



COALSPUR MINES LIMITED

**ANNUAL REPORT FOR THE YEAR
ENDED DECEMBER 31, 2014**

ABN 73 003 041 594

CORPORATE DIRECTORY

DIRECTORS:

Mr. Mark Rodda	Chairman (non-executive)
Ms. Gill Winckler	Director, President and CEO
Mr. Denis Turcotte	Director (non-executive)
Mr. David Murray	Director (non-executive)

COMPANY SECRETARIES:

Canada:

Ms. Xenia Kritsos

Australia:

Mr. Simon Robertson

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Australia:

ASX Code: CPL – fully paid ordinary shares

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DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014**IMPORTANT NOTICE - STRATEGIC REVIEW PROCESS**

On February 24, 2015, Coalspur announced that it had entered into a Scheme Implementation Agreement with KC Euroholdings S.à r.l. ("KCE") under which, subject to the satisfaction or waiver (as applicable), of certain defined conditions precedent, KCE will acquire all of Coalspur's 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 Global Energy Partners ("EIG") and Borrowdale Park S.A. ("Borrowdale Park").

A scheme booklet related to the Scheme (the "Scheme Booklet") was registered with the Australian Securities and Investments Commission ("ASIC") on March 18, 2015 and distributed to Coalspur Shareholders on March 23, 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 Transaction 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.

Background

On June 23, 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 its Vista thermal coal project. 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.

On June 29, 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, including KCE.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

Upon concluding the strategic review process, the Coalspur Board selected and recommended the proposal by KCE, which is outlined in the Scheme Booklet, as the best proposal received in terms of maximising returns to Coalspur shareholders, in the absence of a superior proposal.

Importantly, 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.

Important dates and times for the Scheme

Latest time and date for lodgment of completed Proxy Form for the Scheme Meeting	10.00am (WST) on 20 April 2015 / 7.00pm (PST) on 19 April 2015
Time and date for determining eligibility of Australian Coalspur Shareholders on the Australian Register and Canadian Registered Shareholders on the Canadian Register to vote at the Scheme Meeting	5.00pm (WST) / 2.00am (PST) on 20 April 2015
Time and date of the Scheme Meeting	10.00am (WST) on 22 April 2015
Court hearing for approval of the Scheme	28 April 2015
Effective Date of the Scheme	29 April 2015
Last date of trading of Coalspur Shares on ASX and TSX	29 April 2015
Record Date for determining entitlements to the Scheme Consideration	6 May 2015
Implementation Date for the Scheme and payment of the Scheme Consideration	13 May 2015

- (1) All stated dates and times are indicative only. The actual timetable will depend on many factors outside the control of Coalspur, including the Court approval process and the satisfaction or waiver of the conditions precedent to the completion of the Scheme by each of Coalspur and KCE. Any changes to the above timetable will be announced to ASX and will be available under Coalspur's profile on ASX at www.asx.com.au and at www.sedar.com.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

INTRODUCTION

The following Directors' Report and Management's Discussion and Analysis ("Directors' Report and MD&A") should be read in conjunction with the audited Annual Financial Statements for the year ended December 31, 2014 ("Financial Statements"). The effective date of this report is March 25, 2015.

This discussion is current at the date of this report. The Financial Statements and the financial information contained in this Directors' Report and MD&A were prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS"). All figures are expressed in Canadian dollars ("C\$") unless otherwise indicated.

All scientific and technical information referred to in the Directors' Report and MD&A is based on technical reports prepared under Canadian National Instrument 43-101 – "Standards of Disclosure for Mineral Projects" ("NI 43-101") and the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources ("JORC Code 2004"). This information has not been updated to comply with JORC 2012 on the basis that the information relating to coal quality, coal resources and coal reserves has not materially changed since it was last reported.

Unless the context otherwise requires, references in this Directors' Report and MD&A to the 'Company' or 'Coalspur' are references to Coalspur Mines Limited and its subsidiaries.

Additional information relating to the Company and its business, including the Company's Annual Information Form ("AIF"), is available under the Company's profile on SEDAR at www.sedar.com.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014**DIRECTORS**

The Directors of Coalspur Mines Limited present their report on the Consolidated Entity consisting of Coalspur Mines Limited and the entities it controlled at the end of, or during, the year ended December 31, 2014.

The names and details of the Group's Directors in office at any time during or since the end of the period are:

Mr. Mark Rodda	Chairman (non-executive)(appointed Chairman July 15, 2014)
Ms. Gill Winckler	Director, President and CEO
Mr. Denis Turcotte	Director (non-executive)
Mr. David Murray	Director (non-executive)
Mr. Colin Steyn	Prior Chairman (non-executive)(resigned July 15, 2014)
Mr. Peter Breese	Director (non-executive)(resigned July 15, 2014)
Mr. Ted Mayers	Director (non-executive)(resigned July 1, 2014)
Mr. William Smart	Alternate Director (non-executive)(resigned July 15, 2014)

All Directors held their office during the period from January 1, 2014 until the date of this report, unless otherwise stated.

Qualifications, Experience and Special Responsibilities of Directors**Mr. Mark Rodda, BA, LLB***Chairman (non-executive)*

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 Mining, 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 the Chairman of the Board and Audit Committee and a member of the Remuneration and Nominations Committee.

Mr. Rodda was appointed a Director of the Company on October 13, 2011. Mr. Rodda currently serves on the Board of Antipa Minerals Limited (November 2010 – present) as a non-executive Director. Other than the above, Mr. Rodda does not currently hold any directorships of other listed companies, nor has he done in the past three years.

Ms. Gill Winckler, CA*President and Chief Executive Officer*

Ms. Winckler has over 20 years of experience in the mining and banking sectors. Prior to Coalspur, Ms Winckler worked for BHP Billiton for over 15 years in a number of senior executive roles, including Chief Development Officer of the Energy Coal division, based in London, and Vice President of Strategy and Development for the Diamonds and Specialty Products division, based in Canada. Within Energy Coal, Ms Winckler was responsible for BHP Billiton's thermal coal business development activities and project growth pipeline around the world.

Ms. Winckler was also a corporate financier in the banking industry for a period of five years in Johannesburg, South Africa and London, England. Ms. Winckler is a Chartered Accountant and holds a B.Com (Hons) and a B.Sc.

Ms. Winckler was appointed a Director of the Company on July 1, 2012. She does not currently hold any directorships of other listed companies, nor has she done in the past three years.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014**Mr. Denis Turcotte, P. Eng***Director (non-executive)*

Mr. Turcotte is a Professional Engineer with over 30 years of experience in the energy, materials, and commodity sectors. He was previously the President and CEO of Algoma Steel Inc. an integrated Canadian steel producer, and formerly President of the Paper Group and EVP Corp. Development and Strategy of Tembec Inc., a global forest products company. Mr. Turcotte is currently President and CEO of a private business consulting and investing firm. In 2006 Mr. Turcotte was recognised as Canadian Business Magazine's Top CEO.

Mr. Turcotte is Chairman of the Company's Remuneration and Nominations Committee and a member of the Audit Committee.

Mr. Turcotte was appointed a Director of the Company on December 22, 2010. Mr. Turcotte holds directorships in Domtar Corporation (February 2007 – present), Norbord Inc. (April 2012 – present) and is a member of the Advisory Board of the Brookfield Capital Partners Funds (October 2008 – present). Other than the above, Mr. Turcotte does not currently hold any directorships of other listed companies, nor has he done in the past three years.

Mr. David Murray, BSc.*Director (non-executive)*

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 is a member of the Remuneration and Nominations and Audit Committees.

Mr. Murray was appointed a Director of the Company on October 13, 2011. Mr. Murray is currently a director and Chairman of the Board of Stonewall Resources Ltd (December 2012 – present), a director of Coal of Africa Limited (September 2010 – December 2014), and Meridian Resources Limited (January 2012 – December 2012). Other than the above, Mr. Murray does not currently hold any directorships of other listed companies, nor has he done in the past three years.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014**Ms. Xenia Kritsos, BA, LLB, BCL***Joint Company Secretary*

Ms. Xenia Kritsos joined Coalspur as Vice President, General Counsel in June 2013 and joint Company Secretary in September 2013. Ms. Kritsos has more than 15 years of experience as a lawyer, both in-house and in private practice in North America and South Africa. Prior to joining Coalspur, Ms. Kritsos was Senior Legal Counsel for a diversified global mining group headquartered in Vancouver, B.C. and Corporate Secretary for certain public companies associated with it.

Ms. Kritsos has a Bachelor of Civil Laws (BCL) from the University of Oxford, as well as a Bachelor of Arts (BA) from the University of Witwatersrand. Ms. Kritsos is a member of the Law Society of British Columbia and the Canadian Bar Association.

Mr. Simon Robertson, B. Bus MApp Fin*Joint Company Secretary*

Mr. Robertson is a Chartered Accountant and Chartered Secretary and currently holds the position of Company Secretary for a number of publically listed companies. Mr. Robertson was also previously Chief Financial Officer for a large mining services and civil engineering company with international operations. Mr. Robertson earned a Bachelor of Business from Curtin University in Western Australia and Master of Applied Finance from Macquarie University in New South Wales, Australia.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

During the year ended December 31, 2014 and up to the date of this report, Coalspur advanced the Vista project ("Vista") on a number of fronts, however as previously announced, the Company was not able to secure the funding and regulatory permits necessary to enable construction to commence in mid-2014. As a consequence thereof the Company has focused on a strategic review process which was announced and initiated in June 2014. This process culminated in the press release on February 24, 2015 announcing the proposed acquisition of Coalspur by KC Euroholdings S.a r.l. ("KCE").

Progress across the principal activity areas during the year ended December 31, 2014 was as follows:

- **Operations:** Coalspur advanced its engineering for Vista Phase 1, changed its preferred supplier of engineering, procurement and construction ("EPC") services from Forge Group North America ("Forge") to Sedgman Limited ("Sedgman") and executed a binding EPC contract with Sedgman. The Company selected Thiess Pty Ltd ("Thiess") as its preferred mining contractor. In August, the Company filed an updated technical report relating to the Vista, Vista Extension and Vista South projects;
- **Regulatory:** the Alberta Energy Regulator ("AER") issued a decision approving Vista in February 2014, and subsequently issued a number of supplemental approvals and licenses, culminating in the issuance of a mineral surface lease for Phase 1 of Vista on October 10, 2014;
- **Funding:** the Company was not able to secure full funding required for the development of Vista Phase 1; however it secured an additional C\$3 million through a Bridge Facility from Borrowdale Park and US\$10 million funding through a further draw under its existing senior secured debt facility with EIG. The US\$10 million is being used to advance select operational activities and undertake the strategic review process;
- **Governance:** As a result of its strategic review process in mid-2014 the Company reduced the size of its Board of Directors following the resignations of three non-executive directors and the alternate director; and
- **Proposed acquisition of Coalspur and accounting impact thereof:** Subsequent to year-end the Company announced that it had entered into a definitive Scheme Implementation Agreement ("SIA") for the proposed acquisition of Coalspur by KCE by way of an Australian scheme of arrangement ("Scheme"). Under the proposed Scheme, KCE will seek to acquire all of the outstanding shares of the Company for a cash payment of A\$0.023 per fully diluted Coalspur share, subject to the fulfilment of the conditions set out in the SIA, which include court and shareholder approval of the Scheme. KCE will also acquire the debts that are owing to EIG and Borrowdale Park. Given the announced Scheme and associated debt purchase transactions the Company has decided to recognise an impairment of select non-current assets to reflect the fair market value of such assets, discussed further in the section titled, *Impairment Loss* below.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014**Operations**

The Company continued to advance its detailed engineering work on Vista Phase 1 and finalized its contract and execution plans for the project. In April 2014, Coalspur changed its preferred supplier of EPC services from Forge to Sedgman following the placing of Forge's parent company 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. The key terms and capital estimate that had been agreed with Forge were essentially matched by Sedgman and, on August 7, 2014, Coalspur executed a binding EPC contract with Sedgman Canada Limited.

The Company advanced its mine planning for Vista Phase 1 and, following a competitive request for proposal process with several reputable mining contractors, selected Thiess as Coalspur's 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.

On August 5, the Company filed an updated technical report relating to the Vista, Vista Extension and Vista South projects.

The Company reduced its workforce from 28 on January 1, 2014 to 12 by August 15, 2014 in order to reduce cash expenditure and preserve liquidity. Key employees were retained to focus on critical short term activities.

Regulatory

In January 2014, Coalspur reached an agreement with the Alexis Nakota Sioux Nation ("Alexis") who was the last remaining intervener in relation to the regulatory approval for Vista. As a result, Alexis withdrew as an intervener paving the way for the AER to grant project approval for Vista Phase 1. The AER approved Vista Phase 1 on February 27, 2014 and subsequently issued an amended mine permit, an amended processing plant approval, and pit and dump licenses. On July 2, 2014 the Alberta Aboriginal Consultation Office formally declared Coalspur's consultation in respect of Vista Phase 1 to be adequate.

In August 2014, the AER issued the following supplemental approvals and licenses for Phase 1 of Vista:

- an approval under the *Environmental Protection and Enhancement Act* (Alberta) for the construction, operation and reclamation of Vista;
- an approval under the *Water Act* (Alberta) to carry out activities for the purpose of constructing, operating, maintaining and reclaiming Vista; and
- a license under the *Water Act* (Alberta) to operate works and to divert a limited amount of ground water and surface water annually.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

The final stage of the AER approval process was the issuance of a Mineral Surface Lease pursuant to the *Public Lands Act* (Alberta) on October 10, 2014. A development permit will be sought by Coalspur from Yellowhead County prior to commencing construction.

Funding

Throughout the first half of 2014 the Company sought to secure the financing necessary for the construction of Vista. However, given the deteriorating thermal coal market and the length of time taken to receive final permits and licenses it was unable to obtain a full funding solution. See Note 2 to the Annual Consolidated Financial Statements for the period ended December 31, 2014.

During April 2014, Coalspur and Borrowdale Park amended the original \$30 million Borrowdale Park Note to provide for a Bridge Facility of an additional \$10 million. The Bridge Facility has an interest rate of 10.5% per annum and reasonable arrangement and commitment fees were payable by Coalspur. The Company made a draw of \$3 million on the Bridge Facility prior to its availability expiration on June 30, 2014.

In June 2014, Coalspur secured an additional US\$10 million funding through a further draw under its existing senior secured debt facility with EIG, subject to additional undertakings and conditions described in the Company's news release dated June 23, 2014. The US\$10 million was drawn down in a single tranche in June, and is being used to progress key activities at Vista and enable Coalspur to undertake the strategic review process.

Governance

Mark Rodda was appointed as the new Chairman with effect from July 15, 2014 following the resignations from the Board of Directors of Mr. Theodore Mayers, Mr. Colin Steyn (previous chairman) and Mr. Peter Breese (and Mr. Bill Smart, the alternate director for Messrs. Steyn and Breese). Messrs. Steyn, Breese and Smart are affiliated with Borrowdale Park S.A. ("Borrowdale Park"), is Coalspur's largest shareholder and also has a secured loan with the Company under which a total of \$33 million has been drawn. As the Company was due to consider all matters relating to the future funding of the Company including its current finance facilities and capital structure during its strategic review process, it was considered to be in the best interests of both the Company and the directors affiliated with Borrowdale Park that they resign from the Board.

Strategic Review Process Impact

The 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.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

Expenditure Analysis	Year ended Dec. 31, 2014	Year ended Dec. 31, 2013
Operating expenditures	\$	\$
Vista	9,556,810	23,369,125
Less: capitalised development (excluding capitalised finance costs)- Vista	(7,158,103)	(18,808,004)
Operating expenditure	<u>2,398,707</u>	<u>4,561,121</u>
 Exploration and evaluation expenses		
Vista	-	17,946
Less: capitalised development (excluding capitalised finance costs)- Vista	-	-
Vista Extension	76,048	76,048
Vista South	81,504	81,504
Exploration and evaluation expense	<u>157,552</u>	<u>175,498</u>
 Corporate expense	5,828,454	6,850,512
Administrative expense	3,425,372	4,679,279
Corporate and administrative expense	<u>9,253,826</u>	<u>11,529,791</u>

Development and operating expenditures were \$9.6 million during the year ended December 31, 2014, versus \$23.4 million during the prior period ended December 31, 2013. The decrease in expenditure reflects the efforts made by the Company to conserve cash and reduce contractor and engineering expenditure.

The Company incurred \$157,552 of exploration and evaluation expenses during the period ended December 31, 2014 (2013 - \$175,498) for the annual payment of coal leases on the Vista Extension and Vista South projects.

Corporate and Administration

Corporate and administrative expenses for the current year totalled \$9.3 million versus \$11.5 million for the prior year. Corporate and administrative expenses decreased overall as a result of the Company's efforts to conserve cash by reducing its IT, workforce, and travel costs. Efforts associated with financing alternatives continued during the year ended December 31, 2014. Consistent with the prior year, finance costs associated with the EIG and Borrowdale Park facilities were capitalized to mine development assets until June 30, 2014, after which finance costs were recognised through the statement of comprehensive income.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

Other projects

The Company has two other coal project areas in addition to Vista: Vista Extension, located on the northeast boundary of Vista; and the Vista South located approximately 6km southwest of Vista.

To date exploration and evaluation expenditure on these two properties has been nominal and the Company has no immediate plans to evaluate them further. For further information regarding these projects, please refer to the updated NI43-101 Technical Report dated July 31, 2014, which is available on www.sedar.com and www.asx.com.au.

Selected Annual Information

(\$000s, except where noted)	Year ended December 31, 2014	Year ended December 31, 2013
Prepared in accordance with AIFRS		
Measured and Indicated Coal Resource (millions of metric tonnes)	1,700	1,700
Proven and Probable Marketable Coal Reserve (millions of metric tonnes)	313	313
Loss for the period	(212,152)	(18,977)
Impairment loss	(162,994)	-
Loss per share (cents per share)	(16.40)	(2.97)
Cash and cash equivalents	6,696	10,669
Exploration and evaluation assets	3,021	13,509
Mine development assets	42,156	146,752
Non-current prepayments	10,130	42,800
Intangible assets	-	2,500
Other assets	7,682	22,465
Total assets	71,481	240,949
Current liabilities	118,335	2,757
Non-current liabilities	-	74,212
Total liabilities	118,335	76,969
Total Equity	(46,854)	163,980

Over the past two annual periods the Company has pursued its objective of becoming a significant thermal coal producer by evaluating, acquiring, and developing thermal coal resources in the Hinton

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

region. The Company holds over 55,000 hectares of mineral properties, with Measured and Indicated Resources of approximately 1.7 billion tonnes (Measured 903.1 Mt, Indicated 797.0 Mt).

Loss for the period

The loss for the year ended December 31, 2014 was \$193 million higher than the loss during the year ended December 31, 2013. The variance is mainly due to the impairment of various non-current assets (discussed further below) together with a finance expense resulting from the renegotiated terms of the debt held with EIG.

Impairment Loss

In accordance with International Accounting Standard 36 ("IAS 36"), Coalspur has conducted a review of the recoverable amount of Vista using a fair value less costs of disposal approach. The scope of the review included the December 31, 2014 carrying values ('book values') of mine development assets, exploration and evaluation assets, prepayments and intangible assets. The review led to the recognition of a non-cash, impairment loss of \$162,994,356, which is recognised in profit or loss, being the difference between the carrying values and the assessed recoverable amount.

The recoverable amount was determined through reference to the Scheme Implementation Agreement with KCE as this was considered to represent the price that would be received in an orderly transaction between market participants and would therefore be most representative of fair value. The determination of fair value considers the proposed acquisition by KCE in its entirety, that is, it includes an assessment of both the equity value (being the value of consideration provided to equity holders of the Company), and the debt value (being the value of consideration provided to debt holders of the Group).

The equity value has been determined through reference to the Scheme Consideration (as defined in the SIA) of A\$0.023 in cash per Coalspur share which equates to a value of \$14,224,350. The debt value has been determined based on the net present valuation of the terms offered by KCE to purchase both the senior and sub-ordinated, secured debt which includes partial cash settlement, future payments contingent on future coal prices and potential future royalties based on future coal prices which equates to a total fair value of \$57,256,316.

The IAS 36 review has resulted in a total recoverable value of \$71,480,660 and a total impairment charge being recognised of \$162,994,356, allocated on a pro-rata basis as \$117,336,208 to mine development assets, \$10,488,297 to exploration and evaluation assets, prepayments of \$32,669,851 and \$2,500,000 to intangible assets.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014***Mine development assets***

Mine development assets have increased over the last two years as the Company continued to capitalize all work pertaining to Vista, however the increase in 2014 was offset by the impairment loss that was recognised following the conclusion of the strategic review process in the amount of \$117 million. Capitalised development and capitalised finance costs at December 31, 2014 totalled \$40.7 million and \$11.0 million, respectively..

Other assets

Other assets, relating to financing costs, decreased by \$14.8 million during the year ended December 31, 2014. The decrease is attributed to the accelerated amortisation of other assets which commenced at the announcement of the strategic review process. Other assets ceased to be capitalised to mine development assets at that time.

Total liabilities and equity

Non-current liabilities decreased to nil when the credit facilities and accrued interest payable were reclassified to current liabilities.

Equity has decreased over the last two periods due to the impairment and additional expenses for terminating the credit facility with EIG and ceasing to capitalize interest.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

QUARTERLY RESULTS

(\$000s, except where noted) Canadian Dollars	Quarter Ended (Unaudited)							
	31-Dec 2014	30-Sep 2014	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013
Measured and Indicated Coal Resources (millions of tonnes)	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700
Proven and Probable Marketable Coal Reserves (millions of tonnes)	313	313	313	313	313	313	313	313
Loss for the period	(179,789)	(12,731)	(14,773)	(4,859)	(3,532)	(6,438)	(4,357)	(4,650)
Loss per share (cents per share)	(27.72)	(1.96)	(2.74)	(0.76)	(0.55)	(1.00)	(0.68)	(0.73)
Cash and cash equivalents	6,696	8,006	10,588	4,194	10,669	17,076	4,862	14,056
Exploration and evaluation assets	3,021	13,509	13,509	13,509	13,509	13,509	13,509	13,509
Mine development assets	42,156	159,492	158,513	152,695	146,752	140,384	134,282	128,880
Non-current prepayments	10,130	42,800	42,800	42,800	42,800	42,800	42,800	42,800
Intangible assets	-	2,500	2,500	2,500	2,500	2,500	2,500	3,500
Other assets	7,682	14,453	21,076	21,748	22,465	23,464	3,894	2,921
Total assets	71,481	242,530	250,917	239,711	240,949	241,386	203,626	208,544
Available credit	-	-	-	-	-	-	30,000	30,000
Current liabilities	118,335	109,908	105,792	2,320	2,757	2,811	4,441	5,017
Long term liabilities	-	-	-	86,663	74,212	71,563	40,000	40,000
Total liabilities	118,335	109,908	105,792	88,983	76,969	74,374	44,441	45,017
Net assets	(46,854)	132,622	145,124	150,728	163,980	167,012	159,185	163,527

With the exception of Q4 2014, wherein the Company recognised an impairment loss on its non-current assets, net assets remained relatively steady during the 2013 quarters as the increase in assets has been offset by a corresponding increase in debt, resulting from the Company's original and restructured credit facilities with Borrowdale Park, along with the EIG Facility. The decline in net assets during 2014 is a result of recognition of a mark-to-market loss on embedded derivatives associated with the EIG debt, fees due upon repayment of the EIG debt, and interest expense recognised to the statement of profit and loss beginning in July 2014.

FINANCIAL CONDITION AND LIQUIDITY*Cash*

The Company had combined cash and cash equivalents of \$6.7 million at December 31, 2014. As of the date of this report, the Company has a cash balance of \$5.1 million. For information regarding the solvency of the Company, see Note 2, Going Concern to the Consolidated Financial Statements for the year ended December 31, 2014.

Senior secured facility with EIG

The EIG Facility, under which Coalspur had drawn US\$47 million as at December 31, 2014, with an original maturity date of July 12, 2021, carries interest at a rate of 8% per annum in cash plus 3% per annum which can be capitalised or paid in cash. Consistent with the terms of the EIG Facility, Coalspur granted EIG 120 million warrants with an exercise price of A\$0.55 each, expiring on the maturity date of the EIG Facility, or earlier, in certain circumstances.

In March 2014, Coalspur announced that it had amended the EIG Facility. The EIG Facility previously required that the Company execute a mining contract by March 31, 2014 in order to facilitate the sizing by EIG of the EIG Facility. To secure the mining contract in this timeframe would have been premature in light of the delayed regulatory approval process for Vista and the date was accordingly extended a number of times (and, in February 2015, EIG ultimately agreed to extend it until the later of March 31, 2015 and the earlier of: (a) the termination of the agreement between KCE and EIG regarding the sale of the EIG Facility to KCE; or (b) the implementation of the Scheme). The terms of the EIG Facility were revised to provide that, after selecting the preferred mining contractor, EIG would assess the mining costs for Vista and determine the final size of the EIG Facility.

Coalspur selected its preferred mining contractor in May 2014 and in June 2014, EIG provided Coalspur with a notice providing the final sizing of the overall EIG Facility of US\$175 million. Coalspur determined that it would not accept the EIG funding package as sized as a senior facility of that size, and considering the net undrawn facility, was insufficient to enable the Company to fully fund and construct Vista. As a result of Coalspur not accepting EIG's debt sizing, the EIG Facility (including all draws, fees and interest) became due for repayment on March 31, 2015. However, in February 2015, EIG agreed to extend this deadline until the later of March 31, 2015 and the earlier of: (a) the termination of the agreement between KCE and EIG regarding the sale of the EIG Facility to KCE; or (b) the implementation of the Scheme. Upon repayment of the EIG Facility, the EIG warrants will lapse.

As a result of not accepting the EIG funding package the final debt repayment date was accelerated. The fees paid and warrants/options issued in respect of the EIG Facility and the Borrowdale Park Note will be amortised through profit and loss on an accelerated basis over the remaining duration of the facilities. Previously, these costs were being recognised as capital in nature through mine development assets. See Note 11 and 13 to the Consolidated Financial Statements for the year ended December 31, 2014.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

At the same time as receiving the sizing notice from EIG, the Company entered into a letter agreement with EIG ("EIG Letter Agreement") documenting the terms and conditions for an additional draw down of US\$10 million. A deferred fee will be payable on the additional funds drawn down at the time of prepayment or repayment of such funds. The EIG Letter Agreement, as amended from time to time bound Coalspur to additional obligations including in relation to the use of funds, which have been drawn down in full and key milestones to ensure continued progress on Vista. Key milestones, the majority of which have already been fulfilled, include the delivery of an updated life-of-mine plan, the maintenance and progress of permits and licenses, continued development of Vista Phase 2 engineering, execution of binding contracts with the preferred EPC and mining contractors, and the completion of an updated Bankable Feasibility Study. The Letter Agreement provides for events of default giving EIG the right to accelerate repayment of the Company's indebtedness in various circumstances, including if these milestones are not achieved within their specified time frames. As of the date of this report, the Company was in compliance with the additional undertakings in the EIG Letter Agreement.

Borrowdale Park secured facility

The Company has a secured facility with Borrowdale Park (the "Borrowdale Park Note") under which a total amount of \$33 million has been drawn. The Borrowdale Park Note 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.

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

Funding going forward

The Company announced a strategic review process on June 23, 2014 under which it is examined funding options for Coalspur. The strategic review process had a completion date of no later than March 31, 2015, the date on which the EIG Facility was due for repayment. On February 24, 2015 the Company announced it entered into a definitive Scheme Implementation Agreement for the proposed acquisition of Coalspur by KCE by way of an Australian Scheme. Under the Scheme, KCE will seek to acquire all of the outstanding shares of the Company for a cash consideration of A\$0.023 per Coalspur share, subject to the fulfilment of the conditions set out in the SIA. The total equity value of the transaction is approximately A\$15 million on a fully-diluted basis. KCE will also acquire all debts owing to EIG and Borrowdale Park. As at the date of this report the Company has sufficient funds to complete the implementation of the Scheme. Potential funding consequences in the event the Scheme is not

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

implemented are outlined in Note 2 (Going Concern) to the Financial Statements for the year ended December 31, 2014.

Commitments and planned payments

(\$000's)	PAYMENTS DUE BY PERIOD					
	TOTAL (up to 5 years)	LESS THAN 1 YEAR	1 - 3 YEARS	4 - 5 YEARS	5+ years	AFTER 5 YEARS (per year)
Borrowdale Park credit facility principal (1)	33,000	33,000	-	-	-	-
Borrowdale Park facility interest (2)	6,691	6,691	-	-	-	-
EIG credit facility principal (3)	72,666	72,666	-	-	-	-
EIG facility interest (4)	10,097	10,097	-	-	-	-
Operating leases	109	93	16	-	-	-
Mineral and surface leases	1,338	223	669	446	-	223
Minimum port payments (5)	122,650	-	35,300	87,350	-	54,020
Payments to First Nations	6,137	-	4,537	1,600	-	800
Commitments Total	252,688	122,770	40,522	89,396	-	55,043
Mineral lease acquisitions (6)	10,000	-	10,000	-	-	-
Vista development (7)	478,000	-	478,000	-	-	-
Planned Payments Total	488,000	-	488,000	-	-	-
Total commitments and planned payments	740,688	122,770	528,522	89,396	-	55,043

Notes:

- 1) The \$33 million is due for repayment 30 days after funds are repaid to EIG.
- 2) Interest on the \$33 million Borrowdale Park subordinated note and bridge facility is accrued and capitalised at 10.5% and is to be repaid 30 days after the repayment of EIG.
- 3) The Company borrowed US\$37 million from EIG in July 2013. A subsequent draw was made in June 2014 for US\$10 million. As Coalspur rejected the final sizing notice from EIG (see further discussion in Financial Condition and Liquidity), the EIG Facility (including all draws, fees and interest) was due for repayment on March 31, 2015, but this deadline was extended in February 2015 until the later of March 31, 2015 and the earlier of: (a) the termination of the agreement between KCE and EIG regarding the sale of the EIG Facility to KCE; or (b) the implementation of the Scheme.
- 4) Interest is accrued and capitalised at 11% on the EIG facility until Vista commences production, after which interest is payable quarterly. Coalspur used the US\$47 million principal for calculations in this table up to and including a repayment date of March 31, 2015.
- 5) The Company has not recognised these commitments as liabilities because it will either claim relief in terms of force majeure (as noted below), utilize the throughput capacity or attempt to sell it to other parties. The contract with Ridley Terminals begins in 2015 with 2.5 Mt of capacity allocation. The shortfall payments are considered a contingent liability. In December 2013, Coalspur declared force majeure for the tonnages in 2015 and 2016 as a result of the government delays incurred during the regulatory approval process. The force majeure terminated on October 10, 2014, upon the issuance of a mineral surface lease by the AER; see Note 12d to the financial statements for more information.
- 6) The Company holds a beneficial interest in five coal leases that are integral to Vista. In accordance with the terms of the agreement to purchase these leases, initial payments of \$2 million and \$6 million have been made, and title to these leases will transfer to Coalspur upon the payment of an additional \$10 million which must be made by February 19, 2016.
- 7) The Company currently has no set construction date for Vista. See the section titled "Overall Performance and Discussion of Operations" above. As a result, the payments due by period for the Vista development is not provided at this time. No material commitments will be made with respect to Vista construction until development funding is obtained.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

DISCLOSURE OF OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 641,544,455 fully paid ordinary shares issued and outstanding. The following table sets out the Company's securities that are currently issued and outstanding:

Type of Security	Number
Outstanding Ordinary Shares	641,544,455
Outstanding Unlisted Performance Share Rights ⁽¹⁾	9,965,082
Outstanding Unlisted Options ⁽²⁾	7,330,739
Outstanding Unlisted Warrants ⁽³⁾	120,000,000
Total	778,840,276

Notes:

- (1) Unlisted performance share rights ("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 MD&A, 4,993,306 Unlisted Options have vested and are exercisable.
- (3) These warrants were issued to EIG (120 million) as part of the funding facility approved by shareholders on June 27, 2013. The warrants are exercisable at A\$0.55 and expire on the maturity date of the Facility, or earlier in certain circumstances.

Coalspur's current market capitalisation is approximately \$13 million based on the March 25, 2015 TSX closing price of \$0.02 (approximately \$13 million calculated on a diluted basis including all ordinary shares, share rights, and in-the-money options).

TRANSACTIONS WITH RELATED PARTIES

Borrowdale Park is a significant shareholder of the Company. For the year ended December 31, 2014, Coalspur accrued \$5.3 million of interest pertaining to the amended \$33 million subordinated debt obligation and Bridge Facility. See the section titled "Financial Condition and Liquidity" above and Note 16 to the attached Financial Statements for more information.

All related party transactions are measured at cost or estimated fair market value in the event cost is not determinable.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The attached financial statements were prepared in accordance with Australian International Financial Reporting Standards ("AIFRS"). A description of the Company's significant accounting policies is provided in Note 1 to the Financial Statements for the year ended December 31, 2014.

FINANCIAL INSTRUMENTS

The Company's principal financial instruments are comprised of short-term deposits, current accounts, receivables, and amounts payable under the EIG Facility, Borrowdale Park Note and to trade vendors.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, and interest rate risk. Realised foreign exchange gains and losses associated with these instruments are recognised in the income statement as other income or other expenses.

The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policies, which are reviewed and updated as circumstances warrant.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Company does not enter into derivative transactions to mitigate the financial risks. In addition, the Company's strategy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains.

The fair values of receivables, payables, cash and short-term deposits approximate their carrying value.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's President and Chief Executive Officer and Chief Financial Officer have concluded that for the year ended December 31, 2014, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in the reports it files is recorded, processed, summarized and reported within the appropriate time periods and is accumulated and communicated to management, including the all officers of the Company as appropriate, to allow timely decisions regarding required disclosure.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2014 that materially affect, or are reasonably likely to materially affect, internal control over financial reporting.

DIVIDENDS

No dividends were paid or declared during the year. No recommendation for payment of dividends has been made. The Company does not currently have a policy with respect to the payment of dividends and returns of capital.

BUSINESS STRATEGIES AND PROSPECTS

For the second half of 2014 the Company has together with Deutsche Bank, focused on the strategic review process that was announced on June 30, 2014. On February 24, 2015, the Company announced the completion of its strategic review process when it entered into a definitive Scheme Implementation Agreement for the proposed acquisition of Coalspur by KCE by way of an Australian scheme of arrangement. See the February 24, 2015 press release and the Scheme booklet for further details.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company achieved the following during the past year:

- January 2014: Coalspur announced that an agreement had been reached with Alexis in relation to the development of Vista. Alexis withdrew as an intervener in relation to the regulatory approval of Vista.
- January 2014: Coalspur announced that it had reached an agreement with Borrowdale Park for the provision to Coalspur of a standby funding facility of C\$10 million ("New Facility"), subject to the execution of definitive documents.
- February 2014: 25,000,000 E Class Performance Shares expired as the Company did not produce a total of 1,000,000 tonnes of coal from its leases in the Hinton region.
- February 2014: The AER approved Vista.
- February 2014: The Board approved and offered options and performance rights to employees which were accepted by employees and issued on March 5, 2014. Employees also agreed to the cancellation of performance rights in Tranches 3, 4, and 8, the performance conditions of which had become incapable of fulfilment.
- April 2014: Coalspur announced it had executed the C\$10 million stand-by debt facility with Borrowdale Park.
- April 2014: Coalspur selected Sedgman as its preferred supplier of engineering, procurement and construction services.
- April and May 2014: Coalspur drew down C\$3 million of the C\$10 million stand-by debt facility with Borrowdale Park.
- June 2014: Coalspur selected Thiess Pty Ltd as its preferred mining contractor for Vista.
- June 2014: Secured an additional US\$10 million funding through a further draw on the Company's senior secured debt facility with EIG.
- June 2014: The Company began its strategic review process.
- July 2014: The Company reduced the size of the Board.
- August 2014: The AER issued three approvals and licenses for Vista under the *Environmental Protection and Enhancement Act* (Alberta) and the *Water Act* (Alberta).
- October 2014: The AER issued a mineral surface lease pursuant to the *Public Lands Act* (Alberta) for Phase 1 of Vista.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014**SIGNIFICANT EVENTS AFTER BALANCE DATE**

The following event occurred after the balance date:

- On February 24, 2015 Coalspur announced that it had entered into a definitive Scheme Implementation Agreement for the proposed acquisition of Coalspur by KC Euroholdings S.à r.l. ("KCE") by way of an Australian scheme of arrangement. Under the proposed Scheme, KCE will seek to acquire all of the outstanding shares of the Company (the "Transaction") for cash consideration of A\$0.023 per Coalspur share, subject to the fulfilment of the conditions precedent. The total equity value of the Transaction is approximately A\$15 million on a fully-diluted basis. See the February 24, 2015 press release and the Scheme Booklet (which was made available on the Company's website on March 17, 2014 and mailed to shareholders on March 23, 2015) for further details.

Other than disclosed above, there were no significant events occurring after the balance sheet date requiring disclosure.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities.

There have been no significant breaches by the Consolidated Entity during the financial period of any environmental laws or regulations.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014**SHARE OPTIONS AND PERFORMANCE RIGHTS**

The outstanding balance of Unlisted Options and Performance Rights at December 31, 2014 is represented by:

- 2,750,000 Unlisted Options with an exercise price of \$0.25 each and expiring on June 30, 2015;
- 350,000 Unlisted Options with an exercise price of \$0.70 each and expiring on June 30, 2015;
- 1,450,000 Unlisted Options with an exercise price of \$1.05 each and expiring on June 30, 2015;
- 2,780,739 Unlisted Options with an exercise price of \$0.30 each and expiring on February 13, 2019;
- 120,000,000 Warrants with an exercise price of A\$0.55 each and expiring on July 1, 2021;
- 305,375 Performance Rights with no exercise price and expiring on June 30, 2015;
- 1,155,593 Performance Rights with no exercise price and expiring on December 31, 2015;
- 343,375 Performance Rights with no exercise price and expiring on June 30, 2016;
- 8,160,739 Performance Rights with no exercise price and expiring on June 30, 2016;

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITOR

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who is or has been a director or officer of the Company or Group for any liability caused as such a director or officer and any legal costs incurred by a director or officer in defending an action for any liability caused as such a director or officer. During or since the end of the financial period, no amounts have been paid by the Company or Group in relation to these indemnities.

During the year the premiums paid by the Group were \$171,084 (December 31, 2013: \$170,348) and were in effect to insure against a liability incurred by a person who is or has been a director or officer of the Company.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel of the Group.

Details of Key Management Personnel

Details of the KMP of the Group during or since the end of the financial period are set out below:

Directors

Mr. Mark Rodda	Chairman (non-executive), appointed Chairman July 15, 2014
Ms. Gill Winckler	President and CEO
Mr. Denis Turcotte	Director (non-executive)
Mr. David Murray	Director (non-executive)
Mr. Ted Mayers	Director (non-executive), resigned July 1, 2014
Mr. Colin Steyn	Prior Chairman (non-executive), resigned July 15, 2014
Mr. Peter Breese	Director (non-executive), resigned July 15, 2014
Mr. William Smart	Alternate Director (non-executive), resigned July 15, 2014

Other KMP - Executives

Mr. Colin Gilligan	Chief Operating Officer
Mr. Robert Gough	Chief Financial Officer (resigned with effect from March 31, 2015)
Ms. Xenia Kritsos	Vice President and General Counsel and joint Company Secretary
Mr. Richard Tremblay	Vice President, Operations (departed the Company on June 15, 2014)
Mr. Wayne Drier	Vice President, Strategy and Development (departed the Company on June 15, 2014)
Ms. Kim Humphreys	Vice President, Human Resources and Administration (departed the Company on June 15, 2014)
Mr. David Montpetit	Vice President, External Affairs and Logistics (departed the Company on March 31, 2014)

All KMP held their office from January 1, 2014 until the date of this report unless otherwise noted.

Remuneration Policy

Coalspur's remuneration policy encompasses the total value (direct cash or otherwise) employees receive as a result of their employment, including all forms of base salary, short and long term incentives, benefits and perquisites.

Fixed Remuneration

Coalspur's compensation framework is structured in a way that aligns compensation with the managerial levels that exist in the organisation. These levels reflect the complexity of the work that is

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

carried out and the associated accountabilities of the individuals that perform the various functions at each level, in addition to the skills and experience required to be successful. Total compensation includes base salary, short term incentive plan ("STIP"), and in some cases long term incentive plan ("LTIP") components.

In prior financial years, Coalspur established base salary midpoints consistent with the level of a position reflecting the range of work and responsibilities and consistent with the knowledge and experience required to be effective in the role. These base midpoint salaries were benchmarked against similar roles in related organisations periodically to ensure competitiveness. Actual salaries typically ranged between 80% and 120% of the base salary midpoint for a role, based on the knowledge and experience of the incumbent, time in role, and overall effectiveness of the individual as assessed by their supervisor through the completion of a formal performance review process conducted not less than once a year. The entire base salary framework is reviewed annually by the Remuneration and Nominations Committee ("RNC") along with Coalspur management and adjusted as required to reflect inflation and other competitive changes. With the exception of three employees who has been given increased responsibilities, there were no salary adjustments during the current period due to the Company's financial circumstances.

All base salary adjustments require President and CEO approval with the exception of those for the President and CEO's direct reports and the President and CEO which are reviewed and authorised by the RNC.

Performance Based Remuneration – Short-term Incentive

Full time employees of Coalspur are eligible to participate in the Company's STIP. The STIP, as designed and amended from time to time, pays an annual cash bonus upon the incumbent achieving targeted results related to various key performance indicators ('KPI's') that reflect overall corporate, department and individual objectives. These KPI's are established and approved on an annual basis by the RNC, President and CEO, and management to ensure the organisation remains focused on business priorities. The RNC, President and CEO, and management of Coalspur will assess performance and establish the level of success as it relates to the individual, department, and broader business objectives. Employees must be actively employed by the Company to receive STIP awards.

STIP targets are developed by management and reviewed and approved by the RNC each calendar year. Every employee's STIP includes a portion related to corporate performance and a portion related to individual performance. The individual portion is specifically tailored to each employee eligible to receive the STIP and consists of personal goals and objectives to be achieved by each employee during the year. The corporate and individual performance are analysed and reviewed subsequent to each calendar year end to determine the percentage of STIP that will be awarded. For 2014, STIP weightings within levels of the organisation were:

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

Position	Corporate	Individual	Total
President and CEO, CFO, COO	80%	20%	100%
Other KMP's	35%	65%	100%
Other Employees	20%	80%	100%

The corporate KPI's for the year ended December 31, 2014 were based primarily on the strategic review process, but also included milestones corresponding with undertakings made by the Company to EIG relating to permits, EPC contract, mining contract, shipping contracts and feasibility studies.

The STIP award for 2014 was used by the Company as an incentive to encourage personnel to maintain compliance with the Company's undertakings to EIG, progress the strategic review process and remain with the Company until completion of the strategic review process. In this context, the Board assessed the extent to which the individual KPI's were met for the 2014 year in February 2015 and determined that the individual portion of the STIP be granted prior to the conclusion of the strategic review process which amounts to 30% of total STIP possible by value. This resulted in of 70% of the potential STIP payments attributed to corporate KPI's remaining pending completion of the EIG debt purchase.

During the year ended December 31, 2014, STIP of \$1,006,149 was paid to KMPs pertaining to the prior year.

The maximum amount of STIP that could be awarded to KMP for 2014 was \$1,253,750; the minimum amount was NIL. Subsequent to the year end, the Board reviewed performance for 2014 in the context described above, and authorised an STIP award for the President and CEO and other KMP totalling \$319,938 which was accrued at year end.

Performance Based Remuneration – Long-term Incentive

Coalspur has adopted a long term incentive plan comprised of the Coalspur Employee Performance Rights Plan, the Coalspur Contractor Performance Rights Plan, the Coalspur Employee Option Plan and the Coalspur Non-Executive Director and Consultant Option Plan to attract, retain, and reward executives, senior managers, and contractors for long term performance. Given the early stage and developmental nature of the Company, the Board decided it is in the best interests of the shareholders to extend this program more broadly to attract and retain key personnel at lower levels of the organisation. This aspect, in addition to general trends and developments related to LTIP programs is monitored by the RNC with adjustments recommended to the Board as appropriate over time.

The Coalspur Employee Performance Rights Plan and Contractor Performance Rights Plan provide for the issuance of unlisted performance share rights ("Performance Rights") and/or unlisted options ("Options"). At its discretion, the Board can determine what form or percentage mix to issue. Upon satisfaction of the relevant performance conditions attached to the Performance Rights, the issue of an Ordinary Share on a one to one basis upon the recommendation of the President and CEO and approval of the Board of Directors will occur. Performance Rights are issued for no consideration, and no amount

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

is payable by recipients upon conversion thereof. If performance conditions are not met by the expiry date the related Performance Rights will lapse.

The Coalspur Employee Option Plan and the Non-Executive Director and Consultant Option Plan provide for the issuance of unlisted options which, upon vesting, are eligible for conversion into Ordinary Shares on a one to one basis upon the payment to the Company of the exercise price of such Options. Options are issued for no consideration and, if an individual wishes to exercise a vested Option in order to receive an Ordinary Share, the exercise price of such Option must be paid to the Company. Options currently have a time based vesting schedule over a three year period (25% in each of the first two years and 50% in the third year), expiring at the end of a five year term.

In the event of a change in control, Performance Rights and Options (subject to Board approval) will automatically vest. A change of control for the purposes of the LTIP program are a Court approval of a merger by way of a scheme of arrangement; a takeover; or any person acquiring 50% or more of the share by any other means. In the event that the Scheme is implemented, the Performance Rights will vest and the Options will be cancelled.

When an employee ceases to be employed by the Company before the Performance Rights or Options then held become vested by reason of death, permanent disability, bona fide redundancy or retirement, providing that the conditions of the Performance Rights or Options have otherwise been met and have not lapsed, the Board has the discretion to deem the Performance Rights or Options held as not having lapsed, either whole or in part.

When an employee is terminated by reasons other than previously stated or if the Board does not exercise its discretion described above, Performance Rights will lapse immediately and Options will lapse 30 days thereafter.

Performance Rights granted under the LTIP Program to eligible participants are linked to the achievement by the Company of certain performance conditions as determined by the Board from time to time. Options granted under the LTIP Program to eligible participants generally have a time-based vesting schedule and a fixed expiry date, but can also include performance conditions at the discretion of the Board.

Performance Rights currently on issue are:

Tranche	Issued	Performance Conditions	Expiry Date
3	324,375	Performance Rights subject to Vista's initial production	June 30, 2015
4	324,375	Performance Rights subject to Vista's ramp-up production to 4.0 Mtpa	June 30, 2016
7	1,155,593	Performance Rights subject to employment at Coalspur	December 15, 2015
9	6,387,514	Performance Rights subject to successful completion of performance tests demonstrating Phase 1 facilities meet performance guarantees under EPC	December 31, 2016
10	1,773,225	Performance Rights subject to clean coal production from Vista over three consecutive months equals or exceeds annualised rate of 6 Mtpa	December 31, 2016

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

The number of Performance Rights issued, exercised, lapsed, and outstanding during the years ended December 31, 2014 and December 31, 2013 were as follows:

	December 31, 2014	December 31, 2013
Outstanding at beginning of period	8,048,034	4,828,979
Issued to directors, employees, and contractors during the period	12,728,012	6,517,588
Exercised upon meeting milestone	(150,000)	(1,495,534)
Lapsed during the period	(10,660,964)	(1,802,999)
Outstanding at end of period	<u>9,965,082</u>	<u>8,048,034</u>

The number of Options issued, exercised, lapsed, and outstanding during the years ended December 31, 2014 and December 31, 2013 were as follows:

	December 31, 2014	December 31, 2013
Outstanding at beginning of period	24,500,000	35,925,000
Issued during the period	4,203,012	1,000,000
Exercised during the period	-	(5,625,000)
Lapsed during the period	(21,372,273)	(6,800,000)
Outstanding at end of period	<u>7,330,739</u>	<u>24,500,000</u>

Non-Executive Director Remuneration

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting and is currently A\$650,000 per annum. Non-executive directors' fees accrue on a daily basis, and are paid quarterly. Fees for non-executive directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and non-executive directors may receive Performance Rights under the LTIP Program to secure their initial or ongoing services.

Fees for the Chairman are A\$110,000 per annum and fees for non-executive directors are A\$65,000 per annum, with alternate directors receiving A\$32,500. These fees cover main board activities only. Non-executive directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees set out as follows:

- Audit committee chair - A\$10,000 per annum;
- Remuneration committee chair - A\$7,500 per annum;
- Membership on a committee - A\$2,500 per annum; and
- Special committee – A\$2,000 per month.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

During the year ended December 31, 2014, the Company granted nil Performance Rights and Options to non-executive directors.

Relationship between Remuneration of KMP and Shareholder Wealth

During the Company's exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore there was no relationship between the Board's policy for determining the nature and amount of remuneration of KMP and potential distributions received by shareholders from the Company during the current and previous financial years.

The Board did not determine the nature and amount of KMP remuneration by reference to changes in the Company's share price between the beginning and end of the current and previous four financial years. Discretionary annual STIP awards are based upon achieving various non-financial key performance indicators as detailed under "Performance Based Remuneration – Short Term Incentive" and are not based on share price or earnings. However, as noted above, certain KMP are granted Performance Rights (and in the past have received unlisted incentive options) which generally will be of greater value if the value of the Company's shares increase (subject to vesting conditions being met).

Relationship between Remuneration of KMP and Earnings

As discussed above, the Company is currently undertaking development activities, and does not expect to be undertaking profitable operations (other than by way of material asset sales) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

Remuneration of Directors and other KMPs

Details of the nature and amount of each element of remuneration for each director and KMP of Coalspur are as follows:

Year ended December 31, 2014

	SHORT-TERM BENEFITS				POST	SHARE-	PERFORM-	
	SALARY &	STIP	NON-	SEVERANCE	EMPLOY-	BASED	TOTAL	ANCE
	FEES	AWARD	MONE-	AND OTHER	MENT	PAYMENTS		RELATED
	\$	\$	TARY	PAYMENTS	\$	\$	\$	%
			BENEFITS					
Directors								
Mark Rodda	72,259	-	-	-	9,951	-	82,210	0.00%
Gill Winckler	450,000	270,900	3,156	-	24,926	9,750	758,732	36.99%
Denis Turcotte	57,036	-	-	-	-	-	57,036	0.00%
David Murray	52,369	-	-	-	7,476	-	59,845	0.00%
Colin Steyn	57,072	-	-	-	-	-	57,072	0.00%
Peter Breese	23,278	-	-	-	-	-	23,278	0.00%
Ted Mayers	25,882	-	-	-	-	-	25,882	0.00%
William Smart	-	-	-	-	-	-	-	0.00%
Other KMP -								
Executives								
Colin Gilligan	325,000	161,850	3,156	25,000	18,675	-	533,681	30.33%
Robert Gough	325,000	53,950	3,156	25,000	3,739	-	410,845	13.13%
Xenia Kritsos	205,000	53,087	3,000	14,000	12,675	-	287,762	18.45%
Richard Tremblay ¹	137,686	104,932	4,923	17,188	8,728	-	273,457	38.37%
Wayne Drier ²	118,310	102,341	1,750	236,900	7,854	-	467,155	21.91%
Kim Humphreys ³	107,098	105,576	1,500	212,000	7,284	-	433,458	24.36%
David Montpetit ⁴	57,768	89,513	374	217,600	4,896	-	370,151	24.18%
Total	2,013,758	942,149	21,015	747,688	106,204	9,750	3,840,564	

Notes:

- STIP awards for executives totalling \$319,938 were authorised by the RNC subsequent to the year end.
- 1. Mr. Tremblay departed the Company on June 15, 2014. Severance of \$11,900 was paid upon his departure.
- 2. Mr. Drier departed the Company on June 15, 2014. Severance of \$227,789 was paid upon his departure.
- 3. Ms. Humphreys departed the Company on June 15, 2014. Severance of \$203,846 was paid upon her departure.
- 4. Mr. Montpetit departed the Company on March 31, 2014. Severance of \$217,600 was paid upon his departure.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

Year ended December 31, 2013

	SHORT-TERM BENEFITS				POST			
	SALARY & FEES \$	STIP AWARD \$	NON-	OTHER \$	EMPLOY- MENT BENEFITS \$	SHARE- BASED PAYMENTS \$	PERFORM- ANCE TOTAL \$	RELATED %
			MONE-					
			TARY BENEFITS \$					
Directors								
Colin Steyn	111,971	-	-	-	-	-	111,971	-
Gill Winckler 1	450,000	270,900	5,162	-	14,266	1,027,768	1,768,096	73.45%
Denis Turcotte	73,155	-	-	-	-	24,093	97,248	24.77%
Peter Breese	67,183	-	-	-	-	57,288	124,471	46.03%
David Murray	67,183	-	-	-	6,159	34,391	107,733	31.92%
Ted Mayers	74,648	-	-	-	-	34,391	109,039	31.54%
Mark Rodda	67,183	-	-	-	6,159	34,391	107,733	31.92%
William Smart	32,347	-	-	-	-	-	32,347	-
Other KMP - Executives								
Colin Gilligan 1	243,750	161,850	2,556	49,404	11,835	115,771	585,166	47.44%
Robert Gough 2	81,250	53,950	1,163	78,099	6,419	39,953	260,834	36.00%
Richard Tremblay 3	217,163	104,932	13,039	40,000	10,377	144,025	529,536	47.01%
Wayne Drier	236,900	102,341	5,350	2,000	9,266	153,744	509,601	50.25%
Kim Humphreys	212,000	105,576	3,125	2,000	8,540	134,615	465,856	51.56%
David Montpetit	197,600	89,513	3,125	2,000	8,120	57,261	357,619	41.04%
Xenia Kritsos 4	104,865	53,087	1,645	-	7,599	26,198	193,394	41.00%
David Leslie 5	222,568	-	1,946	-	2,356	133,232	360,102	37.00%
Dermot Lane 6	64,149	-	1,542	-	2,356	117,080	185,127	63.24%
Jay Bell 7	209,325	-	15,741	-	6,026	111,794	342,886	32.60%
Total	2,733,240	942,149	54,394	173,503	99,478	2,245,995	6,248,759	

Notes:

- STIP awards for executives totalling \$942,149 were authorised by the RNC subsequent to the year end.
- 1. Mr. Gilligan was appointed Chief Operating Officer on February 22, 2013.
- 2. Mr. Gough was appointed Chief Financial Officer on August 22, 2013.
- 3. Mr. Tremblay was appointed Vice President, Operations on February 4, 2013.
- 4. Ms. Kritsos was appointed the Vice President, General Counsel on June 26, 2013 and joint Secretary on September 17, 2013.
- 5. Mr. Leslie departed the Company on June 30, 2013. Severance of \$110,000 was paid upon his departure.
- 6. Mr. Lane departed the Company on April 30, 2013.
- 7. Mr. Bell departed the Company on October 15, 2013. Severance of \$50,000 was paid upon his departure.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

Options and Rights Granted to Key Management Personnel

During the financial period, the following Performance Rights and Unlisted Options were in existence:

Type of Security	Grant Date	Volume Granted	Expiry Date	Exercise Price	Grant Date Fair Value	Vesting Date
Unlisted Options	24-Nov-09	800,000	30-Jun-14	A\$ 0.50	A\$ 0.236	1-Dec-10
Unlisted Options	24-Nov-09	800,000	31-Dec-14	A\$ 0.60	A\$ 0.238	1-Dec-11
Unlisted Options	14-May-10	750,000	30-Jun-14	A\$ 0.85	A\$ 0.676	1-Jun-10
Unlisted Options	14-May-10	750,000	31-Dec-14	A\$ 0.95	A\$ 0.689	1-Jun-11
Unlisted Options	14-May-10	750,000	30-Jun-15	A\$ 1.05	A\$ 0.702	30-Jun-12
Share Rights	10-Jun-11	25,000	30-Jun-15	\$ -	A\$ 1.580	Initial Production Milestone
Share Rights	10-Jun-11	25,000	30-Jun-16	\$ -	A\$ 1.580	Ramp-up Production Milestone
Share Rights	12-Jul-11	128,000	30-Jun-15	\$ -	A\$ 1.93	Initial Production Milestone
Share Rights	12-Jul-11	128,000	30-Jun-16	\$ -	A\$ 1.93	Ramp-up Production Milestone
Share Rights	13-Jul-11	64,000	30-Jun-15	\$ -	A\$ 1.89	Initial Production Milestone
Share Rights	13-Jul-11	64,000	30-Jun-16	\$ -	A\$ 1.89	Ramp-up Production Milestone
Share Rights	14-Jul-11	45,000	30-Jun-15	\$ -	A\$ 1.85	Initial Production Milestone
Share Rights	14-Jul-11	45,000	30-Jun-16	\$ -	A\$ 1.85	Ramp-up Production Milestone
Share Rights	31-Jan-12	75,000	30-Jun-15	\$ -	A\$ 1.83	Initial Production Milestone
Share Rights	31-Jan-12	75,000	30-Jun-16	\$ -	A\$ 1.83	Ramp-up Production Milestone
Share Rights	4-Jul-12	40,546	30-Jun-15	\$ -	A\$ 0.62	Initial Production Milestone
Share Rights	4-Jul-12	40,546	30-Jun-16	\$ -	A\$ 0.62	Ramp-up Production Milestone
Share Rights	30-Nov-12	150,000	30-Jun-14	\$ -	\$ 0.81	Org. structure Milestone
Share Rights	30-Nov-12	275,000	30-Jun-15	\$ -	\$ 0.81	Initial Production Milestone
Share Rights	30-Nov-12	275,000	30-Jun-16	\$ -	\$ 0.81	Ramp-up Production Milestone
Share Rights	7-May-13	263,158	30-Jun-15	\$ -	\$ 0.63	Initial Production Milestone
Share Rights	7-May-13	263,158	30-Jun-16	\$ -	\$ 0.63	Ramp-up Production Milestone
Share Rights	28-Jun-13	342,173	30-Jun-15	\$ -	\$ 0.31	Initial Production Milestone
Share Rights	28-Jun-13	342,173	30-Jun-16	\$ -	\$ 0.31	Ramp-up Production Milestone
Share Rights	12-Jul-13	135,000	30-Jun-15	\$ -	\$ 0.31	Initial Production Milestone
Share Rights	12-Jul-13	135,000	30-Jun-16	\$ -	\$ 0.31	Ramp-up Production Milestone
Share Rights	25-Jul-13	769,890	30-Jun-14	\$ -	\$ 0.30	Financing and Construction Milestone
Share Rights	10-Oct-13	325,000	30-Jun-15	\$ -	\$ 0.28	Initial Production Milestone
Share Rights	10-Oct-13	325,000	30-Jun-16	\$ -	\$ 0.28	Ramp-up Production Milestone

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

Details of Performance Rights and Unlisted Options granted by the Company to each KMP during the year are as follows:

2014	OPTIONS/ RIGHTS	GRANT DATE	EXPIRY DATE	EXERCISE PRICE	GRANT DATE	FAIR VALUE	NO. GRANTED	NO. VESTED
Directors								
Gill Winckler	Rights	30-May-14	31-Dec-16	\$ -	\$ 0.30		2,257,514	-
Other KMP - Executives								
Colin Gilligan	Rights	05-Mar-14	31-Dec-16	\$ -	\$ 0.30		1,795,737	-
Colin Gilligan	Options	05-Mar-14	13-Feb-19	\$ 0.30	\$ 0.13		545,737	-
Robert Gough	Rights	05-Mar-14	31-Dec-16	\$ -	\$ 0.30		1,695,737	-
Robert Gough	Options	05-Mar-14	13-Feb-19	\$ 0.30	\$ 0.13		545,737	-
Xenia Kritsos	Rights	05-Mar-14	31-Dec-16	\$ -	\$ 0.30		801,878	-
Xenia Kritsos	Options	05-Mar-14	13-Feb-19	\$ 0.30	\$ 0.13		251,878	-
Richard Tremblay	Rights	05-Mar-14	31-Dec-16	\$ -	\$ 0.30		1,085,838	-
Richard Tremblay	Options	05-Mar-14	13-Feb-19	\$ 0.30	\$ 0.13		335,838	-
Wayne Drier	Rights	05-Mar-14	31-Dec-16	\$ -	\$ 0.30		726,878	-
Wayne Drier	Options	05-Mar-14	13-Feb-19	\$ 0.30	\$ 0.13		251,878	-
Kim Humphreys	Rights	05-Mar-14	31-Dec-16	\$ -	\$ 0.30		776,878	-
Kim Humphreys	Options	05-Mar-14	13-Feb-19	\$ 0.30	\$ 0.13		251,878	-

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

Details of the value of Performance Rights granted, vested or lapsed for each KMP during the financial period are as follows:

Year ended	Granted during the year	Vested during the year	Lapsed during the year	Included in remuneration for the year	Remuneration for the year that consists of share based payments
December 31, 2014	\$	\$	\$	\$	\$
Directors					
Gill Winckler	297,720	121,500	405,000	9,750	1.3%
Denis Turcotte	-	-	-	-	0.0%
Peter Breese	-	-	40,500	-	0.0%
David Murray	-	-	-	-	0.0%
Ted Mayers	-	-	86,769	-	0.0%
Mark Rodda	-	-	-	-	0.0%
Other KMP's - Executives					
Colin Gilligan	530,640	-	184,773	-	0.0%
Robert Gough	501,090	-	175,500	-	0.0%
Richard Tremblay ¹	320,865	-	212,685	-	0.0%
Wayne Drier ²	214,792	-	116,537	-	0.0%
Kim Humphreys ³	229,567	-	141,682	-	0.0%
Xenia Kritsos	236,955	-	72,900	-	0.0%
Total	2,331,631	121,500	1,436,346	9,750	

Notes:

1. Mr. Tremblay departed the Company on June 15, 2014.
2. Mr. Drier departed the Company on June 15, 2014.
3. Ms. Humphreys departed the Company on June 15, 2014.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

Year ended December 31, 2013	Granted during the year \$	Vested during the year \$	Lapsed during the year \$	Included in remuneration for the year \$	Remuneration for the year that consists of share based payments \$
Directors					
Gill Winckler	285,000	526,500	202,500	1,027,768	58.9%
Denis Turcotte	-	-	39,314	24,093	24.8%
Peter Breese	-	20,250	20,250	57,288	46.0%
David Murray	-	-	45,535	34,391	33.9%
Ted Mayers	-	-	45,535	34,391	31.5%
Mark Rodda	-	-	45,535	34,391	33.9%
Other KMP's - Executives					
Colin Gilligan	212,147	-	-	115,771	19.8%
Robert Gough	180,635	-	-	39,953	15.3%
Richard Tremblay	333,316	-	-	144,025	27.2%
Wayne Drier	76,989	191,257	200,205	153,744	30.2%
Kim Humphreys	195,815	19,951	64,569	134,615	28.9%
David Montpetit	156,956	44,821	82,859	57,261	16.0%
Xenia Kritsos	83,700	-	-	26,198	14.9%
David Leslie	42,257	68,956	120,391	133,232	37.0%
Dermot Lane	-	62,060	122,939	117,080	63.2%
Jay Bell	25,355	41,372	122,939	111,794	32.6%
Total	1,592,170	975,168	1,112,572	2,245,995	

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

DIRECTORS' INTERESTS UPDATE

As at the date of this report, the Directors' and other executive Key Management Personnel ("KMP") interests in the securities of the Company are as follows:

2014		Ordinary Shares		
	Opening balance	Received upon		Closing balance
Directors	January 1, 2014	Exercise of Rights	Net Other Change	December 31, 2014
Mark Rodda	475,000	-	-	475,000
Gill Winckler	895,000	150,000	-	1,045,000
David Murray	25,000	-	-	25,000
Denis Turcotte	925,000	-	-	925,000
Other KMP - Executives				
Colin Gilligan	-	-	-	-
Rob Gough	-	-	-	-
Xenia Kritsos	-	-	-	-
Total	2,320,000	150,000	-	2,470,000

2013		Ordinary Shares		
	Opening balance	Received upon		Closing balance
Directors	January 1, 2013	Exercise of Rights	Net Other Change	December 31, 2013
Colin Steyn ¹	153,840,202	-	-	153,840,202
Gill Winckler	45,000	650,000	200,000	895,000
David Murray	25,000	-	-	25,000
Denis Turcotte	925,000	-	-	925,000
Peter Breese	871,334	25,000	-	896,334
Ted Mayers	375,000	-	-	375,000
Mark Rodda	458,334	-	16,666	475,000
William Smart ¹	153,840,202	-	-	153,840,202
Other KMP - Executives				
Colin Gilligan	-	-	-	-
Richard Tremblay	-	-	-	-
Rob Gough	-	-	-	-
Wayne Drier	374,000	296,615	(103,815)	566,800
Kim Humphreys	8,500	31,174	100,000	139,674
David Montpetit	29,250	70,033	180,000	279,283
Xenia Kritsos	-	-	-	-
Total	310,791,822	1,072,822	392,851	312,257,495

Notes:

¹ Messrs. Steyn and Smart share an interest in the same securities

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

2014		Unlisted Options	
	Opening balance	Granted as	Closing balance
Directors	<u>January 1, 2014</u>	<u>Compensation</u>	<u>December 31, 2014</u>
Mark Rodda	-	-	-
Gill Winckler	-	1,007,514	1,007,514
David Murray	-	-	-
Denis Turcotte	-	-	-
Other KMP - Executives			
Colin Gilligan	-	545,737	545,737
Rob Gough	-	545,737	545,737
Xenia Kritsos	-	251,878	251,878
Total	-	2,350,866	2,350,866

2013		Unlisted Options	
	Opening balance	Granted as	Closing balance
Directors	<u>January 1, 2013</u>	<u>Compensation</u>	<u>December 31, 2013</u>
Colin Steyn ¹	15,000,000	-	15,000,000
Gill Winckler	-	-	-
David Murray	-	-	-
Denis Turcotte	-	-	-
Peter Breese	-	-	-
Ted Mayers	-	-	-
Mark Rodda	-	-	-
William Smart ¹	15,000,000	-	15,000,000
Other KMP - Executives			
Colin Gilligan	-	-	-
Richard Tremblay	-	-	-
Rob Gough	-	-	-
Wayne Drier	-	-	-
Kim Humphreys	-	-	-
David Montpetit	-	-	-
Xenia Kritsos	-	-	-
	30,000,000	-	30,000,000

Notes:

¹ Messrs. Steyn and Smart share an interest in the same securities

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

2014		Performance Rights			
	Opening balance	Granted as	Cancelled/		Closing balance
Directors	January 1, 2014	Compensation	forfeited/expired	Exercised	December 31, 2014
Mark Rodda	50,000	-	-	-	50,000
Gill Winckler	1,650,000	2,257,514	(500,000)	(150,000)	3,257,514
David Murray	50,000	-	-	-	50,000
Denis Turcotte	50,000	-	-	-	50,000
Other KMP - Executives					
Colin Gilligan	684,346	1,795,737	(684,346)	-	1,795,737
Rob Gough	650,000	1,695,737	(650,000)	-	1,695,737
Xenia Kritsos	270,000	801,878	(270,000)	-	801,878
Total	3,404,346	6,550,866	(2,104,346)	(150,000)	7,700,866
2013		Performance Rights			
	Opening balance	Granted as	Cancelled/		Closing balance
Directors	January 1, 2013	Compensation	forfeited/expired	Exercised	December 31, 2013
Colin Steyn ¹	-	-	-	-	-
Gill Winckler	1,550,000	1,000,000	(250,000)	(650,000)	1,650,000
David Murray	75,000	-	(25,000)	-	50,000
Denis Turcotte	75,000	-	(25,000)	-	50,000
Peter Breese	100,000	-	(25,000)	(25,000)	50,000
Ted Mayers	75,000	-	(25,000)	-	50,000
Mark Rodda	75,000	-	(25,000)	-	50,000
William Smart ¹	-	-	-	-	-
Other KMP - Executives					
Colin Gilligan	-	684,346	-	-	684,346
Richard Tremblay	-	526,316	-	-	526,316
Rob Gough	-	650,000	-	-	650,000
Wayne Drier	431,615	256,630	(135,000)	(296,615)	256,630
Kim Humphreys	152,812	412,980	(196,896)	(31,174)	337,722
David Montpetit	205,033	361,850	(45,000)	(70,033)	451,850
Xenia Kritsos	-	270,000	-	-	270,000
Total	2,739,460	4,162,122	(751,896)	(1,072,822)	5,076,864

Notes:

¹ Messrs. Steyn and Smart share an interest in the same securities

Employment Contracts with KMP

Ms. Winckler, President and Chief Executive Officer, has a contract of employment with Coalspur Mines Limited which commenced on July 1, 2012. The contract specifies the duties and obligations to be fulfilled by the President and Chief Executive Officer. The contract is a permanent contract and may be terminated by the Company in accordance with the termination schedule outlined in the contract. No amount is payable in the event of termination for just cause (which has the meaning commonly ascribed to the phrase "just cause" at common law in Canada). Ms. Winckler receives a fixed remuneration component of \$450,000 per annum and a maximum discretionary bonus of \$450,000 per annum. The actual amount of bonus paid is dependent on the evaluation of Ms. Winckler's achievement of key performance indicators by the RNC and subject to Board approval. Ms. Winckler has been issued 4,807,514 Performance Rights and 1,007,514 Options under the LTIP Program to date. Ms. Winckler is also eligible to receive \$450,000 as part of the Key Employee Retention Plan if a successful outcome to the strategic review process is achieved.

Mr. Gilligan, Chief Operating Officer has a contract of employment with Coalspur Mines (Operations) Ltd. dated April 1, 2013. The contract specifies the duties and obligations to be fulfilled by the Chief Operating Officer. The contract is a permanent full time contract with an indeterminate length dependent on Mr. Gilligan's permitted immigration to Canada. The contract may be terminated by the Company in accordance with the termination schedule outlined in the contract. No amount is payable in the event of termination for just cause (which has the meaning commonly ascribed to the phrase "just cause" at common law in Canada). Mr. Gilligan receives a fixed remuneration component of \$325,000 per annum and a maximum discretionary bonus of \$325,000 per annum. The actual amount of bonus paid is dependent on the evaluation of Mr. Gilligan's achievement of key performance indicators by the RNC and subject to Board approval. Mr. Gilligan has been issued 2,480,083 Performance Rights and 545,737 Options under the LTIP Program to date. Mr. Gilligan is also eligible to receive \$275,000 as part of the Key Employee Retention Plan if a successful outcome to the strategic review process is achieved.

Mr. Gough, Chief Financial Officer has a contract of employment with Coalspur Mines (Operations) Ltd. dated October 1, 2013. The contract specifies the duties and obligations to be fulfilled by the Chief Financial Officer. The contract is a 2 year term contract with option to extend based on Mr. Gough's permitted immigration to Canada. The contract may be terminated by the Company in accordance with the termination schedule outlined in the contract. No amount is payable in the event of termination for just cause (which has the meaning commonly ascribed to the phrase "just cause" at common law in Canada). Mr. Gough receives a fixed remuneration component of \$325,000 per annum and a maximum discretionary bonus of \$325,000 per annum. The actual amount of bonus paid is dependent on the evaluation of Mr. Gough's achievement of key performance indicators by the RNC and subject to Board approval. Mr. Gough has been issued 2,345,737 Performance Rights and 545,737 Options under the LTIP Program to date. Mr. Gough has resigned from the Company effective March 31, 2015. Mr. Gough is also eligible to receive \$275,000 as part of the Key Employee Retention Plan if a successful outcome to the strategic review process is achieved.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

Ms. Kritsos, VP and General Counsel and joint Secretary, has a contract of employment with Coalspur Mines (Operations) Ltd. dated July 1, 2013. The contract specifies the duties and obligations to be fulfilled by the VP General Counsel and joint secretary. The contract is a permanent full time contract and may be terminated by the Company in accordance with the termination schedule outlined in the contract. No amount is payable in the event of termination for just cause (which has the meaning commonly ascribed to the phrase "just cause" at common law in Canada). Ms. Kritsos receives a fixed remuneration component of \$205,000 per annum and a maximum discretionary bonus of \$153,750 per annum. The actual amount of bonus paid is dependent on the evaluation of Ms. Kritsos' achievement of key performance indicators by the RNC and subject to Board approval. Ms. Kritsos has been issued 1,071,878 Performance Rights and 251,878 Options under the LTIP Program to date. Ms. Kritsos is also eligible to receive \$126,000 as part of the Key Employee Retention Plan if a successful outcome to the strategic review process is achieved.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014

DIRECTORS' MEETINGS

The number of meetings of directors held during the period and the number of meetings attended by each director were as follows:

	Board Meetings		Audit Committee Meetings		Remuneration and Nomination Committee		Special Committee	
	eligible to attend	attended	eligible to attend	attended	eligible to attend	attended	eligible to attend	attended
Colin Steyn	17	16	2	2	-	-	-	-
Gill Winckler	20	20	-	-	-	-	-	-
Denis Turcotte	20	20	2	2	1	1	15	15
Peter Breese	17	15	-	-	1	-	-	-
David Murray	20	20	2	2	1	1	10	10
Ted Mayers	15	15	2	2	-	-	10	9
Mark Rodda	20	20	4	4	-	-	19	19
William Smart (alternate)	-	-	-	-	-	-	-	-

NON-AUDIT SERVICES

During the year, Deloitte provided non-audit services, which were approved by the Audit Committee consisting of due diligence for financing opportunities and tax return compliance. Deloitte confirmed there was no infringement on their independence for these services.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended December 31, 2014 has been received and can be found on page 45 of the Directors' Report and MD&A.

Signed in accordance with a resolution of the Directors.

"Gill Winckler"

Gill Winckler
President & Chief Executive Officer

March 25, 2015

Board of Directors
Coalspur Mines Limited
Level 1, 28 Ord Street
WEST PERTH WA 6005

25 March 2015

Dear Board Members

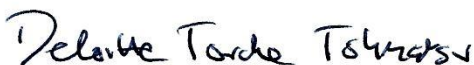
Auditor's Independence Declaration to Coalspur Mines Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Coalspur Mines Limited.

As lead audit partner for the audit of the financial statements of Coalspur Mines Limited for the financial year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely


DELOITTE TOUCHE TOHMATSU



David Newman
Partner
Chartered Accountants

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2014**Mineral Reserves and Mineral Resources**

Coalspur's disclosure of Mineral Reserve and Mineral Resource information is based on the reporting requirements of the JORC Code and governed by NI 43-101.

There can be no assurance that those portions of such Mineral Resources that are not Ore Reserves (also referred to as Coal Reserves in this Scheme Booklet) or Mineral Reserves will ultimately be converted into Ore Reserves or Mineral Reserves. Mineral Resources which are not Ore Reserves or Mineral Reserves do not have demonstrated economic viability.

For further information regarding Vista, Vista South and Vista Extension, including a description of Coalspur's quality assurance program, quality control measures, the geology, samples collected and testing procedures in respect of the projects, please refer to the technical report titled "Coalspur Mines Limited: The Coalspur Coal Projects, Hinton, Alberta, NI 43-101 Independent Technical Report" dated July 31, 2014. The technical report is available for review at www.sedar.com and www.asx.com.au.

Competent Person / Qualified Person Statements

The information in this report 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 report in the form and context in which it appears and has not, before the time of filing of this report, withdrawn that consent.

The information in this report 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 report 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 report 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 report in the form and context in which it appears and has not, before the time of filing of this report, withdrawn that consent.

Forward Looking Statements

This report contains statements concerning Coalspur, including the anticipated completion of the 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 report, 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 report is not based on historical facts, but rather reflect 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; (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 report reflects views and expectations held only at the date of this report. 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 report 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONTINUING OPERATIONS			
Operating expenses		(2,398,707)	(4,561,121)
Exploration and evaluation expenses		(157,552)	(175,498)
Corporate and administrative expenses		(9,253,826)	(11,529,791)
Interest income		24,653	108,463
Rental income		432,333	312,491
Other losses	3	(4,515,351)	(884,532)
Operating loss		(15,868,450)	(16,729,988)
Financing expense		(2,730,608)	-
Deferred financing expense		(13,393,854)	-
Interest expense		(5,232,789)	-
Impairment loss	11	(162,994,356)	-
Mark-to-market adjustment on embedded derivatives	16	(11,932,168)	(2,246,650)
LOSS FOR THE YEAR		(212,152,225)	(18,976,638)
LOSS ATTRIBUTABLE TO OWNERS OF COALSPUR MINES LIMITED		(212,152,225)	(18,976,638)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(212,152,225)	(18,976,638)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF COALSPUR MINES LIMITED		(212,152,225)	(18,976,638)
Basic and diluted loss per share (cents per share)	20	(16.40)	(2.97)

The accompanying notes form part of these consolidated financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT

(Canadian dollars)	Notes	December 31, 2014	December 31, 2013
ASSETS			
Current Assets			
Cash and cash equivalents	19(b)	6,695,762	10,668,872
Trade and other receivables	7	44,542	114,842
Prepayments	8	696,064	1,066,937
Total Current Assets		7,436,368	11,850,651
Non-current Assets			
Property, plant and equipment	3	981,385	1,072,698
Exploration and evaluation assets	10	3,020,997	13,509,295
Mine development assets	11	42,156,117	146,751,942
Prepayments	12	10,130,150	42,800,000
Intangible assets	12	-	2,500,000
Reclamation security deposit		73,526	-
Other assets	13	7,682,122	22,464,605
Total Non-current Assets		64,044,297	229,098,540
TOTAL ASSETS		71,480,665	240,949,191
LIABILITIES			
Current Liabilities			
Trade and other payables	14	1,392,977	2,610,333
Provisions	15	71,027	146,964
Credit facilities	16	90,415,614	-
Interest payable on credit facilities	16	13,582,699	-
Derivatives	16	12,872,363	-
Total Current Liabilities		118,334,680	2,757,297
Non-current Liabilities			
Credit facilities	16	-	69,568,910
Interest payable on credit facilities	16	-	3,703,008
Conversion feature on credit facility	16	-	940,195
Total Non-current Liabilities		-	74,212,113
TOTAL LIABILITIES		118,334,680	76,969,410
Commitments and contingencies (Notes 30 and 31)			
NET ASSETS		(46,854,015)	163,979,781
EQUITY			
Issued capital	17	230,250,536	230,124,519
Share-based payments reserve	18	30,508,332	29,315,920
Foreign currency translation reserve	1(d)	(12,401,553)	(12,401,553)
Accumulated losses		(295,211,330)	(83,059,105)
TOTAL EQUITY		(46,854,015)	163,979,781

The accompanying notes form part of these consolidated financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Canadian dollars)	Issued	Capital	Share- based payments reserve	Foreign currency translation reserve	Accumulated losses	Total attri- butable to owners of the parent
Year ended December 31, 2014		\$	\$	\$	\$	\$
Balance at January 1, 2014	230,124,519		29,315,920	(12,401,553)	(83,059,105)	163,979,781
Net loss for the year		-	-	-	(212,152,225)	(212,152,225)
Total comprehensive loss for the year		-	-	-	(212,152,225)	(212,152,225)
Transactions with owners, recorded directly in equity:						
Conversion of share rights	126,017		(126,017)	-	-	-
Share based payments		-	1,318,429	-	-	1,318,429
Balance at December 31, 2014	230,250,536		30,508,332	(12,401,553)	(295,211,330)	(46,854,015)

The accompanying notes form part of these consolidated financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Canadian dollars)	Issued	Capital	Share- based payments reserve	Foreign currency translation reserve	Accumulated losses	Total attri- butable to owners of the parent
Year ended December 31, 2013		\$	\$	\$	\$	
January 1, 2013	225,856,621		17,905,440	(12,401,553)	(64,082,467)	167,278,041
Net loss for the year	-	-	-	-	(18,976,638)	(18,976,638)
Total comprehensive loss for the year	-	-	-	-	(18,976,638)	(18,976,638)
Transactions with owners, recorded directly in equity:						
Exercise of unlisted options	3,161,839		(2,375,768)	-	-	786,071
Conversion of share rights	1,106,059		(1,106,059)	-	-	-
Share-based payments	-		14,892,307	-	-	14,892,307
Balance at December 31, 2013	230,124,519		29,315,920	(12,401,553)	(83,059,105)	163,979,781

The accompanying notes form part of these consolidated financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

CONSOLIDATED STATEMENT OF CASH FLOWS

(Canadian dollars)	NOTES	Year ended December 31, 2014	Year ended December 31, 2013
Cash flows used in operating activities			
Payments to suppliers and employees		(10,652,801)	(14,848,291)
Interest received		28,441	108,463
Rental income		424,689	312,492
Interest paid		(2)	(1,109,589)
Payments for port capacity		-	(150,000)
Net cash outflows from operating activities	19(a)	(10,199,673)	(15,686,925)
Cash flows used in investing activities			
Payments for plant and equipment		(52,000)	(275,894)
Payments for mine development assets		(7,158,103)	(19,306,085)
Payments for exploration and evaluation assets		(132,205)	(175,498)
Net cash outflows from investing activities		(7,342,308)	(19,757,477)
Cash flows from financing activities			
Proceeds received for issue of ordinary shares		-	785,313
Proceeds from borrowings		13,754,400	38,874,671
Payments for financing		(45,000)	(8,224,057)
Net cash inflows from financing activities		13,709,400	31,435,927
Net increase/(decrease) in cash and cash equivalents		(3,832,581)	(4,008,475)
Net foreign exchange differences		(140,529)	(190,293)
Cash and cash equivalents at beginning of year		10,668,872	14,867,640
Cash and cash equivalents at end of year	19(b)	6,695,762	10,668,872

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 AND THE YEAR ENDED DECEMBER 31, 2013

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Coalspur Mines Limited ("Coalspur" or "Company") and its consolidated entities ("Consolidated Entity" or "Group") for the year ended December 31, 2014 are stated to assist in a general understanding of the financial report.

Coalspur is a company limited by shares incorporated and domiciled in Australia whose Ordinary Shares are publicly traded on the Australian Securities Exchange ("ASX") and the Toronto Stock Exchange ("TSX"). The address of the registered office is Level 1, 28 Ord Street West Perth WA 6005. The address of the head office is Suite 600, 543 Granville Street Vancouver, British Columbia Canada V6C 1X8.

The financial report of the Group for the year ended December 31, 2014 was authorised for issue in accordance with a resolution of the Directors on March 25, 2015.

(a) Basis of Preparation

The financial report is a for-profit general purpose financial report, which has been prepared in accordance with the requirement of Australian Accounting Standards ("AAS") adopted by the Australian Accounting Standards Board ("AASB"), other authoritative pronouncements of the AASB, and the *Corporations Act 2001*.

The financial report has been prepared on a historical cost basis, except for certain financial assets and liabilities which are measured at fair value together with select non-current assets subject to impairment charges to reflect their fair value.

The financial report is presented in Canadian dollars ("CAD").

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period. The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

AASs and Interpretations, including those issued by the IASB where an Australian equivalent has not yet been made by the AASB, that have recently been issued or amended but are not yet effective that have not been adopted for the reporting year ended December 31, 2014, but would be relevant to its operations, are:

Standard/Interpretation	Effective Date (Beginning)	Application Date (Ending)
The following standards have been adopted:		
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	31 December 2014
AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities'	1 January 2014	31 December 2014
AASB 2013-1 'Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements'	1 July 2014	31 December 2015
AASB 1031 'Materiality' (2013)	1 January 2014	31 December 2014
AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	31 December 2014
AASB 2013-4 'Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	31 December 2014
AASB 2013-5 'Amendments to Australian Accounting Standards - Investment Entities'	1 January 2014	31 December 2014
AASB 2013-7 'Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and consolidation and interests of policyholders'	1 January 2014	31 December 2014
AASB 2013-9 'Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments'	Part B - Materiality 1 January 2014	31 December 2014
	Part C - Financial Instruments	
	1 January 2014	
Interpretation 21 'Levies'	1 January 2014	31 December 2014

Standard/Interpretation	Effective Date (Beginning)	Application Date (Ending)
The following standards have not been adopted cont'd:		
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2017	31 December 2018
AASB 1055 'Budgetary Reporting' and	July 1, 2014	December 31, 2015
AASB 2013-1 'Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements'		
AASB 2014-1 'Amendments to Australian Accounting Standards'		
- Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'		
- Part B: 'Defined Benefits Plans: Employee Contributions (Amendments to AASB 119)'		
- Part C: 'Materiality'	July 1, 2014	December 31, 2015
AASB 2014-3 'Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations'	January 1, 2016	December 31, 2016
AASB 2014-4 'Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation'	January 1, 2016	December 31, 2016
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	January 1, 2017	December 31, 2017
AASB 2014-9 'Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements'	January 1, 2016	December 31, 2016
AASB 2014-10 'Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	January 1, 2016	December 31, 2016
AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	January 1, 2016	December 31, 2016

A project team has been formed to assess the impact of these new standards and interpretations and it has been determined that there will be no significant changes in the Group's accounting policies.

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at December 31, 2014 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Company has control, where the definition of control is now defined by AASB 10. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

Investments in subsidiaries are accounted for at cost in the Statement of Financial Position of the Company.

(d) Foreign Currencies

(i) Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars which is the Company's and its subsidiaries functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the year-end exchange rates. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised in equity to the extent that the gain or loss directly impacts equity; otherwise the exchange difference is recognised in the income statement.

There have been no exchange translation differences since the Company adopted Canadian dollars as its reporting currency on February 1, 2012.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, on deposit in bank accounts, and short-term deposits with tenures of three months or less. Bank overdrafts are shown within short-term borrowings in current liabilities on the Consolidated Statement of Financial Position.

(f) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. There were no uncollectable debts or bad debts written off during the year.

Receivables from related parties are recognised and carried at the nominal amount due and are interest free.

(g) Property, Plant and Equipment

(i) Cost and Valuation

Property, plant and equipment ("PP&E") is carried at cost less accumulated depreciation and impairment losses.

PP&E costs include the initial purchase price, directly attributable costs to ready the asset for use, and an estimate to remove the asset and restore its site once the asset's usefulness is expired. Directly attributable costs may include:

- employee benefits (defined by AASB 119);
- costs required for the construction or acquisition of an item such as: site preparation, delivery and handling, installation and assembly, testing to ascertain if an item is functioning properly, environmental or safety management costs during the construction or commissioning of an asset; and
- other costs necessary to obtain future economic benefits from the assets.

Costs incurred subsequent to the asset's commissioning are expensed unless it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(ii) *Depreciation of PP&E*

Each major component of a PP&E whose useful life differs from other major parts is depreciated separately. Significant components with the same useful life are grouped together for depreciation.

Depreciation is calculated using the method that best reflects the economic consumption of the PP&E, and commences once the asset is available for use.

The Company reviews its PP&E classifications and depreciation methods annually to determine whether the pattern of consumption of the future economic benefits of the assets remains the same. Should the pattern change, it would constitute a change in accounting estimate, and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* would apply.

PP&E classifications:	method	31-Dec-14	31-Dec-13
Computer equipment	straight line	2 years	2 years
Office furniture and leasehold improvements	straight line	5 years	5 years

PP&E are evaluated annually for impairment using AASB 136, *Impairment of Assets*. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are included in the income statement, and determined by comparing proceeds with the carrying amount. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(h) Exploration and Evaluation Assets

Exploration and evaluation expenditures are assigned to an identifiable area of interest ("Project Area"), and are capitalised to the extent that they are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

For each Project Area, expenditures incurred in the acquisition of rights to explore is capitalised at cost, and recognised as an exploration and evaluation asset. Exploration and evaluation expenditures are expensed as incurred, up to and including costs associated with the preparation of a JORC code and NI 43-101 compliant feasibility study ("Feasibility Study").

Exploration and evaluation assets are not depreciated; however they are assessed for indications of impairment on a quarterly basis. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not

exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Costs to restore exploration and evaluation drilling sites are insignificant, and are expensed in the period incurred. Site restoration costs include the rehabilitation drill sites and access roads in accordance with clauses of the exploration permits, and are typically completed within one year of disturbance. Any changes in the estimates for the costs are accounted on a prospective basis.

Upon completion of a Feasibility Study, capitalised exploration and evaluation assets are assessed for impairment and transferred to Mine Development assets if the Company intends to advance the Project Area to production.

(i) Mine Development Assets

In addition to the transferred exploration and evaluation assets noted above, mine development assets include direct expenditures incurred subsequent to a Feasibility Study to develop a project area into a producing mine operation. Direct expenditures include, but are not restricted to: costs of consultant fees and employee salaries and benefits (defined by AASB 119) related directly to the engineering, planning, or procurement of mine facilities and equipment, pre-development costs to ascertain if equipment is functioning properly, and site restoration costs.

Site restoration costs include the dismantling and removal of mining and processing equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology of an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

When assets are available for use as intended by management, accumulated costs for a Project Area are depreciated over the life of the Project Area in proportion to the depletion of the economically recoverable reserves.

Mine development assets are reviewed at each reporting date to determine whether there is an indicator of impairment. The Group conducts an annual internal review of asset values which is used as a source of information to assess for any indicators of impairment at each reporting period. External factors, such as changes in expected economic conditions, are also monitored to assess for indicators of impairment.

(j) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

(k) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Revenue Recognition

Revenues are recognised at the fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

(i) Interest

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(m) Income Tax

The income tax expense for the year is the tax payable on the current period's taxable income based on the provincial and national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income or equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

Coalspur formed an income tax consolidated group on July 1, 2003. The tax consolidated group has entered a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(n) Share Based Payments

The Company issues Options to purchase Ordinary Shares and/or Performance Rights to compensate consultants, directors, employees, and creditors who have provided debt financing.

Options issued as share based payments are valued with a Black-Scholes model using standard inputs including the Company's share price, the option strike price, the risk free interest rate, the expected volatility of Company's stock, and dividend yield (if any).

Performance Rights are also valued using a Black-Scholes model, however, since they are granted with a strike price of \$Nil, their intrinsic value is equal to the share price at the date of issuance.

The value of share based payments is amortised using the straight line method over a period beginning with the authorised grant date and ending with the vesting date.

In the event that an option or Performance Right issued as a share based payment subsequently lapses, expires, or is cancelled, any associated amortisation is prospectively reversed.

Funding options, pertaining to the credit facility used to finance the mine under development are fully amortised on the vesting or drawdown date. Share based payments issued as a financing fee relating to a qualifying asset are capitalised as financing expenses as a cost of the qualifying asset over the life of the agreement using the effective interest method.

(o) Employee Entitlements

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Vacation entitlements and short term employee benefits have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Performance Rights issued under the Company's long term incentive plan are valued according to the Black-Scholes model and recognised over the anticipated vesting period. During the year the Company

implemented a Registered Retirement Savings Plan (“RRSP”) matching program in which Coalspur will match employee contributions up to a maximum of 5% of the employee’s salary.

(p) Loss Per Share

Basic loss per share (“EPS”) is calculated by dividing the net profit or loss attributable to owners of the Company for the reporting period, after excluding any costs of servicing equity, by the weighted average number of Ordinary Shares of the Company.

Diluted EPS is calculated by dividing the basic EPS loss, adjusted by the after tax effect of financing costs associated with dilutive potential Ordinary Shares and the effect on revenues and expenses of conversion to Ordinary Shares associated with dilutive potential Ordinary Shares, by the weighted average number of Ordinary Shares and dilutive Ordinary Shares.

(q) Goods and Services Tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant tax authority in Australia or Canada. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Use and Revision of Accounting Estimates

The preparation of the financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 10 – Exploration and Evaluation Assets;
- Note 11 – Mine Development Assets; and
- Note 25 – Share-based Payments.

(s) Going Concern Assumption

See Note 2 to the Consolidated Annual Financial Statements.

(t) Financial Instruments

We recognize financial assets and liabilities on the balance sheet when we become a party to the contractual provisions of the instrument. Subsequent measurement of the financial instruments is based on their classification. Classification depends on the characteristics and the purpose for which the financial instruments were acquired. Except in limited circumstances, the classification of financial instruments is not subsequently changed.

Cash and cash equivalents

Cash and cash equivalents include cash on account, demand deposits and money market investments with maturities from the date of acquisition of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant changes in value. Cash is designated as loans and receivables. Cash equivalents are classified as available-for-sale.

Trade receivables and payables

Trade receivables and payables are non-interest bearing and are recognized at face amount, except when fair value is materially different, and are subsequently measured at amortized cost. Where necessary, trade receivables are net of allowances for uncollectable amounts. We may enter into transactions to sell trade receivables to third parties. If the risks and rewards of ownership of the receivables are transferred to the purchaser, we account for the transaction as a sale and derecognize the trade receivables. If the risks and rewards of ownership of the receivables are neither transferred nor retained, we account for the transaction as a sale and derecognize the trade receivables if we have not retained control over the receivables.

Debt

Debt is initially recorded at total proceeds received less direct issuance costs. Debt is subsequently measured at amortized cost, calculated using the effective interest rate method.

Derivative instruments

Derivative instruments, including embedded derivatives, are recorded at fair value through profit or loss and, accordingly, are recorded on the balance sheet at fair value. Unrealized gains and losses on derivatives held for trading are recorded as part of other operating income (expense) or non-operating income (expense) in profit depending on the nature of the derivative. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the balance sheet date or redemption date of the derivative. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract.

Hedge accounting

The Company has not adopted hedge accounting.

(u) Impairment of Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when quarterly impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use the Company discounted estimated future cash flows to their present value using a weighted average cost of capital that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. Such reversal is recognised in profit or loss unless the asset is carried at a re-valued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. No reversal of a previously recognized impairment loss was identified for the year ended December 31, 2014.

(v) Issued Capital

Ordinary Shares and Performance Shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) Borrowing Costs

Interest and other costs that an entity incurs in connection with the borrowing of funds are classified as borrowing costs. Borrowing costs are evaluated using AASB 123. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(x) Dividends

Provision is made for the amount of any dividend declared on or before the end of the period but not distributed at statement of financial position date.

2. GOING CONCERN

The annual financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the year ended December 31, 2014, the Group has incurred a net loss after tax of \$212,152,225 (December 31, 2013: loss \$18,976,638) and experienced net cash outflows from operating and investing activities of \$10,199,673 and \$7,342,308 respectively (December 31, 2013: outflows of \$15,686,925 and \$19,757,477 respectively). As at December 31, 2014 the Group had a working capital deficiency of \$110,898,312 (December 31, 2013: surplus of \$9,093,354).

The working capital deficiency as at December 31, 2014 arises largely due to the EIG Facility and Borrowdale Park Facility being presented as current liabilities. The EIG Facility of \$57,416,614 and related accrued interest and fees payable of \$21,006,187 are due for repayment on the later of March 31, 2015 and the earlier of: (a) the termination of the agreement between KCE and EIG regarding the sale of the EIG Facility to KCE; or (b) the implementation of the Scheme, provided all conditions as stated in the original letter agreement in June 2014, as amended and restated in February 2015, with EIG ("EIG Letter Agreement") continue to be satisfied. The Borrowdale Park Facility of \$33,000,000 and related accrued interest and fees payable of \$5,349,672 are due for repayment one month after the settlement of the EIG Facility.

As of the date of this report, the Group has a cash balance of \$5,072,579. It is projected that the Group and Company has sufficient funds to conduct operations including its previously announced strategic review process until the EIG Facility repayment date.

On February 24, 2015 Coalspur announced that its strategic review process had culminated in a definitive agreement being reached with KC Euroholdings S.à r.l. ("KCE") whereby it proposed to acquire Coalspur by way of an Australian scheme of arrangement. Under the proposed Scheme, KCE will seek to acquire all of the outstanding shares of the Company (the "Transaction") offering a cash payment of A\$0.023 per Coalspur share, subject to the fulfilment of the conditions set out in the Scheme Implementation Agreement, some of which are described below. The total equity value of the Transaction is approximately A\$15 million on a fully-diluted basis.

The Transaction is to be completed by way of a Scheme and will be subject to a number of conditions including the approval of 75% of the votes cast by Coalspur's shareholders and a simple majority of the number of shareholders present and voting at the Scheme meeting, which is expected to be held on April 22, 2015. The Scheme Booklet and proxy materials have been mailed out to shareholders on March 23, 2015 following the customary regulatory and court review and approval. If the conditions to the

Transaction are satisfied, including approval by Coalspur's shareholders and the court, the acquisition of the Company by KCE is expected to complete in early May 2015.

In addition to executing the Scheme Implementation Agreement, KCE also executed a definitive agreement to purchase EIG's senior, secured debt (at a discount to face value) and warrants for consideration comprising a partial cash settlement together with future payments contingent on future coal prices. Completion of that agreement is subject to limited conditions precedent and is not contingent upon completion of the Scheme.

The Scheme includes a number of conditions precedent including KCE completing the purchase of debts owed to EIG and Borrowdale by the Group. KCE has agreed in-principle terms with Borrowdale for the purchase of its sub-ordinated, secured debt which will be acquired for a royalty based on future production.

The Board of Directors regularly reviews Coalspur's financial position, together with the progress being made in respect of the strategic review process, in order to satisfy itself of, among other things, the validity of the going concern assumption. In the event that the Transaction does not occur and/or the Company's attempts to secure new capital are unsuccessful the consequences could include, but are not limited to, the requirement for the Group and Company to re-assess the recoverability of the carrying value of their assets that could result in a write-down in the value of the assets, consideration of more aggressive or hybrid forms of financing that could have a dilutive impact to existing shareholders, or consideration of an orderly winding-up of the Group and Company operations.

No assurance can be given at this stage that the Transaction will be finalised or that any other definitive agreements or arrangements will be entered into with any party, prior to the maturity of the EIG Facility (that occurs on the later of March 31, 2015 and the earlier of the termination of the agreement between KCE and EIG regarding the sale of the EIG Facility to KCE, or the implementation of the Scheme) and the maturity of the Borrowdale Park Facility (one month thereafter), or earlier should this be required. Without financing, the Group and Company may be forced to cease operations.

Should the Group and Company be unable to obtain the continuing financial support of their lenders and the definitive agreements or arrangements as referred to above not be entered into prior to the maturity of the EIG Facility, or at an earlier date should this be required, and should the transaction not proceed, there is a material uncertainty whether the Group and Company will be able to continue as going concerns and therefore, whether they would be able to realise their assets and extinguish their liabilities in the normal course of business.

If the Transaction does proceed as described above and the acquisition of the Group and Company by KCE is completed in May 2015, the Group and Company will be under the control of KCE and the Board of Directors of KCE, and they will determine the future direction of the Group and Company, and their future funding requirements.

These annual consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Group and Company be unable to continue as going concern.

3. OTHER GAINS AND LOSSES

	Year ended December 31, 2014 \$	Year ended December 31, 2013 \$
Other Losses		
Net foreign exchange loss on cash	(340,953)	(190,293)
Net foreign exchange loss on debt	4,856,304	(694,239)
	4,515,351	(884,532)

4. EXPENSES

	Year ended December 31, 2014 \$	Year ended December 31, 2013 \$
(a) Depreciation and Amortisation Included in the Consolidated Statement of Comprehensive Income		
Depreciation of plant and equipment	143,313	108,214
(b) Employee Benefits (Including KMP)		
Salaries, wages, severance and payroll taxes	4,611,145	4,735,463
Short Term Incentive Plan payments	1,442,645	1,256,144
Registered Retirement Savings Plan	118,731	128,200
Other employee benefits	104,453	122,629
Share-based payments	1,318,430	426,453
Total employee benefits	7,595,404	6,668,889

5. INCOME TAX

a. Rate reconciliation

A reconciliation of the provision for income tax is as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
	\$	\$
Loss before income taxes	(212,152,224)	(18,976,638)
Statutory tax rate	30%	30%
Expected recovery of income taxes based on Australian statutory rates	(63,645,667)	(5,692,991)
Add (deduct):		
Different effective tax rates in foreign jurisdictions	10,096,259	798,912
Tax effect of tax losses not recognized	52,632,254	3,560,398
Non-deductible expenses	1,126,659	1,173,611
True-ups	8,821	79,259
Other	(218,326)	80,811
Income tax expense	-	-

b. Deferred tax balances

The Company's deferred income tax assets and liabilities are as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
	\$	\$
Deferred tax assets	77,045,886	57,227,121
Deferred tax liabilities	(7,580,166)	(40,666,383)
Deferred tax asset (net)	69,465,720	16,560,738
Unrecognized deferred tax asset	(69,465,720)	(16,560,738)
Net deferred tax asset/(liability)	-	-

	Exploration and evaluation	Mine development		Intangible		
Deferred tax liabilities	assets	assets	Prepayments	assets	Other	Total
At 31 December 2012	3,377,324	28,781,156	-	-	1,049,591	33,208,071
Charged/(credited) to the income statement	-	5,095,042	-	625,000	1,738,270	7,458,312
At 31 December 2013	3,377,324	33,876,198	-	625,000	2,787,861	40,666,383

			Property plant & equipment	Share issuance		
Deferred tax assets	Tax losses	Resource pools		costs	Other	Total
At 31 December 2012	22,397,938	24,503,208	67,150	23,805	16,310	47,008,411
Charged/(credited) to the income statement	3,673,094	3,723,922	682,636	1,708,843	430,215	10,218,710
At 31 December 2013	26,071,032	28,227,130	749,786	1,732,648	446,525	57,227,121

The movement in deferred income tax assets and liabilities during the year ended December 31, 2014, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Exploration and evaluation	Mine development		Intangible		
Deferred tax liabilities	assets	assets	Prepayments	assets	Other	Total
At 31 December 2013	3,377,324	33,876,198	-	625,000	2,787,861	40,666,383
Charged/(credited) to the income statement	(2,622,075)	(28,181,146)	-	(625,000)	(1,657,996)	(33,086,217)
At 31 December 2014	755,249	5,695,052	-	-	1,129,865	7,580,166

				Intangible	Share issuance		
Deferred tax assets	Tax losses	Resource pools	Derivatives	assets	costs	Other	Total
At 31 December 2013	26,071,032	28,227,130	-	-	1,732,648	1,196,311	57,227,121
Charged/(credited) to the income statement	6,976,527	1,204,979	3,218,091	8,167,462	(442,097)	693,803	19,818,765
At 31 December 2014	33,047,559	29,432,109	3,218,091	8,167,462	1,290,551	1,890,114	77,045,886

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company did not recognise income tax assets in respect of tax losses in Canada \$84.1 million that can be carried forward against future taxable income. Losses in Canada expire between 2029 and 2034 with those available in Australia can be carried forward indefinitely.

c. Unrecognised deductible temporary differences

The Company's unrecognized deductible temporary differences and unused tax losses consist of the following amounts:

	Year ended December 31, 2014	Year ended December 31, 2013
	\$	\$
Non-capital loss carryforwards	126,185,389	59,095,047
Capital loss carryforwards	500,000	500,000
Share issuance costs	2,050,622	6,930,592
Resource pools	117,728,436	-
Unrecognized deductible temporary differences	246,464,447	66,525,639

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

(e) Tax Consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group from July 1, 2003 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Coalspur Mines Limited.

6. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends were paid or proposed during the current period or the past two periods.

7. RECEIVABLES

	December 31, 2014	December 31, 2013
	\$	\$
GST receivable	44,542	114,842

8. PREPAYMENTS (Current)

	December 31, 2014	December 31, 2013
	\$	\$
Security deposits	30,237	30,987
Transmission facilities prepayment ¹	623,043	993,166
Prepaid rent	42,784	42,784
	696,064	1,066,937

Notes:

¹ The Company paid a deposit to Fortis Alberta Inc. for preliminary and detailed engineering, environmental assessment, and preparation and filing of facility application for the construction of transmission facilities at Vista.

9. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2014	December 31, 2013
	\$	\$
(a) Plant and Equipment		
At cost	1,376,385	1,324,385
Accumulated depreciation and impairment	(395,000)	(251,687)
Net Carrying amount	981,385	1,072,698
(b) Reconciliation		
Carrying amount at beginning	1,072,698	904,894
Additions	52,000	277,435
Disposals	-	(1,417)
Depreciation	(143,313)	(108,214)
Carrying amount at end of the period, net of accumulated depreciation and impairment	981,385	1,072,698

10. EXPLORATION AND EVALUATION ASSETS ¹

	December 31, 2014	December 31, 2013
	\$	\$
Areas of Interest		
Vista South Coal Project	509,295	509,295
Vista Extension	13,000,000	13,000,000
Impairment recognised	(10,488,298)	-
	3,020,997	13,509,295

Notes:

¹ The ultimate recoupment of costs carried for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas. The Group must also comply with any applicable lease and/or contractual requirements (including as disclosed in Note 30).

11. MINE DEVELOPMENT ASSETS

	December 31, 2014 \$	December 31, 2013 \$
<u>Vista Project</u>		
Carrying amount at beginning of period	146,751,942	120,387,691
Capitalised development costs	7,158,103	18,808,004
Capitalised finance costs ¹	5,582,280	7,556,247
Impairment loss	(117,336,208)	-
Carrying amount at end of the period	42,156,117	146,751,942

Notes:

¹ The Company arranged a \$70 million credit facility with Borrowdale Park (Note 23 to the Financial Statements for the year ended December 31, 2013) to advance the development of Vista. In July 2013 the Company achieved financial close of the senior secured debt facility with EIG (Note 15 to the Financial Statements for the year ended December 31, 2013) and made an initial draw of US\$37 million under the Facility, paid EIG a US\$7 million facility fee, and repaid C\$10 million of the previous C\$40 million owing to Borrowdale Park. On June 23, 2014 costs associated with both debt facilities ceased to be capitalized and are now recognized in the statement of profit and loss as the development of the Mine Development Assets has been suspended until completion of the strategic review process. Interest that continues to accrue on the outstanding credit facilities is also recognised in the statement of profit and loss.

In accordance with International Accounting Standard 36 ("IAS 36"), the carrying value of Mine development assets was assessed and subsequently impaired as a result of the transaction that has been entered into with KC Euroholdings (outlined below) .

On February 24, 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 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 Transaction is to be completed by way of a scheme of arrangement and will be subject to a number of conditions including the approval of 75% of the votes cast by Coalspur's shareholders and a simple majority of the number of shareholders present and voting at the Scheme meeting, which is expected to be held April 22, 2015. If the conditions to the Transaction are satisfied, including approval by Coalspur's shareholders and the court, the acquisition of the Company by KCE is expected to complete in early May 2015.

The Scheme includes a number of conditions precedent including KCE completing the purchase of debts owed to EIG and Borrowdale by the Group. KCE has agreed in-principle terms with Borrowdale for the purchase of its sub-ordinated, secured debt which will be acquired for a royalty based on future production and in addition to executing the SIA, KCE has also executed a definitive agreement to purchase EIG's senior, secured debt and warrants for consideration comprising a partial cash settlement together with future payments contingent on future coal prices.

The Group carried out a review of the recoverable amount of Vista using a fair value less costs of disposal approach which included a review of the recoverable amount of the mine development assets, exploration and evaluation assets, prepayments and intangible assets. The review led to the recognition of an impairment loss of \$117,336,208, which has been recognised in profit or loss. All of the assets are contained within one segment, being coal development in Canada (refer Note 27).

The recoverable amount was determined through reference to terms agreed with KCE as well as the terms KCE had agreed with EIG and Borrowdale Park as this was considered to represent the price that would be received in an orderly transaction between market participants and would therefore be most representative of fair value. The determination of fair value considers the proposed acquisition by KCE in its entirety, that is, it includes an assessment of both the equity fair value (being the value of consideration offered to equity holders of the Company), and the debt fair value (being the value of consideration provided to debt holders of the Group).

The equity value has been determined through reference to the consideration of A\$0.023 in cash per Coalspur share which equates to a value of \$14,224,350. The debt value has been determined based on an estimate of the value offered by KCE to purchase both the senior and sub-ordinated, secured debt which includes partial cash settlement, future payments contingent on future coal prices and potential future royalties based on future coal prices which equates to a total fair value of \$57,256,316. This has resulted in a total recoverable value of \$71,480,666 and a total impairment charge being recognised of \$162,994,356, allocated on a pro-rata basis as \$117,336,208 to mine development assets, \$10,488,297 to exploration and evaluation assets, prepayments of \$32,669,851 and \$2,500,000 to intangible assets.

In the event that the Transaction does not occur the consequences could include, but are not limited to, the requirement for the Group to re-assess the recoverability of the carrying value of their assets that could result in a further write-down in the value the assets. Refer Note 2 for further details.

12. PREPAYMENTS AND INTANGIBLE ASSETS (NON-CURRENT)

The Company has contracted with Ridley Terminals to secure port capacity of 2.5 Mtpa in 2015, increasing to 10.7 Mtpa in 2020 through 2028. Prior to the expiry of the initial term in 2028, the Company has the option to renew the arrangement for an additional seven years.

Summary of Agreements with Ridley Terminals

Prepayments	(\$ millions)	Note
Deposit paid	\$ 42.8	12(b)
Option fee-other asset	\$ 2.5	12(c)
Option fee-expensed	\$ 1.0	12(c)
Total paid to date	<u>\$ 46.3</u>	

**Summary of Minimum
Payments with Ridley**

Year	Shortfall Payment ¹	Contracted Volume	Note
	(\$ millions)	(Mtpa)	12(d)
2013	\$ -	-	
2014	\$ -	-	
2015	\$ 12.6	2.5	
2016	\$ 22.7	4.5	
2017	\$ 37.4	7.4	
2018	\$ 50.0	9.9	
2019	\$ 51.0	10.1	
2020	\$ 54.0	10.7	
2021	\$ 54.0	10.7	
2022	\$ 54.0	10.7	
2023	\$ 54.0	10.7	
2024	\$ 54.0	10.7	
2025	\$ 54.0	10.7	
2026	\$ 54.0	10.7	
2027	\$ 54.0	10.7	
2028	\$ 54.0	10.7	
Total	\$ 659.7	130.7	

Notes:

- 1 The shortfall payment has been escalated by the Canadian Consumer Price Index ("CPI") at a rate of 1.02. The actual rate applied once shipping commences will be adjusted on the first day of January in each year.

(a) Contract Cancellation / Exercise Date

As of December 31, 2014, the Company's total committed port capacity commences with 2.5 Mtpa in 2015 and ramps up to 10.7 Mtpa by 2020.

(b) Deposits

All throughput capacity is subject to non-refundable deposits of \$4 per tonne multiplied by annual contract capacity, which will be offset against future port charges. Deposits of \$42.8 million have been classified as non-current assets, and will be amortised as they are offset against future throughput. A pro-rata impairment charge of \$32,669,851 has been recognised on this deposit (see Note 11).

(c) Option Fees

The Company paid \$3.5 million on October 27, 2011 for two options to purchase additional throughput capacity totalling 3.5 Mtpa commencing in 2018. During 2013, the Company exercised its option to acquire 2.5 Mtpa capacity, and allowed its option to acquire an additional 1.0 Mtpa to expire. Accordingly \$2.5 million was classified as a non-current intangible asset, and will be amortised over the initial term of the contract. \$1.0 million was expensed in Q2 2013. An impairment charge of \$2.5 million has been recognised on the option fee (see Note 11).

(d) Shortfall Charges

The Company's port capacity at Ridley Terminals is subject to a shortfall payment based on a percentage of contracted capacity and throughput rates. As of December 31, 2014, the Company is subject to shortfall charges totalling \$660 million over the initial 14 year term of the contract which could become payable in the event Coalspur is unable to meet specified minimum throughput commitments.

The contract with Ridley Terminals begins in 2015 with an entitlement of 2.5 million tonnes during that year. As a result of various delays in obtaining the necessary regulatory approvals, licenses and permits for the construction and operation of Vista, Coalspur determined on December 18, 2013 to declare force majeure as defined in section 14.2 of the 2011 TSA with Ridley Terminals. The delays resulting from the force majeure are anticipated to result in 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. The force majeure was terminated with effect from October 10, 2014, which was the date of issuance by the Alberta Energy Regulator ("AER") of a mineral surface lease for Phase 1 of Vista.

13. OTHER ASSETS

The amounts shown in the table below pertain to the facility agreements with Borrowdale Park and EIG. Given that the credit facilities were obtained to finance the development of the mine, such finance costs were previously capitalised to Mine Development Assets until such time as the mine is ready for use as intended by management.

As detailed in Note 16 the EIG Facility has been amended and now has a final maturity and repayment date of the later of March 31, 2015 and the earlier of: (a) the termination of the agreement between KCE and EIG regarding the sale of the EIG Facility to KCE; or (b) the implementation of the Scheme. A month subsequent to that repayment, settlement of the Borrowdale Park facility is required.

As such the final debt repayment date was accelerated and the fees paid, and warrants/options issued, in respect of the EIG Facility and the Borrowdale Park Note will be amortised through profit and loss on an accelerated basis over the remaining duration of the facilities.

	December 31, 2014	December 31, 2013
Details (cumulative)	\$	\$
Share-based payments associated with Borrowdale Park facility ("BP")	5,307,000	5,307,000
Warrants issued to EIG and Borrowdale Park (Note 16)	13,889,800	13,889,800
Legal fees incurred for financing	1,647,030	1,647,030
Finance fee paid to Borrowdale Park for bridge loan	45,000	-
Finance fee paid to EIG (US\$7 million)	7,401,240	7,401,240
Capitalised to Mine Development Assets	(5,907,640)	(4,474,010)
Deferred financing costs recognised to statement of profit and loss	(13,393,853)	-
Financing expense on modification of Borrowdale Park facility (Note 16)	(2,246,650)	(2,246,650)
Conversion feature on EIG credit facility	940,195	940,195
Closing Balance	7,682,122	22,464,605

14. TRADE AND OTHER PAYABLES

	December 31, 2014	December 31, 2013
	\$	\$
Trade creditors	339,802	717,114
Accrued expenses	1,053,175	1,893,219
	1,392,977	2,610,333

Normal credit terms range from 14 to 60 days from the invoice date.

15. PROVISIONS

	December 31, 2014 \$	December 31, 2013 \$
Employee entitlements	71,027	146,964

16. CREDIT FACILITIES

Continuing operations	December 31, 2014 \$	December 31, 2013 \$
Credit Facilities		
Borrowdale Park Credit Facility	33,000,000	30,000,000
EIG Credit Facility	57,415,614	39,568,910
	90,415,614	69,568,910
Interest Payable on Credit Facilities		
Borrowdale Park Credit Facility	5,349,672	1,643,990
EIG Credit Facility	8,233,027	2,059,018
	13,582,699	3,703,008

During the prior year the Company renegotiated the terms of the debt held with Borrowdale Park including stated interest rate, maturity date, method of accruing interest, warrant features, and priority of the obligation (the "Borrowdale Park Note"). The modification resulted in a financing expense of approximately \$2.2 million and related principally to the write-off of deferred financing costs on the original Borrowdale Park financing, previously recognized in Other Assets.

Borrowdale Park, (see Note 24) is owed \$33 million as a subordinated debt obligation with an interest rate of 10.5%. Interest on the Borrowdale Park Note is calculated at the end of each month, capitalised and added to the principal balance of the note. The ultimate maturity date of the Borrowdale Park Note is August 12, 2021 however it may be repaid early without penalty. The Borrowdale Park Note also becomes payable one month following the repayment of the EIG Facility. If the Borrowdale Park Note is not repaid by early maturity, defined as completion of a 6 Mtpa facility and production at 90% of capacity for a continuous three month period, the interest rate on the note will increase to 20% per annum. If the note is not repaid by the early maturity date, Borrowdale Park will have the option to convert the Borrowdale Park Note into Coalspur shares at a 50% discount to the 10 day volume weighted average price at that time. Under IFRS this conversion feature is accounted for as an embedded derivative and recorded as a liability at fair value of \$0.01 million.

The EIG Facility originally had a maturity date of July 12, 2021, and carries interest at a rate of 8% per annum in cash plus 3% per annum which can be capitalised or paid in cash. In July 2013, consistent with the terms of the EIG Facility, Coalspur granted EIG 120 million warrants with an exercise price of A\$0.55 each, expiring on the maturity date of the EIG Facility, or earlier, in certain circumstances. These

warrants lapse upon full repayment of the EIG Facility the later of March 31, 2015 and the earlier of: (a) the termination of the agreement between KCE and EIG regarding the sale of the EIG Facility to KCE; or (b) the implementation of the Scheme. The Company has currently drawn down US\$47 million from the EIG Facility.

In March 2014, Coalspur announced that it had amended the EIG Facility. The EIG Facility previously required that the Company execute a mining contract by March 31, 2014 in order to facilitate the sizing by EIG of the EIG Facility. To secure the mining contract in this timeframe would have been premature in light of the delayed regulatory approval process for Vista and the date was accordingly extended a number of times (and, in February 2015, EIG ultimately agreed to extend it until the later of March 31, 2015 and the earlier of: (a) the termination of the agreement between KCE and EIG regarding the sale of the EIG Facility to KCE; or (b) the implementation of the Scheme). The terms of the EIG Facility were revised to provide that, after selecting the preferred mining contractor, EIG would assess the mining costs for Vista and determine the final size of the EIG Facility. The revised terms also included a revised make whole premium that was granted to EIG in the event that Coalspur rejected the final sizing under certain conditions.

In June 2014, EIG provided Coalspur with a notice providing the final sizing of the overall EIG Facility of US\$175 million. Coalspur determined that it would not accept the EIG funding package as sized as a senior facility of that size is not large enough to enable the Company to fully fund Vista in the current thermal coal market. As a result of Coalspur exercising its right to not accept EIG's debt sizing, the EIG Facility (including all draws, fees and interest) is now due for repayment on the later of March 31, 2015 and the earlier of: (a) the termination of the agreement between KCE and EIG regarding the sale of the EIG Facility to KCE; or (b) the implementation of the Scheme. A make-whole premium of US\$12 million, payable at March 31, 2015, was recorded as a mark to market adjustment through profit or loss, and is disclosed as an embedded derivative in the statement of financial position. As a further result of not accepting the EIG funding package, the final debt repayment date was accelerated. The fees paid and warrants/options issued in respect of the EIG Facility and the Borrowdale Park Note will be amortised through profit and loss on an accelerated basis over the remaining duration of the facilities. Previously, these costs were being recognised as capital in nature through mine development assets. Interest that continues to accrue on the outstanding credit facilities is now recognised in profit and loss.

Coalspur secured an additional US\$10 million funding through a further drawing under its existing senior secured debt facility with EIG, subject to additional undertakings and conditions described in the Company's news release dated June 23, 2014 (the "EIG Letter Agreement"). The US\$10 million working capital loan was drawn down in a single tranche in June, and is being used to progress key activities at Vista and enable Coalspur to conduct a strategic review process. The EIG Letter Agreement, as amended in July and September 2014, binds Coalspur to additional obligations including agreement in relation to the use of funds and key milestones to ensure continued progress on Vista. Key milestones include the delivery of an updated life-of-mine plan, the maintenance and progress of permits and licenses, continued development of Vista Phase 2 engineering, execution of binding contracts with the preferred EPC and mining contractors, and the completion of an updated Bankable Feasibility Study. The Letter

Agreement provides for events of default giving EIG the right to accelerate repayment of the Company's indebtedness in various circumstances, including if these milestones are not achieved within their specified time frames. See Note 32 for further details regarding the status of the Company's debt.

A deferred fee of US\$3.5 million is payable on the additional funds drawn down under the EIG Facility at the time of prepayment or repayment of the additional funds. The date of payment of the fee will be the later of March 31, 2015 and the earlier of: (a) the termination of the agreement between KCE and EIG regarding the sale of the EIG Facility to KCE; or (b) the implementation of the Scheme, which is the due date for the EIG Facility repayment. The US\$3.5 million fee will be amortized to the statement of profit and loss using the effective interest rate method.

17. CONTRIBUTED EQUITY

	December 31, 2014	December 31, 2013
	\$	\$
(a) Issued Capital		
641,394,455 (2013: 634,123,901) Ordinary Shares	230,124,519	225,856,621
Exercise of unlisted options	-	3,161,839
Conversion of share rights ¹	126,017	1,106,059
	230,250,536	230,124,519

Notes:

¹ The Organisational Structure tranche of share rights were exercised and converted to ordinary shares by meeting performance criteria by June 27, 2014.

² Changes to the then Corporations Law abolished the authorized capital and par value concept in relation to share capital from July 1, 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

(b) Movements in Ordinary Shares:

DATE	DETAILS	NUMBER OF ORDINARY SHARES	TOTAL \$
January 1, 2013	Opening Balance	634,123,901	225,856,621
	Exercise of unlisted options	5,625,000	786,071
	Transfer of unlisted options	-	2,375,768
	Conversion of share rights ¹	1,645,534	1,106,059
	Closing Balance including		
December 31, 2013	shares to be issued	641,394,435	230,124,519
	Conversion of share rights ²	150,000	126,017
	Expiry of Class E performance shares (Note 17(e))	20	-
	Closing Balance including		
December 31, 2014	shares to be issued	641,544,455	230,250,536

Notes:

¹ Tranche 5 share rights were exercised and converted to ordinary shares by meeting performance criteria for financing for Vista Phase 1 by June 30, 2013.

² The Organisational Structure tranche of share rights were exercised and converted to ordinary shares by meeting performance criteria by June 27, 2014.

(c) Rights Attaching to Ordinary Shares

The rights attaching to fully paid ordinary shares ("Ordinary Shares") arise from a combination of the Company's Constitution, statute and general law.

Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or Listing Rules).

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

Directors may call a meeting of shareholders as appropriate. Owners may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of owners and all owners are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of owners is two natural persons, each of whom is or represents different shareholders who are

eligible to vote. The Company holds annual general meetings in accordance with the Corporations Act 2001 and the Listing Rules.

Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of owners will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of owners the person represents. On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the owners present and voting at a general meeting of the Company. At least 28 days' written notice must be provided specifying the intention to propose the resolution as a special resolution must be given.

Provided the Company remains admitted to the Official List of the ASX, then despite anything in its Constitution, no act may be done that is prohibited by the Listing Rules of the ASX, and authority is given for acts required to be done by the Listing Rules of the ASX. The Company's Constitution will be deemed to comply with the Listing Rules of the ASX as amended from time to time.

(d) Movements in Performance Shares during the Past Two periods were as Follows:

DATE	DETAILS	NUMBER OF PERFORMANCE SHARES	ISSUE PRICE \$
January 1, 2013	Opening Balance	25,000,000	-
December 31, 2012	Closing Balance	25,000,000	-
January 1, 2014	Opening Balance	25,000,000	-
February 19, 2014	Expiry of Performance shares	(25,000,000)	-
December 31, 2014	Closing Balance	-	-

(e) Rights Attaching to Performance Shares

Performance Shares have been issued to acquire mineral property prospects, and provide the Company with a means to compensate vendors of mineral properties in proportion to subsequent success in developing the property. Performance shares have an issue price of \$0.0001 each, are not transferable,

and have no rights to vote or to dividends. The Performance Shares will convert (or have converted) into Ordinary Shares on a one for one basis in accordance with the following:

- 25,000,000 E Class Performance Shares were to convert into Ordinary Shares if, prior to their expiry date on February 19, 2014, the Company produces a total of 1,000,000 tonnes of coal from its leases in the Hinton region, or there is a change in control of the Company. These Performance Shares expired on February 19, 2014.

18. SHARE BASED PAYMENT RESERVE

The share-based payments reserve is used to record the fair value of Unlisted Options and Performance Rights granted by the Group as share-based payments.

	December 31, 2014 \$	December 31, 2013 \$
(a) Movements in Share-based Payments Reserve During the Past Two Periods:		
Share-based Payments Reserve		
Opening balance	29,315,920	17,905,440
Transfer of Unlisted Options	-	(2,375,768)
Exercise of Share Rights ¹	(126,017)	(1,106,059)
Share Rights forfeited ²	(381,717)	(2,115,976)
Share-based payments recognised in Profit or loss (Note 25)	1,700,146	3,118,483
Share-based payments	-	13,889,800
Closing Balance	30,508,332	29,315,920

Notes:

¹ The Organisational Structure tranche of share rights were exercised and converted to ordinary shares by meeting performance criteria by June 27, 2014.

² Includes forfeiture of share rights upon employee departures from the Company prior to completing the service period required under the share right plan and the forfeiture of tranches 3, 4, 7, 8, 9, and 10 share rights as the Company did not meet the service and non-market conditions by the required milestone date. As required under IFRS the previously recognised expense associated with such forfeited share rights is reversed as the agreed service was not received by the Company.

(b) Terms and Conditions of Unlisted Options

The Unlisted Options are granted based on the following terms and conditions:

- each Unlisted Option entitles the holder to subscribe for one Ordinary Share;
- the Unlisted Options are exercisable at any time prior to the Expiry Date, subject to vesting conditions being satisfied (if applicable);
- outstanding Unlisted Options have an exercise price between A\$0.25 and A\$1.05;
- Ordinary Shares issued on exercise of the Unlisted Options rank equally with the then Ordinary Shares of the Company;

- application will be made by the Company to ASX and TSX as required for official quotation of the Ordinary Shares issued upon the exercise of the Unlisted Options;
- if there is any reconstruction of the issued share capital of the Company, the rights of the Unlisted Option holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction;
- no application for quotation of the Unlisted Options will be made by the Company; and
- subject to the proposed transferee being a party which is within the class of parties in section 708 of the Corporations Act to which disclosure is not required the Unlisted Options are transferable.

(c) Terms and Conditions of Performance Rights

The Performance Rights are granted based on the following terms and conditions:

- each Performance Right automatically converts into one Ordinary Share upon vesting of the performance right;
- each Performance Right is subject to performance conditions, as determined by the Board (from time to time) which must be satisfied for the Performance Right to vest;
- Performance Rights have an exercise price of \$Nil;
- Ordinary Shares issued on conversion of the Performance Rights rank equally with the then Ordinary Shares of the Company;
- application will be made by the Company to ASX for official quotation of the Ordinary Shares issued upon conversion of the Performance Rights;
- if there is any reconstruction of the issued share capital of the Company, the rights of the Performance Right holders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction;
- no application for quotation of the Performance Rights will be made by the Company;
- Performance Rights may not be transferred without approval of the Board;
- Performance Rights automatically vest in the event of a takeover bid or change of control; and
- Performance Rights tranches currently on issue have expiry dates as follows:

Tranche 3.	Performance Rights subject to the Vista Initial production performance condition expire on June 30, 2015;
Tranche 4.	Performance Rights subject to the Vista ramp-up of production to 4.0 Mtpa performance condition expire on June 30, 2016;
Tranche 7.	Performance Rights subject to employment with the Company on December 15, 2015 expire on December 15, 2015.
Tranche 9.	Performance Rights subject to the successful completion of performance tests demonstrating that Vista Phase 1 facilities meet performance guarantees under EPC contract by December 31, 2016 expire on December 31, 2016.

Tranche 10. Performance Rights subject to clean coal production from Vista Project over 3 consecutive months equals or exceeds an annualized rate of 6 Mtpa expire on December 31, 2016.

(d) Performance Rights Based Payments

The following Performance Right based payments were in existence during the current and prior periods:

Grant Date	Fair Value at grant date	Expiry date	Volume granted	Volume exercised or converted to Ordinary Shares	Volume lapsed or expired	Volume outstanding at December 31, 2014	Tranche number
10-Jun-11	A\$ 1.580	30-Jun-15	175,000		(150,000)	25,000	3
13-Jul-11	A\$ 1.880	30-Jun-15	478,000		(239,000)	239,000	3
22-Sep-11	A\$ 1.490	30-Jun-15	53,250		(53,250)	-	3
18-Oct-11	A\$ 1.620	30-Jun-15	11,250		(11,250)	-	3
31-Jan-12	A\$ 1.830	30-Jun-15	85,375		(25,000)	60,375	3
4-Jul-12	A\$ 1.600	30-Jun-15	90,449		(90,449)	-	3
10-Oct-12	\$ 0.696	30-Jun-15	35,915		(35,915)	-	3
30-Nov-12	\$ 0.810	30-Jun-15	275,000		(275,000)	-	3
30-Dec-12	\$ 0.800	30-Jun-15	34,378		(34,378)	-	3
7-May-13	\$ 0.633	30-Jun-15	455,264		(455,264)	-	3
28-Jun-13	\$ 0.310	30-Jun-15	400,438		(400,438)	-	3
12-Jul-13	\$ 0.310	30-Jun-15	152,109		(152,109)	-	3
1-Oct-13	\$ 0.278	30-Jun-15	744,141		(744,141)	-	3
10-Jun-11	A\$ 1.580	30-Jun-16	175,000		(150,000)	25,000	4
13-Jul-11	A\$ 1.880	30-Jun-16	478,000		(239,000)	239,000	4
22-Sep-11	A\$ 1.490	30-Jun-16	53,250		(53,250)	-	4
18-Oct-11	A\$ 1.620	30-Jun-16	11,250		(11,250)	-	4
31-Jan-12	A\$ 1.830	30-Jun-16	85,375		(25,000)	60,375	4
4-Jul-12	A\$ 1.600	30-Jun-16	90,449		(90,449)	-	4
10-Oct-12	\$ 0.696	30-Jun-16	35,915		(35,915)	-	4
30-Nov-12	\$ 0.810	30-Jun-16	275,000		(275,000)	-	4
30-Dec-12	\$ 0.800	30-Jun-16	34,378		(34,378)	-	4
7-May-13	\$ 0.633	30-Jun-16	455,264		(455,264)	-	4
28-Jun-13	\$ 0.310	30-Jun-16	400,438		(400,438)	-	4
12-Jul-13	\$ 0.310	30-Jun-16	152,109		(152,109)	-	4
1-Oct-13	\$ 0.278	30-Jun-16	744,141		(744,141)	-	4
30-Nov-12	\$ 0.810	30-Jun-14	150,000	(150,000)		-	6
20-Mar-13	\$ 0.760	15-Dec-15	580,532		(424,939)	155,593	7
28-Jun-13	\$ 0.290	15-Dec-15	1,000,000			1,000,000	7
25-Jul-13	\$ 0.268	30-Jun-14	1,433,152		(1,433,152)	-	8
5-Mar-14	\$ 0.296	31-Dec-16	7,275,000		(3,145,000)	4,130,000	9
30-May-14	\$ 0.296	31-Dec-16	2,257,514			2,257,514	9
5-Mar-14	\$ 0.297	31-Dec-16	3,195,498		(1,422,273)	1,773,225	10
			<u>21,872,834</u>	<u>(150,000)</u>	<u>(11,757,752)</u>	<u>9,965,082</u>	

e) Unlisted Option Based Payments

The following Unlisted Option based payments were in existence during the current and prior periods:

Grant Date	Exercise Price	Fair Value at grant date	Expiry date	Volume granted	Volume exercised or converted to Ordinary Shares	Volume lapsed or expired	Volume outstanding at December 31, 2014
30-Sep-09	A\$ 0.100	A\$ 0.402	31-Dec-13	2,750,000	(2,750,000)		-
30-Sep-09	A\$ 0.150	A\$ 0.393	30-Jun-14	2,750,000	(2,750,000)		-
30-Sep-09	A\$ 0.200	A\$ 0.388	31-Dec-14	2,750,000		(2,750,000)	-
30-Sep-09	A\$ 0.250	A\$ 0.386	30-Jun-15	2,750,000			2,750,000
30-Sep-09	A\$ 0.500	A\$ 0.202	30-Jun-14	600,000	(600,000)		-
24-Nov-09	A\$ 0.400	A\$ 0.237	31-Dec-13	1,800,000	(1,000,000)	(800,000)	-
24-Nov-09	A\$ 0.500	A\$ 0.236	30-Jun-14	1,800,000	(1,000,000)	(800,000)	-
24-Nov-09	A\$ 0.600	A\$ 0.238	31-Dec-14	1,800,000		(1,800,000)	-
10-Feb-10	A\$ 0.350	A\$ 0.244	30-Jun-15	400,000	(275,000)	(125,000)	-
24-Mar-10	A\$ 0.500	A\$ 0.391	30-Jun-14	350,000		(350,000)	-
24-Mar-10	A\$ 0.600	A\$ 0.395	31-Dec-14	350,000		(350,000)	-
24-Mar-10	A\$ 0.700	A\$ 0.400	30-Jun-15	350,000			350,000
14-May-10	A\$ 0.850	A\$ 0.676	30-Jun-14	750,000		(750,000)	-
14-May-10	A\$ 0.950	A\$ 0.689	31-Dec-14	750,000		(750,000)	-
14-May-10	A\$ 1.050	A\$ 0.702	30-Jun-15	750,000			750,000
16-Jul-10	A\$ 0.850	A\$ 0.676	30-Jun-14	700,000		(700,000)	-
16-Jul-10	A\$ 0.950	A\$ 0.689	31-Dec-14	700,000		(700,000)	-
16-Jul-10	A\$ 1.050	A\$ 0.702	30-Jun-15	700,000			700,000
30-Aug-10	A\$ 0.800	A\$ 0.512	30-Aug-13	17,000,000	(15,000,000)	(2,000,000)	-
27-Apr-12	A\$ 1.560	A\$ 0.578	8-May-15	8,000,000		(8,000,000)	-
27-Apr-12	A\$ 1.620	A\$ 0.257	16-May-15	2,000,000		(2,000,000)	-
14-Sep-12	A\$ 1.248	A\$ 0.095	14-Sep-15	1,000,000		(1,000,000)	-
18-Mar-13	A\$ 1.248	A\$ 0.078	18-Mar-16	1,000,000		(1,000,000)	-
5-Mar-14	\$ 0.30	\$ 0.13	13-Feb-19	3,195,498		(1,422,273)	1,773,225
30-May-14	\$ 0.30	\$ 0.13	13-Feb-19	1,007,514			1,007,514
				56,003,012	(23,375,000)	(25,297,273)	7,330,739

19. STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash Flows from Operations Update

The consolidated statement of cash flows in the financial statements is prepared under the direct method. The table below reconciles the net after tax loss to the operating activities, as per the cash flow statement using the indirect method.

	Year ended December 31, 2014 \$	Year ended December 31, 2013 \$
Loss for the year	(212,152,225)	(18,976,638)
Adjustment for non-cash income and expense items		
Depreciation and amortisation	143,313	108,214
Net foreign exchange loss	5,132,678	-
Amortisation of share-based payments	1,318,429	924,507
Amortisation of deferred fee	2,730,608	-
Mark-to-market embedded derivative adjustment	11,932,168	-
Deferred financing expense	13,393,854	-
Impairment loss of mine development assets	162,994,356	
Write-off of port options	-	1,000,000
Finance expense	-	2,246,650
Interest expense	5,232,789	(1,109,589)
Other adjustments for non-cash income and expense items	-	818,001
Change in current assets and liabilities		
Decrease in trade and other receivables	70,301	402,730
Decrease (Increase) in prepayments	297,347	(52,111)
(Decrease) in trade, other payables and provisions	(1,293,291)	(1,048,689)
Net cash outflow from operating activities	(10,199,673)	(15,686,925)
(b) Reconciliation of Cash		
Cash on deposit and on hand	6,485,762	2,971,522
Short-term deposits	210,000	7,697,350
	6,695,762	10,668,872

20. LOSS PER SHARE

	Year ended December 31, 2014	Year ended December 31, 2013
	\$	\$
The following reflects the loss and share data used in the calculations of basic and diluted loss per share:		
Net loss	(212,152,255)	(18,976,638)
Earnings used in calculating basic and diluted loss per share	(212,152,255)	(18,976,638)

	NUMBER OF ORDINARY SHARES December 31, 2014	NUMBER OF ORDINARY SHARES December 31, 2013
Weighted average number of Ordinary Shares used in calculating basic and diluted loss per share	648,594,394	638,649,913

Anti-Dilutive Securities

As at December 31, 2014, NIL (December 2013 – 25,000,000) Performance Shares, 7,330,739 (December 2013 – 24,500,000) Unlisted Options, and 9,965,082 (December 2013 – 8,048,034) Performance Rights were considered anti-dilutive as they would decrease the loss per share.

21. RELATED PARTIES

(a) Subsidiaries

	COUNTRY OF INCORPORATION	Equity Interest	
		31-Dec-14	31-Dec-13
		%	%
Subsidiaries of Coalspur Mines Limited:			
Coalspur Mines (Holdings) Pty Ltd	Australia	100	100
Kep Pty Ltd	Australia	100	100
Subsidiaries of Coalspur Mines (Holdings) Pty Ltd:			
Coalspur Mines (Operations) Ltd	Canada	100	100
Coalspur Investment Ltd.	Canada	100	-

(b) Ultimate Parent

Coalspur Mines Limited is the ultimate parent of the Group.

(c) Transactions with Related Parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note, see Note 23 for more information.

Transactions with Key Management Personnel, including remuneration and equity holdings, are included in Note 23.

22. PARENT ENTITY DISCLOSURES (Coalspur Mines Limited)

	At December 31, 2014	At December 31, 2013
	\$	\$
(a) Financial Position		
Assets		
Current assets	199,447	37,129
Non-current assets	53,332,057	226,305,269
Total Assets	53,531,504	226,342,398
Liabilities		
Current liabilities	237,298	205,027
Non-current liabilities	-	4,598,608
Total Liabilities	237,298	4,803,635
Net Assets	53,294,206	221,538,763
Equity		
Contributed equity	230,250,536	230,124,519
Accumulated losses	(207,464,662)	(37,901,676)
Share-based payment reserve	30,508,332	29,315,920
Total Equity	53,294,206	221,538,763
(b) Financial Performance		
Loss for the period	(173,221,399)	(2,998,402)
Other comprehensive income	-	-
Total Comprehensive Income	(173,221,399)	(2,998,402)

Notes:

The parent entity has guaranteed that its operating subsidiary, Coalspur Mines (Operations) Ltd. will repay all principal and interest owing on the credit facility as described in Note 16. The parent entity does not have any commitments or contingent liabilities at December 31, 2014.

23. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

Details of the Directors and Key Management Personnel (“KMP”) of the Group during or since the end of the financial period are set out below. Unless otherwise stated, individuals held their office from January 1, 2014 until the date of this report.

Directors

Mr. Mark Rodda	Director (non-executive)(appointed Chairman July 15, 2014)
Ms. Gill Winckler	President and CEO
Mr. Denis Turcotte	Director (non-executive)
Mr. David Murray	Director (non-executive)
Mr. Colin Steyn	Prior Chairman (non-executive)(resigned July 15, 2014)
Mr. Peter Breese	Director (non-executive)(resigned July 15, 2014)
Mr. Ted Mayers	Director (non-executive)(resigned July 1, 2014)
Mr. William Smart	Alternate Director (non-executive)(resigned July 15, 2014)

Other KMP's - Executives

Mr. Colin Gilligan	Chief Operating Officer
Mr. Robert Gough	Chief Financial Officer
Ms. Xenia Kritsos	Vice President, General Counsel and Joint Company Secretary
Mr. Richard Tremblay	Vice President, Operations (departed June 15, 2014)
Mr. Wayne Drier	Vice President, Strategy and Development (departed June 15, 2014)
Ms. Kim Humphreys	Vice President, Human Resources and Administration (departed June 15, 2014)
Mr. David Montpetit	Vice President, External Affairs and Logistics (departed March 31, 2014)

	Year ended December 31, 2014 \$	Year ended December 31, 2013 \$
(b) Key Management Personnel Compensation		
Short-term employee benefits	3,724,610	3,903,285
Post-employment benefits	106,204	99,479
Share-based payments	9,750	2,245,995
Total compensation	3,840,564	6,248,759

(c) Unlisted Option and Warrant Holdings of Key Management Personnel:

Year ended December 31, 2014	Held At January 1, 2014	Issued	Exercised	Lapsed/ Expired/ forfeited	Other Change	Held at December 31, 2014	Vested and Exercisable at December 31, 2014
Directors							
Colin Steyn ⁽¹⁾	26,000,000	-	-	(26,000,000)	-	-	-
Gill Winckler	-	1,007,514	-	-	-	1,007,514	-
Denis Turcotte	-	-	-	-	-	-	-
David Murray	-	-	-	-	-	-	-
Ted Mayers	-	-	-	-	-	-	-
Mark Rodda	-	-	-	-	-	-	-
Peter Breese	-	-	-	-	-	-	-
William Smart ⁽¹⁾	26,000,000	-	-	(26,000,000)	-	-	-
Executives							
Colin Gilligan	-	545,737	-	-	-	545,737	-
Robert Gough	-	545,737	-	-	-	545,737	-
Richard Tremblay	-	335,838	-	(335,838)	-	-	-
Wayne Drier	-	251,878	-	(251,878)	-	-	-
Kim Humphreys	-	251,878	-	(251,878)	-	-	-
David Montpetit	-	-	-	-	-	-	-
Xenia Kritsos	-	251,878	-	-	-	251,878	-
Total	26,000,000	3,190,460	-	(26,839,594)	-	2,350,866	-

Notes:

¹ Messrs. Steyn and Smart share an interest in the same securities.

Year ended December 31, 2013	Held At January 1, 2013	Issued	Exercised	Lapsed/ Expired/ forfeited	Other Change	Held at December 31, 2013	Vested and Exercisable at December 31, 2013
Directors							
Colin Steyn ⁽¹⁾	15,000,000	14,000,000	-	(3,000,000)	-	26,000,000	26,000,000
Gill Winckler	-	-	-	-	-	-	-
Denis Turcotte	-	-	-	-	-	-	-
David Murray	-	-	-	-	-	-	-
Ted Mayers	-	-	-	-	-	-	-
Mark Rodda	-	-	-	-	-	-	-
Peter Breese	-	-	-	-	-	-	-
William Smart ⁽¹⁾	15,000,000	14,000,000	-	(3,000,000)	-	26,000,000	26,000,000
Executives							
Colin Gilligan	-	-	-	-	-	-	-
Robert Gough	-	-	-	-	-	-	-
Richard Tremblay	-	-	-	-	-	-	-
Wayne Drier	-	-	-	-	-	-	-
Kim Humphreys	-	-	-	-	-	-	-
David Montpetit	-	-	-	-	-	-	-
Xenia Kritsos	-	-	-	-	-	-	-
Total	15,000,000	14,000,000	-	(3,000,000)	-	26,000,000	26,000,000

Notes:

¹ Messrs. Steyn and Smart share an interest in the same securities.

(d) Performance Right Holdings of Key Management Personnel during the current and prior periods:

Year ended December 31, 2014 - SHARE RIGHTS	HELD AT JANUARY 1, 2014	ISSUED	CONVERTED TO ORDINARY SHARES	LAPSED/ EXPIRED	HELD AT DECEMBER 31, 2014
Directors					
Colin Steyn	-	-	-	-	-
Gill Winckler	1,650,000	2,257,514	(150,000)	(500,000)	3,257,514
Denis Turcotte	50,000	-	-	-	50,000
David Murray	50,000	-	-	-	50,000
Ted Mayers	50,000	-	-	(50,000)	-
Mark Rodda	50,000	-	-	-	50,000
Peter Breese	50,000	-	-	(50,000)	-
William Smart	-	-	-	-	-
Executives					
Colin Gilligan	684,346	1,795,737	-	(684,346)	1,795,737
Robert Gough	650,000	1,695,737	-	(650,000)	1,695,737
Richard Tremblay	526,316	1,085,838	-	(1,612,154)	-
Wayne Drier	256,630	726,878	-	(983,508)	-
Kim Humphreys	494,072	776,878	-	(1,270,950)	-
David Montpetit	451,850	-	-	(451,850)	-
Xenia Kritsos	270,000	801,878	-	(270,000)	801,878
Total	5,233,214	9,140,460	(150,000)	(6,522,808)	7,700,866

Year ended December 31, 2013 - SHARE RIGHTS	HELD AT JANUARY 1, 2013	ISSUED	CONVERTED TO ORDINARY SHARES	LAPSED/ EXPIRED	HELD AT DECEMBER 31, 2013
Directors					
Colin Steyn (3)	-	-	-	-	-
Gill Winckler	1,550,000	1,000,000	(650,000)	(250,000)	1,650,000
Denis Turcotte	75,000	-	-	(25,000)	50,000
David Murray	75,000	-	-	(25,000)	50,000
Ted Mayers	75,000	-	-	(25,000)	50,000
Mark Rodda	75,000	-	-	(25,000)	50,000
Peter Breese	100,000	-	(25,000)	(25,000)	50,000
William Smart (3)	-	-	-	-	-
Executives					
Colin Gilligan (1)	-	684,346	-	-	684,346
Robert Gough (1)	-	650,000	-	-	650,000
Richard Tremblay (1)	-	526,316	-	-	526,316
Wayne Drier	431,615	256,630	(296,615)	(135,000)	256,630
Kim Humphreys	152,812	412,980	(31,174)	(40,546)	494,072
David Montpetit	205,033	361,850	(70,033)	(45,000)	451,850
Xenia Kritsos (1)	-	270,000	-	-	270,000
David Leslie (2)	299,743	55,601	(107,743)	(64,000)	183,601
Dermot Lane (2)	288,969	-	(96,969)	(64,000)	128,000
Jay Bell (2)	256,644	33,362	(64,644)	(97,362)	128,000
Total	3,584,816	4,251,085	(1,342,178)	(820,908)	5,672,815

Notes:

1 KMP who were appointed during the year show their initial balance in the opening column.

2 KMP who departed during year show their final share balance at the date of their departure.

3 During the year ended December 31, 2013 Messrs. Steyn and Smart shared an interest in the same securities.

(e) No loans were provided to or received from Key Management Personnel during the period ended December 31, 2014 (December 31, 2013: Nil).

24. RELATED PARTY TRANSACTIONS

During 2012, the Company entered into a \$70 million Facility Agreement (the “Borrowdale Park Note”) with Borrowdale Park S.A. (“Borrowdale Park”), a significant shareholder of the Company. 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, previous directors of the Company abstained from discussion and voting on issues related to the facility. The Company’s first draw of \$20 million on the Facility Agreement took place on May 16, 2012, the second draw of \$10 million took place on September 14, 2012 and the third draw of \$10 million took place on March 18, 2013.

Coalspur had a balance owing of \$40 million on its \$70 million Borrowdale Park 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, 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 early maturity, defined as completion of a 6 Mtpa facility and production at 90% of capacity for a continuous three month period, 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. Coalspur currently intends to repay the Borrowdale Park Note prior to reaching 6 Mtpa of production.

In January 2014, Coalspur announced that it had reached an agreement with its major shareholder, Borrowdale Park, for the provision to Coalspur of a bridge loan facility of C\$10 million (“Bridge Facility”) by means of an amendment to its existing \$30 million credit facility with Borrowdale Park. The amendment agreements giving effect to the Bridge Facility were signed on April 2, 2014. The Bridge Facility has an interest rate of 10.5% per annum and reasonable arrangement and commitment fees are payable by Coalspur. The Company made a draw of \$3 million on the Bridge Facility in April 2014. The ability to draw further funds under the Bridge Facility expired on June 30, 2014.

In November 2014, the Company cancelled Borrowdale Park’s outstanding options and warrants at their request.

All related party transactions are measured at the exchange amounts for services provided or fees paid.

25. SHARE-BASED PAYMENTS

(a) Share-based Payments Expense

The expense recognised for equity-settled share-based payments during the period is shown in the table below:

	December 31, 2014 \$	December 31, 2013 \$
Director, employee, and contractor Performance Rights	1,205,050	3,118,483
Credit facility funding options	-	-
Director and employee share options	113,380	-
Expense arising from equity-settled share-based payment transactions	1,318,430	3,118,483

(b) Types of Share-based Payments

The Group adopted a long-term incentive plan ("LTIP Program") in June 2011 which utilises Performance Rights to incentivise and reward directors, executives, employees, and contractors for long-term performance. The plan was approved by shareholders at a general meeting in June 2011.

	December 31, 2014			December 31, 2013		
Share Rights	Granted	Vested	Forfeited	Granted	Vested	Forfeited
Director Share Rights	-	-	100,000	1,000,000	650,000	375,000
Executive Share Rights	9,140,460	150,000	6,422,808	3,251,085	667,178	445,908
Employee Share Rights	3,587,552	-	4,138,156	1,861,761	153,356	826,734
Total Share Rights	12,728,012	150,000	10,660,964	6,112,846	1,470,534	1,647,642

The Company grants Performance Rights to eligible participants under the LTIP Program. Performance Rights are granted upon the achievement of certain performance milestones as determined by the Board from time to time. Performance Rights have been granted on milestones linked to the development of Vista as follows:

- Tranche 3 – Initial Production Milestone - initial production at Vista, with an expiry date of June 30, 2015;
- Tranche 4 – Ramp-up Production Milestone - ramp-up of production to 4.0 Mtpa equivalent for a three month period, which has an expiry date of June 30, 2016;
- Tranche 7 – Employment Milestone – subject to being employed with the Company as of December 15, 2015, which has an expiry date of December 15, 2015.
- Tranche 9 – Successful completion of performance tests demonstrating that Vista Phase 1 facilities meet performance guarantees under EPC contract, which has an expiry date of December 31, 2016.
- Tranche 10 – Clean coal production from the Vista Project over three consecutive months equals or exceeds an annualised rate of 6 million tonnes, which has an expiry date of December 31, 2016.

These performance conditions must be satisfied in order for the Performance Rights to vest. Upon Performance Rights vesting, Ordinary Shares are automatically issued for no consideration.

Up until August 30, 2010, and in February 2014 the Group provided Unlisted Options to some directors and employees as part of their remuneration and incentive arrangements in order to attract and retain their services and to provide an incentive linked to the performance of the Group.

The Company also issues share-based payments as fees for consultants and financing arrangements.

(c) Summary of Share-based Payments

The following table illustrates the number and weighted average exercise prices (“WAEP”) of Performance Rights and Unlisted Options granted as share-based payments at the beginning and end of the period ended December 31, 2014:

	December 31, 2014 NUMBER	December 31, 2014 WAEP	December 31, 2013 NUMBER	December 31, 2013 WAEP
Outstanding at beginning of period	29,514,547	\$ 0.851	37,153,979	\$ 0.605
Granted during the period	16,931,024	\$ 0.300	7,517,588	\$ -
Exercised during the period	(150,000)	\$ -	(7,120,534)	\$ 0.103
Cancelled during the period	(28,999,750)	\$ 0.621	(8,036,486)	\$ 0.239
Outstanding at end of period	17,295,821	\$ 0.190	29,514,547	\$ 0.851

(d) Weighted Average Remaining Contractual Life

The weighted average remaining contractual life of Unlisted Options and Performance Rights granted as share-based payments by the Group and outstanding as at December 31, 2014 is 1.8 years (December 31, 2013: 1.1 years).

(e) Range of Exercise Prices

The range of exercise prices of Unlisted Options and Performance Rights granted as share-based payments by the Group and outstanding as at December 31, 2014 was nil to \$1.05 (December 31, 2013: nil to \$1.62).

(f) Weighted Average Fair Value

The weighted average fair value of Unlisted Options and Performance Rights granted as share-based payments by the Group during the period ended December 31, 2014 was \$0.235 (December 31, 2013: \$0.375).

(g) Options and Performance Rights Pricing Model

The fair value of the equity-settled Unlisted Options granted are estimated as at the date of grant using the Black-Scholes valuation model. No Unlisted Options were granted during 2014.

DECEMBER 31, 2014 INPUTS		SERIES 1
Security type		Option
Exercise price	\$	0.30
Grant date share price	\$	0.28
Dividend yield		0%
Volatility		75.7%
Risk-free interest rate		0.96%
Grant date	February 24, 2014	
Expiry date	February 13, 2019	
Expected life of option/right		5
Fair value at grant date	\$	0.078

DECEMBER 31, 2014 INPUTS		SERIES 2
Security type		Option
Exercise price	\$	0.30
Grant date share price	\$	0.28
Dividend yield		0%
Volatility		75.7%
Risk-free interest rate		1.25%
Grant date	February 24, 2014	
Expiry date	February 13, 2019	
Expected life of option/right		5
Fair value at grant date	\$	0.110

DECEMBER 31, 2014 INPUTS		SERIES 3
Security type		Option
Exercise price	\$	0.30
Grant date share price	\$	0.28
Dividend yield		0%
Volatility		75.7%
Risk-free interest rate		1.50%
Grant date	February 24, 2014	
Expiry date	February 13, 2019	
Expected life of option/right		5
Fair value at grant date	\$	0.135

DECEMBER 31, 2013 INPUTS		SERIES 1
Security type		Option
Exercise price	\$	1.62
Grant date share price	\$	0.62
Dividend yield		0%
Volatility		49.6%
Risk-free interest rate		1.14%
Grant date	March 18, 2013	
Expiry date	March 18, 2016	
Expected life of option/right		3.0 years
Fair value at grant date	\$	0.078

26. AUDITOR'S REMUNERATION

	December 31, 2014 \$	December 31, 2013 \$
Amounts received or due and receivable by Deloitte Touche Tohmatsu ("Deloitte") for:		
An audit or review of the financial report of the entity and any other entity in the Group	121,551	152,294
Other services in relation to the entity and any other entity in the Group	121,573	71,149
	243,124	223,443

During 2014, other services in relation to the entity were provided by Deloitte to test procedures with respect to controls related to the procurement process for Vista and tax return compliance. During 2013, the other services in relation to the entity were provided by Deloitte for due diligence on financing opportunities and tax return compliance. All services provided by the auditor were preapproved by the Audit Committee. An independence evaluation was performed and Deloitte confirmed there was no infringement on their independence for the services provided.

27. SEGMENT INFORMATION

The Consolidated Entity operates in one segment, being coal development in Hinton, Alberta, Canada. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Overview

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The main risks arising from the Group's financial instruments are equity price risk, foreign currency risk, credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group monitors and reviews its key financial risks as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group is to support the delivery of the Group's financial targets while protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains.

Coalspur secured a US\$350 million senior debt commitment from EIG during the previous year to fund the majority of development required to achieve first production at Vista, however further financing was required. The Company completed a process to secure additional financing which culminated in a definitive agreement being reached with KCE for the proposed acquisition of Coalspur by way of an Australian scheme of arrangement. KCE will seek to acquire all of the outstanding shares of the Company offering a cash payment of A\$0.023 per Coalspur share, subject to the fulfilment of the conditions

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a bank, customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	December 31, 2014	December 31, 2013
	\$	\$
Cash and cash equivalents	6,695,762	10,668,872
Trade and other receivables	44,541	114,842
	6,740,303	10,783,714

The Group does not currently have any customers and accordingly does not have any significant exposure to bad or doubtful debts.

Trade and other receivables comprise primarily GST refunds due and are not exposed to credit risk. Where possible the Group trades only with recognised, creditworthy third parties.

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The Group invests its cash and cash equivalents with banks that are rated the equivalent of investment grade and above. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Company manages liquidity by investing in only cashable and short term deposits with investment grade banks. At December 31, 2014 and December 31, 2013, the Group had sufficient liquid assets to meet its current short-term financial obligations. Credit facilities are secured against Company assets. See Note 2 for further information.

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities and financial derivatives.

	6 -12 MONTHS			> 5 YEARS	
December 31, 2014	<6 MONTHS \$	\$	1 - 5 YEARS \$	\$	TOTAL \$
Financial Liabilities					
Trade and other payables	1,392,977	-	-	-	1,392,977
Credit facility and interest	103,998,313	-	-	-	103,998,313
Derivatives	12,872,363	-	-	-	12,872,363
	118,263,653	-	-	-	118,263,653

(d) Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables are non-interest bearing.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	December 31, 2014 \$	December 31, 2013 \$
Interest-bearing financial instruments		
Cash on deposit and on hand	6,485,762	2,971,522
Short-term deposits	210,000	7,697,350
	6,695,762	10,668,872

The Group's cash on deposit and on hand and short term deposits had a weighted average floating interest rate at year end of 1.10% (December 31, 2013: 1.00%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

Interest rate sensitivity is not relevant at present as the credit facility with EIG and debt obligations with Borrowdale Park have fixed interest rates.

(e) Foreign Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company carries cash and cash equivalents, trade and other receivables and a credit facility in foreign currencies. A significant change in the currency exchange rates between the Canadian dollar relative to the other currencies could have a material effect on the Company's income, financial position, or cash flows. The Company has not hedged its exposure to currency fluctuations. The Group's risk management policy prohibits speculation in foreign currencies.

Prior to the Company adopting Canadian dollars as its functional currency during the prior year, it was exposed to foreign currency exchange fluctuations between Canadian and Australian dollars as described in Note 1d.

As the Group does not currently have revenue it does not enter into derivative transactions to manage foreign currency risk. The Group holds enough cash and cash equivalents to fund its planned Canadian operations to the end of the strategic review process; the majority of the Group's expenditures over this period are expected to be in Canadian dollars.

At the reporting date, the Group's exposure to financial instruments denominated in foreign currencies was:

	Year ended December 31, 2014				Year ended December 31, 2013			
	C\$	A\$	US\$	TOTAL EQUIVALENT C\$	C\$	A\$	US\$	TOTAL EQUIVALENT C\$
Financial assets								
Cash and cash equivalents	3,713,386	200,167	2,221,327	6,485,850	369,881	28,748	9,604,848	10,668,872
Trade and other receivables	36,063	8,445	-	44,071	106,260	9,044	-	114,842
	3,749,449	208,611	2,221,327	6,529,921	476,141	37,792	9,604,848	10,783,714
Financial liabilities								
Trade and other payables	1,325,909	131,189	-	1,450,315	2,405,306	216,075	-	2,610,333
Credit facility	33,000,000	-	47,000,000	87,645,020	30,000,000	-	37,000,000	69,568,910
Credit facility interest	5,349,672	-	7,081,199	13,582,699	1,643,990	-	1,925,342	3,703,008
	39,675,581	131,189	54,081,199	102,678,034	34,049,296	216,075	38,925,342	75,882,251

As stated above, the Group has not engaged in any derivative transactions to manage foreign currency risk.

Foreign exchange rate sensitivity

The Group's functional and presentation currency is Canadian dollars. The Group is not currently subject to foreign exchange rate sensitivity as most of the Company's current costs are incurred in Canadian dollars.

FX rate USD to CAD and AUD to CAD			
		10% increase	10% decrease
December 31, 2014			
F/X rate USD to CAD	1.16266	1.27893	1.05696
Cash and cash equivalents in \$USD	\$ 2,221,327	\$ 2,221,327	\$ 2,221,327
USD cash balance stated in \$CAD	\$ 2,582,648	\$ 2,840,913	\$ 2,347,862
Variance	\$ 361,321	\$ 619,586	\$ 126,535
December 31, 2013			
F/X rate USD to CAD	1.06943	1.17637	0.97221
Cash and cash equivalents in \$USD	\$ 9,604,848	\$ 9,604,848	\$ 9,604,848
USD cash balance stated in \$CAD	\$ 10,271,713	\$ 11,298,884	\$ 9,337,921
Variance	\$ 666,865	\$ 1,694,036	\$ (266,927)

(f) Equity Price Risk

The Company is not exposed to equity price risk as it does not hold equity investments.

(g) Commodity Price Risk

The Group's future revenues will be exposed to commodity price risk which can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

(h) Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance.

The Group is not currently subject to externally imposed capital requirements.

The Group's capital management policy will be reviewed periodically going forward as the Group's operations change.

(i) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. The Company does not hold such instruments as at December 31, 2014 and December 31, 2013.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments. The Company does not hold such instruments as at December 31, 2014 and December 31, 2013.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(j) Fair Value

The net fair value of financial assets and financial liabilities approximates their carrying value. The methods for estimating fair value are outlined in the relevant notes to the consolidated financial statements.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the consolidated financial statements:

	December 31, 2014		December 31, 2013		Hierarchy Level
	Carrying amount	Fair value	Carrying amount	Fair value	
	\$	\$	\$	\$	
Financial assets					
Cash and cash equivalents	6,695,762	6,695,762	10,668,872	10,668,872	1
Accounts receivable	44,541	42,235	114,842	114,842	1
	6,740,303	6,737,997	10,783,714	10,783,714	
Financial liabilities					
Accounts payable and accrued liabilities	1,268,736	1,268,735	2,610,332	2,610,332	1
Credit facility ¹ (Note 16)	90,415,614	57,256,316	69,568,910	63,053,051	2
Derivatives	12,872,363	12,872,363	940,195	940,195	3
	104,556,713	71,397,414	73,119,437	66,603,578	

Notes:

¹ The effective interest rates for the EIG and Borrowdale Park facilities are 11.57% and 11.07%, respectively.

The fair values of the financial assets and liabilities are shown at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of cash, receivables, and payables approximate their carrying amounts due to the short-term maturities of these instruments. The fair value of the credit facilities was assessed based on the recoverable amounts attributable to the KC Euroholdings transactions with EIG and Borrowdale Park as discussed in Note 11.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

During the reporting periods, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

30. COMMITMENTS

The following is a summary of the Company's outstanding commitments and planned payments.

Commitments and planned payments (\$'000's)	PAYMENTS DUE BY PERIOD					AFTER 5 YEARS (per year)
	TOTAL (up to 5 years)	LESS THAN 1 YEAR	1 - 3 YEARS	4 - 5 YEARS	5+ years	
Borrowdale Park credit facility principal (1)	33,000	33,000	-	-	-	-
Borrowdale Park facility interest (2)	5,350	5,350	-	-	-	-
EIG credit facility principal (3)	72,666	72,666	-	-	-	-
EIG facility interest (4)	10,097	10,097	-	-	-	-
Operating leases	109	93	16	-	-	-
Mineral and surface leases	1,338	223	669	446	-	223
Minimum port payments (5)	122,650	-	35,300	87,350	-	54,020
Payments to First Nations	6,137	-	4,537	1,600	-	800
Commitments Total	251,347	121,429	40,522	89,396	-	55,043
Mineral lease acquisitions (6)	10,000	-	10,000	-	-	-
Vista development (7)	478,000	-	478,000	-	-	-
Planned Payments Total	488,000	-	488,000	-	-	-
Total commitments and planned payments	739,347	121,429	528,522	89,396	-	55,043

- 1) The \$33 million is due for repayment 30 days after funds are repaid to EIG.
- 2) Interest on the \$33 million Borrowdale Park subordinated note and bridge facility is accrued and capitalised at 10.5% and is to be repaid 30 days after the repayment of EIG.
- 3) The Company borrowed US\$37 million from EIG in July 2013. A subsequent draw was made in June 2014 for US\$10 million. As Coalspur rejected the final sizing notice from EIG (see further discussion in Financial Condition and Liquidity), the EIG Facility (including all draws, fees and interest) will be due for repayment on the later of March 31, 2015 and the earlier of: (a) the termination of the agreement between KCE and EIG regarding the sale of the EIG Facility to KCE; or (b) the implementation of the Scheme.
- 4) Interest is accrued and capitalised at 11% on the EIG facility until Vista commences production, after which interest is payable quarterly. Coalspur used the US\$47 million principal for calculations in this table up to and including a repayment date of March 31, 2015.
- 5) The Company has not recognised these commitments as liabilities because it will either claim relief in terms of force majeure (as noted below), utilize the throughput capacity or attempt to sell it to other parties. The contract with Ridley Terminals begins in 2015 with 2.5 Mt of capacity allocation. The shortfall payments are considered a contingent liability. In December 2013, Coalspur declared force majeure for the tonnages in 2015 and 2016 as a result of the government delays incurred during the regulatory approval process. The force majeure terminated on October 10, 2014, upon the issuance of a mineral surface lease by the AER; see Note 7d to the financial statements for more information.
- 6) The Company holds a beneficial interest in five coal leases that are integral to Vista. In accordance with the terms of the agreement to purchase these leases, initial payments of \$2 million and \$6 million have been made, and title to these leases will transfer to Coalspur upon the payment of an additional \$10 million which must be made by February 19, 2016.
- 7) The Company currently has no set construction date for Vista. See the section titled "Overall Performance and Discussion of Operations" above. As a result, the payments due by period breakdown for the Vista development is not provided at this time. No material commitments will be made with respect to Vista construction until development funding is obtained.

31. CONTINGENCIES

There are no contingencies as of December 31, 2014.

32. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to December 31, 2014 Coalspur announced it has entered into a definitive Scheme Implementation Agreement for the proposed acquisition of Coalspur by KCE by way of an Australian scheme of arrangement. Under the proposed Scheme, KCE will seek to acquire all of the outstanding shares of the Company for cash consideration of A\$0.023 per Coalspur share, subject to the fulfilment of the conditions set out in the SIA. The total equity value of the Transaction is approximately A\$15 million on a fully-diluted basis. KCE will also acquire all debts owing to EIG and Borrowdale Park. See the February 24, 2015 press release and the Scheme Booklet for further details.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Coalspur Mines Limited:

1. In the opinion of the directors:
 - (a) the attached financial statements, notes and the additional disclosures included in the directors' report designated as audited, are in accordance with the Corporations Act 2001, including:
 - (i) section 296 (compliance with accounting standards and Corporations Regulations 2001); and
 - (ii) section 297 (gives a true and fair view of the financial position as at December 31, 2013 and of the performance for the period ended on that date of the Company and consolidated group); and
 - (b) there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they become due and payable.
2. The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.
3. The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial period ended December 31, 2013.

On behalf of the Board

"Gill Winckler"

Gill Winckler
President & Chief Executive Officer
March 25, 2015

Independent Auditor's Report to the members of Coalspur Mines Limited

Report on the Financial Report

We have audited the accompanying financial report of Coalspur Mines Limited, which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 48 to 106.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Coalspur Mines Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Coalspur Mines Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the financial report which indicates that the Consolidated Entity incurred a net loss after tax of \$212,152,225 (December 31, 2013: loss \$18,976,638) and experienced net cash outflows from operating and investing activities of \$10,199,673 and \$7,342,308 respectively (December 31, 2013: outflows of \$15,686,925 and \$19,757,477 respectively). Further, as at December 31, 2014 the Group had a working capital deficiency of \$110,898,312 (December 31, 2013: surplus of \$9,093,354).

These conditions, along with other matters as set forth in Note 2 including the Scheme Implementation Agreement for the proposed acquisition of Coalspur Mines Limited, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company and Consolidated Entity to continue as going concerns and therefore, the Company and Consolidated Entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

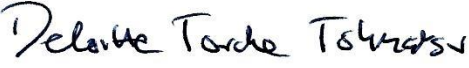
Report on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 43 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Opinion

In our opinion the Remuneration Report of Coalspur Mines Limited for the year ended 31 December 2014, complies with section 300A of the *Corporations Act 2001*.


DELOITTE TOUCHE TOHMATSU



David Newman
Partner
Chartered Accountants
Perth, 25 March 2015

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Coalspur Mines Limited (Company) is responsible for its corporate governance, that is, the system by which the Company and its subsidiaries (Group) is managed.

1. BOARD OF DIRECTORS

1.1 Role of the Board and Management

The Board represents shareholders' interests in continuing a successful business, which seeks to optimize medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Group is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The President and Chief Executive Officer ("CEO") is responsible to the Board for the day-to-day management of the Group.

The Board is responsible for the following:

- Appointing and removing the President/CEO, Company Secretaries, Chief Financial Officer ("CFO") and other executives and approving their remuneration and terms of employment;
- Establishing and determining the powers and functions of the committees of the Board ("Committees"), including the Audit Committee;
- Reviewing the performance of the Board, individual directors, and Committees;
- Reviewing and providing feedback on the performance of the President/CEO, Company Secretaries, CFO and other executives;
- Approving all mergers, acquisitions and disposals of projects and businesses;
- Authorizing the issue of securities and instruments of the Company;
- Review and participate in the selection and evaluation of funding alternatives for the development of the Company's projects;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Group's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organizations;
- Determining that satisfactory arrangements are in place for auditing the Group's financial affairs;

- Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

1.2 Composition of the Board and New Appointments

The Company currently has the following Board members:

- | | |
|----------------------|---------------------------------------|
| • Mr. Mark Rodda | Chairman (non-executive) |
| • Ms. Gill Winckler | President and Chief Executive Officer |
| • Mr. Denis Turcotte | Director (non-executive) |
| • Mr. David Murray | Director (non-executive) |

Details of the directors, including their qualifications, experience, date of appointment, and committee membership are set out in the Directors' Report.

The Company's Constitution provides that the number of directors shall not be less than three and not more than ten.

There is no requirement for any shareholding qualification.

The Board has followed the ASX Corporate Governance Principles and Recommendations when assessing the independence of the directors, which define an independent director to be a director who:

- is non-executive;
- is not a substantial shareholder (i.e. greater than 5%) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member;
- is not a significant supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount which is greater than five percent of either the net assets of the Company or an individual director's net worth is considered material for these purposes.

The Board has assessed the independence status of the directors based on the ASX Corporate Governance Principles and Recommendations and has determined that there are three independent directors, being Messrs Rodda, Turcotte and Murray currently on the Board.

The Company's previous Chairman Mr Steyn (resigned July 15, 2014) and his alternate, Mr Smart, were not considered to be independent based on the guidelines set out in the ASX Corporate Governance Principles and Recommendations however the Board was satisfied that Mr Steyn and Mr Smart could and did make quality and independent judgments in the best interests of the Company on all relevant issues. The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Group's scope of activities, intellectual ability to contribute to the Board duties and physical ability to undertake the Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. As a result of changes to the Constitution approved by Shareholders at the 2012 annual general meeting as a result of amendments to the TSX Company Manual.

The tenure of directors including the President/CEO, is subject to reappointment by shareholders at each annual general meeting. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A President/CEO may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.3 Committees of the Board

The following permanent committees of the Board have been formed:

- Audit Committee; and
- Remuneration and Nomination Committee.

Other than the formation of the committees noted above, the Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of any permanent additional separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

From time to time the Board may form a special sub-committee to consider specific and defined matters.

The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

The Board as a whole undertook the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.

1.4 Conflicts of Interest

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant board papers and is not present at the meeting while the item is considered unless Directors resolve otherwise in accordance with the Corporations Act 2001.

1.5 Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Group's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

The Audit Committee and the Remuneration and Nomination Committee also have the authority to appoint and terminate independent experts to enable them to carry out their respective responsibilities.

2. ETHICAL STANDARDS

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Group.

2.1 Code of Conduct for Directors

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

The principles of the code are:

- A director must act honestly, in good faith and in the best interests of the Company as a whole.
- A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.

- A director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
- A director must recognize that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company.
- A director must not make improper use of information acquired as a director.
- A director must not take improper advantage of the position of director.
- A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
- A director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorized by the Company, or the person from whom the information is provided, or is required by law.
- A director should not engage in conduct likely to bring discredit upon the Company.
- A director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

The principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

2.2 Code of Ethics and Conduct

The Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behavior and accountability within the Group.

All employees and directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Group information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Group's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimizes environmental impacts and maximizes workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

2.3 Dealings in Company Securities

The Group's Securities Trading Policy imposes trading restrictions on when Key Management Personnel ("KMP") and other employees of the Group may deal in the Company's securities, in order to reduce the risk of insider trading.

The Securities Trading Policy prohibits KMP and other employees from dealing in the Company's securities if he or she has information that he or she knows, or ought to reasonably know, is inside information. 'Inside information' is information that is not generally available and if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the Company's securities.

The Securities Trading Policy also provides prescribed closed periods during which KMP are prohibited from dealing in the Company's securities (subject to certain limited exceptions). The 'closed periods' are based around the release of material information including results from feasibility studies, exploration and corporate activities.

In addition if an employee (including KMP) has information that he or she knows, or ought reasonably to know, is inside formation, the employee must not directly or indirectly communicate that information to another person if he or she knows, or ought reasonably to know, that the other person would or would be likely to deal in the Company's securities or procure another person to deal in the Company's securities. This prohibition applies regardless of how the employee learns the information (e.g. even if the employee overhears it or is told in a social setting).

KMP must obtain written clearance from an approving officer at least two business days prior to when a KMP intends to deal in Company securities. KMP must then notify the Company Secretary of any dealings in the Company's securities within two business days of such deal occurring.

The Company also prohibits KMP entering into arrangements to limit their exposure to Company securities granted as part of the KMP's remuneration package.

Breaches of this policy will be subject to disciplinary action, including dismissal in serious cases.

These restrictions have been developed having regard to the current nature of the Company's activities, being exploration and development rather than production. Should the Company move into production, then the policy may be amended to restrict trading of securities during certain periods prior to the release of financial and operating results.

2.4 Interests of Other Stakeholders

The Group's projects consist of thermal coal deposits in the Hinton region. The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve.

To assist in meeting its objective, the Group conducts its business within the Code of Ethics and Conduct, as outlined in 2.2 above.

3. DISCLOSURE OF INFORMATION

3.1 Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the President/CEO or in their absence a joint Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information need not be disclosed if:

- a) It is not material and a reasonable person would not expect the information to be disclosed, or it is material but due to a specific valid commercial reason is not to be disclosed; and
- b) The information is confidential; or
- c) One of the following applies:
 - i. It would breach a law or regulation to disclose the information;
 - ii. The information concerns an incomplete proposal or negotiation;
 - iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - iv. The information is generated for internal management purposes; or
 - v. The information is a trade secret.

The CFO is responsible for interpreting and monitoring the Group's Management Disclosure Policy and where necessary informing the President/CEO or the Board. The joint Company Secretaries are responsible for all communications with the ASX and TSX.

3.2 Communication with Shareholders

The Group places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of

systems that ensure a regular and timely release of information about the Group is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX, on SEDAR and released over news wires;
- ASX Quarterly Cash Flow Reports;
- Quarterly and Half Yearly Financial Reports;
- Presentations at the Annual General Meeting/General Meetings; and
- Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Group also posts all reports, ASX/TSX announcements and media releases and copies of significant business presentations on the Company's website.

4. RISK MANAGEMENT AND INTERNAL CONTROL

4.1 Approach to Risk Management and Internal Control

The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Group's approach to creating long-term shareholder value.

The Group operates a standardized risk management process that provides a consistent framework for the identification, assessment, monitoring and management of material business risks.

Strategic and operational risks are reviewed at least annually as part of process of preparing the Company's Annual Information Form.

The Group has identified a series of specific and operational risks which the Group believes to be inherent in the industry in which the group operates having regard to the Group's circumstances (including financial resources, prospects and size). These include risks related to:

- a failure to repay EIG and/or Borrowdale Park secured debt facilities on the due dates therefor, in the event that the Scheme of Arrangement pursuant to which KC Euroholdings S.a.r.l. proposes to acquire all of the shares of the Company (the "Scheme") is not implemented;
- the significant impairment of Coalspur's ability to continue its business and operations if the Scheme is not implemented and either (i) a superior offer or an alternative source of financing is not completed by the due dates relevant to the EIG and Borrowdale Park credit facilities, or (ii) such due dates are not renegotiated;
- the satisfaction or waiver of all conditions precedent to the Scheme;
- termination of the Scheme implementation agreement;
- the failure to obtain sufficient financing for the exploration and development of Coalspur's properties, which may result in delays or indefinite postponement of such work, a loss of Coalspur's personnel or even a loss of its interest in some of its mineral properties;
- fluctuations of commodity prices;

- the receipt and/or modification of any further licenses, permits within the time frame estimated by Coalspur, or at all;
- the Company's take-or-pay commitments in the event that it does not ship coal within the timeframes set out in its terminal services agreement with Ridley Terminals Inc.,
- third party mineral and surface agreements registered against the lands within the Vista, Vista Extension and Vista South projects;
- the execution of the Company's plans for a large scale, open pit mining operation at Vista;
- the Company's ability to attract and retain key personnel, including management, technical and skilled personnel;
- the Company's reliance on a major service provider for construction of the proposed mine at Vista and other consultants;
- the Company's Coal Resources and Coal Reserves estimates. No assurance can be given that the estimated Coal Resources and Coal Reserves are accurate or will be produced in the future;
- future changes in environmental regulations and environmental hazards which may exist but are unknown at present;
- fluctuations and volatility of the rate of exchange between the United States Dollar, the Australian Dollar and the Canadian Dollar;
- inadequate financial reporting;
- future, unforeseen tax issues or legislative changes that affect the timing or ultimate amount of tax owing to authorities;
- new, or new applications of existing, rules and regulations governing exploration, taxes, labour standards, occupational health and safety, toxic substances, land use, water use, land claims of local people and other matters;
- the exploration for, and development of, mineral deposits;
- changes in, and renewal of, government licences and permits;
- uninsured events;
- transportation infrastructure;
- title to properties, including the Company's 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;
- competition between the Company and other companies in the mineral resource industry;
- the market price and volume volatility of Coalspur shares; and
- changes in general economic and business conditions.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by the Group and the industry in which it operates. They are not an exhaustive list. For a more detailed analysis of risks, please see the Company's Annual Information form, available from the ASX at www.asx.com.au or SEDAR at www.sedar.com

4.2 Risk Management Roles and Responsibilities

Management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Management reports to the Board as frequently as required, on the Group's key risks and the extent to which it believes these risks are being managed.

The Board is responsible for reviewing and approving the Group's risk management and internal control system and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

In 2014, the Board reviewed the overall risk profile for the Group and management's effectiveness of managing the Group's material business risks.

4.3 Integrity of Financial Reporting

The Board received a written assurance from the President/CEO and CFO that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

The Board notes that due to its nature, internal control assurance from the President/CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgment, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

4.4 Role of External Auditor

The Group's auditor attends the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

5. PERFORMANCE REVIEW

The Remuneration and Nomination Committee has been delegated responsibility for recommending a process for the evaluation of the Board as a whole, committees of the Board and its individual members. To date, given the size of the Board and the frequency with which its meetings are held, neither the Board nor the Remuneration and Nomination Committee has found it necessary to institute any formal process in order to satisfy itself that the Board, its committees and its individual Directors are performing effectively.

Arrangements put in place by the Board to monitor the performance of the Group's executives include: consideration of performance incorporating analysis of key performance indicators to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group and is competitive with other industry participants.

The Remuneration Report discloses the process for evaluating the performance of senior executives, including the President/CEO. In 2014, performance evaluations for senior executives took place in accordance with the process disclosed above and in the Remuneration Report.

6. REMUNERATION ARRANGEMENTS

Coalspur's compensation framework is structured in a way that aligns compensation with the naturally occurring levels that exist in the organization. These levels reflect the complexity of the work that is carried out and the associated accountabilities of the individuals that perform the various functions at each level, in addition to the skills and experience required to be successful. Total compensation includes base salary, short term incentive plan, and in some cases, long term incentive plan components.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to non-executive directors by other companies of similar size in the industry. The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

7. DIVERSITY

The Company recognizes the value contributed to the Company by employing people with varying skills, cultural backgrounds, ethnicity and experience. The Company believes that its diverse workforce is key to its continued growth, improved productivity and performance.

The Company has implemented a Diversity Policy which provides a framework for the Company to achieve:

- (i) a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- (ii) a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- (iii) improved employment and career development opportunities for women;
- (iv) a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- (v) awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

Given its current size and number of employees, the Company has, at this stage, not set measurable objectives for the Diversity Policy. The President/CEO is responsible for the ongoing implementation of the Diversity Policy.

As at 31 December 2014, the Company had one female Board Member (31 December 2013: One). At 31 December 2014, two members of the senior management team were female, representing 50% of the senior management team (31 December 2013: 38%), and of the balance of the Company's employees, 50% are female (31 December 2013: 43%). As at 31 December 2014, 50% of the total employee workforce was female (31 December 2013: 39%).

COMPLIANCE WITH ASX CORPORATE GOVERNANCE RECOMMENDATIONS

During the year ended 31 December 2014, the Group complied with the ASX Principles and Recommendations other than in relation to the matters specified below.

Principle Reference	Recommendation Reference	Notification of Departure	Explanation for Departure
2	2.2	The Chairman was not an independent director for the whole year.	Mr Colin Steyn resigned as a director on July 15 2014. Mr Steyn was not considered independent based on the guidelines set out in the ASX Corporate Principles and Recommendations however the board was satisfied that Mr Steyn could and did make quality and independent judgements in the best interests of the Company on all relevant matters. Mr Rodda was appointed chairman on July, 15 and is considered an independent director based on the guidelines set out in the ASX Corporate Principles and Recommendations
3	3.2, 3.3	The Diversity Policy does not include measureable objectives for achieving gender diversity.	The Board considers due to the size of the Company setting of measurable diversity objectives is not appropriate.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows: This information is current as at 13 April 2015.

TWENTY LARGEST HOLDERS OF LISTED SECURITIES

The names of the twenty largest holders of listed securities are listed below.

Name	Number	%
CD&S CO	229,775,381	35.82
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	95,157,970	14.83
BORROWDALE PARK SA	55,831,335	8.70
CITICORP NOMINEES PTY LIMITED	25,394,699	3.96
AWJ FAMILY PTY LTD <ANGUS W JOHNSON FAMILY A/C>	16,707,963	2.60
ARREDO PTY LTD	15,900,000	2.48
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,438,147	1.94
LANE'S END DURAL PTY LTD <LANE'S END DURAL S/F A/C>	9,056,849	1.41
789 ASSET MANAGEMENT PTY LTD <TAX EFFECTIVE FUND A/C>	7,558,305	1.18
MR GABRIEL BERGER	7,273,752	1.13
BLUESTEEL TRADING PTY LIMITED	7,000,000	1.09
MR BACH TRAN	6,231,049	0.97
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	5,566,113	0.87
BOUCHI PTY LTD	4,715,531	0.74
31 MAY PTY LTD	4,285,715	0.67
MR PETER CHARLES BERMAN + MRS ROSLYN BARNCastle BERMAN	3,801,835	0.59
MR MENG LUO + MRS LAN LIU <LUO & LIU SUPER FUND A/C>	3,500,000	0.55
T E & C G MCMAHON NOMINEES PTY LTD <T & C MCMAHON FAMILY A/C>	3,081,065	0.48
NEFCO NOMINEES PTY LTD	3,006,000	0.47
MINTURN PTY LTD	2,932,042	0.46
	519,213,751	80.94

1. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of holders of Ordinary Shares by size of holding: This information is current as at 13 April 2015.

	Number of holders	Number of Shares	%
1 - 1,000	229	93,412	0.01
1,001 - 5,000	504	1,501,779	0.23
5,001 - 10,000	346	2,815,499	0.44
10,001 - 100,000	694	24,843,689	3.90
100,001 - 9,999,999,999	248	612,290,076	95.42
Total	2,022	641,544,455	100.00

The number of shareholders holding less than a marketable parcel as at 13 April 2015 is 1,384.

2. VOTING RIGHTS

See Note 17(c) of the Notes to the Financial Statements.

3. SUBSTANTIAL SHAREHOLDERS

Notices have been received for the following substantial holders

Holder	Number of Shares
Borrowdale Park SA	130,609,868

4. ON-MARKET BUY BACK

There are currently no on market buy-back programs for any of Coalspur Mines Limited's listed securities.

5. UNQUOTED SECURITIES

The Company has the following Unquoted Securities on issue:

Warrants

	Number of Holders	Total Number
100,001 – 9,999,999,999	4	120,000,000

Holder	Number of Warrants
EIG Energy Fund XV – A LP	28,464,504
EIG Energy Fund XV – B LP	27,520,200
EIG Energy Fund XV – (Cayman) LP/C	22,311,180
EIG Energy Fund XV – LP	41,704,116

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.

Performance Rights and Options

Issued to Directors, Employees or Consultants under approved Plans.

Unlisted Performance Rights:

Subject to the satisfaction of:	Project Construction Milestone	Production Ramp-up Milestone	Employment Milestone	EPC Contract Performance Guarantees Milestones	Clean Coal Production Over 3 Months at Annualised 6mtpa	Total
Total:	324,375	324,375	1,155,593	5,380,006	2,780,391	9,965,082
Total holders	9	9	6	11	9	

Unlisted Options:

Exercise Price	A\$0.25	A\$0.70	A\$1.05	C\$0.30	C\$0.30	Total unlisted options
Exercise Date	30-Jun-15	30-Jun-15	30-Jun-15	13-Feb-19	30-Jun-19	
Total	2,750,000	350,000	1,450,000	1,773,225	1,007,514	7,330,739
Total holders	1	1	2	10	1	

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 13 April 2015, 4,993,306 Unlisted Options have vested and are exercisable.

6. EXPLORATION INTERESTS

As at 13 April 2015, the Company has an interest in the following Alberta Coal Leases:

Project Name	Location	Permit/lease number	Percentage Interest	Status
Vista Coal Project	Alberta	1307020587	100%	Granted
Vista Coal Project	Alberta	1307020588	100%	Granted
Vista Coal Project	Alberta	1307060429	100%	Granted
Vista Coal Project	Alberta	1308020345*	100%	Granted
Vista Coal Project	Alberta	1308020346*	100%	Granted
Vista Coal Project	Alberta	1308020347*	100%	Granted
Vista Coal Project	Alberta	1308020348*	100%	Granted
Vista Coal Project	Alberta	1308020349*	100%	Granted
Vista Coal Project	Alberta	1308050904	100%	Granted
Vista Coal Project	Alberta	1308050905	100%	Granted
Vista Coal Project	Alberta	1308120620	100%	Granted
Vista Coal Project	Alberta	1308120622	100%	Granted
Vista Coal Project	Alberta	1308120624	100%	Granted
Vista Coal Project	Alberta	1311040471	100%	Granted
Vista Coal Project	Alberta	1311040472	100%	Granted
Vista Coal Project	Alberta	1311050576	100%	Granted
Vista Coal Project	Alberta	1311050581	100%	Granted
Vista Coal Project	Alberta	1311050582	100%	Granted
Vista Coal Project	Alberta	1399080001	100%	Granted
Vista Coal Project	Alberta	80368501	100%	Application
Vista Coal Project	Alberta	80368502	100%	Application
Vista Coal Project	Alberta	80368503	100%	Application
Vista Extension	Alberta	1307050787	100%	Granted
Vista Extension	Alberta	1307050788	100%	Granted
Vista Extension	Alberta	1307050789	100%	Granted
Vista Extension	Alberta	1307050790	100%	Granted
Vista Extension	Alberta	1307050791	100%	Granted
Vista Extension	Alberta	1307050792	100%	Granted
Vista Extension	Alberta	1307050793	100%	Granted
Vista Extension	Alberta	1307050794	100%	Granted
Vista Extension	Alberta	1307050795	100%	Granted
Vista Exstension	Alberta	1307050796	100%	Granted
Vista Extension	Alberta	1307050797	100%	Granted
Vista Extension	Alberta	1307050798	100%	Granted
Vista Extension	Alberta	1307050799	100%	Granted

Vista Extension	Alberta	1307050800	100%	Granted
Vista Extension	Alberta	1307050801	100%	Granted
Vista Extension	Alberta	1307050802	100%	Granted
Vista Extension	Alberta	1308060419	100%	Granted
Vista Extension	Alberta	1308060420	100%	Granted
Vista South	Alberta	1308120621	100%	Granted
Vista South	Alberta	1308120623	100%	Granted
Vista South	Alberta	1309120451	100%	Granted
Vista South	Alberta	1309120452	100%	Granted
Vista South	Alberta	1309120453	100%	Granted
Vista South	Alberta	1309120454	100%	Granted
Vista South	Alberta	1309120455	100%	Granted
Vista South	Alberta	1309120456	100%	Granted
Vista South	Alberta	1309120457	100%	Granted
Vista South	Alberta	1309120458	100%	Granted
Vista South	Alberta	1309120459	100%	Granted
Vista South	Alberta	1309120460	100%	Granted
Vista South	Alberta	1309120461	100%	Granted
Vista South	Alberta	1309120462	100%	Granted
Vista South	Alberta	1309120463	100%	Granted
Vista South	Alberta	1309120464	100%	Granted
Vista South	Alberta	1310090997	100%	Granted
Vista South	Alberta	1310090998	100%	Granted
Vista South	Alberta	1310090999	100%	Granted
Vista South	Alberta	1310091000	100%	Granted
Vista South	Alberta	1310091001	100%	Granted
Athabasca River	Alberta	1311120568	100%	Granted
Athabasca River	Alberta	1311120570	100%	Granted
Athabasca River	Alberta	1311120572	100%	Granted
Athabasca River	Alberta	1311120573	100%	Granted
Athabasca River	Alberta	1311120574	100%	Granted

* The Company holds a beneficial interest in these five coal leases that are integral to Vista. In accordance with the terms of the agreement to purchase these leases, initial payments of \$2 million and \$6 million have been made, and title to these leases will transfer to Coalspur upon the payment of an additional \$10 million which must be made by February 19, 2016.

7. MINERAL RESERVES AND RESOURCES

As at 31 December 2014 the company's Mineral Reserves and Resources are set out in Table 1 and 2 below.

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

<i>In Situ</i> 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

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 Coal Resource estimates for the Vista Coal Project are based on the following:

- Data Verification and Validation –undertaken by Moose Mountain Technical Services (“MMTS”), an independent consultant of the Company, reviewed by Snowden Mining Industry Consultants Inc. (“Snowden”), an independent consultant of the Company and author of the technical report titled “*The Coalspur Coal Projects, Hinton, Alberta. Project No. 04372 / V1428, NI43-101 Technical Report*” dated 31 July 2014
- Data sources and databases – undertaken by Golder, and independent consultant of the Company, 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.

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.

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.