COALSPUR MINES LIMITED

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2014
Dated as of March 31, 2015

ABN 73 003 041 594

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CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This Annual Information Form ("**AIF**") contains forward-looking statements concerning Coalspur Mines Limited ("**Coalspur**" or the "**Company**"), including the anticipated completion of the proposed scheme of arrangement pursuant to which K.C. Euroholdings S.à r.l. will acquire all of the shares in Coalspur ("**Scheme**") and expectations, goals, objectives, plans, targets, estimates of reserves and resources and future costs of Coalspur, that are "forward-looking information". All statements in this AIF, other than statements of historical facts, that address events or developments that Coalspur expects to occur, are statements of forward-looking information. The forward-looking information in this AIF is not based on historical facts, but rather reflects the current views and expectations of Coalspur concerning future events and circumstances. Although Coalspur believes that the 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) the conditions precedent to the Scheme will be fulfilled or waived; (b) coal price, currency exchange rate, and discount-rate assumptions; (c) regulatory approvals, permits and licences for the development, construction and operation of Vista will be obtained, amended and maintained 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 transactions contemplated by the Scheme.

Forward-looking information involves known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performances or achievements of Coalspur to be materially different from future results, performances or achievements expressed or implied by such forward-looking information, including coal price volatility, discrepancies between actual and estimated production, Ore Reserves, Mineral Reserves and Mineral Resources, mining operational and development risk, litigation risks, regulatory restrictions (including environmental regulatory restrictions and liability), activities by governmental authorities (including changes in taxation), currency fluctuations, the speculative nature of coal exploration, the global economic climate, competition, loss of key employees, additional funding requirements and defective title to mineral claims or property. All forward-looking information should be read in light of such risks and uncertainties.

The forward-looking information in this AIF reflects views and expectations held only at the date of this AIF. Coalspur believes that all forward-looking information has been included on a reasonable basis. However, none of Coalspur and its directors, nor any other person, gives any representation, assurance or guarantee that any outcome, performance or results expressed or implied by any forward-looking information in this AIF will actually occur. Coalspur Shareholders should therefore treat all forward-looking information with caution and not place undue reliance on it.

For more information on Coalspur, investors should review Coalspur's continuous disclosure filings that are available at www.sedar.com and www.asx.com.au.

CORPORATE STRUCTURE

Name and Incorporation

Coalspur Mines Limited was incorporated in Australia under the Corporations Act on December 31, 1985 under the name Idameneo (No 126) Pty Ltd. Coalspur converted to a public company on September 26, 1986 and its name changed to Idameneo (No 126) Limited. Coalspur changed its name to Xenolith Gold Limited on April 23, 1987, then to Xenolith Resources Limited on October 23, 2007, and finally to Coalspur Mines Limited on September 30, 2009.

The Company's ordinary shares (the "Shares") are listed on the Australian Securities Exchange (the "ASX") under the symbol "CPL". The Shares commenced trading on the ASX on August 27, 1987. The Shares are also listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol "CPT". The Shares commenced trading on the TSX on October 27, 2010.

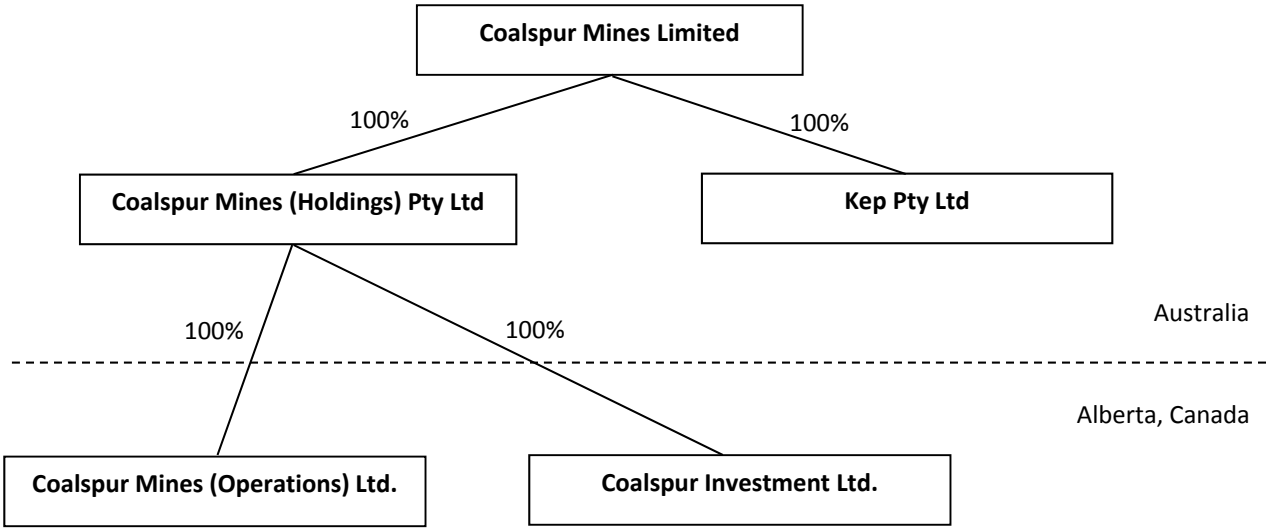
On May 31, 2013, the Company's shareholders approved an amendment to the Company's constitution with the effect that every director is required to retire at each annual general meeting of shareholders and is eligible for re-election at that meeting, for so long as the Company's shares are listed on the TSX.

Coalspur's registered office is located at Level 1, 28 Ord Street, West Perth, Western Australia. The Company's head office is located at 110 MacLeod Avenue, Hinton, AB T7V 1X5, Canada; telephone: +1 780 865 7955; facsimile: +1 780 865 3316; email: info@coalspur.com; website: www.coalspur.com.

In this AIF, the terms "Company" or "Coalspur" refer to Coalspur Mines Limited and all its subsidiaries together unless the context otherwise clearly requires. All dollar figures are expressed in Canadian dollars ("$") unless otherwise indicated as Australian dollars ("A$") or United States dollars ("US$"). The Company's December 31, 2014 Consolidated Financial Statements are available on SEDAR at www.sedar.com and on the ASX website at www.asx.com.au.

Inter-corporate Relationships

The following chart illustrates the inter-corporate relationships amongst Coalspur and its material subsidiaries at December 31, 2014.



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Over the past three years the Company pursued its objective to become a significant export thermal coal producer by acquiring, evaluating and developing thermal coal resources in the Hinton, Alberta region of Canada. The Company presently holds over 55,000 hectares ("**ha**") of mineral leases, with Measured and Indicated Resources of 1.7 billion tonnes (Measured 903.1 million tonnes, Indicated 797.0 million tonnes). Most of the mineral leases are contained within the Vista project ("**Vista**") the Vista Extension project ("**Vista Extension**"), and the Vista South project ("**Vista South**").

During the past three years, the Company focused most of its attention on the development of Vista. However, the price of seaborne thermal coal has been decreasing since 2012, which management believes had a negative impact on the Company's share price and increased the challenges associated with obtaining financing to construct Vista. Over the last three years Newcastle thermal coal prices have dropped from approximately US$113 per tonne to approximately US$57.5 per tonne.

In this context, on 23 June 2014, Coalspur announced that it would undertake a strategic review process overseen by a special committee comprised of independent Directors of Coalspur ("**Special Committee**"). This process was initiated due to the challenges experienced by Coalspur in its attempts to secure full funding for the development of Vista. Despite being a world class asset, depressed global export thermal coal markets coupled with challenging capital markets meant that Coalspur had to rethink its approach to financing Vista, particularly given the context of its existing debt repayment obligations to EIG Global Energy Partners ("**EIG**") and Borrowdale Park S.A. ("**Borrowdale Park**").

On 29 June 2014, Coalspur retained Deutsche Bank to act as its financial adviser to provide management and the Special Committee with advice relating to the strategic review process and, along with Coalspur's legal and other advisers, to assist in the assessment and negotiation of strategic alternatives for the Company.

During the strategic review process Coalspur and its advisers canvassed numerous strategic alternatives including, but not limited to:

- fully funding Vista's construction capital;
- formation of a joint venture;
- a merger or other business combination;
- various forms of refinancing and recapitalization; and
- the sale of some or all of Coalspur's assets.

A significant number of parties were approached, ten of which demonstrated serious interest. Such parties were invited, under a strict confidentiality regime, to participate in management presentations, site visits, detailed information sharing and due diligence investigations. Final proposals were solicited throughout October and November 2014 culminating in detailed discussions with a select few parties.

Upon concluding the strategic review process, the Coalspur Board selected and recommended the proposal by K.C. Euroholdings S.à r.l. ("**KCE**"), as the best proposal received in terms of maximising returns to Coalspur Shareholders in the absence of a superior proposal.

On 24 February 2015, Coalspur announced that it had entered into a Scheme implementation agreement with KCE under which, subject to the satisfaction or waiver (as applicable), of certain defined conditions precedent, KCE will acquire all of the ordinary shares in Coalspur ("**Coalspur Shares**") through an Australian scheme of arrangement for a cash consideration of A$0.023 per Coalspur Share **("Scheme")**. The Scheme values the equity in Coalspur at approximately A$15 million on a fully diluted basis. KCE will also acquire all debts owing to EIG and Borrowdale Park.

The Scheme booklet dated 17 March 2015 ("**Scheme Booklet**") was registered with the Australian Securities and Investments Commission ("**ASIC**") on 18 March 2015 and distributed to Coalspur Shareholders on 23 March 2015, in anticipation of a Scheme Meeting to be held on 22 April 2015.

If the Scheme is approved by the requisite majority of Coalspur Shareholders and by the Australian Federal Court, and if all other conditions to the Scheme are satisfied or waived (where applicable), all Coalspur Shares will be transferred to KCE with effect from the Scheme implementation date and without the need for any further act by the Coalspur Shareholders (other than acts required to be performed by Coalspur, its Directors or officers, as attorney or agent for the Coalspur Shareholders). From the Scheme implementation date, Coalspur will become a wholly-owned Subsidiary of KCE. Coalspur Shares are expected to be delisted from ASX and TSX shortly after the Implementation Date.

BDO Corporate Finance (WA) Pty Ltd ("**BDO**"), the Independent Expert engaged by Coalspur, has concluded that the Scheme is fair and reasonable and in the best interests of Coalspur Shareholders, in the absence of a superior offer.

The following events have influenced the general development of the Company's business over the past three years:

January 1, 2012 – December 31, 2012

- During January 2012, the Company completed a positive Feasibility Study on Vista, providing the blueprint for an export thermal coal mine with 11.2Mtpa capacity over a 30 year mine life.

- During February 2012, Coalspur arranged a $70 million credit facility with Borrowdale Park, a strategic shareholder in the Company (the "$70 million Credit Facility", or "Credit Facility"). Shareholders subsequently approved the grant of security to Borrowdale Park for the Credit Facility, the issue of eight million options to purchase Shares as a facility fee, and the issue of seven million options to purchase Shares as a funding fee.

- During March 2012, the Company signed additional agreements with Ridley Terminals Inc. **("Ridley Terminals")** for 4.0 million tonnes per annum **("Mtpa")** of port throughput capacity contingent on the approval of future port expansion plans, plus an option to acquire 1.0Mtpa capacity from its existing expansion, bringing the Company's total potential port capacity to 13.5Mtpa.

- During April 2012, the Company acquired Vista Extension, comprised of 14,432 ha of coal leases adjacent to Vista, for $13 million.

- During May 2012, the Company filed regulatory applications necessary to construct, operate, and reclaim Phase 1 of Vista with production of up to 5.0Mtpa.

- During June 2012, Mr. Eugene Wusaty resigned as Managing Director and Chief Executive Officer of the Company, and Ms. Gill Winckler was appointed President and Chief Executive Officer with effect from July 2012.

- Coalspur raised gross proceeds of A$12.0 million during 2012 through the exercise of unlisted options, and borrowed $20 million under its $70 million Credit Facility to finance the acquisition, evaluation, and development of the Company's coal projects.

- During July 2012, the Company completed a Scoping Study on Vista Extension confirming the potential for a long-wall underground mine with minable resources of 108 million tonnes, at a production rate of 3.8 Mtpa of marketable coal for 28 years.

- During August 2012, Ridley Terminals advised that its future expansion plans had been delayed, and agreed to provide Coalspur with 2.2 Mtpa from its current expansion, which brought Coalspur's total capacity allocation at Ridley Terminals to 11.7Mtpa.

- During October 2012, Coalspur released the results of an internal optimisation study which significantly decreased the estimated capital required to bring Vista into production. The development capital to achieve first production was reduced to $527 million with potential further reductions of up to $82 million by leasing/contracting mobile equipment, taking development capital to approximately $445 million.

- During December 2012, Coalspur and CN Rail agreed to a binding term sheet for a rail transportation agreement for a coal supply chain partnership.

- During December 2012, the Company received a commitment from EIG to provide a US$300 million debt facility.

- During December 2012, the Company received $9.7 million from the exercise of 13.4 million options with an exercise price of A$0.70 each. In September 2012, the Company drew an additional $10 million on its $70 million Credit Facility, which caused an additional one million funding options to vest with a strike price of A$1.248.

January 1, 2013 – December 31, 2013

- During February 2013, Coalspur appointed Mr. Richard Tremblay as Vice President, Operations to lead Vista into commissioning and production. Mr. Tremblay commenced his employment with Coalspur on March 18, 2013.

- During February 2013, Coalspur appointed Mr. Colin Gilligan as Chief Operating Officer to ensure the smooth development, commission and operation of Vista. Mr. Gilligan commenced his responsibilities for Coalspur on April 1, 2013.

- During February 2013, the Alberta Energy Regulator ("**AER**") determined that seven of the submissions received by the AER in response to Coalspur's notice of application for regulatory approval, had been accepted as official statements of concern.

- In March 2013, the Company finalised its arrangements for transporting clean coal by rail to port, by reaching a definitive agreement with CN outlining key terms for a seven year coal transportation agreement, consistent with the binding terms agreed to by the parties in December 2012. Coalspur and CN also signed an agreement to govern the construction of a 6.5km long railway line providing CN access to Coalspur's loading site. CN received approval from the Canadian Transportation Agency, which will allow Coalspur to construct the rail siding.

- The Company finalised its port capacity arrangements at Ridley Terminals by allowing an option to acquire 1.0 Mtpa capacity to lapse, and by confirming its intention to proceed with a previously signed agreement. The finalised capacity commences with 2.5 Mtpa in 2015, and increases to 10.7 Mtpa in 2020, which satisfies the majority of Vista's forecast requirements at full production. The Company is subject to minimum throughput payments of $12.8 million in 2015, increasing to $54.9 million per year by 2020. As a result of various delays in obtaining the necessary regulatory approvals, licenses and permits for the construction and operation of Vista, Coalspur declared Force Majeure due to government inaction as of December 18, 2013 as defined in section 14.2 of the 2011 Terminal Service Agreement with Ridley Terminals. Specifically, the force majeure event related to "acts or refusals to act of any government or government agency in…its sovereign…capacity", in light of the regulatory delays in approving Vista. The delays outlined include the inability of Coalspur to meet the declared contract volume of 2.5 million tonnes in 2015 and a portion of the 4.5 million tonnes in 2016, and the force majeure declaration is

expected to mitigate 2015 and 2016 payments the Company would have otherwise had to pay in relation to the shortfalls in these years.

- During April 2013, the Company concluded a funding arrangement for a senior secured debt facility of up to US$350 million with EIG to fund a majority of the developmental capital required for Vista Phase 1 ("**EIG Facility**"). The actual size of the EIG Facility was to be determined after the Company had finalized mining costs for the development of Vista Phase 1.

- During June 2013, the Company's board approved the Vista development plan with capital of $458 million for a 6 Mtpa capacity facility, resulting in a capital efficiency of $76 per tonne of annual capacity. The terms agreed with selected EPC contractor, Forge Group Limited's Taggart Global business ("**Forge North America**"), de-risked the capital budget by locking in approximately 50% (US$221 million) of total development capital. Subsequent to June 2013, Coalspur and Forge North America agreed to expand the scope of work provided by Forge North America, increasing the lump sum turn-key contract to approximately 65% (US$284 million) of development capital.

- In July 2013, following shareholder approval on June 27, 2013, the Company issued 120 million warrants to EIG and 14 million warrants to Borrowdale Park, with an exercise price of A$0.55, made an initial draw of US$37 million under the EIG Facility, paid EIG a US$7 million facility fee, and repaid $10 million of the previous $40 million owing to Borrowdale Park under the $70 million Credit Facility. The remaining $30 million of the Credit Facility with Borrowdale Park was restructured into a subordinated note. Further draws upon the EIG Facility were contingent on obtaining regulatory approval for Vista Phase 1, and other conditions typical for a facility of this nature.

- In December 2013, the Company entered into separate agreements with each of the Ermineskin Cree Nation ("**Ermineskin**"), Whitefish (Goodfish) Lake First Nation ("**Whitefish**"), and Tourmaline Oil Corp. ("**Tourmaline**"), each of whom had filed official statements of concern with the AER in relation to Coalspur's applications for regulatory approval for Vista. Each of Ermineskin, Whitefish and Tourmaline withdrew as interveners in relation to the Vista regulatory process.

- On December 9, 2013 the AER held the first part of its hearing in Calgary relating to Coalspur's applications for approval of Vista. The second part of the AER's hearing was held in Hinton on January 13, 2014.

January 1, 2014 – December 31, 2014

- On January 9, 2014, Coalspur announced that an agreement had been reached with Alexis Nakota Sioux Nation ("Alexis") in relation to the development of Vista. Alexis withdrew as an intervener in relation to the regulatory approval of Vista.

- On January 28, 2014, Coalspur announced that it had reached an agreement with Borrowdale Park for the provision to Coalspur of a standby funding facility of $10 million ("Stand-by Facility"), subject to the execution of definitive documents. The Stand-by Facility had an interest rate of 10.5% per annum, was available until June 30, 2014 and will be repaid from proceeds raised as part of the overall Vista financing solution. Reasonable arrangement and commitment fees were paid by the Company.

- On February 27, 2014, the AER approved Coalspur's applications for an amended Mine Permit for 5 Mtpa, amended Coal Processing Plant Approval, and coal mine pit and waste dump licences for Vista.

- On March 31, 2014, Coalspur and EIG agreed to an extension and associated amendments to the EIG Facility. The EIG Facility previously required that the Company execute a mining contract by 31 March 2014, such contract and terms providing for the final sizing of the EIG Facility. To secure such a contract at that time would have been premature in light of the delayed regulatory approval process for Vista and the

date was extended to 31 March 2015. EIG instead agreed to assess the mining costs for Vista and determine the final size of the EIG Facility based on a binding term sheet with a preferred mining contractor and, pursuant to that, Coalspur issued a request for proposals for a mining contractor. Along with the change in date, there were several changes made to the EIG agreement. EIG's sizing of the EIG Facility was changed to have regard to updated assumptions and EIG's current view of overall project cash flows based on a production level of 6 Mtpa (the previously agreed sizing mechanics and assumptions in the EIG Facility included a 3 Mtpa production level). In addition, the amended terms of the EIG Facility provided for compensation ranging between US$7 million to US$12 million that would be payable to EIG in the event that EIG sized the debt below US$250 million or not at all, and either EIG or Coalspur withdrew from the Facility prior to any further draw down of the Facility. If EIG sized the debt over US$250 million, the make whole provisions of the original agreement would have remained unchanged. Following the sizing process, further drawdowns on the balance of the EIG Facility would be available upon satisfaction of customary conditions precedent for a facility of this nature, including the Company entering into a definitive mining contract, obtaining permits and approvals required for construction, and securing full funding for Vista's development.

- On April 2, 2014, Coalspur announced that it had executed definitive agreements for the C$10 million stand-by debt facility with Borrowdale Park.

- On April 11, 2014, following the placing of Forge North America's parent company into administration and then liquidation, Coalspur announced that it had completed a detailed process of assessing alternative engineering, procurement and construction ("**EPC**") providers and that it had selected Sedgman as its preferred supplier of EPC services.

- In April and May 2014, Coalspur drew down C$3 million of the C$10 million stand-by debt facility with Borrowdale Park, before it expired in June 2014.

- On June 23, 2014, Coalspur announced that:

    - it had selected Thiess Pty Ltd as its preferred mining contractor for Vista;

    - it had secured an additional US$10 million funding through a further draw on the Company's senior secured debt facility with EIG; and

    - it had begun a strategic review process in relation to Vista, to pursue various strategic alternatives including, but not limited to, full funding of Vista, 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 was a requirement of EIG when it agreed to provide the additional US$10 million of funding.

- On July 1 and 15, Coalspur announced that it had reduced the size of its Board.

- On August 26, 2014, Coalspur received three approvals and licenses for Vista from the AER under the *Environmental Protection and Enhancement Act* (Alberta) and the *Water Act* (Alberta).

- On October 10, 2014, the AER issued a mineral surface lease pursuant to the *Public Lands Act* (Alberta) for Phase 1 of Vista.

Recent Events

- On 24 February 2015, Coalspur announced that it had entered into a Scheme Implementation Agreement with KCE under which, subject to the satisfaction or waiver (as applicable), of certain defined conditions precedent, KCE will acquire all of the Coalspur Shares through an Australian scheme of arrangement ("**Scheme**") for a cash consideration of A$0.023 per Coalspur share. The Scheme values the equity in Coalspur at approximately A$15 million on a fully diluted basis. KCE will also acquire all debts owing to EIG and Borrowdale Park. The Scheme Booklet was registered with ASIC on 18 March 2015 and distributed to Coalspur Shareholders on 23 March 2015, in anticipation of a Scheme Meeting to be held on 22 April 2015. If the Scheme is approved by the requisite majority of Coalspur Shareholders and by the Australian Federal Court, and if all other conditions to the Scheme are satisfied or waived (where applicable), all Coalspur Shares will be transferred to KCE with effect from the Scheme implementation date and without the need for any further act by the Coalspur Shareholders (other than acts required to be performed by Coalspur, its Directors or officers, as attorney or agent for the Coalspur Shareholders). From the Scheme implementation date, Coalspur will become a wholly-owned Subsidiary of KCE. Coalspur Shares are expected to be delisted from ASX and TSX shortly after the Implementation Date.

- On 23 March 2015, ASIC granted Coalspur an extension of time to hold its annual general meeting ("**AGM**") for its financial year ended 31 December 2014. Pursuant to the relief granted by ASIC, Coalspur must hold its AGM by 31 July 2015. An extension of time was sought to enable Coalspur's AGM to be held once the outcome of the proposed Scheme is known.

Likely Developments and Expected Results

During 2015, the Company is focusing on procuring the fulfilment of all conditions precedent to, and successful implementation of, the Scheme.

DESCRIPTION OF THE BUSINESS

Company Overview

Coalspur is a coal exploration and development company with 1.7 billion tonnes of Measured and Indicated Coal Resources (Measured 903.1 million tonnes, Indicated 797.0 million tonnes) with the principal objective of becoming a coal producer. The Company has not generated any sales revenue during the past two periods. Vista is the Company's flagship project, and is one of the largest undeveloped export thermal coal projects in North America with Measured and Indicated Coal Resources of over one billion tonnes and marketable reserves of 303.8 million tonnes ("Mt"). Vista covers approximately 10,000 hectares, providing a large scale, surface mineable, thermal coal project containing a strike length of over 20km of continuous gently dipping coal seams. In addition, Coalspur holds coal leases directly to the north of Vista, comprising Vista Extension, and to the south of Vista, comprising Vista South, which the Company believes have the potential to host a significant coal resource and leverage off planned Vista infrastructure.

The Company has advanced plans for the development of an open cut mine and coal process facility at Vista in two phases in order to minimize the amount of capital required to reach first production, and utilize project cash flows to substantially contribute to expansion funding. Phase 1 of Vista will provide up to 6.0 Mtpa of capacity for clean coal production. Phase 2 is planned to add an additional 6.0 Mtpa capacity, taking Vista to a capacity of 12.0 Mtpa clean coal production. The ramp up to full capacity is envisioned to take place over five years, and development capital to first production is anticipated to be approximately $478 million. First production from Vista Phase 1 is estimated to be achievable following a 22 month construction period, however the commencement of construction is dependent on receiving full development financing.

Coalspur had 10 full time employees as of December 31, 2015, who collectively have managed the strategic process announced in June 2014 and maintained the Company in good standing during that process. Those employees have many of the mining, construction, regulatory, administrative and finance skills required to construct and operate an open pit coal mine at Vista. In the past few years, the Company has engaged a number of experts to assist with the evaluation and design of Vista infrastructure, and establish the strategies and plans necessary to secure (both within Western Canada and nationally) the larger scale technical and operational manpower required to execute the project through construction and production.

The Company has focused most of its resources on advancing the development of Vista and secured regulatory approval from the AER for Vista Phase 1. Coalspur has deferred exploration and development activities on Vista South and Vista Extension until market conditions improve and adequate funding for Vista has been secured.

Coalspur secured 10.7 Mtpa port capacity at Ridley Terminals and also entered a binding agreement with CN that outlines the key terms under which CN will haul Vista coal to Ridley Terminals. The terms agreed to include rates, term and escalation. As described in Note 12 to the December 31, 2014 Consolidated Financial Statements, on SEDAR at www.sedar.com and on the ASX website at www.asx.com.au, the Company has two contracts with Ridley Terminals. Both contracts are subject to minimum throughput charges based on a percentage of contracted volumes and throughput rates. Coalspur has committed to minimum throughput payments of $660 million over the life of the two contracts, which may become payable in the event Coalspur is unable to meet specified minimum throughput commitments.

In June 2014, Coalspur announced that it would undertake a strategic review process overseen by a special committee comprised of independent Directors of Coalspur. This process was initiated due to the challenges experienced by Coalspur in its attempts to secure full funding for the development of Vista. Despite being a world class asset, depressed global export thermal coal markets coupled with challenging capital markets meant that Coalspur had to rethink its approach to financing Vista, particularly given the context of its existing debt repayment obligations to EIG and Borrowdale Park.

In February 2015, Coalspur announced that it had entered into a Scheme Implementation Agreement with KCE under which, subject to the satisfaction or waiver (as applicable), of certain defined conditions precedent, KCE will acquire all of the Coalspur Shares through an Australian Scheme of arrangement for a cash consideration of A$0.023 per Coalspur share. The Scheme values the equity in Coalspur at approximately A$15 million on a fully diluted basis. KCE will also acquire all debts owing to EIG and Borrowdale Park. The Scheme Booklet was registered with ASIC on 18 March 2015 and distributed to Coalspur Shareholders on 23 March 2015, in anticipation of a Scheme Meeting to be held on 22 April 2015. If the Scheme is approved by the requisite majority of Coalspur Shareholders and by the Australian Federal Court, and if all other conditions to the Scheme are satisfied or waived (where applicable), all Coalspur Shares will be transferred to KCE with effect from the Scheme implementation date and without the need for any further act by the Coalspur Shareholders (other than acts required to be performed by Coalspur, its Directors or officers, as attorney or agent for the Coalspur Shareholders). From the Scheme implementation date, Coalspur will become a wholly-owned Subsidiary of KCE. Coalspur Shares are expected to be delisted from ASX and TSX shortly after the Implementation Date.

Bankruptcy and Similar Proceedings

There are no proceedings against the Company or its subsidiaries in the nature of bankruptcy, receivership or similar proceedings, voluntary or otherwise, within the three most recently completed financial periods or as of the date of this AIF.

Risk Factors

The following risk factors, as well as risks not currently known to Coalspur, could materially adversely affect Coalspur's future business, activities and financial condition and could cause them to differ materially from the estimates described in forward-looking statements relating to Coalspur. Before making an investment decision consideration should be made of the principal risks and uncertainties described below:

(a) Risks specific to Coalspur

(i) Repayment of EIG Facility and EIG Debt Assignment

The EIG Facility (including all drawdowns, fees and interest) is repayable upon termination of the EIG Sale Agreement or implementation of the Scheme, whichever occurs earlier (the "**EIG Repayment Date**"). If the sale agreement related to the EIG Debt Assignment (see below) is terminated prior to 31 March 2015, then the EIG Facility is repayable on 31 March 2015. If none of the Scheme, a superior offer or alternative source of financing, or renegotiation of the repayment date of the EIG Facility is achieved prior to these dates, Coalspur will be unable to repay the EIG Facility.

KCE has negotiated a sale agreement to purchase EIG's senior, secured debt (at a discount to face value) and the Coalspur warrants held by EIG (the "**EIG Debt Assignment**"). The EIG Debt Assignment is governed by a sale agreement which provides that EIG will assign all of its rights and interests under the EIG Facility, including all security interests, to KCE. The EIG Debt Assignment is not conditional on implementation of the Scheme. However, the Scheme is conditional on KCE acquiring EIG's rights and interests under the EIG Facility before the second Court Date. A consequence of this is that, if an event of default occurs under the EIG Facility, KCE will be entitled to appoint a receiver to Coalspur.

The EIG Debt Assignment will also mean that, if a third party is proposing to make a competing proposal for Coalspur, that third party will have to reach an agreement with KCE in relation to the senior, secured debt owed to KCE pursuant to the EIG Facility. If a third party proponent of a competing proposal does not reach an agreement with KCE regarding the senior, secured debt owed to KCE and Coalspur pursues the competing proposal, after determining that it is a superior offer to the Scheme, the repayment date for the EIG Facility will come into immediate effect entitling KCE to be repaid all outstanding amounts due under the EIG Facility.

(ii) Repayment of Borrowdale Facility and Borrowdale Debt Assignment

The Borrowdale Facility (including all drawdowns and interest) was due for repayment on 30 April 2015. To facilitate implementation of the Scheme, Borrowdale has agreed to waive any potential event of default under the Borrowdale Facility arising from Coalspur entering into the Scheme Implementation Agreement. This waiver ceases upon termination of the Scheme Implementation Agreement or implementation of the Scheme, whichever occurs earlier. If the Scheme Implementation Agreement is terminated prior to 31 March 2015, the waiver provided by Borrowdale ceases on 31 March 2015. If none of the Scheme, a superior offer or an alternative source of financing, or renegotiation of the repayment date of the Borrowdale Facility is achieved prior to these dates, Coalspur will be unable to repay the Borrowdale Facility.

KCE has agreed in-principle terms with Borrowdale pursuant to which Borrowdale will assign all of its rights and interests under the Borrowdale Facility, including all security interests, to KCE (the "**Borrowdale Debt Assignment**"). The Borrowdale Debt Assignment is not conditional on implementation of the Scheme. However, the Scheme is conditional on KCE acquiring Borrowdale's rights and interests under the Borrowdale Facility before the second Court Date. A consequence of this is that if an event of default occurs under the Borrowdale Facility, KCE will be entitled to appoint a receiver to Coalspur.

The Borrowdale Debt Assignment will also mean that if a third party is proposing to make a Competing Proposal for Coalspur, that third party will have to reach an agreement with KCE in relation to the subordinated secured debt owed to KCE pursuant to the Borrowdale Facility. If a third party proponent of a Competing Proposal does not reach an agreement with KCE regarding the subordinated secured debt owed to KCE and Coalspur pursues the Competing Proposal, after determining that it is a superior offer, the acceptance of the Competing Proposal may trigger an event of default under the Borrowdale Facility entitling KCE to declare all outstanding amounts due under the Borrowdale Facility immediately due and payable.

(iii) Continuation of business and operations

A comprehensive, global strategic review process was initiated in June 2014 and conducted by Coalspur's management with assistance from Deutsche Bank. A significant number of strategic and financial parties were canvassed over an eight month period regarding the potential financing, re-financing, joint venturing or outright purchase of Vista and/or Coalspur. At the conclusion of the strategic review process, the Scheme represents the best available alternative for Coalspur Shareholders given the alternatives considered and expressions of interest received from third parties.

If the Scheme does not proceed, there is no guarantee that a superior strategic alternative will be forthcoming ahead of the due dates for repayment of the EIG Facility and Borrowdale Facility, which may become immediately due and payable after 31 March 2015. There is a risk that if the Scheme is not implemented and a superior offer or an alternative source of financing is completed or renegotiation of the due dates relevant to the credit facilities by such dates, this may impair Coalspur's ability to continue its business and operations. The consequences of this will be significant and could include the requirement for Coalspur to consider filling for creditor protection, appointing an administrator or conducting an orderly winding up of its operations.

(iv) Funding requirements for Vista development

The construction of Vista, and the exploration and development of Coalspur's other properties require financing. Failure to obtain sufficient financing may result in delays or indefinite postponement of exploration and development of Coalspur's properties, a loss of Coalspur's personnel or even a loss of its interest in some of its mineral properties. Even if Coalspur is successful in arranging financing for the initial construction at Vista, it may face challenges in obtaining additional development or operating financing due to a lack of availability of financing in a difficult economic climate, restrictive covenants on financing obtained, potential loss of control due to financing requirements, delays in obtaining financing and difficult repayment terms.

(v) Commodity price risks

The price of coal fluctuates widely and is affected by numerous factors beyond the control of Coalspur, such as industrial and retail power supply and demand, alternative fuel substitution, exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales by producers and speculators as well as other global or regional political, social or economic events. The supply of coal consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers. Future production, if any, from Coalspur's mineral properties will be dependent upon the price of coal being adequate to make these properties economically viable. Serious sustained price declines in the market value of coal could cause development and any commercial production from Vista to be rendered uneconomic. Depending on the price of coal, Coalspur could be forced to discontinue any production or development and may lose its interest in, or may be forced to sell, some of its properties.

The Newcastle thermal coal price decreased from US$113 per tonne in January 2012 to approximately US$85 per tonne as of December 2013, and approximately US$73 per tonne as of the date of the Scheme Announcement on February 24, 2015. As at March 31, 2015 the Newcastle price was US$ 60.13 per tonne. There is no assurance that, even if commercial quantities of coal are produced, a profitable market will exist for them.

In addition to adversely affecting Coalspur's reserve estimates and financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

(vi) Regulatory permits and licences

There is no certainty that any further licenses, permits and modifications will be received within the time frame estimated by Coalspur, or at all. In addition, Coalspur will require additional approvals, licences and permits to allow the development of Phase 2 of Vista, Vista South, Vista Extension and other potential project areas. Failure to obtain approvals for future applications or the imposition of restrictive conditions on mining activities may make these projects uneconomic and have a material adverse effect on the business operations of Coalspur.

(vii) Take or pay commitments

Coalspur has contracts with Ridley Terminals to provide port services that contain minimum throughput ("take or pay") charges. In the event Coalspur is unable to produce and sell enough coal to meet these commitments, and it is unable to sell the port capacity to a third party, it may have to pay minimum throughput charges to Ridley Terminals without making use of the port services made available by Ridley Terminals. As of 18 December 2013, Coalspur declared force majeure due to government inaction as defined the Terminal Service Agreement with Ridley Terminals, in light of the regulatory delays in approving Vista. In October 2014 upon receipt of the Mineral Surface Lease from the AER, Coalspur notified Ridley Terminals of the termination of the force majeure event that was declared in December 2013. Coalspur is currently committed to ship 130.7 million tonnes of coal through Ridley Terminals over the course of 14 years commencing in 2015, with associated minimum throughput payments totalling C$660 million. Coalspur has claimed relief from Ridley Terminals to mitigate the payments that Coalspur would otherwise have had to make in 2015 and 2016, however the outcome of this claim is uncertain.

(viii) Multiple mineral and surface rights

Coalspur has identified that some of the lands within Vista, Vista Extension, and Vista South have third party mineral and surface agreements registered against the lands. These agreements include petroleum natural gas leases and licences, metallic and industrial minerals permits and forestry licenses. Various surface activities are also registered against the lands.

Coalspur has identified oil and gas pipeline infrastructure in the region of Vista. Coalspur has come to an agreement with the oil and gas operator in the region to move the pipeline infrastructure. However, if the oil and

gas operator does not cooperate with Coalspur, there is a risk that the commencement of mining operations by Coalspur may be delayed until both parties adhere to the agreement.

While Coalspur does not believe there to be any restrictions on its rights to work, recover and remove coal from the leases, there can be no guarantee that the provisions of the various mineral and surface agreements registered against the lands, do not, or will not, restrict the development of Vista.

Should any of the above occur, it will have a materially adverse impact on Vista, Coalspur and the value of Coalspur Shares.

(ix) Execution of construction and production plan

Coalspur has plans for the construction of a large scale, open pit mining operation at Vista. There is no guarantee Coalspur will be able to deliver this project to design specifications, on time, and on budget. In the event Coalspur is unable to construct its project according to specification, on schedule, or on budget, it could incur a default of its covenants with respect to funding specifically attributable to construction.

Coalspur's business, results of operations and financial condition may vary with fluctuations in production and capital costs. Coalspur's main production expenses are expected to be contractor costs, materials (including repair parts, explosives and mining consumables), personnel costs, and energy and its main capital costs will be the development capital expenditure for Vista. Changes in the costs of Coalspur's mining and processing operations as well as its capital costs could occur as a result of unforeseen events, including international and local economic and political events (including movement in exchange rates), and could result in changes to forecasted cash flow. Many of these factors are beyond Coalspur's control.

In past resource cycles, operating and capital costs have tended to increase as commodity prices have increased. Thus, Coalspur may be faced with higher than expected operating and capital costs in the future.

(x) Recruitment and retention of key personnel

Coalspur's ability to manage its exploration, development and operating activities will depend in large part on the ability to attract and retain talent, including management, technical and skilled personnel.

The inability to fill one or more key management or technical positions could have a material adverse effect on Coalspur's ability to manage and develop its business. It may be particularly difficult for Coalspur to attract and retain suitably qualified and experienced people, given the current high demand in the industry and modest size of Coalspur, compared with other industry participants.

Coalspur is dependent on a number of key management personnel, including the services of certain key employees. Coalspur's ability to manage its development mining operations will depend in large part on the ability to retain current personnel. The loss of the services of one or more key management personnel could have a material adverse effect on Coalspur's ability to manage the business.

(xi) Major service providers and other consultants

Coalspur has relied on and will continue to rely on a major service provider to assist in the construction of the mine. Coalspur believes that the service provider and other consultants are competent and that they have and will continue to carry out their work in accordance with internationally recognized industry standards. However, if the work conducted by those major service providers or other consultants is ultimately found to be incorrect or inadequate in any material respect, Coalspur may experience delays or increased costs in developing its properties. Furthermore, if the financial viability of a major service provider is compromised, then this may impact Coalspur's ability to enforce its contracted rights. If Coalspur's properties do not attain commercial viability, Coalspur may realize a loss on their historic cost, or may even be required to abandon its business and fail as a going concern.

(xii) Coal Resources and Coal Reserves estimates

Coalspur's Coal Resources and Coal Reserves are estimates, and no assurance can be given that the estimated Coal Resources and Coal Reserves are accurate or will be produced in the future. Such estimates are expressions of judgment, based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Mineral Resource and Mineral Reserve estimation is an interpretive process, based on available data and interpretations and, thus, estimations may prove to be inaccurate.

The actual quality and characteristics of mineral deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop resources. Further, Mineral Reserves are valued based on future costs and future prices and consequently, the actual Mineral Reserves and Mineral Resources may differ from those estimated, which may result in either a positive or negative effect on operations.

(xiii) Environmental risks and regulations

All phases of Coalspur's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set the limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Coalspur's operations. Environmental hazards may exist on the properties on which Coalspur holds interests which are unknown to Coalspur at present and which have been caused by previous or existing owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on Coalspur and cause increases in exploration expenses, capital expenditures or production costs, or reduction in levels of production at producing properties, or require abandonment or delays in development of new mining properties.

(xiv) Foreign exchange risks

International prices of thermal coal commodities are denominated in United States Dollars and a portion of Coalspur's capital expenditure and ongoing expenditure are denominated in Unites States Dollars and Australian Dollars, whereas the majority of the expenditures of Coalspur are denominated in Canadian currency, exposing Coalspur to the fluctuations and volatility of the rate of exchange between the United States Dollar, the Australian Dollar and the Canadian Dollar, as determined in international markets. Coalspur currently does not engage in any hedging or derivative transactions to manage foreign exchange risk. There can be no assurance that fluctuations in foreign exchange rates will not have a material adverse effect upon Coalspur's financial performance and results of operations.

(xv) Inadequate financial reporting

Although Coalspur believes that its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, it cannot provide absolute assurance in that regard. Coalspur prepares its financial reports in accordance with accounting policies and methods prescribed by International Financial Reporting

Standards. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of Coalspur. Significant accounting policies are described in more detail in the notes to Coalspur's financial statements for the year ended 31 December 2015.

(xvi) Adverse tax legislation

Coalspur is currently subject to a variety of taxes in Australia and Canada, and while Coalspur believes it has complied with all tax regulations, there could be future, unforeseen tax issues or legislative changes that affect the timing or ultimate amount of tax owing to authorities.

(xvii) Adverse changes to government policies

Coalspur's activities are subject to various laws governing exploration, taxes, labour standards, occupational health and safety, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail Coalspur's activities.

Amendments to current laws, regulations and permits governing activities of exploration and mining companies, or more stringent implementation thereof, could have a material adverse impact on Coalspur and cause increases in expenses or require abandonment or delays in activities.

Failure to comply with any applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing activities to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

(xviii) Exploration and development risks

The exploration for, and development of, mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. Resource exploration and development is a speculative business, characterized by a number of significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, although present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by Coalspur may be affected by numerous factors that are beyond the control of Coalspur and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in Coalspur not receiving an adequate return on investment capital.

Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices, which fluctuate widely, and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The combination of these factors may result in Coalspur expending significant resources (financial and otherwise) on a property without receiving a return. There is no certainty that expenditures made by Coalspur towards the search and evaluation of mineral deposits will result in discoveries of an economically viable mineral deposit.

(xix) Government licenses, permits and approvals

Coalspur's activities require licenses, permits and approvals from various governmental authorities. Coalspur believes that it holds all necessary licenses and permits under applicable laws and regulations to conduct its current activities and believes that it is presently complying in all material respects with the terms of such licenses

and permits. However, such licenses and permits are subject to change in various circumstances and certain permits and approvals are required to be renewed from time to time. Additional permits and permit renewals will need to be obtained in the future and the granting, renewal and continued effectiveness of these permits and approvals are, in most cases, subject to some level of discretion by applicable regulatory authorities. Certain governmental approval and permitting processes are subject to aboriginal and public consultation requirements and can be appealed by project opponents, which may result in significant delays or in approvals being withheld or withdrawn. There can be no guarantee Coalspur will be able to obtain or maintain all necessary licenses and permits as are required to explore or develop its properties.

(xx) Uninsured risks

The business of Coalspur is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, delays in start-up, changes in the regulatory environment and natural phenomena such as inclement weather conditions and floods. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of Coalspur or others, delays in mining, monetary losses and possible legal liability.

Although Coalspur maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and Coalspur may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Coalspur or to other companies in the mining industry on acceptable terms. Losses from these events may cause Coalspur to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

(xxi) Risks associated with transportation infrastructure

Coal produced from Coalspur's mining operations is intended to be transported to customers by a combination of rail and sea. A number of factors could disrupt these transport services, including failure to secure adequate capacity from Coalspur's proposed rail infrastructure provider, key equipment and infrastructure failures, weather-related problems and industrial action, thereby impairing Coalspur's ability to supply coal to customers.

Both rail and port infrastructure have limited capacity and are subject to competition. Coalspur has secured agreements with CN and Ridley Terminals to provide rail and port capacity, however there is no certainty that CN and Ridley Terminals will be able to meet the obligations under those contracts.

(xxii) Title to properties

Coalspur has an agreement to purchase five leases within Vista. The legal interest in these leases is held in escrow, and will not pass to Coalspur until a $10 million future payment has been paid in full. While Coalspur understands that an Alberta court may enforce the contractual interest of Coalspur to acquire the leases, it is not possible to register a contractual interest in a lease under Alberta's mineral tenure regime.

Notwithstanding the titles pledged as security and held in escrow, there can be no assurances that Coalspur's interest in its properties is free from other defects. Coalspur has investigated its rights as set forth in its most recent annual information form, a copy of which is available on www.asx.com.au, www.sedar.com or on Coalspur's website www.coalspur.com, and believes that these rights are in good standing. There is no assurance, however, that such rights and title interests will not be revoked or significantly altered to the detriment of Coalspur. There can be no assurances that Coalspur's rights and title interests will not be challenged or impugned by third parties.

All of the leases in which Coalspur has or may earn an interest will be subject to applications for renewal or grant (as the case may be). The renewal or grant of the term of each lease is usually at the discretion of the relevant government authority. If a lease is not renewed or granted, Coalspur may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that area.

(xxiii) Government regulation

Coalspur's activities are subject to various laws governing exploration, taxes, labour standards, occupational health and safety, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail Coalspur's activities.

Amendments to current laws, regulations and permits governing activities of exploration and mining companies, or more stringent implementation thereof, could have a material adverse impact on Coalspur and cause increases in expenses or require abandonment or delays in activities.

Failure to comply with any applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing activities to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

(xxiv) Competition

The mineral resource industry is competitive in all of its phases. Coalspur competes with other companies, some of which have greater financial and other resources than Coalspur and, as a result, may be in a better position to compete for future business opportunities. Coalspur competes with other exploration and mining companies for the acquisition of leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. There can be no assurance that Coalspur can compete effectively with these companies.

(b) General market risks

(i) Securities investment risks

Coalspur Shareholders should be aware that there are risks associated with any securities investment. The market price of a publicly traded stock is determined by the stock market and will be subject to a range of factors beyond the control of Coalspur, the Directors, or Coalspur's management. Such factors include, but are not limited to, the demand for and availability of Coalspur Shares, actions of major shareholders, movements in domestic interest rates, exchange rates, fluctuations in the ASX, TSX and other stock markets and general domestic and economic activity, in particular a downturn in China's manufacturing industry. These factors may materially affect the market price of Coalspur Shares, regardless of Coalspur's operational performance.

Furthermore, in recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of Coalspur's securities.

(ii) General economic and financial conditions

Changes in economic and business conditions may affect the fundamentals which underpin the projected growth of Coalspur's target markets or its cost structure and profitability. Adverse changes in such things as the level of inflation, interest rates, exchange rates, consumer spending, employment rates, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, and tax rates, among others, are out of the control of Coalspur, the Directors, and Coalspur's management and may result in material adverse impacts on Coalspur's business or its operating results.

(c) Scheme risk factors

(i) Satisfaction or waiver of conditions

Completion of the Scheme is subject to a number of conditions. There can be no certainty, nor can Coalspur provide any assurance, that these conditions will be satisfied or waived (where applicable), or if satisfied or waived (where applicable), when that will occur. In addition, there are a number of other conditions precedent to the Scheme which are outside the control of Coalspur including, but not limited to, approval of the Scheme by the Requisite Majority of Coalspur Shareholders and required regulatory and third party approvals and consents.

If for any reason the conditions to the Scheme are not satisfied or waived (where applicable) and the Scheme is not completed, the market price of Coalspur Shares may be adversely affected.

(ii) Termination of the Scheme Implementation Agreement

Each of Coalspur and KCE has the right to terminate the Scheme Implementation Agreement in certain circumstances. Accordingly, there is no certainty that the Scheme Implementation Agreement will not be terminated by either Coalspur or KCE before the implementation of the Scheme.

Under the terms of the Scheme, the Scheme will not become Effective if the Scheme Implementation Agreement is terminated before the Second Court Date.

If the Scheme Implementation Agreement is terminated, there is no assurance that the Coalspur Board will be able to find a party willing to pay an equivalent or greater price for Coalspur Shares than the price to be paid pursuant to the terms of the Scheme Implementation Agreement.

Mineral Properties

The information in this section is reproduced from the technical report entitled *"Coalspur Mines Limited: The Coalspur Coal Projects, Hinton, Alberta Project No. 04372/V1428, NI43-101 Technical Report"* dated 31 July 2014 (the "**Technical Report**"), which has been prepared pursuant to the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("**JORC Code 2004**") and National Instrument 43-101 – "Standards of Disclosure for Mineral Projects" ("**NI 43-101**"). The Technical Report was prepared by Grant van Heerden, Murray Lytle and Paul Franklin of Snowden Mining Industry Consultants Inc ("**Snowden**"), each an independent qualified person as defined in NI 43-101 and a competent person under JORC Code 2004. For a complete description of assumptions, qualifications and procedures associated with this information, reference should be made to the full text of the Technical Report, which is available for review on SEDAR at www.sedar.com and on the ASX website at www.asx.com.au.

The Coalspur Coal Projects (the "**Projects**") are comprised of two separate coal deposits divided into three individual project areas. Two projects are contiguous, these being the main Vista coal project (referred to herein as "**Vista**", "**Vista Project**" or "**Vista Coal Project**") and the more recently acquired Vista Extension project ("**Vista Extension**"). The Vista South project ("**Vista South**"), while connected geographically, occurs in a separate sub-basin to the south of the main Vista Coal Project. All three projects are targeting thermal coal.

Table 1: Coal Reserve Estimates for the Vista Coal Project

Seam	Coal Reserves (Mt)			Marketable Reserves (Mt)
	Proven	Probable	Total	Total
Val d'Or	204.1	13.0	217.1	119.10
McLeod	63.4	13.9	77.3	41.0
McPherson	131.7	23.2	154.9	101.2
West Extension	31.5	4.0	35.5	21.5
East Extension	34.0	2.6	36.6	21.0
Total	**464.7**	**56.7**	**521.4**	**303.8**

Note: Reserve estimates are effective July 31, 2014

Table 2: Coal Resource Estimates for the Vista, Vista Extension and Vista South Projects

***In Situ* Coal Resources**	**Measured (Mt)**	**Indicated (Mt)**	**Measured & Indicated (Mt)**	**Inferred (Mt)**
Vista	686.0	369.9	**1055.9**	460.9
Vista Extension	6.5	167.2	**173.7**	969.3
Vista South	210.6	259.7	**470.3**	604.6
Total	**903.1**	**796.8**	**1699.9**	**2034.8**

Note: Resource estimates are effective July 31, 2014

The Vista Coal Project has been the subject of a feasibility study and is the only area of the Coalspur Coal Projects for which Mineral Reserves have been estimated and declared. The other two projects, Vista South and Vista Extension, have only had Mineral Resources estimated and declared.

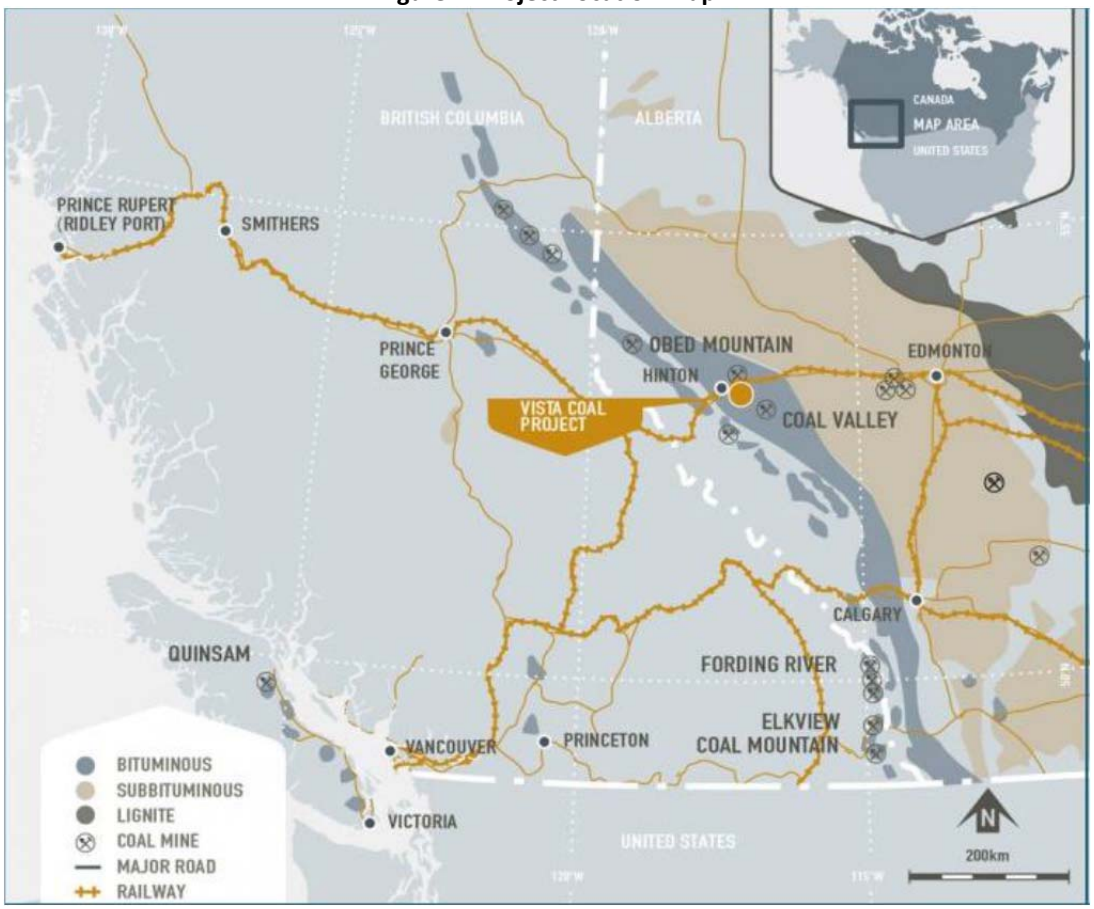
Property Description and Location

The Coalspur Coal Projects (Vista Coal Project, Vista Extension and Vista South) are located east of the town of Hinton in west central Alberta, Canada (Figure 1). Primary road access to the area is via the Yellowhead Highway

(Highway 16), which is a major all-weather divided, paved highway, which connects Hinton with Edson, Alberta, 85 km to the east, and Edmonton, Alberta, 280 km to the east. The Athabasca River flows parallel to and north of Highway 16 and the town of Hinton. Highway 40 runs north from Highway 16, approximately 7 km southwest of Hinton and connects to Grande Cache, 138 km to the northwest.

The main rail line of the Canadian National Railway ("**CN**") runs parallel to the Athabasca River and Highway 16, approximately 8 km north of the Vista Coal Projects. The railway provides direct access for coal delivery to the Port of Vancouver and to the Ridley Island Terminal at Prince Rupert.

Figure 1: Project Location Map



The coal leases are located south of Highway 16, the CN rail line and the Athabasca River, all of which run parallel (SW-NE) to each other in the area along the northwestern margin of the Vista Coal Projects. The projects lies approximately 4 km east of the town of Hinton, 60 km southwest of the town of Edson and 40 km northeast of the Jasper Park boundary on Highway 16. The projects are centred on approximately 5,914,735 North and 475,550 East (UTM11N, NAD83) and consist of several tracts of land extending over 22 km eastward from Hinton in the west to the McLeod River in the east. The projects extend some 30 km in a N-S domain. The total area covered by the Coalspur Coal Projects amounts to approximately 490 km².

Coalspur currently holds 55 individual coal lease agreements and three applications in the Hinton area. Within this, the Coalspur Coal Projects consist of 22 contiguous leases comprising the Hinton West, Z Block, Hinton East, Vista South, Vista Extension and McLeod River North coal resource blocks. All of these leases are held directly, or in escrow, by Coalspur.

Coalspur purchased the five Hinton East and Hinton West coal leases from Consolidated Tanager Limited ("**Tanager**") on February 19, 2009. The Tanager leases, held in escrow, are subject to a final payment of C$10

million on the earlier of February 19, 2016, or coal production from the Tanager Leases reaching 90,000 tpm over a three month period, and an ongoing 1% gross revenue royalty for coal sold from those leases only. Coalspur executed an option to purchase agreement with Mancal Coal Inc. ("Mancal") to purchase a 100% interest in the McLeod River North and Z Block leases in October, 2010. The leases were transferred to Coalspur on October 21, 2010. Two additional coal leases inside the Mine Permit boundary were obtained from the Government of Alberta in May 2011 after the Mine Permit was transferred to Coalspur. Coalspur holds additional coal leases to the south of the Vista Coal Project (Vista South) and also to the north and east (Vista Extension). Nexen sold the Vista Extension leases to Coalspur at the end of March 2012 and the transfer took place on May 8, 2012.

Alberta Crown Coal Leases are granted for a term of 15 years and are renewable for additional terms on application. The Coalspur Coal Projects leases are listed in Table 3.

Figure 2: Individual Coal Lease Agreements comprising the Vista Coal Projects

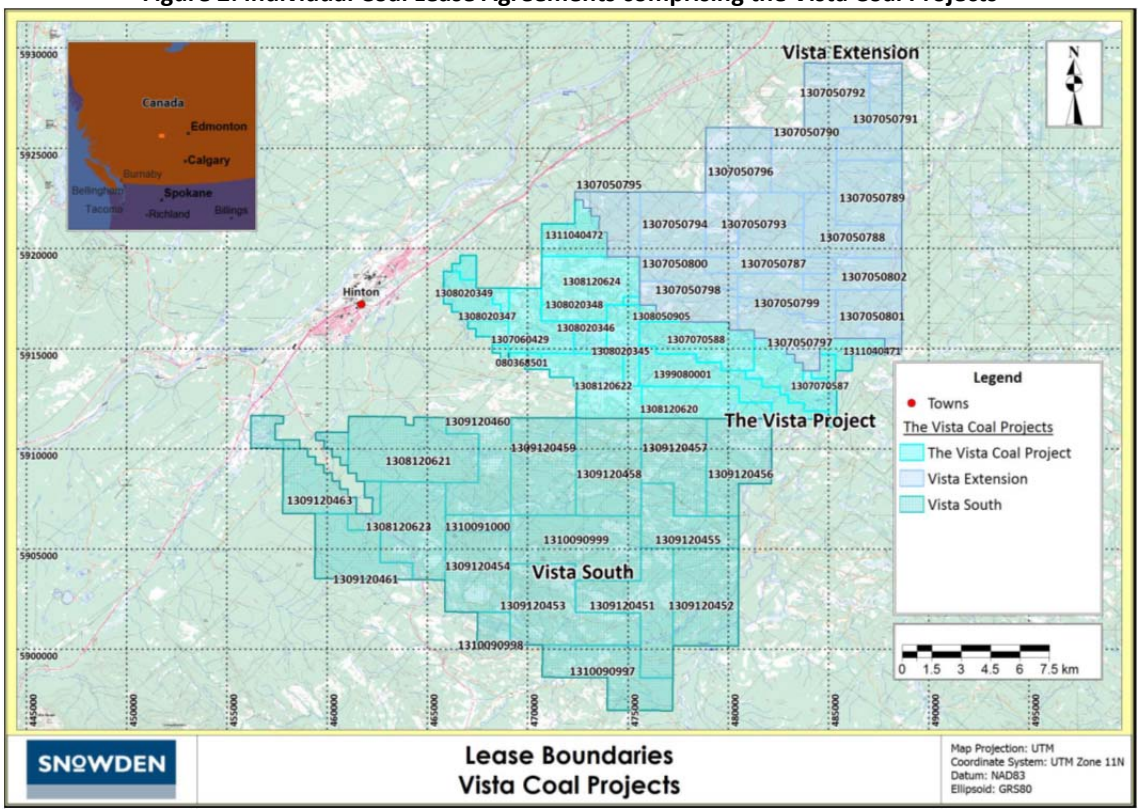


Figure 3: Key Resource Block Nomenclature for Vista

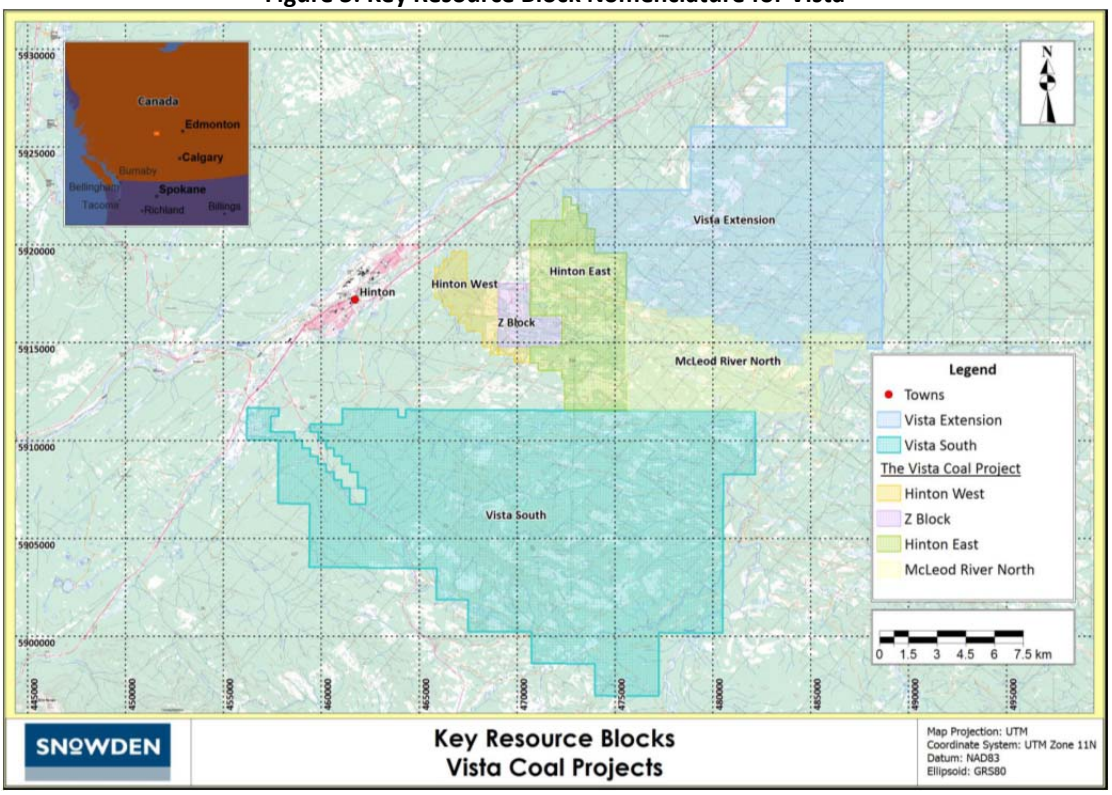


Figure 4: Leases and Applications within the Vista Coal Project

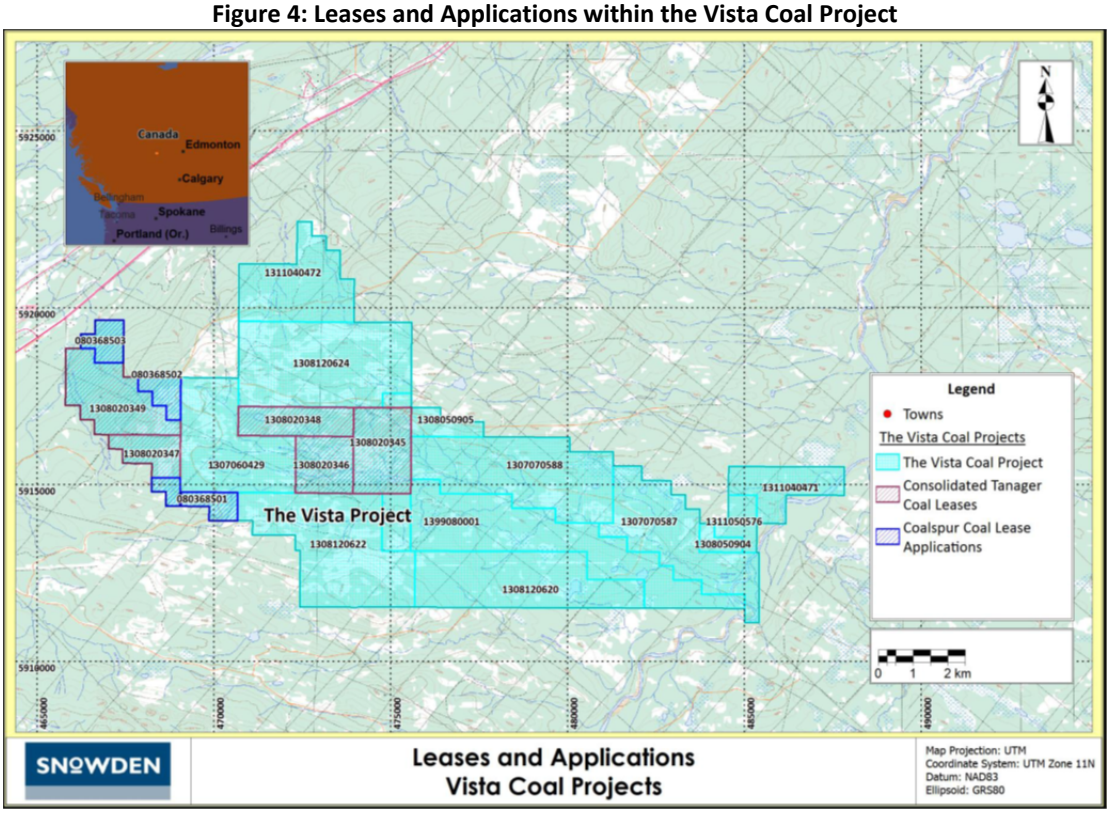


Table 3 Coalspur Tenures (source: www.energy.alberta.ca)

Block	Agreement #	Type	Holder	Status	Expiry	Area (ha)
Hinton West	1308020347	Coal Lease	Consolidated Tanager Ltd.	Active	22/02/23	179.652
	1308020349	Coal Lease	Consolidated Tanager Ltd.	Active	22/02/23	480.559
	80368501	Application	Coalspur Mines (Operations) Ltd.	Active	N/A	145.220
	80368502	Application	Coalspur Mines (Operations) Ltd.	Active	N/A	97.045
	80368503	Application	Coalspur Mines (Operations) Ltd.	Active	N/A	113.192
	Sub-total	**5**				**1,015.669**
Hinton East	1308020345	Coal Lease	Consolidated Tanager Ltd.	Active	22/02/23	396.604
	1308020346	Coal Lease	Consolidated Tanager Ltd.	Active	22/02/23	262.017
	1308020348	Coal Lease	Consolidated Tanager Ltd.	Active	22/02/23	268.332
	1308120622	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	4/12/23	1,096.072
	1308120624	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	4/12/23	1,145.403
	1311040472	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	07/04/26	613.176
	1311050581	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	31/05/26	130.619
	1311050582	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	31/05/26	32.316
	Sub-total	**8**				**3,944.539**
Z Block	1307060429	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	16/06/22	789.059
	Sub-total	**1**				**789.059**
McLeod River North	1307070587	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	20/07/22	779.636
	1307070588	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	20/07/22	1,017.806
	1308050904	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	08/05/23	67.462
	1308050905	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	08/05/23	119.694
	1308120620	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	4/12/23	904.032
	1311040471	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	07/04/26	329.490
	1311050576	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	31/05/26	127.573
	1399080001	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	28/08/14	1,136.050
	Sub-total	**8**				**4,481.743**
Vista Extension	1307050787	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	27/05/22	1,055.169
	1307050788	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	27/05/22	1,056.347
	1307050789	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	27/05/22	1,059.564
	1307050790	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	27/05/22	1,051.414
	1307050791	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	27/05/22	1,050.704
	1307050792	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	27/05/22	1,052.974
	1307050793	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	27/05/22	1,051.090
	1307050794	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	27/05/22	1,053.088
	1307050795	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	27/05/22	704.963
	1307050796	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	27/05/22	1,058.196
	1307050798	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	27/05/22	757.332
	1307050799	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	27/05/22	755.520
	1307050800	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	27/05/22	588.998
	1307050801	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	27/05/22	799.649
	1307050802	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	27/05/22	657.794
	Sub-total	**15**				**13,752.802**
Vista South	1308120621	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	04/12/23	1,937.996
	1308120623	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	04/12/23	1,575.550
	1309120451	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	03/12/24	1,573.263
	1309120452	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	03/12/24	1,580.838
	1309120453	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	03/12/24	1,844.253
	1309120454	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	03/12/24	1,306.489
	1309120455	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	03/12/24	1,048.224
	1309120456	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	03/12/24	1,313.909
	1309120457	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	03/12/24	1,315.425
	1309120458	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	03/12/24	1,580.620
	1309120459	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	03/12/24	1,580.119
	1309120460	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	03/12/24	1,183.486

Block	Agreement #	Type	Holder	Status	Expiry	Area (ha)
	1309120461	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	03/12/24	1,059.935
	1309120462	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	03/12/24	97.972
	1309120463	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	03/12/24	1,073.200
	1309120464	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	03/12/24	164.647
	1310090997	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	02/09/25	1,314.288
	1310090998	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	02/09/25	265.037
	1310090999	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	02/09/25	1,834.837
	1310091000	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	02/09/25	260.900
	1310091001	Coal Lease	Coalspur Mines (Operations) Ltd.	Active	02/09/25	34.614
	Sub-total	**21**				**23,945.602**
Grand Total		**58**		**Active**		**47,929.414**

Besides Alberta Government Coal Royalties, the only royalty, back in right or other encumbrance to which the Coalspur Coal Properties are subject is the Tanager royalty referenced above.

There are no outstanding environmental liabilities or commitments on the Coalspur Coal Properties. The operation of the mine and plant facilities, when built, will require the completion of such environmental activities as are stipulated in the mine development approvals.

Certain types of exploration activity require a Coal Exploration Permit ("**CEP**"), issued by the Alberta Government, prior to conducting the work on Crown land within a coal property. The current or future operations of Coalspur, including development and commencement of production activities on this property require other permits and approvals governed by laws and regulations pertaining to development, mining, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters, under the jurisdiction of the Government of Alberta and/or the federal government of Canada.

No detailed work has been undertaken regarding the environmental, social and permitting studies with respect to Vista Extension and Vista South as these are early stage projects. The discussion regarding permits below references the Vista Coal Project only and does not include the Vista Extension or Vista South areas of the project.

In February 2014, the Alberta Energy Regulator ("**AER**") granted approval for Coalspur's applications under decision 2014 ABAER 004, for an amended coal mine permit, an amended coal processing plant approval and coal mine pit and waste dump licences. This approval includes various requirements or conditions relating to the coal processing plant, mine plan and end-pit lake, geotechnical investigations, fines management, surface water quality, wetlands, wildlife, and noise mitigation.

In accordance with this approval, in May 2014 the AER issued amended Coal Mine Permit No. C2011-5A, amended Coal Processing Plant Approval No. C2011-3A, Coal Mine Licence No. C2014-5 to operate a surface mine pit, and Coal Mine Licence No's. C2014-4, C2014-6 and C2014-7 for waste rock dumps. In March 2014, Coalspur's applications under the *Environmental Protection and Enhancement Act* (Alberta) ("**EPEA**") and *Water Act* (Alberta) were transferred to the AER and the AER granted these permits and approvals in August 2014. In October 2014, the AER also issued to Coalspur a mineral surface lease (MSL 130948) under the *Alberta Public Lands Act*. The final permit required to commence construction of Vista, is a development permit from Yellowhead County, and Coalspur will apply for this permit when it is ready to commence construction.

In June 2013, CN obtained authorization under the *Fisheries Act* for the construction of culverts over some of the streams that may be impacted by the railway siding. In August 2013, the Canadian Transportation Agency granted an approval to CN under the *Canada Transportation Act*, to construct a railway siding to support and service the Vista Project.

The Vista Project is planned to be developed as two sequential phases – Phase 1 and Phase 2. The Vista Project Phase 1 designs and plans are for the construction, operation and reclamation of a 5.0 Mtpa operation and do not require any Federal permits or approvals that would necessitate initiating the EA process defined by the

Environmental Assessment Act (Canada). Phase 2 will involve expanding the Mine Permit and increasing the mining rate, adding a second module to the coal processing plant and expanding ancillary facilities as necessary. It is anticipated that Phase 2 will require applications to the AER to amend Mine Permit C2011-5A to include the remaining Vista coal leases to the west of the existing Mine Permit; amend the Coal Processing Plant Approval C2011-3A to include the additional processing module to increase coal processing capacity; and grant the necessary coal mine pit and waste dump licences for a second mining area in the expanded Mine Permit. Phase 2 of the Project will also require a new EA and applications to amend the EPEA and WA approvals and permits issued for Phase 1 of the Vista Coal Project.

Coalspur is also required to post reclamation security as determined by the Mine Financial Security Program ("**MFSP**"). A fundamental principle of the MFSP is that the EPEA approval holder is responsible to carry out suspension, abandonment, remediation and surface reclamation work to the standards established by the Province of Alberta and to maintain care-and-custody of the land until a reclamation certificate has been issued. The approval holder must have the financial resources to complete these obligations and assets under the MFSP represent the estimated financial capability of an approval holder's project to address its future obligations.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access

The Coalspur Coal Project properties are primarily accessible from Hinton via the Yellowhead Highway (Highway 16), which is an all-weather divided paved major highway which connects Hinton with Edson, Alberta 70 km to the east, with Edmonton, Alberta 276 km to the east. The Athabasca River flows parallel to and north of the highway and the town of Hinton.

The CN main rail line runs parallel the Athabasca River and Highway 16, approximately 12 km north of the Vista South property. The railway provides direct access for coal delivery to the Port of Vancouver and to the Ridley Island Terminal at Prince Rupert. Paved landing strips are available at both Hinton and Edson for light jet aircraft.

The Vista Coal Project and Vista Extension are accessible via the McPherson Creek logging road (owned and maintained by West Fraser Timber Co. Limited). This all-weather gravel road, which is open year round, bisects the Z Block, then runs through the Hinton East Block, and then runs southeast along the northern boundary of the McLeod River North property to the McLeod River.

Vista South is accessible via Highway 40, which runs south from Highway 16 approximately 4 km southwest of Hinton and essentially follows the southwest border of the property. The property is directly accessible driving southeast from Hinton along the Robb logging road which is owned and maintained by West Fraser Timber Co. Ltd. This all-weather gravel road follows the north eastern margin of the property. It intersects the Gregg River Road at the south-eastern margin of the property. The Gregg River Road connects with Highway 40 on the south-western boundary. Secondary logging trails branch off of the main Robb and Highway 40 access routes and afford additional access to the interior of the property.

Topography, Elevation and Vegetation

The Coalspur Coal Projects are situated in the northwest trending outer foothills physiographic region of the Rocky Mountains which is characterized by relatively low, rounded hills with local muskeg in low lying areas. The highest elevation in the area is 1,600 metres above sea level ("**masl**"), and the average elevation of the valley floors is approximately 1,195 masl.

The Coalspur Coal Projects are generally covered with second growth forests with pine and mixes of white spruce and poplar on the hillsides and ridges; alders, while willows and black spruce occur in low lying areas. The region is part of the West Fraser Forest Management Area ("**FMA**"), which is actively being logged and contains large areas that have been commercially logged and re-planted in the past.

Climate

The local climate is typical for the region and has little to no material impact on mining operations with other nearby mines operating year round. Minor delays are, however, experienced but these are typically of short duration, particularly in the winter months.

Alberta has a dry continental climate with warm summers and cold winters. The province is open to cold arctic weather systems from the north, which often produces extremely cold conditions in winter. As the fronts between the air masses shift north and south across Alberta, temperature can change rapidly. Arctic air masses in the winter produce extreme minimum temperatures varying from −54°C in northern Alberta to −46°C in southern Alberta. In the summer, continental air masses produce maximum temperatures from 32°C in the mountains to 40°C in southern Alberta. Mean annual temperature in the project area is 2.8°C with a maximum daily average of 14°C in July/August and a minimum daily average of -11.0°C in January. Extreme temperatures have been recorded ranging from a maximum of 35°C to a minimum of minus 42°C.

The Rocky Mountains cast a "rain shadow" over much of Alberta. As the moist air from the Pacific Ocean rises to pass over the mountains on its way to Alberta, it is cooled, and rain or snow fall on the Pacific side of the mountains. As the air descends on Alberta, it gains heat and produces warm, dry winds. The driest weather is in December and February when an average of 15-17 mm of snowfall is typically recorded. The wettest weather is from June to August, when an average of 81 mm of precipitation (snow and rain) is typical. The average annual relative humidity is 66.3% and average monthly relative humidity ranges from 50% in May to 84% in January and December. Precipitation in Alberta ranges from 30 cm in the southeast to 45 cm in the north, except from the foothills region, where accumulations can reach up to 60 cm annually. The eastern slopes of the Rocky Mountains (where the project area is located) receive considerably less annual rainfall.

Surface Rights

Surface rights are held by the Alberta Government, and logging and timber management are granted to West Fraser Timber Co. Limited under a Forest Management Area agreement. Tourmaline Oil Corporation has three natural gas wells (two of which are active) in the Mine Permit area including associated pipeline infrastructure. As per Coalspur's news release dated December 9, 2013, Tourmaline and Coalspur have made an agreement on developing their respective mineral interests and Tourmaline's wells pose no undue impediment to Coalspur's mine project. There are no private land owners on the Coalspur Coal Properties. In October 2014, the AER granted mineral surface lease #MSL130948 ("**MSL**") to Coalspur, which provides authority to enter upon the lands comprising phase 1 of the Vista Project for the purpose of a coal mine. The MSL has an initial term of 5 years, which may be extended for an additional 20 years if construction is commenced prior to expiry of the initial term.

Local Resources and Infrastructure

The town of Hinton lies immediately west of the Vista Coal Project. The town is home to approximately 10,000 inhabitants. The vast majority of the labour force is employed, predominantly in the trades associated with the agriculture industry.

Transmission lines (138 kV) to supply electrical power to the area are located along Highway 16 and along the southern boundary of the Vista Coal Project.

The Hinton area is home to several operating and inoperative coal mines so there is a large pool of highly trained personal from which to draw for planned operations by Coalspur. Additionally there is adequate water resources for coal processing as well as area for mine development infrastructure including the coal processing plant, associated warehouse and maintenance facilities mine waste rock dumps and other required facilities.

History

The first geological investigations in the region of the Coalspur Coal Projects were undertaken by the Geological Survey of Canada. Rutherford (1923, 1924) carried out reconnaissance mapping of the Embarrass, McLeod and Athabasca Rivers. Later, Lang (1944) and Irish (1945) published more detailed maps of the Entrance and Pedley areas.

In the late 1920s, a small scale mining operation began at Drinnan, immediately west of the Hinton West property, by Jasper Coal Ltd. Underground mining took place periodically from that time to the mid-1940s when the operation was abandoned due to declining demand for domestic coal.

The exploration and development of the areas currently underlying the Vista Coal Projects has been carried out by a number of separate companies, including more recently, Coalspur directly.

Consolidated Tanager Limited

In 1963-64, Imperial Oil Ltd. drilled 60 test holes in the area. However, these holes were not properly surveyed, the geophysical logs were of poor quality and most of the original data is poorly documented.

In 1971, Associated Porcupine Mines Ltd ("**APM**") acquired the coal rights to the areas that are now Hinton East and Hinton West. In partnership with Granby Mining Co. Ltd. ("**Granby**"), APM carried out exploration on their Hinton properties from 1972-1974. Exploration consisted of geological mapping, prospecting of the cuttings from seismic boreholes, an induced polarization survey, shallow backhoe trenching and two drilling programmes. Seven rotary holes (594 m) in the eastern part of the Hinton East block were drilled in 1972. Eight diamond holes (661 m) in the Hinton West block were drilled in 1974. All drill holes were geophysically logged with a density, gamma ray and neutron suite. However, none of the drill holes or trenches were surveyed. Only two trenches located bedrock and none of the recovered core was kept or photographed. Granby subsequently relinquished their interest in the properties.

In 1981, Esso Minerals Canada ("**Esso**") signed an agreement with APM whereby Esso would earn an interest in the property.

In 1981, Esso drilled nine rotary holes (2,782 m) and one cored drill hole (400 m) on the Hinton East property. All drill holes were geophysically logged and sampling and analyses were carried out on the core. New aerial photography was also undertaken to construct high quality topographic maps of the area.

In 1982, 44 rotary holes (6,126 m) and 10 cored drill holes (1,222 m) were drilled and geophysically logged on Hinton East. Three of the drill holes were also geotechnically logged.

In 1983, 13 rotary holes (1,305 m) were drilled and geophysically logged on Hinton East. A geological model based on work from 1981-1983 was generated for Hinton East and West that correlated the seams from both areas. An application was made to the Alberta government to reclassify 922 ha of Hinton West from Category I, which prohibits exploration, to Category II.

The Alberta government reclassified the 922 ha of Hinton West into Category II in 1984 (Category II allows for limited exploration under strict control but commercial development by surface mining will not normally be considered). Exploration in 1984 concentrated on Hinton West and consisted of nine rotary holes (1,272 m). The holes were geophysically logged and drill cuttings were analysed.

The 1985 exploration program consisted of four cored drill holes (469 m) and four rotary holes (567 m). All holes were geophysically logged and the cored drill holes were geotechnically logged. The coal core was sampled and analysed in detail.

In 1983 a Coal Resource for Hinton East was estimated at 438 Mt of which 90 Mt were considered surface resources and 348 Mt were classified as underground resources. A Coal Resource was estimated for Hinton West in 1985 at 47 Mt clean coal at a 12:1 stripping ratio. These resources for Hinton are considered historic in nature.

During their four year option period, Esso completed, in addition to its exploration programmes, an Engineering Feasibility Study and submitted a Preliminary Application for a Mine Permit to the Alberta government.

Esso terminated their option agreement in 1985 and the property reverted to APM.

In early 1989, Consolidated Tanager Limited ("**Tanager**") was formed by APM to hold the coal leases. In 1989, Tanager hired LAS Energy Associates Limited ("**LAS**") to do a thorough evaluation of the Hinton properties in order to determine an optimum development strategy. With selective mining of the coal at moderate stripping ratios, LAS estimated a 46 Mt "reserve" (non-compliant to NI 43 101) of clean coal. The actual strip ratios were not provided although LAS states that the average ratio is 4.0:1 and the wash plant recovery is estimated at 55%. Many coal companies report strip ratios as bank cubic metres ("**BCM**") waste to clean tonnes of coal.

Manalta Coal Limited

Manalta Coal Limited ("**Manalta**") acquired the current McLeod River North and Z Block leases in 1971 and conducted a major coal exploration drilling programme on the McLeod River North property in 1981/82. A total of 148 rotary drill holes including 45 till holes (LOX6 holes), and 17 cored drill holes were completed during this period along nine cross sectional access lines spaced between 800 m to 1,100 m apart. The drilling programme was designed to intersect the two major mineable coal zones (Val d'Or and McPherson) on the property and quantify resource estimates to a high degree of accuracy.

The core samples were analysed on individual coal seam plies to forecast in situ coal quality. Subsequent washability studies were undertaken to determine clean coal quality and product yield factors. Manalta extracted two 600 t bulk samples from the Val d'Or and McPherson zones for detailed washability studies and plant design purposes.

This work and subsequent mining, civil engineering and environmental studies were compiled and submitted as formal Mine Development application to the Government of Alberta in 1982.

The Alberta government issued a Mine Development Permit in early 1983.

The project remained dormant until 1992 when Manalta initiated a 17-hole exploration drilling programme on the Z Block lease. The purpose was to define mineable resources on this lease. Eight of the holes were cored to confirm coal quality.

All of the 1981/1982 and subsequent 1992 drilling was geophysically logged. HQ diameter core samples were obtained by continuous wire line methods with acceptable core recovery in the main coal sections. All of the sampling and analytical procedures were assessed to be in line with accepted industry practice.

Manalta proceeded with an updated Mine Feasibility Study which incorporated both the Z Block and McLeod River North leases. The study was completed in 1995 but Manalta decided not to proceed with development.

Manalta was converted into an Income Trust in 1997 and subsequently sold all of its operating assets in 1998. Some of the non-operating assets did not become part of the Manalta Income Trust and were retained by Mancal Coal Inc. ("Mancal") and its predecessor companies.

Coalspur Mines Limited

Coalspur purchased the Hinton East and Hinton West coal leases from Tanager on February 19, 2009. In February 2010, Coalspur conducted a core drilling programme (total 10 drill holes) on the property to validate coal quality and resource expectations. In February 2010, Coalspur published a scoping level technical report on the economics of mining the Hinton East and West properties, which showed positive returns.

In June 2010, Mancal and Coalspur entered into an option agreement for Coalspur to acquire 100% interest in the McLeod River North and Z Block leases. Final payment was made and the leases were transferred to Coalspur in October, 2010.

In September 2010 Coalspur started a major drilling programme on the property to infill between the historic Manalta holes for resource confirmation and collect coal quality samples for product washability studies.

The combination of the four properties Hinton East, Hinton West, McLeod River North, and Z Block were renamed Vista.

In January, 2012 Coalspur reported the results of a Feasibility Study for Vista, which showed positive returns.

From 2014 to present, Coalspur has been advancing the permitting and financing of the project along with further enhancements and optimisation initiatives. No further drilling, test work or other material changes affecting the data have taken place.

There has been no mine production from Vista.

Vista Extension

Canadian Occidental Petroleum Ltd. (the predecessor of Nexen Inc.) and Irving Industries (Irving Wire Products Division) Ltd., in a 50/50 partnership, agreed to have Halferdahl drill two core holes in 1978 on what they called the Corral Creek Property, and prepare a report. Subsequently, in 1981, they contracted Canadian Island Creek Coal Ltd. (Red Deer) to drill a proposed 11-hole, including two diamond core holes, programme to further delineate the resources. The programme encountered extremely difficult drilling conditions, changed drilling contractors between each hole, and did not achieve its objectives. It was ultimately successful in drilling only two holes and taking two cores in four locations. None of the cores were used for quality modelling in the current exercise. These holes are the only six drilled with the specific intent of exploring the Coal Resources within this lease area. There are other wells that penetrate the coal strata but continue onto the gas-bearing horizons below.

Irving Industries (Irving Wire Products Division) Ltd. maintained its share until May 2005, at which time it surrendered its working interest to Nexen Inc. Nexen Inc., in turn, sold its interest to Coalspur at the end of March 2012, and the transfer occurred on May 8, 2012.

Vista South

Denison Mines Limited ("**Denison**") initially acquired coal leases in the area in 1969 and undertook an initial geological reconnaissance program of the region. This led to an initial 11-hole exploration drilling programme in 1971. However, these holes were not properly surveyed, the geophysical logs were of poor quality and most of this data is considered unreliable.

Between 1980 and 1982, Denison commenced a major exploration program in the area which included leases in what are now the Vista South Property as well as lands near Mercoal and Robb which are currently held by Sherritt International. A total of 164 drill holes, including 6 diamond core holes, totalling some 26,000 m were completed over this period of time on all of the Vista South lease areas to identify the best prospects for development.

Work on the properties ceased in 1985 and they remained dormant until the Robb and Mercoal interests were purchased by Luscar Ltd in the early 1990s and then subsequently acquired by Sherritt International in 2001. The unsold lease interests in what is now Vista South were allowed to expire and the rights reverted back to the Alberta Government.

In December 2008, Xenolith Resources, the predecessor company to Coalspur Mines Limited acquired 3,416 hectares of Alberta Crown Coal Leases in the Vista South area through open public tender. In 2009, Xenolith was renamed Coalspur Mines Limited. An additional 13,943 hectares of Crown Coal Leases was successfully acquired by Coalspur in December 2009, followed again by another 3,616 hectares in September 2010. Both acquisitions were through open public tender.

Coalspur now controls a total of 23,287 hectares (232.9 square kilometres) of coal leases in the Vista South property.

Historic drill records (geophysical logs) from prior exploration by Denison, Manalta, and Luscar were acquired from the Alberta Energy Resource Conservation Board and have been incorporated in a MineSight digital computer model to facilitate resource estimation for the property.

In August 2010, Coalspur completed a 19-hole exploration drilling programme on the northern part of the property. The second of three programs, in the spring of 2011, comprised 29 rotary holes and 3 diamond core holes, and concentrated on the northeastern flank of the Entrance Syncline. The third programme, in the late fall of 2011 and spring of 2012, added 49 holes and expanded the model area over 10 km southeast parallel to the axis of the Entrance Syncline, compared to the area that was the subject of the previous 2010 Resource Estimate.

Geological Setting

The coal deposits associated with the Coalspur Coal Projects (Vista Coal Project, Vista Extension and Vista South) occur along the eastern margin of the Rocky Mountain Foothills Disturbed Belt, southeast of the town of Hinton, Alberta. The coal-bearing horizons consist of continental clastic sediments of the Paskapoo and Coalspur Formations of Palaeocene Age. The most prominent structural feature is the Pedley Fault which trends northwest/southeast along the southwestern boundary of the Vista Coal Project and separates the faulted, steeply dipping strata in the west from the gently dipping, monoclinal strata that underlie the property.

Four stratigraphically continuous coal zones have been intersected on the property along a 22 km strike length from the Athabasca Valley (NW) to the McLeod River (SE). They are identified in descending order as the Val d'Or, McLeod, McPherson and Silkstone Zones. Each zone consists of multiple coal plies separated by clastic parting material of variable thickness. The aggregate total coal thickness of the combined zones averages 28 m over a 200 m stratigraphic interval.

The structural style is a simple monocline trending 300° and dipping gently at 6° northeast at the northern boundary of the property to a maximum 15° at the southern boundary on the McLeod River.

Regional Geology

The Coalspur Coal Projects are located on the eastern margin of the outer foothills of the Rocky Mountain thrust belt. The rocks form part of a thick sequence of continental sediments from the Saunders Group that overlies the marine Wapiabi Formation of the Alberta Group. The Upper Cretaceous-Palaeocene Saunders Group is over 3,600 m thick (Jerzykiewicz and McLean, 1980) and is divisible into the Brazeau, Coalspur and Paskapoo Formations. Although all three units host carbonaceous members and thin coal seams, the major (potentially economic) coal deposits are restricted to the Coalspur and Paskapoo Formations.

Strata of the Saunders Group were deposited mainly within lacustrine and alluvial environments. The Brazeau and Coalspur Formations were deposited as a series of five cyclotherms, each consisting of a lower part that comprises

mainly channel sandstones and an upper part, consisting mostly of mudstones with coaly shales and/or coal beds, and lacustrine rythmites (Jerzykiewicz and Sweet, 1988). The fifth cyclothem is the Coalspur Formation (Jerzykiewicz, 1985). The thickest coal beds are associated with alluvial deposits in the upper part. The Coalspur Formation is up to 600 m thick and includes seven major seams, which range up to 22 m in thickness (Engler, 1983; Jerzykiewicz and McLean, 1980). This formation contains the vast majority of identified Coal Resources in the outer foothills.

The Paskapoo Formation, which overlies the Coalspur Formation, is a continental alluvial plain deposit and includes thick successions of poorly indurated mudstones and sandstones. Economically important coals are restricted to the Paskapoo Formation north of Hinton, in the Obed Mountain Coalfield, where a coal-bearing interval about 140 m thick contains up to six seams of high volatile bituminous coal, with individual seams up to 5 m thick (Horachek, 1985).

Local Geology

The coal bearing upper part of Coalspur Formation consists of approximately 300 m of interbedded sandstones, siltstones and carbonaceous to bentonitic mudstones, and several thick continuous coal zones. True bentonite and tuff layers are present, most commonly associated with the coal zones.

A distinct, resistive conglomerate, known as the Entrance Conglomerate, marks the base of the Coalspur Formation and is approximately 275 m below the lowermost coal zone. Thick cross bedded sandstones of the Tertiary (Cenozoic) Paskapoo Formation conformably overlie the Coalspur Formation throughout the region.

Six persistent and correlated coal zones have been identified in the Hinton region. In descending order they are identified as the Val d'Or, Arbour, McLeod, McPherson, Silkstone and Mynheer zones. These zones are typically multi-ply coal seams with interbedded mudstone/bentonite partings and can range in thickness from 1 m to up to 35 m. The most significant zones encountered at the Vista Coal Projects are the Val d'Or, McLeod and McPherson zones.

Structural Geology – Vista Coal Project and Vista Extension

The Coalspur Formation at the Vista Coal Project is exposed in subcrop along the erosional eastern margin of the Prairie Creek Anticline. This margin area is bounded to the west by the Pedley Fault, a major reverse fault, which separates the folded and deformed strata of the Foothills Belt from the undeformed Alberta Syncline strata.

The structure is a simple monocline, trending 300° northwest/southeast. The beds dip gently northeast from 6° in the western part of the property up to 15° at the McLeod River on the eastern boundary.

No significant faulting has been identified on the property. Glacial ice deformation has been observed locally along the subcrop margins of the coal zones.

The property is overlain entirely by a mantle of glacial till and alluvium which varies from 5 m to 30 m in thickness. Consequently, all stratigraphic correlation and structural interpretation is based entirely on the geological modelling of drill hole data.

Structural Geology – Vista South

The Coalspur Formation on the Vista South coal property is buried in subcrop along the margins of the Entrance Syncline. This large, asymmetrical fold structure extends from the Athabasca River valley south eastwards to the Lovett River over a strike length of 70 km. The axial hinge is parallel to the Rocky Mountain Front Range. On the Vista South Property, the structure is divided into:

- The Southwest Limb, trending northwest/southeast at steep dip angles ranging from 45° to 65° northeast.

- The Nose Area, extending across the syncline structure from the southwest limb to the northeast limb. A relatively flat bottom syncline structure plunging gently between 8° and 10° southeast.
- The Northeast limb, extending from the Nose to the Gregg River, and truncated to the northeast by the major Pedley reverse thrust fault which separates the Entrance Syncline from the adjacent Prairie Creek Anticline. The dip angle on this limb increases from 20° near the nose to 35°, and finally near vertical where it is directly overthrust by the Pedley Fault. South-eastward from this point, the structure is uncertain. Extreme deformation and structural repeats of the coal seams have been observed in drilling near the Pedley Fault overthrust on the Ski Hill Road, which was intensely drilled by Denison in 1981.

The property is overlain entirely by a mantle of glacial till and alluvium which varies from 5 m to 30 m in thickness. Outcrops are limited and consequently, all stratigraphic and structural conclusions are based mainly on drillhole data.

Mineralisation

The nomenclature used for identifying coal zones and individual seam plies has been adopted from Manalta. Esso applied a different nomenclature for the Hinton East and Hinton West coal deposits and this nomenclature been changed to correspond with that applied by Manalta.

Of the six recognised coal zones encountered within the Coalspur Formation, only the Val d'Or, McLeod, McPherson and Silkstone zones maintain a persistent mineable thickness throughout the Vista lease areas and constitute the majority of the potentially mineable resource. The Arbour Zone is locally present only in the Hinton West Block, while the Mynheer Zone is usually too deep and too thin to be considered surface mineable.

The Val d'Or Zone consists of seven correlated sub-seam plies numbered from the base up from V1 through V7. Some of these plies are further divided into lower and upper units by thin partings. The individual plies maintain relatively constant thickness over the strike length of the property, while most of the variation takes place in the interbedded clastic parting material. The average zone thickness is approximately 32 m, of which some 15 m is coal. The zone thickness increases from 20 m along the eastern boundary along the McLeod River to over 60 m in the Hinton West Block. This is almost entirely due to increases in the interbedded sandstone sequence in the upper part of the zone, as the total coal thickness remains relatively constant.

The McLeod Zone consists of three correlated plies, numbered from the base up L1 to L3. These plies are typically high ash coal. The zone has an average thickness of approximately 5 m, of which some 3.7 m is coal.

The McPherson Zone consists of four plies, identified, from the base up, as P1 through P4. The McPherson plies are the most consistent in terms of thickness and continuity. The average zone thickness is nearly 7 m, of which 6 m is coal.

The Silkstone Zone is located 70 m below the McPherson Zone and consists of two distinct coal seams: the Upper Silkstone and the Lower Silkstone seams. The Upper Silkstone Seam ranges in thickness from 0.3 m to 1.0 m, while the Lower Silkstone Seam, 10 m below, consists of two coal plies separated by a thin parting. This seam ranges in thickness from 3.0 m to 3.5 m.

Vista South

The terminology used for identifying coal zones and individual seam plies has been adopted from Denison Mines Limited and the Alberta Geological Survey. There are six continuous coal zones recognized within the upper 300 m of the Coalspur Formation identified in descending order as the Val d'Or, Arbour, McLeod, McPherson, Silkstone and Mynheer. While these individual zones maintain relatively constant thicknesses and stratigraphic positions within Vista South, the proportion of coal plies to rock partings in each zone is variable.

The Val d'Or Zone consists of two major sub-seams separated by a distinct 0.3 m parting. The total zone thickness ranges from 5.5 m to 3.7 m with the net coal thickness ranging from 2.9 m to 3.6 m. The geophysical log signature is distinct and looks very similar to the V3 Upper and Lower ply section on the adjacent Vista Coal Project. In the southeastern half of the Entrance Syncline the Val d'Or geophysical trace looks completely normal compared with the northern property and includes all the plies from V1 to V6. A 40 m to 50 m thick wedge of sandstone cuts out the top few plies of the Val d'Or in the main Vista property and it seems to continue into Vista South.

The Arbour Zone, between 6 m and 9 m below the Val d'Or Zone, consists of one to three coal plies interbedded with mudstones. The total zone thickness ranges from 0.8 m to 3.0 m and the net coal thickness ranges from 0.6 m to 1.5 m. The Arbour Zone is typically underlain by a persistent bentonite bed which provides a correlation marker.

The McLeod Zone is 70 m to 90 m below the Arbour Zone. The geophysical signature typically shows up to three coal/carbonaceous shale plies with a characteristic low density value. The zone varies in thickness from 1.5 m to 3.0 m with net coal thickness from 0.9 m to 2.5 m. In certain circumstances, the McLeod Zone shales out completely.

The McPherson Zone is 27 m to 31 m below the McLeod Zone. This is the thickest and most consistent zone on the Vista South Property. It consists of four plies, identified as P1 through P4 in ascending order. The McPherson Zone ranges in total zone thickness from 9.7 m to 14.0 m with net coal thickness ranging from 6.0 m to 9.5 m. The zone appears best developed along the northeast limb of the structure and there is evidence of three-fold fault repetition certain drill holes where this limb is impacted by the Pedley Fault.

The Silkstone Zone consists of an Upper and Lower Silkstone Zone 47 m to 55 m below the McPherson Zone. The Upper Silkstone Zone is typically a single ply ranging in thickness from 0.8 m to 1.1 m. The Lower Silkstone is 20 m to 25 m below the Upper Siltstone and consists up to four thin coal plies in a total zone ranging from 1.3 m to 4.9 m. The net coal thickness ranges from 0.4 m to 1.3 m. This seam is highly variable and not considered mineable.

The Mynheer Zone is typically 70 m below the Silkstone Zone and also consists of an upper and a lower zone. It has not been intersected by drilling within the Entrance Syncline and is thus not considered in resource estimations.

For each zone/ply the following criteria for inclusion in resource estimation applies:

- Minimum mineable seam thickness is 0.6 m; rock partings 0.3 m or greater are considered removable.
- A coal zone is considered mineable if it has a cumulative thickness greater than or equal to 1.0 m e.g. an upper ply of coal 0.4 m thick, a rock parting 0.3 m thick, and a lower coal ply 0.4 m thick.

Deposit Types

The mineral deposit that is the subject of this AIF is coal. The coal deposits associated with the Coalspur Coal Projects (Vista Coal Project, Vista Extension and Vista South) are considered to be surface mineable, as defined in the Geological Survey of Canada Paper 88-21 ("GSC 88-21").

In the Coalspur lease areas, the coal zones occur at depths from sub-outcrop (below the base of the overlying till material) extending down dip to over 250 m deep. The targeted Coal Resources, in terms of deposit type, are therefore defined as surface mineable.

In terms of structure, the target area can be described as being an area with low tectonic disturbance, the only main feature being the eastern monocline, resulting in strata dips of up to 10°. No major faults have been identified within the defined resource blocks notwithstanding major boundary faults. The geology type, as defined by geological complexity, is classed as moderate

Exploration

The Vista Coal Project and Vista Extension

Coalspur's exploration has built on the previous work and has been aimed at improving overall structural and coal quality confidence while at the same time increasing the areal coverage of the definable Coal Resources. All exploration activities undertaken by Coalspur at Vista and Vista Extension have been through drilling activities, and this is described below.

Vista South

Coalspur's exploration has built on the previous work and has been aimed at improving overall structural and coal quality confidence while at the same time increasing the areal coverage of the definable Coal Resources. All exploration activities undertaken by Coalspur at Vista and Vista Extension have been through drilling activities, and this is described below.

Summary

The entire Coalspur Coal Properties are overlain with a blanket of glacial till and alluvium which varies from 5 m to 30 m in thickness, and as a consequence, exploration has been conducted using primarily exploration drilling methods. There appears to be little in the way of exploration data derived from other methods e.g. airborne geophysical surveys, seismic surveys etc. The exploration and development of the Coalspur Coal Properties, as they are currently defined, has been carried out by six separate companies: APM; Esso; Manalta, Denison, Luscar; and most recently Coalspur.

Drilling

Vista – Hinton West and Hinton East

Associated Porcupine Mines Ltd carried out initial exploration between 1971 and 1974. A total of 15 drillholes, with downhole geophysical logging and minor sampling, were completed. Density, gamma ray and neutron logs were run on all holes and coal samples were taken from two holes.

Exploration by Esso on the Hinton properties was carried out continuously between 1981 and 1985. Their work included the drilling of 94 drill holes on the property for a total of 14,145.3 m. There were 182 core samples taken. Drill holes were geophysically logged with a full suite of geophysical logs, including gamma ray, calliper, long-spaced density, bed resolution density, focused beam electric, and sonic.

Coalspur conducted a drilling programme on the lease areas in February 2010 to collect samples for coal thickness and coal quality verification and validation. Five holes were drilled on Hinton West and seven holes were drilled on Hinton East. In the 2011/2012 season, Coalspur drilled a further four drill holes (three cored and one rotary) totalling 1,126 m. In total, Coalspur drilled 1,978.2 m.

Vista – McLeod River North and Z Block

Manalta initiated a major exploration programme on the McLeod River North property in 1980, and continued through calendar 1981. The programme was designed to define the surface mineable coal resources of the Val d'Or and McPherson zones within 100 m of the surface. A closely spaced drilling pattern was laid out on nine cross sectional drill access lines spaced between 800 m and 1,100 m apart along strike of the coal bearing zone. A total of 148 rotary drill holes (7,677 m), including 45 till holes, and 17 continuous wire line HQ cored drill holes (937 m) were completed and geophysically logged. In addition, two 600 tonne bulk samples were extracted from the site in 1981 for pilot scale washability testing.

Manalta completed a 17 drill holes (1,505 m) on the Z Block lease in 1992 to define surface mineable Coal Resources. Eight of these holes were cored (702 m) to provide samples for coal quality analyses. The drilling was undertaken with Mayhew 1000 and Failing 1250/1500 type rotary drills mounted on trucks or Nodwell tracked vehicles. These types of drills normally have a maximum drilling depth limitation of 120 m. The coring was conducted with a Cyclone TH100 truck mounted drill rig equipped with a 3 m Christensen triple tube core barrel. This allowed for continuous retrieval of a 6.99 cm diameter core inside a plastic liner. The reported core recovery ranged from 85% to 100% with an average value of 95%.

Coalspur conducted an extensive exploration drilling programme from September 2010 through February 2011 to verify coal quantity and quality expectations, and to infill between the historic Manalta drill lines for detailed resource definition. Three cored drill holes were completed on the Z Block and 55 rotary plus 26 core holes on the McLeod North zone for a total of 84 holes and 8,127 m. The equipment used consisted of two Ingersoll Rand TH60 truck mounted drill rigs. Coring was performed with a Christensen wireline system using a split inner barrel to facilitate on site sampling. Both 7.62 cm and 15.6 cm core was cut; the larger diameter specifically for attrition testing (drop shatter) to model washability performance. All holes were geophysically logged running a full suite of gamma, density, single point resistance and calliper. Core recovery was excellent, averaging over 90% for the 7.62 cm core and 100% for the larger 15.6 cm core. In addition, ten closely spaced 15.6 cm cores were collected from a single drill site from the Val d'Or Seam to provide enough volume for bulk sample washability testing and follow up combustion tests.

All of the available survey, lithological and geophysical log, and core sample data (including laboratory analytical data) from all of these programmes has been reviewed and compiled by Moose Mountain Technical Services ("**MMTS**"). The validated information has formed the basis of the geological models used in subsequent Coal Resource and Coal Reserve estimation exercises. Table 4 summarises the drilling undertaken on all of the Vista Coal Project leases to date.

Table 4 Summary of Drilling at the Vista Coal Project

Company	Year	Rotary Holes	Depth (m)	Core Holes	Depth (m)	Total Holes	Total Depth (m)
APM / Tanager	1972	7	594.0	0	0	7	594.0
APM / Tanager	1974	0	0	8	661.0	8	661.0
Manalta	1980	31	1,984.0	7	310.0	38	2,294.0
Esso	1981	9	2,782.2	1	400.0	10	3,182.2
Manalta	1981	117	5,693.0	10	627.0	127	6,320.0
Esso	1982	44	6,126.7	10	1,222.4	54	7,349.1
Esso	1983	13	1,305.0	0	0	13	1,305.0
Esso	1984	9	1,272.4	0	0	9	1,272.4
Esso	1985	4	567.0	4	469.6	8	1,036.6
Manalta	1992	9	803.0	8	701.5	17	1,504.5
Coalspur	2011	56	5,289.0	44	4,816.3	100	10,105.3
Grand Total		**299**	**26,416.3**	**92**	**9,207.8**	**391**	**35,624.1**

Vista South

Drilling campaigns in the 1970s were limited and served to confirm the presence of the Coalspur Formation in the area of the Entrance Syncline. More aggressive exploration commenced in the 1980s with Denison drilling 164 rotary holes on the northern and southern limb of the syncline, as well as in the Nose area. Manalta and Luscar continued on this trend into the 1990s.

Coalspur commenced its first campaign in 2010, drilling 19 rotary holes, infilling earlier positions in the Nose to better define the structure, and along both limbs of the syncline. Two subsequent campaigns were completed,

drilling a total of 78 rotary holes (21,482 m) and three core holes (300 m). Table 5 presents a summary of all exploration drilling completed on the Vista South Coal Property.

The Coalspur exploration has resulted in a better definition of structure, with a previously undetected fault being encountered (interpreted) along the northeast limb of the syncline. This thrust fault is approximately 13 km in length with an interpreted throw of up to 100 m in place, causing local seam repetition in some drill holes.

Table 5 Summary of Drilling at the Vista South Coal Property

Company	Year	Rotary Holes	Depth (m)	Core Holes	Depth (m)	Total Holes	Total Depth (m)
Manalta	1971	1	93	0	0	1	93
Denison	1971-3	13	1,373	0	0	13	1,373
Union Oil	1978	5	619	0	0	5	619
Denison	1980	71	10,095	3	933	74	11,028
Denison	1981	82	12,920	3	1,141	85	14,061
Denison	1982	11	1,305	0	0	11	1,305
Manalta	1992	13	1,673	3	188	16	1,861
Luscar Coal	1994	15	2,103	0	0	15	2,103
Coalspur	2010	19	3,627	0	0	19	3,627
Coalspur	2011	45	10,033	3	300	48	10,333
Coalspur	2012	33	11,449	0	0	33	11,449
Grand Total		**308**	**55,290.0**	**12**	**2,562.0**	**320**	**57,852.0**

Core Recovery, Handling, and Sampling

MMTS were directly involved in the more recent Coalspur exploration drilling programmes and have previously signed off as Qualified Persons. MMTS was not involved in the historical work undertaken by Esso and Manalta, though all of this work was reportedly completed (and later verified by MMTS) under the direct supervision of an experienced geologist.

The sampling procedures used by Manalta for sampling coal in core included:

- surveying of drill hole locations (X, Y, and Z)
- systematic sampling of coal by collecting the entire coal interval (ply sampling)
- systematic core logging and down hole geophysics completed to better define coal intersections
- sealing coal samples in plastic bags and shipping them to a certified laboratory for analysis
- archiving analysis certificates for future inspection.

Core recovery was aided with a plastic liner inside a split barrel of an HQ wireline core barrel system. Once filled, the core tubes were capped, labelled and set in snow to freeze. Down hole geophysics was completed on all holes. Coal core tubes were then sent to Birtley Laboratories in Calgary. The core tubes remained frozen until they were sampled in individual plies. All coal plies greater than 0.2 m were sampled. Parting material less than 0.2 m was included with the coal samples. Partings from 0.2 m to 0.5 m were analysed. Partings greater than 0.5 m were not sampled.

Work conducted by Esso at Hinton West and Hinton East used the same wireline coring methodology and system. All coal plies greater than 0.3 m were sampled. Parting material less than 1.0 m was included with the coal samples. Partings from 0.3 m to 1.0 m were analysed. Partings greater than 1.0 m were not sampled. After logging, geophysical logs were compared to obtain final depths and thicknesses of coal seams. Sample plies were then chosen, bagged and sent for analysis. Core recovery was generally excellent to good, ranging from 80% to 100% and averaging 95%.

Snowden opined that both Esso and Manalta exercised great care and diligence to maintain sample integrity.

No records for the Manalta work conducted at Vista South appear to have been located. Only limited records and information was available for the Denison exploration drilling. While this information indicates that the procedures and protocols used by Denison appear technically sound, none of the actual base data (drill hole logs, sample increments, and individual laboratory test results) actually survives so this information cannot be relied on as definitive data.

The core logging and sampling procedures applied by MMTS during the Coalspur exploration programmes followed closely the ASTM Standard, D5192, 'Standard Practice for Collection of Coal Samples from Core'. The collection of coal samples from recovered core was handled according to the following procedures:

- To identify the coal intervals and their host rock material, each completed core hole was geophysically logged using a four function downhole tool recording borehole diameter, rock density, natural gamma, and resistivity of the formation.
- The coal cores, retrieved from the 3 m long split barrel, were first cleaned of any mud or contaminants, marked with the top and bottom run intervals, and then photographed for permanent visual identification.
- The top and bottom depths of the cored interval, as recorded by the driller, were then compared to the measured recovered core interval to determine overall recovery. Using the geophysical log record, the recovered coal intervals were also compared to the true in situ coal thickness. In drill holes where any recovered coal core thicknesses were less than 85% of in situ thicknesses, the drill hole was re-drilled to obtain a better recovery. If after several attempts the recovery remained less than 85%, the recovered coal core with the best recovery was used for sample analysis.
- Using the best-recovered coal core interval, the core was then subdivided into separate lithologic units. These were then measured and described using standard geological terms to identify and record amongst others, lithology, colour, hardness, grain size, contacts, and contamination, as well as to record core loss and any coal sample intervals extracted for analysis.

Samples taken for analysis were extracted according to the following procedures:

- The minimum thickness for a coal sample interval was 60 cm (2.0 ft.).
- Intra-seam partings, up to a maximum thickness of 15 cm (6 in.) were included in the sampled coal intervals.
- Where the intra-seam parting is less than the maximum parting thickness i.e. <15 cm, the adjacent coal beds must individually be at least 2 times the parting thickness to allow the coal and parting material to be sampled together. The total sample thickness must be greater than the minimum thickness for a coal sample interval i.e. >60 cm.
- Carbonaceous shale, bone (impure coal) and rock partings greater than 15 cm were sampled separately to determine their dilution effect. If the carbonaceous material, when combined with the coal, meets the minimum requirements for coal quality, they may be included with the overall coal sample interval.
- A 15 cm roof and floor sample was taken from each major coal zone.

The samples collected from core were then placed in individual plastic bags marked on the outside with the drill hole number and sample number, and then carefully sealed to prevent excessive moisture loss. The samples were then placed together in one larger collecting bag and marked on the outside with the drill hole number.

Sample Preparation, Analyses, and Security

MMTS were directly involved in the recent Coalspur exploration drilling programmes and have previously signed off as Qualified Persons. MMTS was not involved in the historical work undertaken by Esso and Manalta, though all of this work was reportedly completed (and later verified by MMTS) under the direct supervision of an experienced geologist. All exploration work conducted by Coalspur was under the direct supervision of MMTS.

Esso Sampling and Analysis

The Esso sampling protocol for cores collected in 1981, 1982, and 1985 was developed by Esso/DB Engineering to isolate individual coal and rock parting plies within each of the six seams for proximate analysis and washability (float/sink) testing. The plies could then be recombined into logical mining units and washability performance could be modelled.

Continuous 7 cm diameter core intervals were collected inside PVC plastic core liners in 3 m intervals. The liner ends were sealed and the sequenced core was sent to Calgary for logging and sampling. The cores were correlated to the geophysical log record for each hole to determine recovery and identify any lost core sections. Generally, all coal plies greater than 0.3 m were sampled. Parting material less than 1.0 m thick was included with the adjacent coal samples as it was deemed not feasible to selectively mine by surface mining methods. Partings greater than 1.0 m thick were not sampled as they were considered to be able to be selectively mined by surface mining methods. . In total, 135 plies were sampled from 11 cored drill holes in the 1981-83 programme and an additional 47 plies were sampled from four cored drill holes in the 1985 programme.

Birtley Coal and Minerals Testing (Calgary) conducted standard proximate analysis (moisture, ash content, volatile matter) and sulphur on each of the 182 individual ply samples. The samples were tumbled and screened at 19 mm x 6 mm, 6 mm x 0.5 mm, and 0.5 mm x 0 mm size fractions. The 19 mm x 6 mm and 6 mm x 0.5 mm fractions were floated at relative densities of 1.4, 1.5, 1.6, and 1.7, with proximate analysis performed on each float and the final sink fraction.

Manalta Sampling and Analysis

The Manalta sampling protocol for cores collected in 1980, 1981, and 1992 was developed by Manalta to isolate individual coal and rock parting plies within each of the three main coal zones (Val d'Or, McLeod, and McPherson) for proximate analysis and washability (float/sink) testing. The plies could then be recombined into logical mining units and washability performance could be modelled.

Continuous 7 cm diameter core intervals were collected in 3 m intervals in PVC liners. The liner ends were sealed and the sequenced core was sent to Calgary for logging and sampling. The cores were correlated to the geophysical log record for each hole to determine recovery and identify any lost core sections. Generally, all coal plies greater than 0.2 m were sampled. Parting material less than 0.2 m thick was included with the adjacent coal samples as it was deemed not to be selectively mineable by surface mining methods. Partings greater than 0.5 m thick were not sampled as they were deemed selectively mineable by surface mining methods. Coal ply samples with less than 90% recovery were rejected from the analytical programme.

Birtley Coal and Minerals Testing (Calgary) conducted limited proximate analysis (moisture and ash content), calorific value, equilibrium moisture, and specific gravity on each of the individual ply samples. Manalta combined these individual plies into logical mining units. The samples were crushed and screened at 9.5 mm x 0.5 mm, and 0.5 mm x 0 mm size fractions. The 9.5 mm x 0.5 mm fractions were floated at relative densities 1.4, 1.5, 1.6, and 1.8, with proximate analysis performed on each float and the final sink fraction. The 0.5 mm x 0 mm was not processed.

MMTS Sampling and Analysis

The MMTS sampling and analytical programme was developed by Bob Leach Pty Ltd. Individual coal seam and rock ply core samples were shipped to ALS Laboratories in Vancouver with a corresponding sample manifest to insure receipt.

On the 7.62 cm diameter core samples the following protocol was followed:

- Each sample was weighed and Apparent Relative Density ("ARD") tests were undertaken prior to sample crushing. Instructions were provided to composite ply samples into logical mining units (coal and non-

removable parting material). Each ply was crushed to -19 mm and combined on the basis of ARD and thickness.

- One quarter of the combined sample was tested for Proximate Analysis, Calorific Value, Total Sulphur, Chlorine and Specific Gravity.
- The remaining three quarters of the composite samples was screened at 0.5 mm. The minus 0.5 mm fraction was analysed for Proximate Analysis and Calorific Value.
- The +0.5 mm material was subjected to washability testing at relative densities of 1.4, 1.5, 1.6, 1.7, 1.8 and 2.0. Proximate Analysis and Calorific Value were performed on all floats and the final sink fraction.
- Instructions were provided to create further clean coal composites.

On the 15.6 cm large diameter core, the following protocol was followed to generate attrition data for wash plant design.

- Each sample was weighed and ARD determined prior to sample crushing. Instructions were provided to composite individual ply samples into logical mining units (coal and non-removable parting material).
- The combined sample was subjected to a Drop Shatter Test. The sample was dropped twenty times from 2 m and screened at -50 mm. Any oversize was hand-knapped to pass 50 mm. The broken sample was dry sized at 32, 16, 8, 4, and 2 mm. The dry size distribution and any coal losses were calculated for material reporting below 2 mm.
- A wet tumble sample was prepared according to instructions. The sample was wet tumbled for 5 minutes with cubes. Wet sizing was performed at 32, 16, 8, 2, 1, 0.25 and 0.125 mm fractions.
- Float/sink samples of +16 mm, 16 mm x 4 mm, 4 mm x 2 mm, and 2 mm x 0.25 mm were prepared. Each increment was washed at relative densities 1.30, 1.35, 1.40, 1.45, 1.50, 1.60, 1.70, 1.80 and 2.0. Each float and the final sink fraction was analysed for Proximate Analysis and Calorific Value.
- The 0.25 mm x 0.125 mm and -0.125 mm fractions were analysed for Proximate Analysis.
- Clean composite samples from both sets of core data were further analysed for Ash Chemistry, Ash Fusion and Petrographic Analysis.

Data Verification

The Coalspur database and resource model was prepared by MMTS. Snowden reviewed and validated the work and verification procedures undertaken by MMTS including:

- geological interpretation of all available drill holes and geophysical logs;
- database construction and entry of sample intervals, individual ply analysis and composite assays; and
- checking drill hole collar coordinates against topography to eliminate any obvious errors in location.

MMTS constructed all drillhole data lithology and coal quality database files, which were in turn uploaded into MineSight® software to create a 3D resource block model for three dimensional verification. MMTS believes that the database files are accurate and presents no major threat to the resource estimate.

While it is not possible to physically verify the historical sampling procedures and analytical processes, Snowden opined that the sampling and analytical protocols were sound and the reported results appear reasonable based on knowledge of similar coal mining operations nearby.

Essentially two main data sets were received by Snowden:

- Drill Hole Data
    - Collar positions
    - Basic lithology
    - Ply-by-ply proximate coal qualities
- MineSight Block Model
    - Various grid files exported in ASCII (CSV) format from the Coalspur block model

- Grids include surfaces of roof and floor (depth and elevation), as well as unit thickness, for various lithological interfaces and units (coal, overburden, till etc.), and a range of coal quality parameters (proximate analyses)

These data sets have been reviewed and interrogated in specialised software appropriate to each data type. Drill hole data has been assessed in Supervisor (geostatistical software) while block model data has been assessed in Vulcan (3D geological modelling software). The exported block model grids have also been compared with the drill hole data in Supervisor.

Vista Coal Property and Vista Extension

The drill hole database (in spreadsheet format) named 'Coalspur Mine Plan_RAWdb_20110502-old.xls' was interrogated in the geostatistical software programme Supervisor.

A number of edits were made prior to processing in Supervisor, including but not limited to:

- Ply recorrelation:
  - Plies named "Unknown" in the spreadsheet received were recoded to the Ply Name (coal ply or stone ply) deemed most appropriate based on the reported air dry ash content and stratigraphic position.
  - Obvious errors were identified and corrected as appropriate.
- Relative Density ("RD") calculations:
  - Where air dry RD values were absent in the original data, an RD was previously calculated using the Moose Mountain Technical Services (MMTS, 2010) formula based on the air dry ash content. The formula is:

$$RD\ ad\ = 1.26 + \frac{(1.75 - 1.30) * 50}{Ash\%\ (ad)}$$

    Snowden opined that the formula is appropriate for the rank and type of coal.
- Snowden undertook several correlation exercises to validate the MMTS formula and was comfortable that the MMTS formula produces reliable results.

The data were then interrogated and basic statistics and correlations were determined for certain coal quality parameters. The key coal quality parameters are considered to be:

- Air Dry Moisture Content (Mad)
- Air Dry Relative Density (RDad)
- Air Dry Ash Content (Ashad)
- Air Dry Calorific Value (CVad)

It is from these qualities that the in situ values are calculated using basic formulae. The only parameter that is assumed is In Situ Moisture ("**Mis**"). Although both Total Moisture ("**TM**") and Equilibrium Moisture ("**EQM**") tests have been conducted on a range of samples collected during the various phases of exploration, Mis has been assumed to be one percentage point greater than the assumed EQM, which is fixed for each ply dependent on the geographic location of the sample i.e. all coal plies from East Block are assigned an EQM of 10.0%, and therefore a Mis of 11.0%.

A detailed statistical review was undertaken by Snowden for the drill hole data received, in particular the proximate analytical data have been investigated. The as-received drill hole data (physicals and coal qualities) are suitable for the current Coal Resource estimate exercise and level of mining study being undertaken. The review highlighted the opportunity to interrogate the data set and improve its overall integrity through re-correlation and application of appropriate regression formulae.

Vista South

The MineSight model for Vista South is the work of MMTS based on their data verification and assessment work undertaken in 2012. Snowden accepted the model and resultant Coal Resource estimates and was satisfied that the model and estimates are reliable.

Only nine boreholes appear to have been sampled and analysed (six historic Denison drill holes and three Coalspur drill holes). The lithological data received in raw format represents the "as logged" data and is not corrected for seam dip and/or drill hole inclination. Processing of this data in this format is not appropriate. No post-processing of data was undertaken by Snowden.

Resource Model

Although Snowden did not validate the Coal Resource estimates by way of reengineering the MineSight block model to a Vulcan grid model, Snowden did review the resultant model grids and was comfortable that they are suitable for the purposes of volumetric estimation and for transferring to a mining model for coal seam aggregation and mine planning at this level of study.

The full extent and reasons for the gaps in the supplied grids has not been fully investigated but Snowden did not expect these to impact materially on either Coal Resource or Coal Reserve estimates but suggested the gaps be rectified in future studies.

Mineral Resource Estimates

Table 6 Coal Resource Estimates for the Vista Coal Project

Description	Resource Category			
	Measured (Mt)	Indicated (Mt)	Measured + Indicated (Mt)	Inferred (Mt)
In Situ Coal Resources	686.0	369.9	1,055.9	460.9

Table 7 Coal Resource Estimates for Vista Extension

Description	Resource Category			
	Measured (Mt)	Indicated (Mt)	Measured + Indicated (Mt)	Inferred (Mt)
In Situ Coal Resources	6.5	167.2	173.7	969.3

Table 8 Coal Resource Estimates for the Vista South Project

Description	Resource Category			
	Measured (Mt)	Indicated (Mt)	Measured + Indicated (Mt)	Inferred (Mt)
In Situ Coal Resources	210.6	259.7	470.3	604.8

Coal Resources that are not Coal Reserves do not have demonstrated economic viability. Due to the uncertainty that may be attached to Inferred Mineral Resources, it cannot be assumed that all or any part of an Inferred

Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration.

The basis of the Coal Resource estimates for the Vista Coal Project is based on the following:

- Data Verification and Validation –undertaken by MMTS, reviewed by Snowden (Item 12)
- Data sources and databases – undertaken by Golder and MMTS, reviewed by Snowden
- Geological interpretation and modelling – undertaken by Golder and MMTS, reviewed by Snowden
- Establishment of block/grid models – undertaken by Golder and MMTS, reviewed by Snowden
- Compositing of sample intervals (working section analysis) – undertaken by Golder and MMTS, reviewed by Snowden
- Classification of estimates with respect to confidence limits – undertaken by Golder and MMTS, reviewed by Snowden
- Resource tabulation and reporting – undertaken by Golder and MMTS, reviewed by Snowden.

Snowden was unaware of any issues that may materially affect the Coal Resources in a detrimental sense, based on the following:

- The reported 'Feasibility Study of the Vista Coal Project, Hinton, Alberta', Snowden (2012), and the 'Updated Resource Estimate for the Vista Coal Project – Hinton, Alberta, Canada' (Golder, 2012) did not highlight any potential issues.
    - Given that there have been no material changes to available information since 2012 it is reasonable to assume that there remain no known issues that could potentially have a material detrimental impact on the project.
- Coalspur continues to hold valid Coal Leases and Coal Lease Agreements covering the Vista Coal Project. Coalspur also holds Mine Permit C2011-5A and Coal Processing Plant Approval C2011-3A.
- Coalspur has represented that there are no outstanding legal issues; no legal actions, and injunctions pending against the Project.
- There are no known marketing, political, or taxation issues.
- Coalspur has represented that the Project has local community support.
- There are no known infrastructure impediments.

Mineral Reserve Estimates

General

In accordance with NI 43-101 at the time of compilation of the original January 2012 estimates, the definitions of "Mineral Resource" and "Mineral Reserve" as set forth in the updated CIM Definition Standards adopted November 27, 2010 (CIMDS) by the Canadian Institute of Mining, Metallurgy and Petroleum Council were adopted.

A Mineral Reserve is defined as "… the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined."

A Mineral Reserve is subdivided into two classes, Proven and Probable with the level of confidence reducing with each class respectively. The CIMDS provides for a direct relationship between Indicated Mineral Resources and Probable Mineral Reserves, and between Measured Mineral Resources and Proven Mineral Reserves. Inferred Mineral Resources cannot be combined or reported with other categories.

Except as stated in the Technical Report, there are no modifying factors exogenous to mining engineering considerations (i.e. competing interests, environmental concerns, socio-economic issues, legal issues, etc.) that would be of sufficient magnitude to warrant excluding reserve tonnage below design limitations or reducing reserve classification (confidence) levels from proven to probable or otherwise.

Estimated Coal Reserves

The assessment of surface mineable coal reserves for the Vista project was based on pit designs which adequately represent the effects of highwall and end wall laybacks on the estimated mineable reserve.

Pit designs were optimized with a Lerchs-Grossman algorithm and the optimized pits were altered to account for intermediate pit walls, road access and inpit dump requirements. The pit boundary assessments were completed over a range of unit revenue values for product coal with unit costs of waste stripping and haulage, and coal mining and haulage. The stratigraphic, proximate and clean coal quality models formed the basis of volume estimates for a block model created over the extent of the project area. Using the modifying factors and plant performance yield and quality predictions, the blocks were populated with expected total revenue and cost levels.

The final pit configuration was based on unit pricing of C$80/t clean coal. The pit shell provided by this optimization was the basis for final pit designs, which included detailed highwall and endwall configurations as well as provision for pit access.

For Vista the total estimated Proven and Probable reserves are 521.49 Mt yielding 303.8 Mt of product as shown in Table 1. The Mineral Reserves stated in this AIF are sensitive to changes in the input variables of coal price, operating cost and capital cost.

Mining Methods

Disclosure relating to the mining methods is not included with respect to Vista Extension and Vista South as these are early stage projects and no detailed mine design work has been undertaken to this point in time.

In the Technical Report, contract mining is used instead of an owner's fleet and terrace mining using truck/shovel has replaced dragline strip mining.

Three items are important to bear in mind while reading this section:

- The mining study applies to the Vista Coal Project mine area only and has no application to either the Vista South or the Vista Extension resource areas.
- The mining methods and associated cost estimates were developed by Thiess which is under consideration by Coalspur to provide contract mining services. The Thiess study incorporated only the Vista Coal Project Phase 1 area (Vista 1) and Snowden expanded the planning to incorporate the Vista Coal Project Phase 2 area (Vista 2).
- Snowden reviewed the Thiess mine plan and cost estimates to ensure that the plan is feasible and that the costs are reasonable for this type of mining in this part of the world.

Mining is proposed to be done by contractors using ultra class sized mobile equipment. The study work provided by Thiess provides the basis of the envisioned mining methods and equipment. Snowden concurred that these methods are appropriate and have been adequately thought through and detailed for this FS work. Mining progresses as follows:

- 800 t excavators are prioritised to dig till and bulk waste. However, 800 t excavators can also be used to dig thick parting material
- Small excavators, 400 t and 250 t, dig coal and parting material
- Coal can only be mined by either of the small excavators
- Excavator density constraints are applied
- The excavators mine the blocks in 5 m benches.

Bulk waste is mined by the 800 t excavators in 5 m benches working to an elevation rather than following the seams. As a seam is encountered, the remaining wedge is pushed by dozer to create a bench for 400 t and 250 t excavators to expose the coal. To minimize dilution there is a 0.5m cap (soft/hard cap) left above the coal initially.

The cap is then pushed up by dozer before being loaded out. The above assumptions apply to all bulk waste (above Val D'Or, McLeod and McPherson seams.

Thick parting is mined along strike by the 800 t or 400 t excavators in 5 m benches. Wedge material is pushed to the excavators by dozers. The upper section of each flitch of thin parting (thickness less than or equal to 1.5 m) is ripped and pushed by dozer down onto the lower half of the flitch, forming a bench for the smaller excavators to load along strike. Productivity is assumed to be lower in the wedge areas.

Similar to the thin parting, most of the coal in the upper portion of the flitch is pushed down onto the lower part of the bench, forming a bench for the smaller excavators to load the coal out along strike. To minimise dilution, approximately the bottom 0.2 m of coal is cleaned up with the dozer rather than digging to hard floor. There is no allowance for in-pit blending of coal.

Both conventional and though-seam blasting methodologies are utilised in the mine plan. Conventional blasting is used in the bulk waste areas where coal seams are not intersected, and through seam blasting is used for the coal intercepts in order to maintain the required mining intensities and productivities.

Equipment for the life of the operation will be supplied, operated and maintained by a contract miner engaged by Coalspur. Thiess have developed a mine plan and cost estimate.

Approximately 25 per cent of the ROM coal will be rehandled for blending purposes. The blending will be done to produce CV5800 and CV5550 products. Val d'Or, McLeod and McPherson seam faces are always open in addition to the ROM stockpile to enable blending. Initially, the ROM Stockpile will be maintained at or under approximately 600 kt. However, it will increase up to approximately 2 Mt at one point in the LOM schedule to enable pit floor release in order to optimise the haulage costs while achieving the required coal targets.

The Vista mine will be largely staffed by contract personnel both in the mine and the coal washing plant.

Recovery Methods

Disclosure relating to recovery methods is not included with respect to Vista Extension and Vista South as these are early stage projects and no detailed metallurgical plant design work has been undertaken to this point in time.

Coal process design thinking and coal recovery method has been refined as a result of additional work completed by Sedgman and presented as part of their EPC contract to complete the works and provide an operating Coal Handling and Preparation Plant with guaranteed performance against modelled coal resource parameters and product quality expectations.

The Coal Handling and Preparation Plant will be integral in enabling the upgrade and handling of coal through to product from the Vista Coal Project resource, a large scale, surface minable, thermal coal deposit with an ultimate export capacity of 12 Mtpa. The Project is multi-phased with Phase 1 of the Project including construction of a Coal Preparation Plant (CHPP) with a throughput capacity of 1,500 t/h capable of producing 6 Mtpa. Phase 1 will also include clean coal handling infrastructure with an installed capacity to handle 12 Mtpa. Phase 2 of the Project will increase the ROM handling and coal processing capacity to 3,000 t/h with extended clean coal handing stockyards to accommodate additional storage needs. Phase 2 will enable the operation to produce 12 Mtpa. Phase 1 of the Project shall be designed to allow for the required future expansions with a minimal impact on operations.

Key differences compared to previous reports, and the Snowden 2012 FS study are that the thermal coal dryers have been removed from the project, and reflux classifiers are used in the process design for more efficient finer coal recovery.

The Work under the Contract for Phase 1 includes a ROM, Coal Preparation Plant and ancillary structures, Clean Coal Storage, Overland Conveyor and Loadout, and all work necessary and ancillary to complete Phase 1 of the

Project. The facilities as delivered that have been reviewed in the Technical Report will be capable of producing product coal with specifications in line with modelled product qualities specifically for Phase 1, and are to be replicated where specified to incorporate ROM tonnage from Phase 2 as per the specified LOM plan.

Sedgman has kept the preparation plant relatively simple to ensure the best operational consistency and product outcome. After reviewing the coal quality data as noted in the separate coal quality simulation report (from 2012 Snowden BFS) the most efficient plant arrangement for the Vista coal can target a 5,800 kcal/kg gar product is dense medium cyclone and reflux classifier processing units.

- A simple process will enable consistent settings/operation and maximises product outcomes
- Large capacity single streams that simplify maintenance and operation
- Sedgman has nominated a combined sump and two pumps for the single module minimising feed bias and assisting with liberation of clay
- A coarse circuit that adopts proven Dense Medium Cyclone technology
- Reflux Classifier in the mid-size circuit allowing a high level of flexibility
- Minimising the clay's impact on recycle streams and thickener size.

Sedgman's design approach is to have larger processing units, to simplify maintenance and operational practices, and deliver an overall better processing efficiency.

The plant arrangement is based on a single 1500 t/h module and includes tailings filters for tailings dewatering.

The arrangement for feeding the preparation plant eliminates feed bias to separate modules through having a single sump with pumps feeding the CPP.

When feeding the raw coal into the plant by a pump it disperses the clays present in the raw feed, but introduces a higher volume of water to the beginning of the circuit with about a 35% solids feed.

The clays also impact on the amount of recycle streams normally designed into a preparation plant with a view to minimising the recycle of these clays. This has been considered in the thickener size, water circuit and desliming screen size.

The plant coarse circuit will consist of two large 1,300mm diameter dense medium cyclones processing the 50 x 1.7mm fraction with medium being drained on separate product and reject drain and rinse screens. The coarse product will be dewatered in four coarse coal centrifuges and the rejects will be transferred directly to the rejects conveyor. The drain and rinse section lengths will need to be carefully designed to achieve the lowest moisture possible with a screen to assist in both reducing the overall product moisture and improving the handleability of the rejects in the cold weather.

The medium recovery circuit will consist of proven counter-current style magnetic separators to concentrate and return the medium to the correct medium circuit.

The undersize of the desliming screen will be pumped through classifying cyclones and then screened over sieve bends to remove the high ash ultrafines and clays prior to the deslimed 1.7 x 0.25 mm fraction being processed in reflux classifiers. The feed will be pumped to the reflux classifiers for density separation with the product then being thickened through cyclones before being dewatered in screenbowl centrifuges. The effluent from the screen bowl centrifuges will be combined with sieve bends undersize and high frequency screen undersize and directed to the tailings thickener to ensure that any clays misplaced to the fines product are not recirculated. The rejects from the reflux classifier units will be dewatered through high frequency screen to reduce the moisture and enable the material to be handled throughout the rejects system.

Tailings from the process will all report to a high-rate thickener and the thickened underflow will be pumped to the tailings filter building. The filters operate independently however the rejects material is batch prepare in groups of 4. The tailings will be dewatered using 16 filters which discharge the dewatered cake material back onto the coarse

rejects conveyor which then combined and transports to the rejects bin for pickup by the mining trucks. Water captured from the filter building will be pumped to clarified water tank and re-used in CPP.

Key design features incorporated in the product handling system include:

- Product coal directed to either the stockpile or the overland conveyor and train loadout system.
- A minimum product stockpile size of 5% of annual production.
- A telescoping luffing style radial stacker to a 100,000 t stockpile with push out by dozers to 300,000t total capacity for Phase 1, then duplicated for Phase 2.
- A product reclaim at 2,000 t/h via two dozers to ground mounted reclaim feeders.
- Reclaim feeders with light duty breather heads hydraulically driven to assist with smooth blending.
- Two 10,000 t silos at the train loadout for operational security for train loading.
- A flood loading bin, which has a lower bin profile and reduced capital/operating costs compared to batch weigh systems.

Sedgman have proposed a CPP process that incorporates:

- A Wet plant system to begin early liberation of clays prior to deslime screen.
- A dense medium cyclone (DMC) circuit for the coarse material (50 + 1.2 mm ww) (NB 1.2mm ww corresponds to 1.7 mm on a square mesh basis) with product dewatering by horizontal, vibratory centrifuges.
- Single stream equipment screens will be used in the coarse circuit, with a single desliming screen, single DMC and associated product and reject screens.
- Sizing to the mid-size circuit will be performed by a combination of classifying cyclones and sieve bends, and the mid-size material will be processed by reflux classifier (1.2 mm ww +0.25 mm), with product dewatered by screenbowl centrifuges, and fine reject dewatered by high frequency vibrating screen.
- Ultrafine tailings will be combined in a high rate thickener and dewatered by tailings filters.

Mine Schedule

The Vista mine will be developed in two principal phase pits known as Vista Phase 1 and Vista Phase 2. Vista Phase 1 is further separated into an initial five year development scheme and a second final pushback stage. Vista Phase 2, which will require a further regulatory approval, is scheduled to come on stream around five years after first production at Vista Phase 1 and effectively double the production rate of the project from 6 Mtpa product to 12 Mtpa. Further mine expansions to the east of Vista 1 and west of Vista 2 are possible but these areas are not included in the current Mineral Reserves of mine production schedule.

Table 9 Life of Mine production schedule

Year	2016	2017	2018	2019	2020	2021	2022	2023 - 2032	2033 - 2043
Raw coal mined Val DÒr Seam Delivered ('000 rmt)	4,139	6,236	6,199	5,937	6,145	8,795	9,680 101,766	53,443	
McPherson Seam Delivered ('000 rmt)	1,596	3,920	4,068	4,070	3,747	6,080	7,250	68,853 49,727	
MCL (McLeod Seam) Delivered ('000 rmt)	805	1,045	1,000	993	1,108	2,814	4,560	42,849 20,739	
Total ROM Production ('000rmt)	6,540	11,202	11,267	11,000	11,000	17,689	21,489	213,468	123,909
Clean coal produced Export Thermal Coal (high heat value)	1,167	2,000	2,000	2,000	2,000	3,080	3,620	36,033	15,291
Calorific Value (CV)	5,765	5,765	5,765	5,765	5,765	5,765	5,765	57,650	63,415
Export Thermal Coal	2,650	4,587	4,593	4,594	4,578	7,485	8,765	87,703	56,694

(low heat value)									
Calorific Value (CV)	5,407	5,407	5,407	5,407	5,407	5,407	5,407	54,070	59,477
Total Clean Coal Production ('000 t)	3,816	6,587	6,593	6,594	6,578	10,565	12,385	123,736	71,985
Waste material mined ROM Rehandle (25 % of ROM production) ('000rmt)	1,635	2,801	2,817	2,750 2,750	4,422	5,372	53,367	30,977	
Rejects Hauling ('000t)	2,943	5,041	5,070	4,950	4,950	7,960	9,670	96,061	55,759
Waste Stripping: Clearing and Grubbing (Hectares)	264	172	179	155	184	267	325	3,073	1,482
Topsoil (BCM)	401,450	392,279	437,932	267,743	222,221	377,385	258,310	2,221,103	1,442,268
Till (BCM)	8,670,736	8,413,865	9,598,582	9,913,872	10,396,127	12,445,839	7,625,121	88,236,472	48,921,880
Bulk Waste (BCM)	12,745,182	15,903,064	12,707,581	13,653,204	13,225,756	50,933,644	90,043,178	820,497,446	483,494,514
Parting (BCM)	4,167,108	6,577,086	4,459,839	3,605,899	3,197,000	5,506,674	7,208,398	64,743,287	35,638,866
Total Waste (BCM)	25,984,476	31,286,294	27,203,934	27,440,718	27,041,104	69,263,542	105,135,007	975,698,309	569,497,528

Markets

Disclosure relating to the market studies is not included with respect to Vista Extension and Vista South as these are early stage projects and no detailed understanding of coal quality has been undertaken to this point in time. Coalspur has not signed coal sales contracts at this time and all pricing is based on forecasts adjusted to industry norms for heating value and ash content.

A description of the five quality parameters of the coal to be produced is provided below:

Total moisture is the total amount of moisture contained in an untreated sample of coal. It consists of the free moisture, which is the moisture on the surface of the coal, and the inherent moisture, which is the moisture held within the molecular structure of the coal. It is important to note that the moisture increases the transportation cost of the coal and also consumes heat during combustion in the furnace.

The **ash content** of coal is the non-combustible residue that is left after the coal is burnt. There is an inverse relationship between the calorific value and the ash content. Also, the higher the ash content the higher the ash disposal cost.

Sulphur in coal is liberated in the form of sulphur dioxide into the atmosphere which is a major cause of acid rain. For this reason, most countries regulate the amount of sulphur dioxide discharged into the atmosphere.

The **calorific value** (CV) is the amount of heat released during combustion. The gross calorific value (GCV) refers to the amount of heat released when coal is combusted under standard conditions in the laboratory. This energy is not achieved in practice in boilers since some of the products of combustion, mainly water, are lost in the gaseous state with the associated heat of vapourisation. The maximum achievable CV is the net CV.

The **Hardgrove grindability index** (HGI) is an empirical measure of the difficulty of grinding a specific coal to the particle size necessary for effective combustion in a pulverised coal fired boiler. The lower the figure the more difficult it is to grind.

The quality of each of the two products to be produced by Coalspur is provided in Table 10. Product 1 is produced from the Val d'Or seam and Product 2 is a blend of the McPherson and McLeod seams. The qualities of Products 1 and 2 are compared against the benchmark Australian Newcastle coal index which has published pricing and a forward pricing market. The pricing is transparent and represents the pricing of competitors to Vista in the Pacific basin. For comparison purposes, a high quality Indonesian coal, Adaro Envirocoal, is also listed.

Table 10 Vista's Product Quality

Product	Product 1	Product 2	Newcastle (Typical)	Adaro Envirocoal
Total moisture (AR) (%)	11.5 – 14%	11.5 – 14%	9	26
Ash (AD) (%)	9 – 11 %	10 – 12%	15	1.2
Sulphur (AD) (%)	0.35 – 0.45%	0.35 – 0.45%	0.60	0.1
Gross CV (AR) kcal/kg	5,750 - 5,800	5,550 – 5,660	6,322	5,200
HGI	40 – 41	39 – 40	55	50

The Vista coal products have higher total moisture than the Newcastle type but significantly lower than the Indonesian Adaro Envirocoal. All products have a lower ash content compared to Newcastle. The Coalspur products have higher ash content than the Indonesian Adaro Envirocoal. All Coalspur products have lower sulphur content when compared to the benchmark Australian Newcastle coal but are higher than that of the Indonesian Adaro Envirocoal.

The price strategy for traded thermal coal is to follow world market pricing based on quality parameters; these are the gross calorific value (GCV), total moisture, volatile matter, sulphur content, ash content, hardness measured by the hardgrove grindability index (HGI) and ash fusion temperature. Pricing is generally directly proportional to the calorific value relative to a reference coal. This approach has been adopted in the study price forecast. For example the price of Product 1 is computed as follows:

$$Product\ price = \frac{product\ GCV}{reference\ product\ GCV} \times Reference\ price$$

So, for Product 1, the forecast price is: 5800/6300 x *Newcastle reference price*

Of the remaining quality parameters, the HGI is the only parameter that may attract a price penalty.

Table 11 shows the Coalspur prices for Products 1 and 2 as derived from the Newcastle 6300kcal/kg forecast prices provided by Wood Mackenzie. The two Vista Coal Project coal products shown in the table are the premium quality export coal (Product 1) and the lower quality export coal (Product 2).

Table 11 Vista forecast coal prices

US$ Real	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2035	2040
Vista Product 1 (5,800 kcal/kg)	72.91	75.03	78.67	79.08	75.01	73.69	77.88	76.63	78.03	79.43	80.06	83.46	94.99	102.64	113.32
Vista Product 2 (5,550 kcal/kg)	69.76	71.80	75.28	75.67	71.78	70.51	74.52	73.33	74.67	76.01	76.61	79.86	90.90	98.22	108.44

The Vista Coal Project export products will be transported by rail to the Ridley Coal Terminal at the Port of Prince Rupert in British Columbia for shipment to the international markets.

Capital Costs

Disclosure relating to the capital and operating costs is not included with respect to Vista Extension and Vista South as these are early stage projects and no detailed mine design work has been undertaken to this point in time.

The estimated capital costs for the Vista Coal Project are shown on Table 12. Construction is assumed to have begun in 2014 and be completed by the end of 2017 to coincide with mine start up. Direct construction costs for the Coal Preparation Plant (CPP) and related facilities are covered by a lump sum EPC contract negotiated by Coalspur with Sedgman and other costs are as shown. The initial and sustaining mine equipment will be procured by the contract mining company (Thiess) as part of their contractual requirements and is not included in the capital costs of the project. The estimated cost of adding Phase 2 is $ 258 Million to which a 15% contingency was added.

Table 12 Total Capital Costs ($ thousands)

	2014	2015	2016	2017	2018	2019	2020
Site prep		45,744	22,908				
Infrastructure		9,004	15,065				
CPP	31,245	198,410	82,174	1,562		100,000	158,000
Load out		17,245	11,567				
Owners cost	836	5,395	5,364	475			
Contingency			60,958	6,773		15,000	23,700
Total Capital	32,081	275,798	198,036	8,810		115,000	181,700

The capital costs are estimated in 1st quarter 2014 Canadian Dollars and no allowances have been made for escalation. Equipment and materials pricing was sourced in Canadian, US, and in some instances Australian dollars. An exchange rate of 1$CDN =0.89$US=1$AUS has been assumed.

Contingencies have been assigned to each cost area on the basis of pricing confidence and cost risk. The total average contingency for the project is 15 %.

Labour costs were based on local union agreements and allocations for LOA and travel have been included. It has been assumed that construction will proceed on the basis of a 70 hour work week and overtime premiums have been included.

Operating Costs

The Technical Report is based on all mining and related maintenance activities being carried out by Thiess in a mine contract which has been negotiated by Coalspur. The contract costs for mining are based on a cost per unit (tonne, cubic metre, length etc) basis. There is a potential for Coalspur to change this contractual arrangement in the future by taking over the mining activities from Thiess but this potential is not included in the technical report. An estimate of post-mining final rehabilitation costs on an annual basis according to the work effort required was also included. Thiess completed a detailed mine plan which was reviewed by Snowden in order to estimate the mine operating costs used in the Technical Report.

The operating cost for the designed coal preparation and handling plant for the life of mine have been estimated in Canadian dollars and is based on all mill operation and maintenance being carried out by Sedgman in a mill

operations contract negotiated by Coalspur. Total processing cost for coal through the CPP is approximately $7.79 / clean metric tonne (CMT) inclusive of a 10% contingency.

The total annual operating costs by year up until the end of 2022 is shown on Table 13. After 2022 the annual costs remain level for the remainder of the mine life with minor variations due to quantities mined and milled.

Table 13 Annual operating costs

2016	2017	2018	2019	2020	2021	2022	
Coal processing	29,729	51,312	51,361	51,369	51,243	82,299	96,482
Mining cost	164,995	167,088	150,323	149,726	148,185	308,565	441,468
Mine environmental	357	3,450	2,724	4,026	1,966	1,220	
General and Admin	7,260	14,979	17,765	23,090	22,942	22,978	22,819
Operating supplies	9,025	15,459	15,548	15,180	15,180	24,411	29,655
Total	201,984	233,736	222,899	226,909	226,396	415,808	561,989

Operating Costs

Disclosure relating to the project economics is not included with respect to Vista Extension and Vista South as these are early stage projects and no detailed cash flow analysis work has been undertaken to this point in time.

A cash flow model was developed by Snowden in 2012 to allow an after tax economic evaluation of the Vista Coal Project. The model was updated to ensure that the taxation considerations were consistent with current Revenue Canada regulations. For the current work Snowden updated the model with new cost and coal pricing data and recalculated the economic results are shown in Table 14.

Table 14 After tax royalty economic results

Item	Value
Internal rate of return	10.6%
Net present value at 0%	$ 1,971 million
Net present value at 5 %	$ 548 million
Net present value at 8%	$ 182 million
Net present value at 10%	$ 35 million
Supply cost	96.6% of base case price
Payback	10 years
Mine life	29 years

The internal rate of return before taxes and royalties is 12.6%.

The supply cost of a project is that flat commodity price which reduces the net present value at a given discount rate to $0. In other words it is that commodity price for which the project rate of return is equal to the hurdle rate. In the case of the Vista Coal Project, it will have an 8% rate of return when the average LOM coal price is reduced to 92.1% of the base case coal price forecast.

The coal selling price that was used is the Base Case price as developed by Wood Mackenzie coal consulting (published November 2013) and adjusted for calorific value to a product price was used along with all the other input assumptions. A deduction of $33.69 was applied to the Export coal price for rail transport and port costs based on negotiated contracts with the rail line and port facility. For the purposes of this study, it is assumed that

all coal will be sold on the international market. An adjustment to the selling price for each coal price was made based on the actual calorific value from the mine model compared to the calorific value assumed by Wood Mackenzie for their study as illustrated below.

$$Forecast\ price\ \ Product\ 1 = \frac{Actual}{5800} \times \text{Wood Mackenzie Price}$$

$$Forecast\ price\ \ Product\ 2 = \frac{Actual}{5550} \times \text{Wood Mackenzie Price}$$

The capital and operating costs that had been derived by Coalspur consistent with the change in operating strategy were checked and validated and entered into the model. The average annual cash flow forecast is shown in Table 15. These NPV results are impaired relative to the 2012 economics largely due to the drop in coal price forecast. Coalspur has significantly reduced capital costs, and capital risk through an EPC contract approach and have held benchmarked reasonable operating costs while developing into largely a contractor operation.

Federal income taxes and Alberta income taxes were calculated at 15% and 10% of taxable income respectively. No inflation, interest or financing costs were applied to this analysis.

The economic modelling for this project was both deterministic, and based on a Monte Carlo approach used to evaluate the impact of variability in some of the key input parameters to the mine economics.

The cash flows in the cash flow model were discounted at 0% (Constant Dollar rate), 5% and 8%. Coalspur is a project development company at this time and so the 8% discount rate does not represent a corporate or operating cost of capital but rather is considered to be a risked rate of return suitable to an investment of this magnitude.

The exchange rate in the financial model was assumed to be US $0.90 to Canadian $1.00 based on a projection of long term exchange rates. Alberta Coal Royalties were expensed as 1% of the project Gross Revenue each year plus 13% of the Net Revenue after the capital payback period. The 13% is calculated on the Net Revenue after the Gross royalty is deducted. The project specific Tanager Royalty was applied as 1% of gross sales from the Hinton East and Hinton West claim blocks. All capital expenditures were assigned to their appropriate capital cost allowance pools and the pools were depreciated at the appropriate declining rate to arrive at the annual taxable income for the project. Federal income taxes and Alberta income taxes were calculated at 15% and 10% of taxable income respectively. No interest or financing costs were applied to this analysis.

No inflation factor was applied to the analysis. The escalation of costs and revenues were assumed to be equal throughout the life of the project.

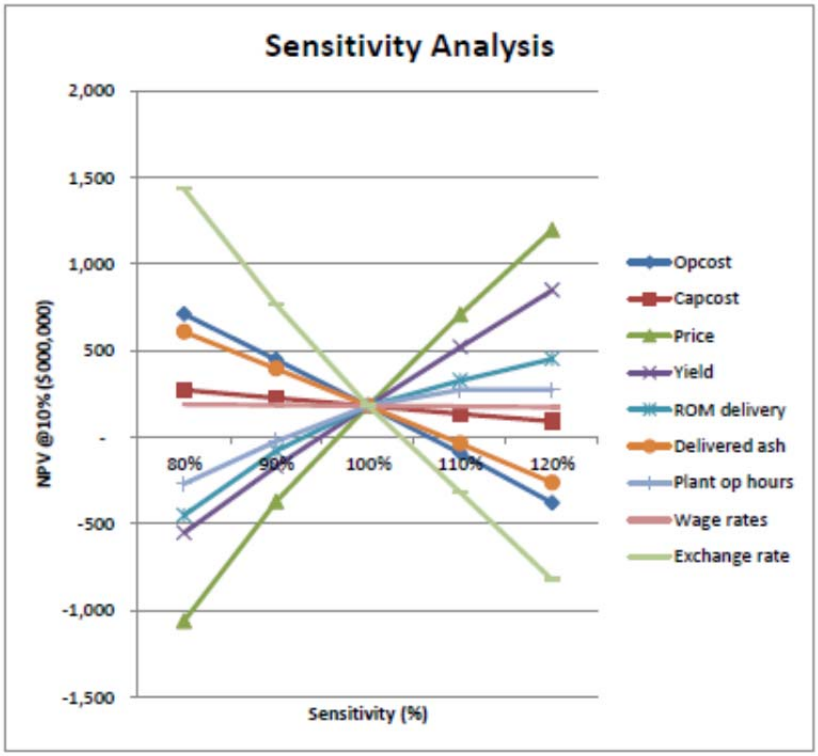
Table 15 Vista Coal Project cashflow forecast ($,000)

	2,014	2,015	2,016	2,017	2,018	2,019	2,020	2,021	2,022	2023 - 2032	2033 - 2043
+ Revenue	-	-	140,341	325,812	296,643	284,238	318,212	487,857	571,583	7,081,561	5,056,928
- Operating costs -	-	201,984	233,736	222,899	226,909	226,396	415,808	561,989	5,378,266	3,429,658	
- Interest	-	-		-	-	-	-	-	-	-	-
- Bonding costs	-	-	-	-	-	-	-	-	-	-	-
- Capital costs	32,081	275,798	198,036	8,810	-	100,000	158,000	-	-	-	-
- Accounts receivable/ payable	-	-	3,234	13,939	1,952	1,184	2,813	6,159	874	21,157	37,068
- Annual change to supplies and stores	-	5,000	-	-	-	-	-	-	-	-	5,000

= Cash flow before taxes	32,081	280,798	262,914	69,326	75,697	41,487	68,997	65,889	8,720	1,682,137	1,664,339
Cumulative Cash Flow before Taxes and Royalties	32,081	312,879	575,792	506,466	430,769	472,256	541,254	475,364	466,644	1,874,417	26,519,825
- Income tax	-	-	-	-	-	-	-	-	-	239,361	332,786
- Project Specific Tanager royalty	-	-	-	-	907	1,926	1,394	2,101	2,006	38,263	59,600
- Alberta Coal Royalty	-	-	-	931	726	555	904	751	117	152,457	185,365
= Cash flow after tax	32,081	280,798	262,914	68,595	74,971	42,042	69,902	65,138	8,603	1,290,319	1,146,187
+ Loan: Principal received	-	-	-	-	-	-	-	-	-	-	
- Principal repayments	-	-	-	-	-	-	-	-	-	-	-
= Total cash flow	32,081	280,798	262,914	68,595	74,971	42,042	69,902	65,138	8,621	1,290,319	1,146,187

It is important to determine the sensitivity of the economic results to variations in input parameters in order to understand the conditions under which the project will not be economic. A deterministic sensitivity analysis was carried out by varying the input values and calculating a new net present value. The results of this analysis are shown in Figure 5. It is seen from this analysis that the project economic results are very sensitive to changes in the operating cost, plant operating hours, coal price and the US$ exchange rate.

Figure 5 Sensitivity of economic variables



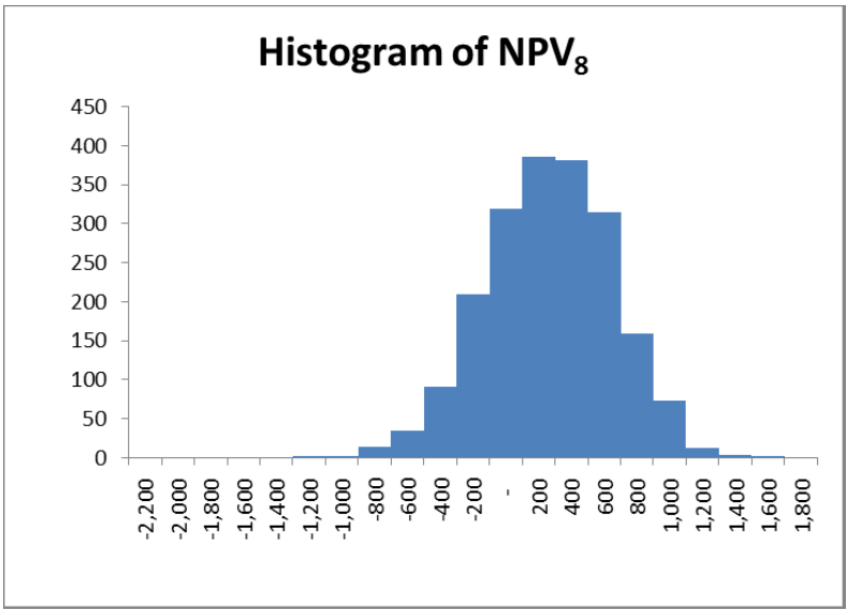
A Monte Carlo probabilistic assessment was made of the economic results to test the robustness of the project when key input variables are allowed to change simultaneously. Each of the selected input variables shown in Table 16 was defined by a triangular frequency distribution whose values were determined during an all-party discussion at a three day project workshop held during the Feasibility Study period.

Table 16 Monte Carlo Factors

Input Factor	Basis	10%	50%	90%
Opcost sensitivity	times base case	0.80	0.90	1.00
Capcost sensitivity	times base case	0.90	1.00	1.50
Price sensitivity	times base case	0.85	1.00	1.10
Yield sensitivity	times base case	0.85	1.00	1.05
ROM delivery	times base case	1.10	0.98	0.85
Loss/dilution	times base case	1.10	1.12	1.15
Delivered ash	times base case	0.97	1.00	1.09
Exchange rate	times base case	0.90	1.00	1.06
Plant Production	Mtpa	11.5	11.0	10.0
Plant operating hours	times base case	1.06	1.00	0.985
Wage rates	times base case	0.90	1.00	1.15
Thickener underflow	solids % density	0.40	0.35	0.25
Return water	% of available	0.35	0.40	0.50
Clean coal conveyor	Mtpa	15	13	11

The Monte Carlo Results are shown in Figure 6.

Figure 6 Monte Carlo results



From this analysis it can be seen that, on a risked basis, the median project NPV8 drops from $182 million to $174 million and there is a 34% probability that the project will earn a negative net present value (rate of return is less than 8%).

The deterministic assessment of the project indicates that it has an internal rate of return which is above the 8% risked project rate of return and the annual net cash flows are sufficient to meet the project's cash requirements.

The project economics are elastic in reference to changes in the exchange rate, coal price, operating cost and plant hours. The economic return is less sensitive to changes in the other variables.

The supply cost value of 96.6% of base case coal prices suggests that relatively small disturbances in coal markets may have dramatic impacts on the project economics and the project return can slip below the hurdle rate of eight percent. The Monte Carlo analysis is designed to test the sensitivity of the project economics under the assumption that it is difficult, if not impossible, to determine the important project input values with a high degree of accuracy.

It can be seen from this frequency distribution that the deterministic net present value is higher than the median Monte Carlo value which not surprising given that the frequency distributions of the variables which were chosen to be tested are all skewed towards having a higher probability of a more negative result. The important information to be derived from this analysis is that based on the assumptions herein, there is a 21% probability of the project not meeting the 8% hurdle rate.

By definition, Marketable Reserves must be sourced from Measured and Indicated Resources over which the mine plan has been cast and have been included into the technical and financial evaluation and resulted in an NPV greater than zero. The production estimates contained herein include projected production tonnes sourced entirely from Proven and Probable Marketable Reserves in line with NI43-101 requirements.

DIVIDENDS

The Company has not declared or paid any dividends on its shares since the date of its incorporation, and intends to retain its earnings, if any, to finance the growth and development of its businesses for the foreseeable future.

DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of Shares and performance shares without par value. The Company's outstanding securities at the date of this AIF are listed below. For a more detailed description of Coalspur's capital structure, please refer to the Company's annual audited financial statements for the year ended December 31, 2014, which are available under the Company's profile on SEDAR at www.sedar.com and on the ASX website at www.asx.com.au.

Securities	At the date of this AIF	At December 31, 2014
Ordinary Shares ("**Shares**")	641,544,455	641,544,455
Unlisted performance share rights ("**Performance Rights**") (1)	9,965,082	9,965,082
Unlisted share purchase options ("**Unlisted Options**") (2)	7,330,739	7,330,739
Unlisted Warrants (3)	120,000,000	120,000,000
Total	778,840,276	778,840,276

Notes:

(1) Performance Rights are issued pursuant to the Company's Long Term Incentive Plan to attract and retain directors, employees and contractors. During the year, 12,728,012 Performance Rights were issued; 150,000 were exercised; and 10,660,964 were cancelled.

(2) The outstanding Unlisted Options are convertible into Ordinary Shares and are subject to exercise prices ranging from A$0.25 to $1.05 and expiry dates ranging from June 30, 2015 to February 13, 2019. At the date of this AIF, 4,993,306 Unlisted Options have vested and are exercisable.

(3) These warrants were issued to EIG (120 million) as part of the EIG Facility approved by shareholders on June 27, 2013. The warrants are exercisable at A$0.55 and expire on the maturity date of the EIG Facility, or earlier in certain circumstances.

The following is a summary of the rights attaching to the Shares. For a complete description of these rights, please refer to the Company's Constitution, which is available under the Company's profile on SEDAR at www.sedar.com.

The holders of Shares are entitled to:

- vote at all meetings of shareholders of Coalspur, except meetings at which only holders of a specified class of shares are entitled to vote;
- receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Coalspur, any dividends declared by Coalspur; and
- receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Coalspur, the remaining property of Coalspur upon the liquidation, dissolution or winding-up of Coalspur, whether voluntary or involuntary.

Unlisted Options are convertible into an equivalent number of Shares at prices ranging from A$0.25 to A$1.05, and convert automatically in the event of a change of control of the Company. Unlisted Options are not listed or quoted on any exchange.

The following Unlisted Options were outstanding at the date of this AIF.

Unlisted Options	Year of Expiry			Total potential proceeds (A$)
	2015	2019	Total	
Exercise Price				
A$0.25	2,750,000		**2,750,000**	**$ 687,500**
A$0.70	350,000		**350,000**	**$ 245,000**
A$1.05	1,450,000		**1,450,000**	**$ 1,522,500**
C$0.30		2,780,739	**2,780,739**	**$ 847,734**
Total	**4,550,000**	**2,780,739**	**7,330,739**	**$ 3,302,734**

Performance Rights are not listed or quoted on any exchange, and are issued under the Company's Long Term Incentive Plan to directors, executives, and employees. Performance Rights are convertible into an equivalent number of Shares, for no additional consideration, on the occurrence of certain specified milestones linked to the development of the Company, or automatically in the event of a change of control of the Company. Performance Rights are not listed or quoted on any exchange.

The following Performance Rights were outstanding at the date of this AIF:

Tranche Number	Rights outstanding	Expiry Date	Description
3	324,375	June 30, 2015	Initial Production Milestone, initial production at Vista
4	324,375	June 30, 2016	Ramp-up Production Milestone, ramp-up of production to 4.0 Mtpa equivalent for a three month period
7	1,155,593	December 15, 2015	Employment Milestone - employed with the company on or after December 15, 2015.
9	6,387,514	December 31, 2016	Phase 1 facilities meet performance guarantees under EPC contract
10	1,773,225	December 31, 2016	Clean coal production for 3 consecutive months at annualized rate of 6 Mtpa
Total	**9,965,082**		

MARKET FOR SECURITIES

Shares

The Shares of the Company are listed and posted for trading on the ASX under the symbol "CPL" and on the TSX under the symbol "CPT".

The following sets out the monthly high and low closing prices and trading volume of the Shares of the Company from January 1, 2014 to December 31, 2014, as reported by the ASX and TSX.

SHARES (CPL) ASX

Month	High	Low	Volume Traded
January 2014	$0.39	$0.23	19,225,700
February 2014	$0.31	$0.26	10,726,000
March 2014	$0.31	$0.19	18,475,100
April 2014	$0.21	$0.17	6,583,200
May 2014	$0.18	$0.05	32,976,700
June 2014	$0.06	$0.05	10,404,900
July 2014	$0.07	$0.05	4,595,400
August 2014	$0.06	$0.05	10,580,100
September 2014	$0.06	$0.04	16,727,400
October 2014	$0.03	$0.02	12,800,000
November 2014	$0.02	$0.01	17,364,500
December 2014	$0.01	$0.01	12,376,300

SHARES (CPT) TSX

Month	High	Low	Volume Traded
January 2014	$0.39	$0.23	17,233,300
February 2014	$0.32	$0.27	8,475,500
March 2014	$0.28	$0.21	9,774,300
April 2014	$0.21	$0.18	4,840,600
May 2014	$0.19	$0.06	26,672,900
June 2014	$0.07	$0.06	7,676,800
July 2014	$0.07	$0.06	6,274,500
August 2014	$0.07	$0.05	8,308,000
September 2014	$0.07	$0.04	9,737,500
October 2014	$0.04	$0.02	19,229,700
November 2014	$0.03	$0.02	18,420,400
December 2014	$0.02	$0.01	19,344,700

Other Securities

The following table sets out the Unlisted Options granted between January 1, 2014 and December 31, 2014.

Type of Security	Date	Number of Securities Issued	Exercise Price (C$ per share)	Expiry Date
Unlisted Options	March-05-14	3,195,498	$ 0.30	February-13-19
	May-30-14	1,007,514	$ 0.30	February-13-19
Total		4,203,012		

No Unlisted Options vested between January 1, 2014 and December 31, 2014.

The following table sets out the Unlisted Options that were forfeited, cancelled or expired between January 1, 2014 and December 31, 2014.

Type fof Security	Date	Number of Securities Forfeited/Cancelled/Expired	Exercise Price ($ per share)	Expiry Date
Unlisted Options	May-16-14	10,075	$0.30	December-31-16
	June-15-14	1,042,776	$0.30	December-31-16
	July-31-14	302,254	$0.30	December-31-16
	August-15-14	67,168	$0.30	December-31-16
	November-12-14	8,000,000	$1.562	May-08-15
	November-12-14	2,000,000	$1.622	May-16-15
	November-12-14	1,000,000	$1.248	September-14-15
	November-12-14	1,000,000	$1.248	March-18-16
	December-31-14	1,150,000	A$0.60	December-31-14
	December-31-14	1,450,000	A$ 0.95	December-31-14
	December-31-14	2,750,000	A$0.20	December-31-14
Total		18,772,273		

Note: Unlisted Options are not listed or quoted on any exchange. For more information about Coalspur securities please refer to the Company's Annual Financial Statements located on SEDAR at www.sedar.com and on the ASX website at www.asx.com.au.

The following table sets out the Performance Rights that were issued between January 1, 2014 and December 31, 2014.

	Date	Number of Securities issued	Exercise Price (C$ per share)	Expiry Date
	March 5, 2014	12,728,012	$ -	December 31, 2016
Total		12,728,012		

Note: *Performance Rights are not listed or quoted on any exchange, and are issued under the Company's Long Term Incentive Plan to directors, executives, and employees. 1,495,534 Performance Rights vested and converted when the Company achieved the corporate milestone of obtaining Financing for Vista Phase 1 in June 2013.*

The following table sets out the Performance Rights that vested between January 1, 2014 and December 31, 2014.

Date	Number of Securities Vested	Exercise Price (C$ per share)	Expiry Date
June-27-14	150,000	$ -	June-27-14
Total	150,000		

The following table sets out the Performance Rights that were forfeited, cancelled or expired between January 1, 2014 and December 31, 2014.

Date	Number of Securities Forfeited/Cancelled/Expired	Exercise Price (C$ per share)	Expiry Date
March-05-14	778,446	-	June-30-14
March-05-14	1,933,954	-	June-30-15
March-05-14	1,895,954	-	June-30-16
April-01-14	256,630	-	June-30-14
April-01-14	45,000	-	June-30-15
April-01-14	105,220	-	December-15-15
April-01-14	45,000	-	June-30-16
May-16-14	20,075	-	December-31-16
June-15-14	3,222,776	-	December-31-16
July-01-14	25,000	-	June-30-15
July-01-14	25,000	-	June-30-16
July-15-14	25,000	-	June-30-15
July-15-14	25,000	-	June-30-16
July-31-14	1,057,254	-	December-31-16
August-15-14	267,168	-	December-31-16
September-09-14	250,000	-	June-30-15
September-09-14	250,000	-	June-30-16
Total	10,227,477		

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

At the date of this AIF no Coalspur securities are subject to escrow or contractual restrictions on transfer.

DIRECTORS AND OFFICERS

The following table sets out information about the directors and executive officers of Coalspur who held office as of December 31, 2014 or as of the date of this AIF.

Name and Residence	Current Office with Coalspur	Principal Occupation for the Five Preceding Years	Director of Coalspur Since
MARK RODDA[(2)(3)] *Western Australia, Australia*	Chairman and Non-Executive Director	Director, Napier Capital Pty Ltd (February 2008 – present), Director, Napier Legal Pty Ltd (October 2008 - present) and Director, Antipa Minerals Limited (November 2010 – present). Napier Capital provides clients with specialist corporate services and assistance for transactional or strategic projects, Napier Capital is based out of Cottesloe, Western Australia.	October 13, 2011
DENIS TURCOTTE[(2)(3)] *Ontario, Canada*	Non-Executive Director	Director, Norbord Inc. (April 2012 – present), Director, Domtar Corporation (February 2007 – present) and member of the advisory board of the Brookfield Capital Partners Funds (October 2008 – present). Norbord Inc. is an international forest products company headquartered in Toronto, Ontario. Domtar Corporation has two business segments: Pulp and Paper and Personal Care and the company is headquartered in Montreal, Quebec.	December 22, 2010
DAVID MURRAY[(2)(3)] *Victoria, Australia*	Non-Executive Director	Director and Chairman of the Board of Stonewall Resources Limited (December 2012- present) and Director of Coal of Africa Limited (September 2010 – December 2014). Stonewall Resources holds a range of prospective gold assets, several of which are located in South Africa where the company is based. Coal of Africa is an emerging developer and producer of high-quality thermal and coking coal, based in South Africa.	September 6, 2011
GILL WINCKLER *British Columbia, Canada*	President, Chief Executive Officer and Director	Vice President-Strategy and Development, BHP Billiton Diamonds and Specialty Products Division (September 2007 – May 2012).	July 1, 2012
ROBERT GOUGH *British Columbia, Canada*	Chief Financial Officer	VP Finance (CFO) BHP Billiton Energy Coal division (October 2012 – July 2013), VP Finance (CFO) BHP Billiton Minerals Exploration division (February 2011 – October 2012), VP Business Development, BHP Billiton Diamonds and Specialty Products division (March 2008 – February 2011), and VP Business Development, BHP Billiton Energy Coal division (April 2006 – March 2008).	October 1, 2013
XENIA KRITSOS *British Columbia, Canada*	VP, General Counsel and Joint Company Secretary	Coalspur (June 2013 – present), Senior Legal Counsel for Hunter Dickinson Inc. (August 2009 – June 2013).	n/a
SIMON ROBERTSON *Western Australia, Australia*	Joint Company Secretary	During the past five years Mr. Robertson held the role of Company Secretary for a number of ASX listed companies.	n/a

Notes:
(1) Each director's term of office expires at each annual general meeting of shareholders of Coalspur. Retiring directors are eligible for re-election.
(2) Member of the Audit Committee.
(3) Member of the Remuneration and Nomination Committee.

As of December 31, 2014, the number of Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers of Coalspur as a group was 3,030,375, representing approximately 0.47% of the issued and outstanding Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of Coalspur is, as at the date of this AIF, or has been, within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Coalspur) that was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation in effect for a period of 30 consecutive days that was (i) issued while the director or executive officer was acting in that capacity, or (ii) issued after that person ceased to act in that capacity but which resulted from an event that occurred while that person was acting in that capacity.

No director or executive officer of Coalspur or, to the knowledge of Coalspur, any shareholder holding a sufficient number of securities of Coalspur to affect materially the control of Coalspur:

(i) is, as of the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including Coalspur) that, while that person was acting in that capacity, or within a year of ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(ii) has, within 10 years before the date of this AIF, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

Conflicts of Interest

As described under the section of this AIF titled "*General Development of the Business – Three Year History*", during 2012 the Company entered into a $70 million Credit Facility with Borrowdale Park, which is associated with Messrs Colin Steyn (formerly the chairman and a director of Coalspur) and William Smart (formerly Mr. Steyn's alternate). Under the agreement, Coalspur provided Borrowdale Park with security over its assets, issued eight million options to purchase ordinary shares as a facility fee, and seven million options to purchase ordinary shares as a funding fee, which vest at a rate of one million options per $10 million drawn on the facility. In addition to obtaining shareholder approval for the issue of security and options on April 26, 2012, the Company initiated a committee of independent directors to evaluate the transaction on behalf of the Board of Directors. Messer's Steyn and Smart abstained from discussion and voting on issues related to the Credit Facility.

Coalspur had a balance owing of $40 million on its $70 million Credit Facility at June 30, 2013. The Company repaid Borrowdale Park $10 million in July 2013, and restructured the remaining $30 million as a subordinated debt obligation with interest at 10.5% per annum (the "Borrowdale Park Note"), and issued 14 million warrants to Borrowdale Park with an exercise price of A$0.55. The Borrowdale Park Note can be repaid at any time with a final maturity date of August 12, 2021. If the Borrowdale Park Note is not repaid by the time Vista reaches 6 Mtpa of production, the interest rate on the note will increase to 20% per annum, and Borrowdale Park will have the option to convert the Borrowdale Park Note into shares at a 50% discount to the 10 day weighted average price at that time. It is Coalspur's current intent to repay the Borrowdale Park Note prior to reaching 6 Mtpa of production.

In January 2014, the Company announced that it had reached agreement with Borrowdale Park for the provision to Coalspur of the Stand-by Facility described herein under the section titled "*General Development of the Business – Three Year History*", subject to the execution of definitive documents. On April 2, 2014, Coalspur announced it had executed the C$10 million stand-by debt facility with Borrowdale Park and, in April and May 2014, Coalspur drew down C$3 million of the C$10 million stand-by debt facility with Borrowdale Park. Mr. Steyn abstained from discussion and voting on the Stand-by Facility and Mr. Breese abstained from voting thereon.

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a material interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a material interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

Committees of the Board of Directors

The board of directors has established an Audit Committee and a Remuneration and Nomination Committee. All of the members of these committees are "independent" directors, within the meaning of National Instrument 52-110 ("**NI 52-110**"). Coalspur also established an ad hoc Special Committee comprised of Messrs Rodda (Chairman), Turcotte and Murray to oversee the strategic process announced in June 2014 and the Special Committee met regularly until the announcement of the transaction with KCE on February 24, 2015.

Composition of the Remuneration and Nomination Committee

The members of the Remuneration and Nomination Committee are Messrs Turcotte (Chairman), Murray and Rodda.

Composition of the Audit Committee

The Committee is made up of Messrs Rodda (Chairman), Turcotte and Murray. All members of the Committee are considered independent and financially literate as defined in NI 52-110.

Audit Committee Charter

The complete text of the Committee's charter is attached as Schedule A to this AIF.

Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial period has the Company relied on any exemption from NI 52-110.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the board of directors.

Pre-Approval Policies and Procedures

The Audit Committee will either (i) pre-approve all services to be provided to the Company or its subsidiaries by the external auditor (however the Audit Committee may delegate authority to pre-approve non-audit services to one or more members of the Audit Committee however, pre-approval of any non-audit services must be presented by any member to whom authority has been delegated to the full Audit Committee at its first scheduled meeting

after such approval); or (ii) adopt specific policies and procedures for the engagement of non-audit services provided that: (1) the policies and procedures are detailed as to the particular service; (2) the Audit Committee is informed of each non-audit service; and (3) the procedures do not include delegation of the Audit Committee's responsibilities to management.

External Auditor Service Fees

Fees paid to the Company's external auditors during the two most recently completed financial periods were as follows:

	31-Dec-14	31-Dec-13
Fees paid to Deloitte Touche Tohmatsu:		
Audit Fees (1)	$ 67,193	$ 83,225
Other Assurance (2)	$ 54,359	$ 69,069
Tax Fees	$ 40,025	$ 34,787
All Other services Fees (3)	$ 81,548	$ 36,363
Total	**$ 243,125**	**$ 223,443**

Notes:

(1) Includes services provided in connection with an audit of the financial statements of the Company or its subsidiaries.
(2) Includes services provided in connection with a review of the financial statements of the Company or its subsidiaries.
(3) The Other services relate to the evaluation of financing opportunities. These services were pre-approved by the Audit Committee.

Relevant Education and Experience

The education and experience of each Committee member that is relevant to the performance of his or her responsibilities as a Committee member is as follows.

Mr. Mark Rodda, B.A., LLB – Chairman and Non-Executive Director

Mr. Rodda is a member of the Audit Committee. Mr. Rodda is a lawyer with private practice, in-house legal, and corporate consultancy experience with considerable practical experience in the management of mergers and acquisitions, divestments, joint ventures, corporate and project financing transactions and corporate restructuring initiatives. He is currently a partner of Napier Capital, a boutique corporate services and advisory firm. Until it was acquired by Norilsk Nickel in 2007, he was General Counsel and Corporate Secretary for LionOre, a Company with operations in Australia and Africa and listings on the TSX, LSE and ASX. Mr. Rodda holds a BA and LLB. Mr. Rodda is a Director at Napier Capital Pty Ltd (February 2008 – present), a Director at Napier Legal Pty Ltd (October 2008 - present), Director at Antipa Minerals Limited (November 2010 – present) and was the General Counsel & Corporate Secretary at LionOre (May 2001 – July 2007).

Mr. Denis Turcotte – Non-Executive Director

Mr. Turcotte was a member of the Audit Committee until October 13, 2011 and is currently chairman of the Remuneration and Nominations Committee. Mr. Turcotte is a Professional Engineer with over 25 years experience and was previously the President and CEO of Algoma Steel Inc., an integrated steel producer based in Sault Ste. Marie, Ontario. Mr Turcotte oversaw the successful recapitalisation and rapid growth of Algoma which was subsequently acquired for $1.85 billion in cash by Essar Global Limited in 2007. Mr. Turcotte is currently President and CEO of a private business consulting and investing firm. Mr. Turcotte is a Director, Norbord Inc. (April 2012 – present), a Director at Domtar Corporation (February 2007 – present) and was the President and CEO of Algoma Steel Inc. (February 2002 – April 2008)

Mr. David Murray – Non-Executive Director

Mr. Murray is a member of the Remuneration and Nominations Committee. Mr. Murray has over 30 years of international experience in the coal industry and has held a number of senior positions within BHP Billiton, including President of Energy Coal (2008-2009), President of Metallurgical Coal (2005-2008) and Chief Executive Officer of BHP Billiton Mitsubishi Alliance Coal (2001-2005). He has served as Chairman of the World Coal Institute, Australian Coal Association and Richards Bay Coal Terminal; as director of the Queensland Resource Council and Coal Industry Advisory Board (Advising International Energy Agency) and council member of the South African Chamber of Mines Council. He holds a B.Sc in Civil Engineering and a Post Graduate Diploma in Mining Engineering. Mr. Murray was until recently a director of Coal of Africa Limited (September 2010 – December 2014) and is currently a director and Chairman of the Board of Stonewall Resources Limited (December 2012 – present).

PROMOTERS

At the date of this AIF no person is considered a promoter of Coalspur pursuant to applicable securities legislation.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no material legal proceedings or regulatory actions involving Coalspur or its properties as at the date of this AIF and Coalspur knows of no such proceedings currently contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During 2012 the Company entered into a $70 million Credit Facility with Borrowdale Park, which is associated with Messrs Colin Steyn and William Smart (who, at that time, were respectively a director and alternate director of the Company). Under the agreement, Coalspur provided Borrowdale Park with security over its assets, issued eight million options to purchase Shares as a facility fee, and seven million options to purchase Shares as a funding fee, which vest at a rate of one million options per $10 million drawn on the facility. In addition to obtaining shareholder approval for the issue of security and options on April 26, 2012, the Company initiated a committee of independent directors to evaluate the transaction on behalf of the Board of Directors. Messer's Steyn and Smart abstained from discussion and voting on issues related to the Credit Facility.

Coalspur had a balance owing of $40 million on its $70 million Credit Facility at June 30, 2013. The Company repaid Borrowdale Park $10 million in July 2013, and restructured the remaining $30 million as the Borrowdale Park Note, as described herein in the section titled "*Conflict of Interest*".

In January 2014, the Company announced that it had reached agreement with Borrowdale Park for the provision to Coalspur of the Stand-by Facility described herein under the section titled "*General Development of the Business – Three Year History*, subject to the execution of definitive documents. On April 2, 2014, Coalspur announced it had executed the C$10 million stand-by debt facility with Borrowdale Park and, in April and May 2014, Coalspur drew down C$3 million of the C$10 million stand-by debt facility with Borrowdale Park. Mr. Steyn abstained from discussion and voting on the Stand-by Facility and Mr. Breese abstained from voting thereon.

All related party transactions are measured at cost which approximates market value for services provided or fees paid.

Other than as disclosed above and elsewhere in this AIF, no director, officer or shareholder holding on record or beneficially, directly or indirectly, more than 10% of the issued Shares, or any of their respective associates or affiliates has any material interest, direct or indirect, in any transaction in which Coalspur has participated in the three most recently completed financial periods or during the current financial period, or in any proposed transaction, which has materially affected or will materially affect Coalspur.

TRANSFER AGENTS AND REGISTRARS

Canada: Computershare Investor Services Inc.
100 University Avenue
Toronto, Ontario, M5 J2Y1
Canada
Tel: +1 416 263 9449
Fax: +1 416 981 9800

Australia: Computershare Investor Services Pty Ltd.
Level 2, 45 St. Georges Terrace
Perth, Western Australia, 6000
Australia
Tel: +61 8 9323 2000
Fax: +61 8 9323 2033

MATERIAL CONTRACTS

(a) K.C. Euroholdings S.à r.l.

On 24 February 2015, Coalspur announced that it had entered into a Scheme implementation agreement with KCE under which, subject to the satisfaction or waiver (as applicable), of certain defined conditions precedent, KCE will acquire all of the Coalspur Shares through an Australian scheme of arrangement for a cash consideration of A$0.023 per Coalspur share. KCE will also acquire all debts owing to EIG and Borrowdale Park. The Scheme Booklet was registered with ASIC on 18 March 2015 and distributed to Coalspur Shareholders on 23 March 2015, in anticipation of a Scheme Meeting to be held on 22 April 2015. If the Scheme is approved by the requisite majority of Coalspur Shareholders and by the Australian Federal Court, and if all other conditions to the Scheme are satisfied or waived (where applicable), all Coalspur Shares will be transferred to KCE with effect from the Scheme implementation date and without the need for any further act by the Coalspur Shareholders (other than acts required to be performed by Coalspur, its Directors or officers, as attorney or agent for the Coalspur Shareholders). From the Scheme implementation date, Coalspur will become a wholly-owned Subsidiary of KCE. Coalspur Shares are expected to be delisted from ASX and TSX shortly after the Implementation Date.

(b) EIG

(i) History of EIG Facility

During April 2013, Coalspur concluded a funding arrangement for a senior secured debt facility of up to US$350 million with EIG to fund the majority of the developmental capital required for Vista Phase 1. The actual size of the EIG Facility was to be determined after Coalspur had finalized mining costs for the development of Vista Phase 1.

In July 2013, following shareholder approval on 27 June 2013, Coalspur issued 120 million warrants to EIG with an exercise price of A$0.55, and made an initial drawdown of US$37 million under the EIG Facility, which included a US$7 million facility fee payable to EIG. Part of this initial drawdown of the EIG facility was used to repay C$10 million of the C$40 million outstanding under the previous C$70 million credit facility with Borrowdale. The remaining C$30 million of the previous credit facility with Borrowdale was restructured into the current Borrowdale Facility.

On 31 March 2014, Coalspur and EIG agreed to an extension and associated amendments to the EIG Facility. The EIG Facility originally required that Coalspur execute a mining contract by 31 March 2014, which would have been premature at that time in light of the protracted regulatory approval process for Vista. Accordingly, this date was extended to 31 March 2015. In addition, the amended terms of the EIG Facility provided for compensation ranging between US$7 million to US$12 million, payable to EIG in the event that EIG sized the debt below US$250 million

or not at all, and either EIG or Coalspur withdrew from the EIG Facility prior to any further drawdown of the EIG Facility (which was now permissible under the revised terms).

In June 2014, Coalspur secured an additional US$10 million funding through a further drawdown of the EIG Facility, subject to additional undertakings and conditions. The US$10 million working capital was drawn down in a single tranche in July 2014, and has been used to progress key activities at Vista and to conduct the strategic review process.

From September 2014 to February 2015, Coalspur agreed to minor variations of the EIG Facility which included varying the previously agreed budget for the unexpired period of the strategic review process and amending two undertakings relating to the mining contract for Vista and the port agreements by extending the due dates.

(ii) Current status of EIG Facility

EIG sized the EIG Facility at US$175 million on 23 June 2014, below the maximum size of the facility of US$350 million, due largely to low coal prices. As EIG sized less than US$250 million, Coalspur had the choice to either accept the facility or refinance and exit the EIG Facility. Coalspur did not accept the funding from EIG given that at this level, such funding would be insufficient for Coalspur to fully fund Vista.

By not accepting the EIG Facility, Coalspur triggered an obligation to repay EIG the outstanding principal and accrued interest and US$12 million for make whole payments by 31 March 2015. To facilitate implementation of the Scheme, EIG has agreed to extend the repayment date for the EIG Facility. The EIG Facility is repayable upon termination of the EIG Sale Agreement or implementation of the Scheme, whichever occurs earlier. If the EIG Sale Agreement is terminated prior to 31 March 2015, then the EIG Facility remains repayable on 31 March 2015.

The total amount owed to EIG by 31 March 2015 is approximately US$71 million comprising the US$37 million initial drawdown, US$12 million for make whole payments, US$10 million additional drawdown in June 2014 plus accrued interest and fees.

(iii) KCE purchase of EIG Facility

KCE has executed the EIG Sale Agreement to purchase EIG's senior, secured debt (at a discount to face value) and the EIG Warrants. The EIG Sale Agreement provides that EIG will assign all of its rights and interests under the EIG Facility, including all security interests, to KCE in consideration for an initial upfront cash payment together with future cash payments contingent on future coal prices.

The EIG Debt Assignment is subject to limited conditions precedent and is not contingent on implementation of the Scheme. However, the Scheme is conditional on KCE acquiring EIG's rights and interests under the EIG Facility before the Second Court Date (and therefore becoming the new holder of Coalspur's senior, secured debt facility).

(c) Borrowdale Park

(i) History of Borrowdale Facility

During February 2012, Coalspur arranged a C$70 million credit facility with Borrowdale (Borrowdale Previous Facility). Shareholders subsequently approved the grant of security to Borrowdale in relation to this credit facility and an initial drawdown of C$20 million made.

In September 2012, Coalspur drew an additional C$10 million and in February 2013, Coalspur drew a further C$10 million on the Borrowdale Previous Facility.

In July 2013 Coalspur made an initial draw of US$37 million under the EIG Facility. Part of this initial drawdown of the EIG facility was used to repay C$10 million of the C$40 million outstanding under the Borrowdale Previous

Facility. The remaining C$30 million of the Borrowdale Previous Facility was restructured into the current Borrowdale Facility.

During the quarter ended 31 March 2014, Coalspur announced that it had reached an agreement with Borrowdale, for the provision of a bridge facility of C$10 million by means of an amendment to the C$30 million Borrowdale Facility. The amendment agreements giving effect to the bridge facility were signed on 2 April 2014. The bridge facility has an interest rate of 10.5% per annum and reasonable arrangement and commitment fees are payable by Coalspur. Coalspur made a draw of C$3 million on the bridge facility prior to its availability expiring on 30 June 2014.

(ii) Current status of Borrowdale Facility

The Borrowdale Facility has a total amount of C$33 million drawn. The Borrowdale Facility bears interest at 10.5% per annum and can be repaid at any time with a final maturity date of one month following the repayment of the EIG Facility. To facilitate implementation of the Scheme, Borrowdale has agreed to waive any potential event of default under the Borrowdale Facility arising from Coalspur entering into the Scheme Implementation Agreement. This waiver ceases upon termination of the Scheme Implementation Agreement or implementation of the Scheme, whichever occurs earlier. If the Scheme Implementation Agreement is terminated prior to 31 March 2015, the waiver provided by Borrowdale ceases on 31 March 2015.

(iii) KCE purchase of Borrowdale Facility

KCE has agreed in-principle terms with Borrowdale to purchase Borrowdale's subordinated secured debt facility. The terms of the agreement between Borrowdale and KCE provide that Borrowdale will assign all of its rights and interests under the Borrowdale Facility in consideration for a royalty payable by KCE linked to coal sales from Vista ("**Borrowdale Royalty**") which terminates at the earlier of (i) the expiration of the Coal Leases or (ii) the date on which the aggregate royalty payments are equal to the Borrowdale Debt Balance. The Borrowdale Debt Assignment is subject to conditions precedent and is not contingent on implementation of the Scheme. However, the Scheme is conditional on KCE acquiring Borrowdale's rights and interests under the Borrowdale Facility before the Second Court Date (and therefore becoming the new holder of Coalspur's subordinated secured debt facility).

The Independent Expert's Report (found as Annexure 1 to the Scheme Booklet circulated to Coalspur Shareholders on 23 March 2015; available at www.coalspur.com) evaluates the Borrowdale Royalty and concludes that the Borrowdale Royalty does not give rise to a collateral benefit to induce Borrowdale to approve the Scheme.

(d) Ridley Terminals Inc.

During October 2011, Coalspur entered into a Terminal Services Agreement and paid $26.5 million in deposits and option fees to Ridley Terminals, to secure a 14 year port allocation agreement for up to 8.5 million tonnes per annum.

During March 2012, Coalspur signed additional agreements with Ridley Terminals for 4.0 Mtpa of port throughput capacity contingent on the approval of future port expansion plans, plus an option to acquire 1.0Mtpa capacity from its existing expansion, bringing Coalspur's total potential port capacity to 13.5Mtpa.

During August 2012, Ridley Terminals advised that its future expansion plans had been delayed, and agreed to provide Coalspur with 2.2 Mtpa from its current expansion, which brought Coalspur's total capacity allocation to 11.7 Mtpa.

Coalspur finalised its port capacity arrangements at Ridley Terminals by allowing an option to acquire 1.0 Mtpa capacity to lapse, and by confirming its intention to proceed with a previously signed agreement. The finalised capacity commences with 2.5 Mtpa in 2015, and increases to 10.7 Mtpa in 2020, which satisfies the majority of

Vista's forecast requirements at full production. Coalspur is subject to minimum throughput payments of $12.8 million in 2015, increasing to $54.9 million per year by 2020.

As a result of various delays in obtaining the necessary regulatory approvals, licenses and permits for the construction and operation of Vista, Coalspur declared a force majeure event, as defined in the Terminal Services Agreement with Ridley Terminals, due to government inaction as of 18 December 2013. Specifically, the force majeure event constitutes "acts or refusals to act of any government or government agency in its sovereign capacity", in light of the regulatory delays in approving Vista. The delays outlined include the inability of Coalspur to meet the declared contract volume of 2.5 million tonnes in 2015 and possibly a portion of the 4.5 million tonnes in 2016. In October 2014, upon receipt of the Mineral Surface Lease from the AER, Coalspur notified Ridley Terminals of the termination of the force majeure event that was declared in December 2013. Coalspur has claimed relief from Ridley Terminals to mitigate the payments that Coalspur would otherwise have had to make in 2015 and 2016.

(e) Canadian National Railway Company

During December 2012, Coalspur and CN agreed to a binding term sheet for a rail transportation agreement for a coal supply chain partnership.

In March 2013, Coalspur finalised its arrangements for transporting clean coal by rail to port, by reaching a definitive agreement with CN which outlines key terms for a seven year coal transportation agreement, consistent with the binding terms agreed to by the parties in December 2012. Coalspur and CN also signed an agreement to govern the construction of a 6.5km long railway line providing CN access to Coalspur's loading site. CN received approval from the Canadian Transportation Agency, which will allow Coalspur to construct the rail siding.

(f) Sedgman

In April 2014, Coalspur announced that its preferred supplier of EPC services had been changed to Sedgman. This decision was made following the placing of the former EPC contractor's parent company (Forge Group Limited) into administration and later liquidation. Sedgman participated in Coalspur's 2013 competitive front-end engineering and design process for Vista and was ideally positioned to step into the role of lead EPC contractor.

In July 2014, a binding EPC contract was executed with Sedgman Canada Limited relating to the development of Vista. As of the date of this AIF, Sedgman has not conducted any work under the EPC contract and there are no outstanding amounts owing to Sedgman.

(g) Thiess

In June 2014, Coalspur announced that it had selected Thiess as its preferred mining contractor for Vista. 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. No agreement has yet been concluded between Coalspur and Thiess.

(h) First Nations and Tourmaline Oil Corp.

Between December 2012 and January 2014, Coalspur secured various agreements with certain Canadian First Nations and with Tourmaline Oil Corp. (a Canadian intermediate crude oil and natural gas exploration and production company) that were granted formal intervener status by the AER as part of the regulatory process to approve the Vista project. These long term agreements cover the initial development and potential expansion of Vista and provide for, among other things, community programs, collaboration regarding the use of Vista lands and on-going engagement in relation to Vista. Upon entering the agreements, the parties listed below withdrew as interveners in relation to the Vista regulatory process (the AER granted approval of Vista on 27 February 2014):

(i) Mountain Cree Inc;

(ii) Aseniwuche Winewak Nation of Canada;
(iii) Samson Cree Nation;
(iv) Ermineskin Cree Nation;
(v) Whitefish (Goodfish) Lake First Nation;
(vi) Alexis Nakota Sioux Nation; and
(vii) Tourmaline Oil Corp.

(i) Tanager

Coalspur purchased the five mineral leases (comprising part of Vista) in February 2009 from Tanager for an initial payment of $2 million, followed by a second payment of $6 million in December 2011. In accordance with the terms of the agreement, Coalspur will be transferred the title to the five mineral leases upon the payment of $10 million at the option of the Company, which must be made by the earlier of reaching an average production rate of 90,000 tonnes of coal per month from the leases over a three month period, or February 19, 2016. If the payment is not made by February 19, 2016, then title of the leases may remain with Tanager, resulting in the Company losing its rights to the leases. In addition to the payments above, Tanager is entitled to a royalty of 1% of gross product sales revenue generated from the sale of coal produced from the five leases.

INTEREST OF EXPERTS

The Company filed the Technical Report on August 5, 2014 on SEDAR at www.sedar.com and on the ASX website at www.asx.com.au, which was prepared by Grant van Heerden, Murray Lytle and Paul Franklinof Snowden (the "**Technical Report Authors**"). As at the date of this AIF, none of the Technical Report Authors, or any director, officer, employee or partner there of (a) received or has received a direct or indirect interest in the property of the Company or of any associate or affiliate of the Company; or (b) one percent of any class of Coalspur's outstanding securities. Deloitte Touche Tohmatsu are the Company's auditors and have prepared an opinion with respect to the Company's most recent consolidated financial statements, Deloitte Touche Tohmatsu owns, directly or indirectly, less than one percent of any class of Coalspur's outstanding securities.

COMPETENT PERSON / QUALIFIED PERSON STATEMENTS:

The information contained within the section titled "*Mineral Properties*" was reproduced from the technical report titled "*The Coalspur Coal Projects, Hinton, Alberta. Project No. 04372 / V1428, NI43-101 Technical Report*" dated 31 July 2014, which has been prepared pursuant to the JORC Code and NI 43-101 (the "**Technical Report**"). The Technical Report was prepared by Grant van Heerden, Murray Lytle and Paul Franklin, who at the time were employed by Snowden Mining Industry Consultants Inc. ("**Snowden**"), each an independent qualified person as defined in NI 43-101 and a competent person under JORC Code 2004. For a complete description of assumptions, qualifications and procedures associated with this information, reference should be made to the full text of the Technical Report, which is available for review on SEDAR at www.sedar.com and on the ASX website at www.asx.com.au.

Competent Person / Qualified Person Statements

The information in this AIF that relates to coal resources, coal quality and beneficiation, is based on information compiled by Mr Grant Van Heerden, who is registered as a Professional Geologist (Pr.Sci.Nat.) with the South African Council for Natural Scientific Professions. Mr Van Heerden is a full-time employee of Britmindo Australia Pty Ltd, and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking, to qualify as a "Competent Person" as defined in the 2004 Edition of the JORC Code and as a "Qualified Person" under NI 43-101. This information was prepared and first disclosed under the 2004 Edition of the JORC Code. It has been not been updated since to comply with the 2012 Edition of the JORC Code on the basis that the information has not materially changed since it was last reported. Mr Van Heerden has approved and consents to the inclusion of such information in this AIF in the form

and context in which it appears and has not, before the time of registration of this AIF with ASIC, withdrawn that consent.

The information in this AIF that relates to coal reserves, and mining infrastructure and associated capital costs, is based on information compiled under the supervision of Mr Murray Lytle. The information in this AIF that relates to coal processing and related capital costs is based on information compiled by Mr Colin Gilligan (the Chief Operating Officer and a full time employee of Coalspur, who has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the JORC Code, and who has approved and consents to the inclusion of such information in this AIF in the form and context in which it appears) and has been reviewed by Mr Lytle. Mr Lytle is a Member of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) and a Member of the association of Professional Engineers and Geoscientists of Alberta. Mr Lytle is a full-time employee of Snowden and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking, to qualify as a "Competent Person" as defined in the 2004 Edition of the JORC Code and as a "Qualified Person" under NI 43-101. This information was prepared and first disclosed under the 2004 Edition of the JORC Code. It has been not been updated since to comply with the 2012 Edition of the JORC Code on the basis that the information has not materially changed since it was last reported. Mr Lytle has approved and consents to the inclusion of such information in this AIF in the form and context in which it appears and has not, before the time of registration of this AIF with ASIC, withdrawn that consent.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com and on the ASX website at www.asx.com.au. Information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's Information Circular for the Company's most recent annual meeting of shareholders that involved the election of directors.

Additional financial information is provided in Coalspur's audited consolidated financial statements and related Directors' Report and Management's Discussion and Analysis for the year ended December 31, 2014. Copies of the above and other disclosure documents may be obtained on SEDAR at www.sedar.com and on the ASX website at www.asx.com.au.

SCHEDULE A – AUDIT COMMITTEE CHARTER

COALSPUR MINES LIMITED

AUDIT COMMITTEE CHARTER

Adopted: 26 October 2010
Amended February 8, 2012

1. ROLE

The audit committee (the "Committee") will assist the Board of Directors (the "Board") of Coalspur Mines Limited (the "Company") to fulfil its corporate governance and oversight responsibilities. In doing so, it is the responsibility of the Committee to maintain free and open communication between the Committee, the external auditors, and the management of the Company.

2. ADMINISTRATION OF THE COMMITTEE

2.1. Membership

2.1.1. The members of the Committee shall be appointed by the Board for one-year terms and may serve consecutive terms.

2.1.2. The Committee shall be composed of not less than three (3) members. If a member of the Committee retires, is removed or resigns from the Board, that member shall cease to be a member of the Committee.

2.1.3. Each member of the Committee shall:

(a) be a member of the Board;

(b) unless otherwise determined by the Board, in accordance with Canadian National Instrument 52-110 - *Audit Committees* ("NI 52-110"), be independent within the meaning of NI 52-110; and

(c) unless otherwise determined by the Board in accordance with NI 52-110, have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the accounting issues that can reasonably be expected to be raised by the Company's financial statements.

2.2. Chairman

2.2.1. The members of the Committee shall appoint a person from among its members to act as the chairman of the Committee (the "**Chairman**"). The Chairman shall be approved for a one-year term.

2.2.2. The Chairman is responsible for:

(a) ensuring the Committee adequately addresses each of its functions and responsibilities, on an on-going basis;

(b) ensuring the Board and, if appropriate, the Chief Executive Officer and the Chief Financial Officer are aware of concerns of the Committee;

(c) liase with the chairperson of the Board to coordinate the raising of Committee matters with the Board;

(d) communicate with the Board to keep it apprised of all major developments involving audit and financial reporting matters;

(e) chair and manage meetings of the Committee;

(f) set and assess periodically the frequency of Committee meetings; and

(g) on an on-going basis, evaluate the Committee's objectives, duties and the effectiveness of its performance.

2.3. Meetings

2.3.1. Unless otherwise set forth herein, Committee meeting shall be governed by the same rules as set out in the Company's Constitution as they apply to the meetings of the Board.

2.3.2. The Committee shall meet as frequently as required, but not less than four times per year.

2.3.3. The Chairman, in consultation with management, shall appoint a secretary to the Committee (the "**Secretary**").

2.3.4. The Secretary must call a meeting of the Committee if requested to do so by any member of the Committee.

2.3.5. The agenda for Committee meetings will be determined by the Chairman in consultation with management and members of the Committee.

2.3.6. The Secretary shall forward a notice of each meeting of the Committee to each Committee member as many days as possible and not less than 3 days prior to the date of the meeting.

2.3.7. Minutes and resolutions of meetings of the Committee shall be maintained by the Secretary and distributed to all Committee members and the Chairman following the approval of such minutes and resolutions by the Chairman.

2.3.8. Committee minutes may be made available to any member of the Board following a request to the Chairman, providing no conflict of interest exists.

2.4. Attendance at Meetings

2.4.1. A quorum will comprise any two (2) Committee members.

2.4.2. Each member shall have one vote and the Chairman shall not have a second or casting vote.

2.4.3. The Chief Executive Officer, Chief Financial Officer, the Company Secretary, other members of the Board, representative(s) of the external auditors, members of management or other parties deemed necessary by the Committee to provide information may attend meetings by invitation.

3. RESPONSIBILITIES

3.1. The Committee shall:

Financial Reporting

3.1.1. periodically assess and review the effectiveness of the Company's financial reporting and internal control policies;

3.1.2. ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements;

3.1.3. periodically assess the procedures referred to in subsection 3.1.2 above;

3.1.4. monitor and review the Company's compliance with legal and regulatory requirements;

3.1.5. review, prior to public disclosure, the Company's annual and interim financial statements, MD&A and earnings press releases, taking into account:

(a) critical accounting policies and practices and any changes therein;

(b) decisions requiring a major element of judgment;

(c) the extent to which the financial statements are affected by any unusual transactions;

(d) the clarity of disclosures;

(e) significant adjustments resulting from the audit;

(f) the going concern assumption;

(g) compliance with accounting standards; and

(h) compliance with stock exchange and other legal requirements;

3.1.6. review and approve any financial reporting required to be made to any lenders or strategic investors;

3.1.7. review the consistency of the Company's accounting policies both on a year-to-year basis and across the Company and its subsidiaries and the impact of changes in the accounting standards and legislation on the Company's accounting policies, and where the Committee deems it necessary, adopt changes to the Company's accounting policies in response thereto;

3.1.8. obtain reasonable assurance, from discussions with and reports from management and external auditors, that the Company's accounting systems are reliable and that the prescribed internal controls are operating effectively and that the Committee is fully apprised of all unrecorded audit adjustments and the rationale for any judgement calls made in relation to the Company's financial statements;

3.1.9. ensure the Company's external reporting complies with the Company's accounting policies, the *Corporations Act 2001* (Cth), International Financial Reporting Standards and all other applicable policies and rules and securities laws;

3.1.10. discuss any significant matters arising from the audit, management judgments and accounting estimates with management and internal auditors (if any), and external auditors;

3.1.11. review with management and the external auditor and, as considered appropriate by the Committee, with outside legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Company, and the manner in which any such litigation, claim or contingency has been disclosed in the Company's financial statements and disclosure documents;

3.1.12. obtain reasonable assurance from management about the process for ensuring the reliability of public disclosure documents that contain audited and unaudited financial information;

3.1.13. review the contents of any prospectus or similar document, including the financial statements contained therein, and after such review and where deemed appropriate, shall recommend to the Board the approval of any financial statements contained therein that have not previously been approved;

3.1.14. monitor the policies of the Company in respect of compliance with corporate, environmental, mineral and resource, trade practices and other relevant laws and regulations;

3.1.15. provide the Board with advice and recommendations regarding the appropriate material and disclosures to be included in the corporate governance section of the Company's annual report which relates to the Company's audit policies and practices;

3.1.16. review and recommend to the Board the appointments of the Chief Financial Officer and any other key financial members of management;

3.1.17. recommend to the Board the policies and practices for the payment, monitoring and review of the expenses of the Board and officers of the Company who report directly to the Board;

3.1.18. ensure that the Company complies with all legal requirements relating to the declaration and payment of dividends;

External Auditor

3.1.19. recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company based on criteria relevant to the business of the Company, including experience in the industry in which the Company operates, references, cost and any other matter deemed relevant by the Committee, and the following mandatory criteria:

(a) the external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period;

(b) the external auditor of the Company must have arrangements in place for the rotation of the audit engagement partner on a regular basis; and

(c) the auditor partner, or his representative, must be available to attend at the annual general meetings of the Company to answer questions from shareholders through the chairman of the meeting;

3.1.20. recommend to the Board the compensation of the external auditor;

3.1.21. oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;

3.1.22. ensure that the external auditor is independent and objective and that the Committee receives from the external auditor a formal written statement describing any and all relationships between the external auditor and the Company;

3.1.23. engage in a dialogue with the external auditor with respect to any disclosed relationships or services that could impact the objectivity and independence of the external auditor and may take, or recommend that the Board take, appropriate action to ensure the independence of the external auditor;

3.1.24. ensure that the external auditor is satisfied that the accounting estimates and judgments made by management, and management's selection of accounting principles, reflect an appropriate application of International Financial Reporting Standards;

3.1.25. develop a relationship with the external auditor that allows for full, frank and timely discussion of all material issues;

3.1.26. meet on a regular basis with the external auditor, without management present;

3.1.27. confirm with the external auditor the external auditor's judgment of the acceptability and quality of the Company's accounting principles as applied in the Company's financial reporting, including without limitation, disclosure, degree of aggressiveness or conservatism in the accounting principles and underlying estimates, and other significant decisions made by management in preparing the Company's financial reporting and disclosure materials;

3.1.28. either (i) pre-approve all services to be provided to the Company or its subsidiaries by the external auditor (however the Committee may delegate authority to pre-approve non-audit services to one or more members of the Committee however, pre-approval of any non-audit services must be presented by any member to whom authority has been delegated to the full Committee at its first scheduled meeting after such approval); or (ii) adopt specific policies and procedures for the engagement of non-audit services provided that: (1) the policies and procedures are detailed as to the particular service; (2) the Committee is informed of each non-audit service; and (3) the procedures do not include delegation of the Committee's responsibilities to management;

3.1.29. review the planning and results of the external audit, including:

(a) the external auditor's engagement letter;

(b) the scope of the audit, including materiality, locations to be visited, audit reports required, areas of audit risk, timetable, deadlines;

(c) the post-audit management letter;

(d) the form and content of the audit report; and

(e) any other related audit engagements;

3.1.30. ensure that the external auditor has direct access to the Committee and unrestricted access to the Company's information;

3.1.31. assess management's response to, and action on, the external auditor's post-audit reporting letter;

3.1.32. assess the external auditor's performance on an annual basis and report to the Board;

3.1.33. direct the external auditors' examinations to additional particular areas, where appropriate;

3.1.34. where appropriate, request that the external auditors to undertake special examinations;

3.1.35. review control weaknesses identified by the external auditors, together with management's response;

3.1.36. review and approve the Company's hiring policies regarding current and former partners and employees of the present and former external auditor;

Reporting

3.1.37. report to the Board, at the first Board meeting subsequent to each Committee meeting, regarding the proceedings of each Committee meeting, the outcomes of the Committee's reviews and recommendations and any other relevant issues;

3.1.38. on an annual basis, report to the Board of the Company on all matters relevant to the performance of its role and the discharge of its duties during the period, having regard to corporate governance guidelines and best practice recommendations established by the Australian Securities Exchange (the "**ASX**") and the Toronto Stock Exchange (the "**TSX**") addressing all matters relevant to the committee's role and responsibilities, including:

(a) whether external reporting is consistent with the Committee members' information and knowledge and is adequate for shareholder needs;

(b) the management processes supporting external reporting;

(c) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;

(d) recommendations for the appointment or removal of an auditor;

(e) the performance and independence of the external auditors and whether the audit committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;

(f) the performance and objectivity of the internal audit function; and

(g) the results of its review of risk management and internal compliance and control systems;

Independent Experts

3.1.39. if the Committee determines that it is appropriate to do so, appoint and terminate the appointment of any independent experts to enable it to carry out its responsibilities

Whistle Blowing

3.1.40. establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;

3.1.41. establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

Risk Management

3.1.42. provide the Board with advice and recommendations regarding the establishment and implementation of:

(a) a risk management system; and

(b) a risk profile for the Company that describes the material risks (including financial and non-financial risks) which the Company faces;

3.1.43. provide the Board with advice and recommendations regarding the roles and respective accountabilities of the Board, the Committee, management and the internal audit function (if any) in respect of the Company's risk management system;

3.1.44. periodically assess and review the effectiveness of the Company's procedures for the identification, assessment, reporting and management of risks including the areas of crisis management, capital expenditure, taxation strategy, funding, commodity and foreign exchange and interest rate exposure, insurance coverage, fraud and information systems technology;

3.1.45. ensure that adequate procedures are in place to achieve the Company's objectives as to the effectiveness and efficiency of operations and to safeguard the Company's assets;

3.1.46. regularly review and update the Company's risk profile;

Internal Audit

3.1.47. periodically assess, review the need for an internal audit function on a regular basis;

3.1.48. if the Committee determines that it is appropriate to do so, it shall establish an internal audit function whose purpose is to analyse the effectiveness of:

(a) the Company's risk management and internal compliance and control system; and

(b) the implementation of the Company's risk management and internal compliance and control system;

3.1.49. if the Company has an internal audit function, the Committee shall:

(a) review the results and effectiveness of the internal audit programs;

(b) recommend the scope of the internal audit for Board approval;

(c) review and approve the appointment and dismissal of senior internal audit executives;

(d) ensure the internal audit function is independent of the external auditor;

(e) ensure that the internal audit function has all necessary access to management and the right to seek information and explanations;

(f) receive summaries of significant reports to management prepared by internal audit, the management response and the recommendations of internal audit;

(g) ensure no management or other restrictions are placed on the internal auditors; and

(h) ensure that appropriate resources are made available to the internal auditors; and

General

3.1.50. comply with and carry out all other duties of an audit committee as prescribed the Australian *Corporations Act 2001* (Cth), Australian and Canadian accounting standards and other applicable legislative and regulatory provisions.

4. REVIEW OF COMMITTEE PERFORMANCE

4.1. The Board shall review the effectiveness of the Committee annually.

4.2. The Board will review this Charter annually and revise it as appropriate.

4.3. The Board will review the remuneration of the Committee annually

5. AUTHORITY OF THE COMMITTEE

5.1. The Committee has the authority to:

5.1.1. engage at the Company's expense, independent counsel and other advisors, such as external legal counsel, as it determines necessary to carry out its duties;

5.1.2. set and pay the compensation for any advisors employed by the audit committee;

5.1.3. conduct any investigations it considers necessary and seek explanations and additional information from any employee of the Company and/or from the external auditor;

5.1.4. approve accounting policies and procedures and auditing methodology (issues of material importance, however, will be referred to the Board with the Committee's recommendation); and

5.1.5. communicate directly with the external auditor and any internal auditor and have unrestricted access to management, internal auditor (if any) and external auditors and all company records for the purpose of carrying out its duties and responsibilities under this Charter.

6. CONFLICT

In the event of any conflict between this charter and any other relevant legal requirements, including those of the ASX or the TSX (as applicable), the *Corporations Act 2001* (Cth), and applicable securities laws, the Committee shall immediately bring the conflict to the attention of the Board which shall resolve such conflict upon consultation with the Company's legal advisors.