



COALSPUR MINES LIMITED

**CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS AND MD&A FOR THE THREE MONTHS
ENDED MARCH 31, 2015**

ABN 73 003 041 59

CORPORATE DIRECTORY

DIRECTORS:

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

COMPANY SECRETARIES:

Canada:

Ms. Xenia Kritsos

Australia:

Mr. Simon Robertson

PRINCIPAL OFFICES:

Canada:

110 MacLeod Avenue
Hinton, AB
T7V 1X5
CANADA

Telephone: +1 780 865 7955
Facsimile: +1 780 865 3316

Australia (Registered Office):

Level 1
28 Ord Street
Perth WA 6005
AUSTRALIA

Telephone: +61 8 6555 2945
Facsimile: +61 8 6210 1153

STOCK EXCHANGE LISTINGS:

Canada:

TSX Code: CPT – fully paid ordinary shares

Australia:

ASX Code: CPL – fully paid ordinary shares

WEBSITE:

www.coalspur.com

SOLICITORS:

Canada:

McCarthy Tétrault
LLP

Australia:

Hardy Bowen
Lawyers

AUDITOR:

Deloitte Touche
Tohmatsu

SHARE REGISTRIES:

Canada:

Computershare
Investor Services
Inc.
100 University
Avenue
Toronto, Ontario,
M5 J2Y1

Telephone:
+1 416 263 9449
Facsimile:
+1 416 981 9800

Australia:

Computershare
Investor Services
Pty Ltd
Level 2, 45 St
Georges Terrace
Perth WA 6000

Telephone:
1300 557 010

International:

+61 8 9323 2000

Facsimile:

+61 8 9323 2033

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**COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
MD&A FOR THE THREE MONTHS ENDED MARCH 31, 2015**

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2015 (the "Financial Statements"), which are unaudited, together with the audited 2014 Financial Statements for the year ended December 31, 2014, and the 2014 MD&A for the year ended December 31, 2014. The effective date of this report is May 14, 2015.

This discussion is current at the date of this MD&A. The Financial Statements and the financial information contained in this MD&A were prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS"). These Financial Statements also comply with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB"). All figures are expressed in Canadian dollars ("C\$") unless otherwise indicated.

Unless the context otherwise requires, references in this 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.

OVERALL PERFORMANCE

During Q1 2015 the Company worked to advance and conclude the strategic review process that was announced by Coalspur on June 23, 2014.

On February 24, 2015 Coalspur announced that it had concluded its strategic review process and entered into a definitive agreement ("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 ("Scheme"). It is proposed that, under the Scheme, KCE will acquire all of the outstanding shares of the Company in consideration for a cash payment of A\$0.023 per Coalspur share (the "Consideration"), subject to the fulfilment of the conditions in the Scheme Implementation Agreement, some of which are described below.

If all conditions precedent to the Scheme are satisfied or waived (where applicable), all Coalspur shares will be transferred to KCE with effect from the Scheme implementation date and without the need for any further act by the Coalspur shareholders (other than acts required to be performed by Coalspur, its Directors or officers, as attorney or agent for the Coalspur shareholders). From the Scheme implementation date, Coalspur will become a wholly-owned Subsidiary of KCE and Coalspur shares are expected to be delisted from the ASX and TSX shortly after the implementation date.

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In addition to executing the Scheme Implementation Agreement on February 24, 2015, KCE executed a definitive agreement to purchase (at a discount to face value) the senior, secured debt facility provided by EIG Global Energy Partners ("EIG") to the Company, for consideration comprising a partial cash settlement together with future payments contingent on future coal prices.

On March 17, 2015, the Federal Court of Australia ("Court") approved the despatch of Coalspur's Scheme booklet ("Scheme Booklet") and ordered that Coalspur convene a meeting of its shareholders to consider and, if thought fit, approve the Scheme. Following the Court hearing, the Scheme Booklet was registered with the Australian Securities and Investments Commission ("ASIC") and dispatched to Coalspur shareholders. The Scheme was approved by Coalspur's shareholders at the Scheme meeting held on April 22, 2015.

Subsequent to the Scheme meeting in April, Coalspur sought and was granted an adjournment until June 3, 2015 for the second Court hearing relating to the Scheme (which was originally scheduled for April 28, 2015). The purpose of the adjournment was to allow Coalspur and KCE additional time to satisfy the condition precedent to the Scheme relating to the renegotiation of Coalspur's existing contractual arrangements with Ridley Terminals Inc. ("Ridley Terminals") to the satisfaction of KCE. Negotiations between the relevant parties were not expected to conclude in time for the second Court hearing scheduled for April 28, 2015.

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

Effective March 31, 2015, Mr Rob Gough resigned as Chief Financial Officer and Ms Gill Winckler agreed to take over the responsibilities of Chief Financial Officer.

Subsequent to the end of the quarter, KCE and Borrowdale Park S.A. ("Borrowdale Park") entered into an agreement for KCE to purchase the debt provided by Borrowdale Park to the Company pursuant to a subordinated debt facility.

On April 29, 2015, two conditions precedent to the Scheme relating to KCE's purchase of the debts owed by the Company to EIG and Borrowdale Park were satisfied. KCE has indicated that it may be in a position to waive all of the other conditions precedent to the Scheme except for the condition precedent relating to the amendment of Coalspur's existing contractual arrangements with Ridley Terminals, to the satisfaction of KCE (the "Ridley Condition"), which will need to be satisfied or waived prior to the second Court date in order for the Scheme to be approved. However, the status of negotiations with Ridley Terminals has created significant uncertainty in relation to the fulfilment of the Ridley Condition there is no certainty regarding the outcome of such condition. Negotiations between the relevant parties in

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relation to the Ridley Condition are ongoing, and Coalspur and KCE continue to work collaboratively towards satisfying the remaining conditions precedent to the Scheme.

The indicative timetable for the Scheme is as follows:

Event	Date
Second Court Hearing for approval of the Scheme	June 3, 2015
Effective Date of the Scheme	June 4, 2015
Last date of trading of Coalspur Shares on ASX and TSX	June 4, 2015
Record Date for determining entitlements to the Scheme Consideration	June 12, 2015
Implementation Date for the Scheme and payment of the Scheme Consideration	June 19, 2015

All stated dates are indicative only. The conditions precedent to the Scheme must be either satisfied or waived prior to the second Court hearing. Any changes to the above timetable will be announced to ASX and SEDAR.

DISCUSSION OF OPERATIONS

The Company made considerable progress on advancing the Scheme during the quarter ended March 31, 2015 by calling the Scheme meeting at which Coalspur shareholders approved the Scheme and facilitating the transfer of the EIG and Borrowdale Park debts to KCE, in fulfilment of two of the conditions precedent to the Scheme.

The second Court hearing was adjourned to June 3, 2015, to allow Coalspur and KCE additional time to satisfy the condition precedent to the Scheme relating to the renegotiation of Coalspur's existing contractual arrangements with Ridley Terminals, to the satisfaction of KCE. Negotiations between the relevant parties in relation to this matter are ongoing.

On April 29, 2015, two conditions precedent to the Scheme relating to KCE's purchase of the debts owed by the Company to EIG and Borrowdale Park were satisfied. KCE has indicated that it may be in a position to waive all of the other conditions precedent to the Scheme except for the condition precedent relating to the amendment of Coalspur's existing contractual arrangements with Ridley Terminals, to the satisfaction of KCE (the "Ridley Condition"), which will need to be satisfied or waived prior to the second Court date in order for the Scheme to be approved. However, the status of negotiations with Ridley Terminals has created significant uncertainty in relation to the fulfilment of the Ridley Condition there is no certainty regarding the outcome of such condition. Negotiations between the relevant parties in

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relation to the Ridley Condition are ongoing, and Coalspur and KCE continue to work collaboratively towards satisfying the remaining conditions precedent to the Scheme.

Expenditure Analysis

	Quarter ended	
	March 31, 2015	March 31, 2014
Exploration, Evaluation, and Development		
Vista	376,472	4,341,040
Less: capitalized development - Vista	-	(3,245,707)
Development expense	<u>376,472</u>	<u>1,095,333</u>
Corporate expense	1,571,696	1,662,193
Administrative expense	1,086,096	1,104,514
Finance costs associated with credit facilities	-	2,284,151
Less: capitalized finance costs - Vista	-	(2,284,151)
Corporate and administrative expenses	<u>2,657,792</u>	<u>2,766,707</u>
Total Mine Development Capitalization	-	5,529,858

The Company expended \$0.38 on development during the quarter ended March 31, 2015, versus \$1.1 million on exploration and development during the quarter ended March 31, 2014. The decrease in such expenses reflects the efforts made by the Company to conserve cash and reduce contractor and engineering expenditure during the final stages of the strategic review process and the Company's efforts to fulfil all conditions precedent to the Scheme.

Corporate and Administration

Corporate and administrative expenditures for the quarter ended March 31, 2015 totalled \$2.6 million, versus \$2.8 million for the quarter ended March 31, 2014. Corporate and administrative expenses stayed constant partly as a result of the Company's effort to conserve cash throughout the strategic review process and efforts to fulfil all conditions precedent to the Scheme. Although the Company operated with a reduced number of staff compared to the same quarter in 2015, legal fees associated with the Scheme increased expenditures during the period.

Projects

The Company's Vista thermal coal project ("Vista") is located near Hinton, Alberta. In February 2014, the Alberta Energy Regulator ("AER") issued a decision approving Vista, and subsequently issued a number of

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supplemental approvals and licenses, culminating in the issuance of a mineral surface lease for Phase 1 of Vista on October 10, 2014. There is no set construction start date for Vista and no material commitments will be made with respect to Vista construction until the outcome of the Scheme is known and there is clarity on the funding for the development of Vista.

The Company has two other coal project areas in addition to Vista. Vista Extension is located on the northeast boundary of Vista and Vista South is located approximately 6km southwest of Vista. To date, development exploration and evaluation expenditure on Vista Extension and Vista South has been nominal and the Company has no immediate plans to evaluate them further.

For further information regarding Coalspur's projects, please refer to the Company's NI43-101 Technical Report dated July 31, 2014, which is available on www.sedar.com and www.asx.com.au.

Outstanding Share Information

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 (note 1)	9,965,082
Outstanding unlisted options (note 2)	7,330,739
Warrants	120,000,000
Total	778,840,276

Notes

- (1) Unlisted performance share rights are issued pursuant to the Company's Performance Rights Plans to attract and retain directors, employees, and key contractors, and vest upon satisfaction of certain milestones.
- (2) The outstanding unlisted options are convertible into ordinary shares and are subject to exercise prices ranging from A\$0.25 to \$1.62 and expiry dates ranging from May 8, 2015 to February 13, 2019. At the date of this MD&A, 4,993,306 unlisted options were exercisable.

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Summary of Quarterly Results

(\$000s, except where noted) Canadian Dollars	Quarter Ended (Unaudited)							
	31-Mar 2014	31-Dec 2014	30-Sep 2014	30-Jun 2014	31-Mar 2014	31-Dec 2013	30-Sep 2013	30-Jun 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	(20,641)	(179,789)	(12,731)	(14,773)	(4,859)	(3,532)	(6,438)	(4,357)
Loss per share (cents per share)	(3.22)	(27.72)	(1.96)	(2.74)	(0.76)	(0.55)	(1.00)	(0.68)
Cash and cash equivalents	4,803	6,696	8,006	10,588	4,194	10,669	17,076	4,862
Exploration and evaluation assets	3,021	3,021	13,509	13,509	13,509	13,509	13,509	13,509
Mine development assets	42,156	42,156	159,492	158,513	152,695	146,752	140,384	134,282
Non-current prepayments	10,130	10,130	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
Other assets	74	7,682	14,453	21,076	21,748	22,465	23,464	3,894
Total assets	61,367	71,481	242,530	250,917	239,711	240,949	241,386	203,626
Available credit	-	-	-	-	-	-	-	30,000
Current liabilities	128,383	118,335	109,908	105,792	2,320	2,757	2,811	4,441
Long term liabilities	-	-	-	-	86,663	74,212	71,563	40,000
Total liabilities	128,383	118,335	109,908	105,792	88,983	76,969	74,374	44,441
Net assets	(67,015)	(46,854)	132,622	145,124	150,728	163,980	167,012	159,185

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 and 2014 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 the latter half of 2014 is a result of recognition of the impairment of non-current assets, 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.

The net loss for the quarter ended March 31, 2015 is a result of amortising the remaining balance of other asset through the statement of profit and loss. Other assets represented the costs incurred to obtain the Company's outstanding debt.

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Financial Condition and Liquidity

Cash

The Company had combined cash and cash equivalents of \$4.8 million at March 31, 2015. As of the date of this report, the Company has a cash balance of \$3.2 million. For information regarding the solvency of the Company, see Note 2 to the Financial Statements .

Senior secured facility with EIG

The EIG Facility, under which Coalspur had drawn US\$47 million as at March 31, 2015, 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 (the “EIG Warrants”).

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. 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.

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

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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 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.

On February 24, 2015, KCE executed a definitive agreement to purchase (at a discount to face value) the EIG Facility (including all EIG Warrants), for consideration comprising a partial cash settlement together with future payments contingent on future coal prices. On April 29, 2015, KCE completed the acquisition of the EIG Facility.

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 also 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.

Subsequent to the end of the quarter, KCE and Borrowdale entered into an agreement for KCE to purchase the Borrowdale Park Note and, on April 29, 2015, KCE completed the acquisition of the Borrowdale Park Note.

Funding going forward

On February 24, 2015 Coalspur entered into a definitive Scheme Implementation Agreement for the proposed acquisition of Coalspur by KCE by way of the Scheme. It is proposed that, under the Scheme, KCE will acquire all of the outstanding shares of the Company in consideration for a cash payment of

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A\$0.023 per Coalspur share, subject to the fulfilment of the conditions in the Scheme Implementation Agreement.

On March 17, 2015, the Court approved the despatch of the Scheme Booklet and ordered that Coalspur convene a meeting of its shareholders to consider and, if thought fit, approve the Scheme. Following the Court hearing, the Scheme Booklet was registered with ASIC and dispatched to Coalspur shareholders. The Scheme was approved by Coalspur's shareholders at the Scheme meeting held on April 22, 2015.

Subsequent to the Scheme meeting in April 2015, Coalspur sought and was granted an adjournment until June 3, 2015 for the second Court hearing relating to the Scheme (which was originally scheduled for April 28, 2015). The purpose of the adjournment was to allow Coalspur and KCE additional time to satisfy the condition precedent to the Scheme relating to the renegotiation of Coalspur's existing contractual arrangements with Ridley Terminals) to the satisfaction of KCE. Negotiations between the relevant parties were not expected to conclude in time for the second Court hearing scheduled for April 28, 2015.

On April 29, 2015, two conditions precedent to the Scheme relating to KCE's purchase of the debts owed by the Company to EIG and Borrowdale Park were satisfied. KCE has indicated that it may be in a position to waive all of the other conditions precedent to the Scheme except for the condition precedent relating to the amendment of Coalspur's existing contractual arrangements with Ridley Terminals, to the satisfaction of KCE (the "Ridley Condition"), which will need to be satisfied or waived prior to the second Court date in order for the Scheme to be approved. However, the status of negotiations with Ridley Terminals has created significant uncertainty in relation to the fulfilment of the Ridley Condition there is no certainty regarding the outcome of such condition. Negotiations between the relevant parties in relation to the Ridley Condition are ongoing, and Coalspur and KCE continue to work collaboratively towards satisfying the remaining conditions precedent to the Scheme.

The indicative timetable for the Scheme is as follows:

Event	Date
Second Court Hearing for approval of the Scheme	June 3, 2015
Effective Date of the Scheme	June 4, 2015
Last date of trading of Coalspur Shares on ASX and TSX	June 4, 2015
Record Date for determining entitlements to the Scheme Consideration	June 12, 2015
Implementation Date for the Scheme and payment of the Scheme Consideration	19 June 2015

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All stated dates are indicative only. The conditions precedent to the Scheme must be either satisfied or waived prior to the second Court hearing. Any changes to the above timetable will be announced to ASX and SEDAR.

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 implemented are outlined in Note 2 to the Financial Statements.

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

Commitments and planned payments

(\$000s) Canadian Dollars	Total (excluding	Less than 1	1-3 years	4-5 years	After 5
	per year)	year			years (per
					year)
Borrowdale Park credit facility principal (note 1)	33,000	33,000	-	-	-
Borrowdale Park facility interest (note 2)	6,351	6,351	-	-	-
EIG credit facility principal (note 3)	63,841	63,841	-	-	-
EIG facility interest (note 4)	10,832	10,832	-	-	-
Operating leases	100	93	7	-	-
Mineral and surface leases	1,338	223	669	446	223
Minimum port payments (note 5)	122,650	-	35,300	87,350	54,020
Payments to First Nations	6,137	-	4,537	1,600	800
Commitments Total	244,249	114,340	40,513	89,396	55,043
Mineral lease acquisitions (note 6)	10,000	-	10,000	-	-
Vista development (Note 7)	478,000	-	478,000	-	-
Planned payments Total	488,000	-	488,000	-	-
Total commitments and planned payments	732,249	114,340	528,513	89,396	55,043

Notes:

- 1) The \$33 million is due for repayment 30 days after funds are repaid under the EIG Facility.
- 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 repayment under the EIG Facility.
- 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.

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- 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 "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 the Scheme is approved and there is clarity on development funding.

TRANSACTIONS WITH RELATED PARTIES

Borrowdale Park is a significant shareholder of the Company. At March 31, 2015, Coalspur has accrued a total of \$6.4 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 10 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 AIFRS and also comply with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB"). A description of the Company's significant accounting policies is provided in Note 1 to the audited Consolidated Financial Statements for the year ended December 31, 2014. At present, the Company has no accounting estimates that rely on highly uncertain assumptions that are likely to change in the future.

Adoption of new and revised accounting standards

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the period ended December 31, 2014.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of its President, 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, Chief Executive Officer and Chief Financial Officer has concluded that for the period ended March 31, 2015, 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.

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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 quarter ended March 31, 2015 that materially affect, or are reasonably likely to materially affect, internal control over financial reporting.

Regulatory Disclosures

For further information regarding Vista, including a description of Coalspur's quality assurance program, quality control measures, the geology, samples collected and testing procedures in respect of the project, please refer to the technical report titled *"The Coalspur Coal Projects, Hinton, Alberta. Project No. 04372 / V1428, NI43-101 Technical Report"* dated 31 July 2014, which has been prepared pursuant to the JORC Code and NI 43-101 (the "Technical Report"). The Technical Report was prepared by Grant van Heerden, Murray Lytle and Paul Franklin, who at the time were employed by Snowden Mining Industry Consultants Inc. ("Snowden"), each an independent qualified person as defined in NI 43-101 and a competent person under JORC Code 2004. For a complete description of assumptions, qualifications and procedures associated with this information, reference should be made to the full text of the Technical Report, which is available for review on SEDAR at www.sedar.com and on the ASX website at www.asx.com.au.

Competent Person / Qualified Person Statements

The information in this MD&A 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 Britmind 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 MD&A in the form and context in which it appears and has not, before the time of registration of this MD&A with ASIC, withdrawn that consent.

**COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
MD&A FOR THE THREE MONTHS ENDED MARCH 31, 2015**

The information in this MD&A 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 MD&A 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 MD&A 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 MD&A in the form and context in which it appears and has not, before the time of registration of this MD&A with ASIC, withdrawn that consent.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking information concerning Coalspur, including information regarding Coalspur’s expectations regarding the implementation of the acquisition of Coalspur by way of an Australian scheme of arrangement (“Scheme”), and other matters. All statements in this MD&A, other than statements of historical facts, that address events or developments that Coalspur expects to occur, are statements of forward-looking information. Although Coalspur believes that such forward-looking information is based on reasonable assumptions, such information is not a guarantee of future performance and actual results or developments may differ materially from the forward-looking information. Material factors or assumptions used by Coalspur to develop forward-looking information include the following: (a) the conditions to the Scheme will be fulfilled or waived, including the condition relating to KCE reaching agreement with Ridley Terminals, alternatively additional financing for the development of Vista will be available on reasonable terms or sufficient consideration will be realized from a sale of Coalspur or some or all of its assets in order to fulfil the Company’s obligations to its creditors; (b) coal price and currency exchange rate assumptions; (c) regulatory approvals, permits and licenses for the development, construction and operation of Vista will be obtained, amended and maintained on a basis consistent with Coalspur’s current expectations; (d) key personnel will be retained or recruited; (e) accuracy of mineral resource and reserve estimates; (f) Coalspur’s title to mineral and surface rights will be maintained; and (g) Coalspur’s secured creditors will continue to be supportive of

**COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
MD&A FOR THE THREE MONTHS ENDED MARCH 31, 2015**

its strategic process. Factors that could cause actual results to differ materially from forward-looking information include: (i) uncertainties relating to fulfilment of the conditions precedent to the Scheme, obtaining the additional financing required for the development of Vista, or successfully selling Coalspur or some for all of its assets and uncertainties related to project realization values; (ii) conditions for drawdown and other requirements under existing credit facilities, including the acceleration of debt due to events of default; (iii) fluctuations in coal prices and currency exchange rates; (iv) uncertainties regarding the receipt, maintenance, amendment and conditions of regulatory approvals, permits and licenses required for the development, construction and operation of Vista; (v) uncertainties relating to the retention or recruitment of key personnel; (vi) take or pay commitments with Ridley Terminals; (vii) uncertainties in Coalspur's mineral resource or reserve estimates; (viii) uncertainties related to aboriginal claims and overlapping mineral or surface rights; and (i) uncertainties related to general economic, market and business conditions. For more information on Coalspur, investors should review Coalspur's continuous disclosure filings that are available at www.sedar.com and www.asx.com.au.

COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited) Canadian Dollars	Note	Three Months Ended	
		March 31, 2015	March 31, 2014
Operating expenses		(376,472)	(1,115,333)
Corporate and administrative expenses		(2,657,792)	(2,766,707)
Interest income	4	6,117	4,975
Rental income	4	96,527	104,317
Other losses	4	(5,701,646)	(1,086,327)
Operating loss		(8,633,266)	(4,859,075)
Financing expense		(1,443,485)	-
Deferred financing expense	8	(7,682,122)	-
Interest expense		(2,882,026)	-
Income tax expense		-	-
Loss for the period		(20,640,899)	(4,859,075)
Other comprehensive income			
Exchange differences on translation of foreign operations		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(20,640,899)	(4,859,075)
Total comprehensive loss attributable to members of Coalspur Mines Limited		(20,640,899)	(4,859,075)
Basic and diluted loss per share (cents per share)		(3.22)	(0.77)

The above Condensed Interim Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)		March 31, 2015	December 31, 2014
Canadian Dollars	Note		
ASSETS			
Current Assets			
Cash and cash equivalents		4,802,887	6,695,762
Trade and other receivables		90,812	44,542
Prepayments	5	144,814	696,064
Total Current Assets		5,038,513	7,436,368
Non-current Assets			
Property, plant and equipment		947,830	981,385
Exploration and evaluation assets		3,020,997	3,020,997
Mine development assets	6	42,156,117	42,156,117
Prepayments	7	10,130,150	10,130,150
Reclamation security deposit		73,526	73,526
Other assets	8	-	7,682,122
Total Non-current Assets		56,328,620	64,044,297
TOTAL ASSETS		61,367,133	71,480,665
LIABILITIES			
Current Liabilities			
Trade and other payables	9	1,419,206	1,392,977
Provisions		67,284	71,027
Credit facilities	10	96,840,585	90,415,614
Interest payable on credit facilities	10	17,183,099	13,582,699
Derivatives	10	12,872,363	12,872,363
Total Current Liabilities		128,382,537	118,334,680
TOTAL LIABILITIES		128,382,537	118,334,680
NET ASSETS		(67,015,404)	(46,854,015)
EQUITY			
Contributed equity	12	230,250,536	230,250,536
Share based payment reserve	13	30,987,841	30,508,332
Foreign currency translation reserve		(12,401,553)	(12,401,553)
Accumulated losses		(315,852,228)	(295,211,330)
TOTAL EQUITY		(67,015,404)	(46,854,015)

The above Condensed Interim Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Three Months Ended March 31, 2015 (Unaudited)	Ordinary Shares	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
Canadian Dollars					
Balance at December 31, 2014	230,250,536	30,508,332	(12,401,553)	(295,211,330)	(46,854,015)
Net loss for the period	-	-	-	(11,427,152)	(11,427,152)
Total comprehensive loss for the period	-	-	-	(11,427,152)	(11,427,152)
Transactions with owners, recorded directly in equity:					
Exercise of unlisted options	-	-	-	-	-
Share based payments	-	479,509	-	-	479,509
Balance March 31, 2015	230,250,536	30,987,841	(12,401,553)	(306,638,482)	(57,801,658)

The above Condensed Interim Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Three Months Ended March 31, 2014 (Unaudited)	Ordinary Shares	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
Canadian Dollars					
Balance at December 31, 2013	230,124,519	29,315,920	(12,401,553)	(83,059,105)	163,979,781
Net loss for the period	-	-	-	(4,859,075)	(4,859,075)
Total comprehensive loss for the period	-	-	-	(4,859,075)	(4,859,075)
Transactions with owners, recorded directly in equity:					
Exercise of unlisted options	-	-	-	-	-
Share based payments	-	698,136	-	-	698,136
Balance March 31, 2014	230,124,519	30,014,056	(12,401,553)	(87,918,180)	159,818,842

The above Condensed Interim Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited) Canadian Dollars	Three Months Ended	
	March 31, 2015	March 31, 2014
Cash flows from operating activities		
Payments to suppliers and employees	(1,998,154)	(3,246,183)
Interest received	6,967	4,975
Rental income	96,527	104,317
Net cash outflow from operating activities	(1,894,660)	(3,136,891)
Cash flows from investing activities		
Payments for plant and equipment	-	(52,000)
Payments for mine development assets	-	(3,245,707)
Payments for exploration and evaluation	-	(271)
Net cash outflow from investing activities	-	(3,297,978)
Cash flows from financing activities		
Proceeds received from exercise of unlisted options	-	-
Proceeds from borrowings	-	-
Net cash inflow from financing activities	-	-
Net decrease in cash and cash equivalents	(1,894,660)	(6,434,869)
Net foreign exchange differences	1,785	(40,118)
Cash and cash equivalents at beginning of period	6,695,762	10,668,872
Cash and cash equivalents at end of period	4,802,887	4,193,885

The above Condensed Interim Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

**COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the three months ended March 31, 2015 has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting ("AASB 134").

In addition to the Australian requirements, further information has been included in the Condensed Consolidated Financial Statements in order to comply with applicable Canadian securities law, on the basis that the Company is dual listed on the Toronto Stock Exchange.

These unaudited condensed consolidated interim financial statements have been prepared by management in accordance with Australian Accounting Standards ("AAS's") as issued by the Australian Accounting Standards Board ("AASB") and have been prepared in accordance with AASB 134 applying accounting policies consistent with those disclosed in *Note 1* of the December 31, 2014 consolidated financial statements, except for the new standards adopted on January 1, 2015.

The unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and, therefore, should be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended December 31, 2014 and any public announcements made by Coalspur Mines Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in *Note 1* of the December 31, 2014 audited consolidated financial statements.

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors on May 14, 2015.

**COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2. GOING CONCERN

The interim 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 three months ended March 31, 2015, the Group has incurred a net loss after tax of \$20,640,899 (March 31, 2014: loss \$4,859,075) and experienced net cash outflows from operating and investing activities of \$1,894,660 and \$NIL respectively (March 31, 2014: outflows of \$3,136,891 and \$3,297,978 respectively). As at March 31, 2015 the Group had a working capital deficiency of \$123,344,024 (March 31, 2014: surplus of \$3,051,546).

The working capital deficiency as at March 31, 2015 arises largely due to the EIG Facility and Borrowdale Park Facility being presented as current liabilities. The EIG Facility of \$55,843,463 and related accrued interest and fees payable of \$22,487,691 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 \$6,351,144 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 \$3,106,987. It is projected that the Group and Company has sufficient funds to conduct operations including its previously announced strategic review process until the implementation of the Scheme.

On February 24, 2015 Coalspur entered into the Scheme Implementation Agreement for the proposed acquisition of Coalspur by KCE by way of an Australian scheme of arrangement. It is proposed that, under the Scheme, KCE will acquire all of the outstanding shares of the Company in consideration for a cash payment of A\$0.023 per Coalspur share, subject to the fulfilment of the conditions in the Scheme Implementation Agreement, some of which are described below.

In addition to executing the Scheme Implementation Agreement on February 24, 2015, KCE executed a definitive agreement to purchase (at a discount to face value) the senior, secured debt facility provided by EIG to the Company, for consideration comprising a partial cash settlement together with future payments contingent on future coal prices.

On March 17, 2015, the Federal Court of Australia approved the despatch of Coalspur's Scheme booklet and ordered that Coalspur convene a meeting of its shareholders to consider and, if thought fit, approve

COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

the Scheme. Following the Court hearing, the Scheme Booklet was registered with ASIC and dispatched to Coalspur shareholders. The Scheme was approved by Coalspur's shareholders at the Scheme meeting held on April 22, 2015.

Subsequent to the end of the quarter, KCE and Borrowdale Park entered into an agreement for KCE to purchase the debt provided by Borrowdale Park to the Company pursuant to a subordinated debt facility.

Subsequent to the Scheme meeting in April 2015, Coalspur sought and was granted an adjournment until June 3, 2015 for the second Court hearing relating to the Scheme (which was originally scheduled for April 28, 2015). The purpose of the adjournment was to allow Coalspur and KCE additional time to satisfy the condition precedent to the Scheme relating to the renegotiation of Coalspur's existing contractual arrangements with Ridley Terminals to the satisfaction of KCE. Negotiations between the relevant parties were not expected to conclude in time for the second Court hearing scheduled for April 28, 2015.

On April 29, 2015, two conditions precedent to the Scheme relating to KCE's purchase of the debts owed by the Company to EIG and Borrowdale Park were satisfied. KCE has indicated that it may be in a position to waive all of the other conditions precedent to the Scheme except for the condition precedent relating to the amendment of Coalspur's existing contractual arrangements with Ridley Terminals, to the satisfaction of KCE (the "Ridley Condition"), which will need to be satisfied or waived prior to the second Court date in order for the Scheme to be approved. However, the status of negotiations with Ridley Terminals has created significant uncertainty in relation to the fulfilment of the Ridley Condition there is no certainty regarding the outcome of such condition. Negotiations between the relevant parties in relation to the Ridley Condition are ongoing, and Coalspur and KCE continue to work collaboratively towards satisfying the remaining conditions precedent to the Scheme.

The indicative timetable for the Scheme is as follows:

Event	Date
Second Court Hearing for approval of the Scheme	June 3, 2015
Effective Date of the Scheme	June 4, 2015
Last date of trading of Coalspur Shares on ASX and TSX	June 4, 2015
Record Date for determining entitlements to the Scheme Consideration	June 12, 2015
Implementation Date for the Scheme and payment of the Scheme Consideration	June 19, 2015

COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

All stated dates are indicative only. The conditions precedent to the Scheme must be either satisfied or waived prior to the second Court hearing. Any changes to the above timetable will be announced to ASX and SEDAR.

The Board of Directors regularly reviews Coalspur's financial position, together with the progress being made in respect of concluding the Scheme, in order to satisfy itself of, among other things, the validity of the going concern assumption. In the event that the Scheme 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 Scheme 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 Scheme 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 Scheme does proceed as described above and the acquisition of the Group and Company by KCE is completed in June 2015 (see the indicative timetable above), 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.

COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. SEGMENT INFORMATION

The Consolidated Entity operates in one segment, being coal development in 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.

NOTE 4. REVENUE AND EXPENSES

Canadian Dollars	Three Months Ended	
	March 31, 2015	March 31, 2014
(a) Other Income		
Interest income	6,117	4,975
Rental income	96,527	104,317
	102,644	109,292
(b) Other Losses		
Net foreign exchange gain on cash	(1,785)	256,090
Net foreign exchange loss on debt	(5,701,646)	(1,342,417)
	(5,703,431)	(1,086,327)

COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. PREPAYMENTS (Current)

	March 31, 2015	December 31, 2014
	\$	\$
Security deposits	30,987	30,987
Transmission facilities prepayment ¹	71,043	623,043
Prepaid rent	42,784	42,784
	144,814	696,814

Notes:

¹ The Company paid a deposit to Fortis Alberta Inc. for transmission facilities in 2012 and 2013. A portion of which was refunded upon cancellation of the contract. The balance is expected to be refunded in the second half of 2015.

NOTE 6. MINE DEVELOPMENT ASSETS

	Three Months Ended March 31 2015	Year Ended December 31 2014
Canadian Dollars		
Movement in mine development assets		
Vista Project		
Carrying amount at beginning of period	42,156,117	146,751,942
Capitalized development costs	-	7,158,103
Capitalized finance costs (1)	-	5,582,280
Impairment loss	-	(117,336,208)
Carrying amount at end of period	42,156,117	42,156,117

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 KCE.

On February 24, 2015 Coalspur entered into a Scheme Implementation Agreement for the proposed acquisition of Coalspur by KCE by way of an Australian scheme of arrangement. It is proposed that, under the Scheme, KCE will acquire all of the outstanding shares of the Company in consideration for a cash

**COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

payment of A\$0.023 per Coalspur share, which is equivalent to an equity value of [A\$15 million] (the “Consideration”), subject to the fulfilment of the conditions in the Scheme Implementation Agreement.

In addition to executing the Scheme Implementation Agreement on February 24, 2015, KCE executed a definitive agreement to purchase (at a discount to face value) the senior, secured debt facility provided by EIG to the Company, for consideration comprising a partial cash settlement together with future payments contingent on future coal prices.

Subsequent to the end of the quarter, KCE and Borrowdale Park S.A. (“Borrowdale Park”) entered into an agreement for KCE to purchase the debt provided by Borrowdale Park to the Company pursuant to a subordinated debt facility.

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 was recognised in profit or loss for the year ended December 31, 2014. All of the assets are contained within one segment, being coal development in Canada (refer Note 27 to the financial statement for the year ended December 31, 2014).

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 Scheme 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.

COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. PREPAYMENTS AND INTANGIBLE ASSETS

Agreements with Ridley Terminals Inc.

The Company has contracted with Ridley Terminals to secure port capacity of 2.5Mtpa in 2015, increasing to 10.7Mtpa 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	7(b)
Option fee-other asset	\$ 2.5	7(c)
Option fee-expensed	\$ 1.0	7(c)
Total paid to date	\$ 46.3	

**Summary of Minimum Throughput
Payments with Ridley Terminals**

Year	Minimum Throughput Payment (\$ millions)	Contracted Volume (Mtpa)	Note
2013	\$ -	-	7(d)
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.

**COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(a) Contract cancellation / exercise date

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

(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, or minimum throughput charges. Deposits of \$42.8 million have been classified as non-current assets, and will be amortised as they are offset against future throughput charges.

**COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
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(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 to the financial statements for the year ended December 31, 2014).

(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 majority 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.

COALSPUR MINES LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. OTHER ASSETS

The amounts shown in the table below pertain to the transaction costs incurred to obtain and close the facility agreements with Borrowdale Park and EIG. Given that the credit facility was obtained to finance the development of the mine, such finance costs are amortised using the effective interest rate method and capitalised to Mine Development Assets until such time the mine is ready for use as intended by management.

	March 31, 2015	December 31, 2014
	\$	\$
Details (cumulative)		
Share-based payments associated with Borrowdale Park facility ("BP")	5,307,000	5,307,000
Warrants issued to EIG and Borrowdale Park	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	45,000
Finance fee paid to EIG (US\$7 million)	7,401,240	7,401,240
Amortisation capitalised to Mine Development Assets	(5,190,825)	(5,907,640)
Deferred financing costs recognised to statement of profit and loss	(21,792,790)	(13,393,853)
Financing expense on modification of the BP (Note 11)	(2,246,650)	(2,246,650)
Conversion feature on EIG credit facility (Note 11)	940,195	940,195
Closing Balance	-	7,682,122

NOTE 9. TRADE AND OTHER PAYABLES

	March 31, 2015	December 31, 2014
	\$	\$
Trade creditors	376,198	339,802
Accrued expenses	1,043,010	1,053,175
	1,419,208	1,392,977

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

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NOTE 10. Credit Facilities

Continuing operations	March 31, 2015	December 31, 2014
Credit Facilities		
Borrowdale Park Credit Facility (note 16)	33,000,000	33,000,000
EIG Credit Facility	63,840,585	57,415,614
	96,840,585	90,415,614
Interest Payable on Credit Facilities		
Borrowdale Park Credit Facility	6,351,144	5,349,672
EIG Credit Facility	10,831,955	8,233,027
	17,183,099	13,582,699

During 2013 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.

Under the Borrowdale Park Note (see Note 15) the Company owes \$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.

Subsequent to the end of the quarter, KCE and Borrowdale entered into an agreement for KCE to purchase the Borrowdale Park Note and, on April 29, 2015, KCE completed the acquisition of the Borrowdale Park Note.

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

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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. 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 undertake and conclude its 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

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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.

On February 24, 2015, KCE executed a definitive agreement to purchase (at a discount to face value) the EIG Facility (including all EIG Warrants), for consideration comprising a partial cash settlement together with future payments contingent on future coal prices. On April 29, 2015, KCE completed the acquisition of the EIG Facility.

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NOTE 11. CONTRIBUTED EQUITY

	Three Months Ended March 31, 2015		Year Ended December 31, 2014	
	Volume	\$	Volume	\$
(a) Issued capital				
Fully paid ordinary shares	641,544,455	\$ 230,250,536	641,394,455	\$ 230,124,519
Exercise of unlisted options	-	-	-	-
Conversion of share rights 1	-	-	150,000	126,017
	641,544,455	\$ 230,250,536	641,544,455	\$ 230,250,536

Notes:

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

(b) Movements in ordinary share capital during the past three months were as follows:

Date	Details	Shares	\$	\$
January 1, 2015	Opening Balance	641,394,435	0.36	230,124,519
	Shares issued	-	-	-
	Share issue costs	-	-	-
March 31, 2015	Closing Balance	641,394,435	0.36	230,124,519

NOTE 12. SHARE BASED PAYMENT RESERVE

Movements of Unlisted Options and Performance Rights during the past three months were as follows:

Date	Details	Payment Reserve \$
January 1, 2015	Opening Balance	30,508,332
Share based payments	Share based payments during the period	479,509
March 31, 2015	Closing Balance	30,987,841

NOTE 13. DIVIDENDS PAID OR PROVIDED FOR

No dividends have been paid or provided for during the period.

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NOTE 14. CONTINGENT LIABILITIES

The Company holds a beneficial interest in five coal leases that are an integral part of Vista. In accordance with the terms of the agreement with the vendor of these leases, initial payments of \$2.0 million and \$6.0 million have been made, and title to the leases will pass to Coalspur Mines (Operations) Ltd. upon the payment of an additional \$10.0 million upon the earlier of reaching an average production rate of 90,000 tonnes of coal per month from Vista over a three month period or February 19, 2016.

In addition to the consideration payable above, the Vendor is entitled to a royalty equal to 1% of the sales revenue generated from the sale of coal produced from the Original Leases.

On the basis that the above payment will only be paid at the option of the Group, no provision for any liability has been recognised in these financial statements.

As part of the contracts described in Note 7, the Company is required to make minimum throughput payments to Ridley Terminals. These future payments have not been recognized as a liability as management believes it is unlikely to incur minimum payments related to unutilised allocation because throughput allocation surplus, to the extent there is any, may be sold to a third party or returned to Ridley Terminals under certain circumstances. Also, 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. See Note 7d for more information.

NOTE 15. RELATED PARTY TRANSACTIONS

During 2012, the Company entered into a \$70 million Facility Agreement (the "Borrowdale Park Note") with 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

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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.

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.

Subsequent to the end of the quarter, KCE and Borrowdale entered into an agreement for KCE to purchase the Borrowdale Park Note and, on April 29, 2015, KCE completed the acquisition of the Borrowdale Park Note.

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

NOTE 16. 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:

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	March 31, 2015		December 31, 2014		
	Carrying amount	Fair value	Carrying amount	Fair value	Hierarchy
	\$	\$	\$	\$	Level
Financial assets					
Cash and cash equivalents	4,802,887	4,802,887	6,695,762	6,695,762	1
Accounts receivable	90,812	90,812	44,541	42,235	1
	<u>4,893,699</u>	<u>4,893,699</u>	<u>6,740,303</u>	<u>6,737,997</u>	
Financial liabilities					
Accounts Payable and accrued liabilities	1,486,492	1,486,492	1,268,736	1,268,736	1
Credit facility ¹ (note 10)	96,840,585	57,256,316	90,415,614	57,256,316	2
Conversion feature on credit facility	12,872,363	12,872,363	12,872,363	12,872,363	3
	<u>111,199,440</u>	<u>71,615,171</u>	<u>104,556,713</u>	<u>71,397,415</u>	

Notes:

¹ The effective interest rates for the EIG and Borrowdale Park facilities are 12.31% and 12.44%, 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 is estimated by discounting the expected future cash flows associated with these facilities using current market rates of similar facilities. The fair value of the conversion feature on the credit facility is estimated using a binomial method with the significant unobservable input being the ability to repay the debt by the early maturity date and the estimated quoted share price at the time of conversion in the event the debt is not repaid before maturity date.

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.

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

NOTE 17. SUBSEQUENT EVENTS AFTER BALANCE DATE

Subsequent to the end of the quarter, KCE and Borrowdale Park entered into an agreement for KCE to purchase the debt provided by Borrowdale Park to the Company pursuant to a subordinated debt facility.

Subsequent to the Scheme meeting in April 2015, Coalspur sought and was granted an adjournment until June 3, 2015 for the second Court hearing relating to the Scheme (which was originally scheduled for April 28, 2015). The purpose of the adjournment was to allow Coalspur and KCE additional time to satisfy the condition precedent to the Scheme relating to the renegotiation of Coalspur's existing contractual arrangements with Ridley Terminals to the satisfaction of KCE. Negotiations between the relevant parties were not expected to conclude in time for the second Court hearing scheduled for April 28, 2015.

On April 29, 2015, two conditions precedent to the Scheme relating to KCE's purchase of the debts owed by the Company to EIG and Borrowdale Park were satisfied. KCE has indicated that it may be in a position to waive all of the other conditions precedent to the Scheme except for the condition precedent relating to the amendment of Coalspur's existing contractual arrangements with Ridley Terminals, to the satisfaction of KCE (the "Ridley Condition"), which will need to be satisfied or waived prior to the second Court date in order for the Scheme to be approved. However, the status of negotiations with Ridley Terminals has created significant uncertainty in relation to the fulfilment of the Ridley Condition there is no certainty regarding the outcome of such condition. Negotiations between the relevant parties in relation to the Ridley Condition are ongoing, and Coalspur and KCE continue to work collaboratively towards satisfying the remaining conditions precedent to the Scheme.

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

APPENDIX A

Form 52-109F2 – Certification of Interim Filings (Full Certificate)

I, Gill Winckler, Chief Executive Officer and Chief Financial Officer of Coalspur Mines Limited, certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of Coalspur Mines Limited (the “issuer”) for the interim period ended March 31, 2015.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.
- 5.1 **Control framework:** The control framework the issuer’s other certifying officer(s) and I used to design the issuer’s ICFR is the Committee of Sponsoring Organisations of the US Treadway Commission (COSO).
- 5.2 N/A
- 5.3 N/A
6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer’s ICFR that occurred during the period beginning on January 1, 2015 and ended on March 31, 2015 that has materially affected, or is reasonably likely to materially affect, the issuer’s ICFR.

Dated: May 14, 2015

“Gill Winckler”

Gill Winckler
Chief Executive Officer and Chief Financial Officer