2002, was 38 cents per share.

Glanville considered many things in determining the fairness of the proposed transaction to the shareholders of Continental. Although Glanville evaluated, analyzed, and reviewed many factors, the following were considered the most important:

- \* the fair market value of Blue Mountain (approximately Cdn. \$3.5 million) compared
  - to the value of the share consideration (about Cdn. \$2.1 million at a share price of 38 cents per share) by Continental
- \* the trading volumes and prices of the shares of Continental
- \* the ownership dilution (or the coverse) implications of the transaction
- \* the present financial positions of the companies
- \* prior transactions or financings by Blue Mountain and Continental
- \* the elimination of the required expenditures, payments, and share issuances by Continental in order to earn its interest (and thus provide a certain 100% interest in the Blue Mountain Geothermal Project)
- \* the elimination of the overhead required for managing two separate companies
- \* the removal of actual or perceived conflicts of interest
- \* the liquidity afforded the shareholders of Blue Mountain (via ownership of shares of
  - a publicly-traded company)
- \* the likelihood that the amalgamated company would be in a better position to raise major financing for advancement of the Geothermal Project
- \* the fact that 100 percent of the Project would be owned by one company, thus making it more likely that a major joint venture partner would be interested in investing in the Project

## FAIRNESS OPINION

Based on the foregoing considerations, as well as others set out in this report, **it is Glanville's opinion that the proposed transaction is fair, from a financial point of view, to the shareholders of Continental.** In reaching this opinion, Glanville has concluded that the value to an existing shareholder of Continental after the proposed transaction is completed would not be lower than the value prior to the transaction. However, Glanville expresses no opinion as to the expected trading price of the shares of Continental if the proposed transaction is completed. In addition, this Fairness Opinion does not constitute a recommendation to buy or sell the shares of Continental

This fairness opinion (and valuation) may be relied upon by the Board of Directors, regulatory authorities, and shareholders of Continental, but may not be used or relied upon by any other person without express prior written consent. However, Glanville consents to the duplication and inclusion of this Fairness Opinion in a Prospectus or Information Circular.

## CERTIFICATE OF QUALIFICATION OF ROSS GLANVILLE

I, Ross Glanville, of 7513 Pandora Drive, Burnaby, British Columbia, Canada, hereby certify that:

1. I graduated with a B.A.Sc. Degree (Mining Engineering) from the University of British Columbia in 1970.
2. I obtained a Masters Degree in Business Administration (MBA) from the University of British Columbia in 1974.
3. I am a registered member of the Association of Professional Engineers of British Columbia, and have been since 1972.
4. I became a member of the Certified General Accountants Association of B.C. in 1980.
5. I am a member of the Canadian Association of Mineral Valuers.
6. I am the president of Ross Glanville & Associates Ltd., a company specializing in the valuations of companies and mineral properties, and the provision of fairness opinions.
7. I have been practicing my profession since 1970, and have valued companies in over fifty countries.
8. I was formerly President of Giant Bay Resources Ltd. and Vice President of Wright Engineers Ltd. (now Fluor Daniel Wright), an international engineering and consulting company. Prior to that, I was an engineer and project manager with Placer Dome Ltd., and a mining and investment analyst with two major investment and holding companies.
9. I have not reviewed the title to the mineral properties, since this is best done by legal counsel. In addition, I have not visited the mineral properties, but instead have relied on technical reports on the property.
10. The attached report has been prepared for Continental Ridge Resources Ltd., and is

based

partly on information provided to Glanville. Although it is believed that the information received is

reliable under the conditions and subject to the limitations contained herein, and while information

has been checked as to its reasonableness, Ross Glanville & Associates Ltd. cannot guarantee the accuracy thereof.

11. I have no interest, nor do I expect to receive any interest, either directly or indirectly, in Continental,

Blue Mountain, or their subsidiary or associated companies.

12. I herewith grant my permission for Continental to use this report for whatever purposes they deem

appropriate, subject to the disclosures set out in this Certificate and this Fairness Opinion.

Signed in Vancouver, British Columbia, on December 20, 2002

*“Ross Glanville”*

Ross Glanville, B.A.Sc., P.Eng., MBA, CAMV