

## NEWS RELEASE

23 June 2014

### FUNDING AND MINING CONTRACTOR UPDATE

**VANCOUVER, British Columbia: Coalspur Mines Limited (“Coalspur” or “Company”) (ASX: CPL, TSX: CPT)** is pleased to announce that it has selected Thiess Pty Ltd (“Thiess”) as its preferred mining contractor for Vista and secured an additional US\$10 million funding through a further drawing under its existing senior secured debt facility with EIG Global Energy Partners (“EIG” or “EIG Facility”). The US\$10 million working capital will be used to progress the Vista project (“Vista”) and enable Coalspur to initiate a strategic review process whereby Coalspur will consider a range of alternatives available to the Company, with a view to enhancing shareholder value.

#### Mining Contractor selection

Following a global, competitive process to choose a mining contractor for Vista, Coalspur has selected Thiess as its preferred mining contractor and intends to enter into a definitive agreement with Thiess for a minimum five year term. Thiess was selected based on, among other things, its proven track record as the world’s preeminent total services mining contractor, together with attractive pricing of the contracted services which underpin Vista’s competitive FOB cost position as previously disclosed. Coalspur President and CEO, Gill Winckler, said “I am very pleased with the level of interest generated throughout the mining contractor tender process and want to congratulate Thiess on their submission. We look forward to developing a highly productive, long term relationship with Thiess”.

#### Funding Update

The Company today secured an agreement with EIG for a further US\$10 million drawdown on the EIG Facility. This additional working capital provides the liquidity which will enable management to protect and preserve the value of Vista. The funds from EIG will be used to continue focusing on critical value adding activities at Vista, including:

- securing the final licenses and permits for Vista Phase 1;
- finalizing the EPC contract with Sedgman and entering into a mining contract with Thiess; and
- advancing key elements of work around Vista Phase 2.

The funds will also allow management the time and resources to complete a strategic review process in relation to Vista as outlined below.

The additional funds under the EIG Facility will be available to the Company upon the satisfaction of customary conditions precedent, which Coalspur anticipates it will promptly fulfil, and must be drawn in a single tranche. Under the letter agreement with EIG (“EIG Letter Agreement”) documenting the terms and conditions of the additional advance, Coalspur is also bound by additional obligations, including agreement in relation to the use of funds and key milestones to ensure continued progress on Vista. Key milestones include the delivery of an updated life-of-mine plan, the maintenance and progress of permits and licences, continued development of Vista Phase 2 engineering, execution of binding contracts with the preferred EPC and mining contractors, and the completion of an updated Bankable Feasibility Study. EIG may call an event of default and accelerate repayment of the Company’s indebtedness in various circumstances, including if these milestones are not achieved. A

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deferred fee will be payable on the additional funds drawn down under the EIG Facility at the time of prepayment or repayment of the additional funds.

The terms of the original EIG Facility were set out in detail in the Company's notice of meeting dated 12 June 2013. Certain amendments to the EIG Facility were agreed in March 2014 and were summarised in the Company's Annual Information Form dated 31 March 2014 and made available on [www.sedar.com](http://www.sedar.com). A copy of the EIG Letter Agreement will be available on SEDAR by 23 June 2014 and a summary is annexed to this announcement.

In addition to agreeing to provide the additional liquidity, EIG has provided Coalspur with a notice in relation to the final size of the overall EIG Facility. Having completed its sizing assessment, EIG has notified Coalspur that it is prepared to provide a total senior debt facility of US\$175 million. The Company has determined that it will not accept EIG's funding package as sized. It is the Company's view that a senior facility of this size is not large enough to enable Coalspur to fully fund Vista in the current thermal coal market.

As a result of Coalspur exercising its right to not accept EIG's debt sizing, the EIG Facility (including the additional drawing announced above, fees and interest) will be due for repayment on 31 March 2015. The total amount to be repaid at that time is estimated to be approximately US\$71 million. Coalspur President and CEO, Gill Winckler, said "When the EIG Facility was executed in April 2013, the market conditions were such that a facility of up to US\$350 million was attractive for the development of Vista. Continued softness in thermal coal markets has clearly had an impact on the whole industry and on the amount of project funding EIG can support at this point in time. I appreciate EIG's diligence through the sizing process and their constructive support via the provision of additional liquidity into Coalspur to enable us to dedicate the necessary time and resources to review all strategic alternatives available to enhance the value of Vista for all stakeholders".

### **Strategic Review Process**

Coalspur now intends to undertake a comprehensive strategic review process in relation to Vista over the balance of 2014 and into early 2015. The strategic alternatives that will be pursued and reviewed by the Company may include, but are not limited to, full funding of the Vista project, the sale of all or a portion of the Company's assets, formation of a joint venture, the outright sale of the Company, a merger or other business combination transaction involving a third party and a refinancing and/or recapitalization. The strategic review process is also a requirement under the EIG Letter Agreement.

The strategic review process will be overseen by a Special Committee of the Board of Directors constituted of independent non-executive directors. The objective throughout this process is to attempt to maximize value for all stakeholders of Coalspur. A reputable international bank will be appointed to provide management and the Special Committee with expert advice relating to the strategic review process.

It is the Company's current intention not to disclose developments with respect to the strategic review process until the Board of Directors has approved a specific transaction or otherwise determines that the disclosure is material and necessary. The Company cautions that there are no assurances or guarantees that the strategic review process will result in a transaction or, if a transaction is undertaken, as to what will be the terms or timing of such transaction.

## About Coalspur

Coalspur is a coal development company with approximately 55,000 hectares of coal leases located within the Hinton region of Alberta, Canada. Coalspur's flagship project is Vista, which covers approximately 10,000 hectares and provides a large scale, surface mineable, thermal coal development. Vista is located adjacent to CN Rail's main line, which is suitable for the transport of coal to deepwater ports on Canada's west coast. Coalspur has secured a port allocation agreement with Ridley Terminals Inc., which is essential to the logistics supply chain necessary to export coal from Vista to the growing demand from the Asia Pacific countries.

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No regulatory authority has approved or disapproved of the information contained in this release.

This release contains forward-looking information concerning Coalspur, including information regarding Coalspur's plans for financing, permitting and developing Vista. All statements in this release, other than statements of historical facts, that address events or developments that Coalspur expects to occur, are statements of forward-looking information. Although Coalspur believes that such forward-looking information is based on reasonable assumptions, such information is not a guarantee of future performance and actual results or developments may differ materially from the forward-looking information. Material factors or assumptions used by Coalspur to develop forward-looking information include the following: (a) additional financing for the development of Vista will be available on reasonable terms; (b) coal price and currency exchange rate assumptions; (c) regulatory approvals, permits and licences for the development, construction and operation of Vista will be obtained on a basis consistent with Coalspur's current expectations; (d) Coalspur, EPC and mining contractors will execute construction and production plans on cost and on schedule; (e) key personnel will be retained or recruited; (f) accuracy of mineral resource and reserve estimates; (g) Coalspur's title to mineral and surface rights will be maintained; (h) no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment or otherwise; and (i) Coalspur's secured creditors will continue to be supportive of the strategic review process. Factors that could cause actual results to differ materially from forward-looking information include: (i) uncertainties relating to obtaining the additional financing required for the development of Vista or successfully selling Coalspur or some for all of its assets and uncertainties related to project realization values; (ii) conditions for drawdown and other requirements under existing credit facilities, including the acceleration of debt due to events of default; (iii) fluctuations in coal prices and currency exchange rates; (iv) uncertainties regarding the receipt and conditions of regulatory approvals, permits and licences required for the development, construction and operation of Vista; (v) uncertainties relating to the ability of Coalspur, EPC or mining contractors to execute construction or production plans on cost or on schedule; (vi) uncertainties relating to the retention or recruitment of key personnel; (vii) take or pay commitments with Ridley Terminals; (viii) uncertainties in Coalspur's mineral resource or reserve estimates; (ix) any significant disruptions affecting operations; (x) uncertainties related to aboriginal claims and overlapping mineral or surface rights; and (xi) uncertainties related to general economic, market and business conditions. For more information on Coalspur, investors should review Coalspur's continuous disclosure filings that are available at [www.sedar.com](http://www.sedar.com) and [www.asx.com.au](http://www.asx.com.au).

## Summary of EIG Letter Agreement

- 1 Subject to the conditions set out in the EIG Letter Agreement, EIG will subscribe for US\$10,000,000 of Notes (the "Liquidity Notes") under the EIG Facility. Coalspur may only issue one drawdown notice for an aggregate principal amount equal to US\$10,000,000 in relation to the Liquidity Notes. The Liquidity Notes must be issued before 31 August 2014.
- 2 Conditions Precedent to subscription by EIG for Liquidity Notes include the following:
  - (a) the representations and warranties of Coalspur under the EIG Facility are true, accurate and correct at, and as if made on, the issue date of the Liquidity Notes;
  - (b) no Event of Default or Potential Event of Default under the EIG Facility subsists, or would result from the subscription for the Liquidity Notes;
  - (c) confirmation by EIG of its receipt of each of the following in form and substance satisfactory to it:
    - (i) a legal opinion in relation to the execution by and enforceability against Coalspur of the EIG Letter Agreement;
    - (ii) an acknowledgement by Coalspur that the re-sizing notice issued by EIG under the EIG Facility complies with the EIG Facility documents (as amended);
    - (iii) evidence that Borrowdale Park, S.A. (Borrowdale) has waived all its rights to be repaid any of its loan to Coalspur from the proceeds of the Liquidity Notes or from the proceeds of any other debt or equity raising or disposal of assets until EIG have been repaid in full;
    - (iv) a letter of knowledge and consent from Borrowdale in relation to the terms of the EIG Letter Agreement and the proposed issue of Liquidity Notes and in particular acknowledges that the Liquidity Notes and all amounts payable in relation to them will rank as "Senior Debt" for the purposes of the priority deed under the EIG Facility, and in all respects ahead of all amounts owing by Coalspur to Borrowdale; and
    - (v) a notice from Coalspur rejecting the EIG resized loan is received or deemed to be received by EIG in accordance with the EIG Facility documents (as amended), with the effect that the undrawn amounts under the EIG Facility are cancelled on the earlier of the date that EIG subscribes for the Liquidity Notes and 31 August 2014.
- 3 Coalspur shall pay EIG, at the time it first becomes obliged to make any repayment or prepayment of the Liquidity Notes, a deferred fee in the sum of US\$3,500,000. That fee is in addition to the principal amount of the Notes, capitalised interest, any accrued interest and any other amounts payable in respect of the Notes. The obligation to pay a make-whole premium under the EIG Facility does not apply in relation to the Liquidity Notes. Coalspur is not obliged to issue any warrants on, or in relation to, the issue of the Liquidity Notes.
- 4 Coalspur undertakes as follows for the benefit of EIG:
  - (a) (Use of proceeds of Liquidity Notes) Coalspur will use the proceeds of issue of the Liquidity Notes strictly in accordance with the Summary Cash Flows set out in the EIG Letter Agreement, subject to paragraph (b) below. No expenditure for any item in any month may exceed the amount set out for that item for that month without approval of the EIG, subject to a permitted adverse deviation of 15% per item per month (except that no adverse deviation is permitted for the "Labour Costs" line item) so long as in any month the net total deviation for all items does not exceed 10%.

(b) (Labour Costs)

- (i) Except for an August 2014 payment amount, all amounts listed under the key employee retention plan in the summary cash flows set out in the EIG Letter Agreement, are only payable on conclusion of a transaction under the Divestment / Alternative Finance Process referred to below which has resulted in all amounts owing to EIG under the Finance Documents being paid in cash.
  - (ii) Coalspur must obtain the approval of EIG (which approval must not be unreasonably withheld) to the setting of key performance indicators (KPIs) with regard to any short term incentive plan payments payable in February 2015. Coalspur must use its best efforts to ensure the KPIs are approved and set by no later than 31 July 2014.
  - (iii) The amount of cash payments for employees of Coalspur under the short term incentive plan must be directly linked to the extent to which the KPIs are achieved. There must be a minimum KPI weighting specified in the EIG Letter Agreement, directly tied to the conclusion of a transaction under the Divestment / Alternative Finance Process (as defined below) that has resulted in all amounts owing to EIG under the Finance Documents being paid in cash.
- (c) (Monthly Reporting) Coalspur will include in the monthly reports provided in accordance with the EIG Facility documents details of the budget and actual figures for the relevant month in the same form as the Summary Cash Flows set out in Appendix A of the EIG Letter Agreement.
- (d) (Further Information) Senior representatives of Coalspur will report in detail by telephone to EIG not less frequently than every two weeks on, and consult with EIG in respect of all matters relating to these additional undertakings and any other matter EIG reasonably requires.
- (e) (Life of Mine Plan) Coalspur will deliver to EIG the life-of-mine plan based on the detailed work conducted for the proposed Mining Contract by 11 July 2014.
- (f) (Authorisations) Coalspur will obtain and maintain in full force and effect all permits and licences needed to commence construction of the Upscaled Phase 1 (including EPEA & Water Act Licences and the Mineral Surface Lease) by 31 December 2014, but if Coalspur:
- (i) has used its best efforts to satisfy this undertaking by 31 December 2014; and
  - (ii) has promptly responded and attended to any requests or demands made by the applicable regulatory body in respect of satisfying this undertaking,
- then the deadline may be extended to a later date (not more than 3 months after 31 December 2014) based on the then-existing circumstances, subject to the consent of the EIG (which consent is not to be unreasonably withheld or delayed).
- (g) Phase 2) Coalspur must commence Phase 2 mine planning and capex engineering to pre-feasibility level by 1 August 2014.
- (h) (Construction Contract) Coalspur must enter into a binding Construction Contract with Coalspur's preferred EPC contractor for the Upscaled Phase 1 of Vista on terms reasonably acceptable to EIG by 1 August 2014.
- (i) (Mining Contract) Coalspur must enter into a binding Mining Contract for the Upscaled Phase 1 of Vista with Coalspur's preferred mining contractor as mine operator on terms reasonably acceptable to EIG by 1 August 2014.
- (j) (Port Agreements) EIG must be satisfied (in its sole discretion) with the terms and status of the Port Agreements as at 30 September 2014.

- (k) (Bankable Feasibility Study) Coalspur must complete an updated Bankable Feasibility Study for the Upscaled Phase 1 of Vista and provide a copy of it to EIG on terms reasonably acceptable to the by 1 December 2014.
- (l) (Divestment/Alternative Financing) Coalspur:
- (i) must diligently pursue alternative financings and a process for divestment (directly or indirectly) of Vista or its subsidiary, Coalspur Mines (Operations) Ltd.; and
  - (ii) without limitation, must implement a comprehensive sale process for 100% of Vista (and a parallel process for a complete re-financing of all the EIG Notes, including the Liquidity Notes) to be commenced by 30 June 2014, including having by that time executed a mandate with a reputable international investment bank to run the process with a view to soliciting offers capable of becoming Relevant Offers as described in paragraph (n) below to be lodged expeditiously but in any event before 15 December 2014 (or a later date approved by EIG, that approval not to be unreasonably withheld).

The net proceeds of any such alternative financing (including any equity raising) or divestment must be applied on receipt in redemption of the EIG Notes unless EIG otherwise agrees.

- (m) (Information in relation to divestment) Coalspur must keep EIG fully and promptly informed of the steps and processes undertaken under paragraph (l) (the Divestment/Alternative Finance Process) including copies and details of any indicative or binding offers or expressions of interest promptly on receipt.
- (n) (Failure to progress offer) Where Coalspur receive an offer which is reasonably capable of acceptance (regardless of when the offer was received) in the course of the Divestment/Alternative Finance Process and under the terms of or in connection with that offer, if that offer is accepted and the resulting transaction completed, sufficient cash would be provided to a Coalspur Party to permit repayment by Coalspur in full of all amounts (ignoring the operation of clause (n)(iii) below in that calculation) owing to EIG under the EIG Facility documents (a Relevant Offer), if:
- (i) by the later of 15 January 2015 and 10 Business Days after the receipt of the Relevant Offer Coalspur has not accepted the Relevant Offer (or, if there are a number of Relevant Offers, one of them), then unless:
    - (A) within 5 Business Days of the later of 15 January 2015 and receipt of that Relevant Offer, Coalspur has formed and continues to hold a reasonable view (and have confirmed and discussed that view with EIG) that another Relevant Offer which, if completed in accordance with its terms, would be financially more favourable to Coalspur shareholders and creditors taking into account all terms of the offer (a Superior Offer) will be made to them within a further 10 Business Days (and that the first mentioned Relevant Offer will remain open for acceptance during that time) and they accept that Superior Offer within 10 Business Days of receipt; or
    - (B) where that Superior Offer does not eventuate within that time, Coalspur promptly accepts the first mentioned Relevant Offer; or
  - (ii) having accepted a Relevant Offer or Superior Offer, Coalspur does not diligently pursue completion of the transaction contemplated by that offer,
- then:
- (iii) the amount to be paid in satisfaction of the make whole premium on redemption of all the EIG Notes (including the Liquidity Notes) will be determined in accordance with the Note Deed Poll, without taking into account any of the amendments thereto in March or June 2014.