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COALSPUR MINES LIMITED

ABN 73 003 041 594

SCHEME BOOKLET

For a scheme of arrangement in relation to the proposed acquisition by KC Euroholdings S.a. r.l. of all of your Coalspur Shares for $0.023 cash per Coalspur Share

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME RESOLUTION, IN THE ABSENCE OF A SUPERIOR OFFER

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding whether or not to vote in favour of the Scheme Resolution. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

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Important Notices

Date of this Scheme Booklet

This Scheme Booklet is dated 17 March 2015.

Defined terms and interpretation

Capitalised terms used in this Scheme Booklet (other than in the Independent Expert's Report (including the Independent Technical Specialist's Report) contained in Annexure 1) and the Proxy Form accompanying this Scheme Booklet are either defined in brackets when first used or are defined in the Glossary in Section 12 . The Glossary also sets out some rules of interpretation which apply to this Scheme Booklet. The Independent Expert's Report and the Independent Technical Specialist's Report contain their own defined terms which are sometimes different from those set out in the Glossary in Section 12.

References to Scheme Booklet, Sections and Annexures

Unless otherwise specified, references to Sections and Annexures are to the named Sections and Annexures in this Scheme Booklet.

Purpose of this Scheme Booklet

This Scheme Booklet includes the explanatory statement for the Scheme required by section 412(1) of the Corporations Act. The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which it will be implemented (if approved). This Scheme Booklet provides all information required to be given to Coalspur Shareholders or that is otherwise material to the decision of Coalspur Shareholders as to whether or not to vote in favour of the Scheme Resolution at the Scheme Meeting.

General

This Scheme Booklet is important. You should read this Scheme Booklet carefully before making a decision about how to vote on the Scheme Resolution to be considered at the Scheme Meeting.

No investment advice

This Scheme Booklet does not constitute financial product advice and has been prepared without reference to individual investment objectives, financial situation, taxation position or particular needs of any Coalspur Shareholder or any other person. It is important that you read this Scheme Booklet before making any decision, including a decision on whether or not to vote in favour of the Scheme. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to Coalspur Shares or any other securities. If you are in doubt as to what you should do, you should consult your legal, investment, taxation or other professional adviser.

Coalspur Shareholders should consult their taxation adviser as to the applicable tax consequences of the Transaction. A summary of shareholder taxation considerations is set out in Section 9.

Responsibility statement

The Coalspur Information has been prepared by Coalspur and is the responsibility of Coalspur. None of KCE, Cline, their respective Related Entities or the directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of any information contained in this Scheme Booklet other than the KCE Information.

The KCE Information has been prepared by KCE and is the responsibility of KCE. None of Coalspur, its Related Entities or the directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of the KCE Information.

BDO has prepared, and is responsible for, the Independent Expert's Report contained in Annexure 1. None of Coalspur, KCE, Cline, their respective Related Entities or the directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

Snowden has prepared, and is responsible for, the Independent Technical Specialist's Report contained in the appendices to the Independent Expert's Report. None of Coalspur, KCE, Cline, their respective Related Entities or the

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directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of the Independent Technical Specialist's Report.

Role of ASIC

A copy of this Scheme Booklet has been lodged with, and registered by, ASIC for the purposes of section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with section 411(2)(b) of the Corporations Act. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that it has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing.

Role of ASX, TSX and the Canadian Securities Regulatory Authorities

A copy of this Scheme Booklet has been lodged with the ASX and has been filed with applicable Canadian Securities Regulatory Authorities and the TSX, and is available at www.sedar.com. None of the ASX, TSX, Canadian Securities Regulatory Authorities, or any of their respective officers take any responsibility for the contents of this Scheme Booklet.

Court order under subsection 411(1) of the Corporations Act

Important notice associated with the Court order under section 411(1) of the Corporations Act

The fact that, under section 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

(i) has formed any view as to the merits of the proposed Scheme or as to how you should vote (on this matter, you must reach your own decision); or

(ii) has prepared, or is responsible for the content of, the explanatory statement.

Notice to Coalspur Shareholders in the United States

The solicitation of proxies made pursuant to this Scheme Booklet is not subject to the requirements of section 14(a) of the US Exchange Act. Accordingly, this Scheme Booklet has been prepared in accordance with disclosure requirements applicable in Australia and Canada only. Coalspur Shareholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the US Securities Act and to proxy statements under the US Exchange Act.

The financial information relating to Coalspur included or incorporated by reference in this Scheme Booklet has been prepared, or derived from financial statements prepared, in accordance with AIFRS and is subject to Australian auditing and auditor independence standards and thus may not be comparable to financial statements of United States companies.

Coalspur Shareholders who are resident in, or citizens of, the United States are advised to consult their own tax advisers to determine the particular United States tax consequences to them of the Scheme in light of their particular situation, as well as any tax consequences that may arise under the laws of any other relevant foreign, state, local, or other taxing jurisdiction.

Forward-looking information

This Scheme Booklet contains statements concerning Coalspur and KCE, including the anticipated completion of the Scheme and expectations, goals, objectives, plans, targets, estimates of reserves and resources and future costs of Coalspur or KCE, that are "forward-looking information". All statements in this Scheme Booklet, 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 Scheme Booklet and the transactions contemplated by the Scheme Implementation Agreement are not based on historical facts, but rather reflect the current views and expectations of Coalspur or, in relation to the KCE Information, KCE, concerning future events and circumstances. Although Coalspur believes that forward-looking Coalspur Information is based on reasonable assumptions and KCE believes that forward-looking KCE Information is based on reasonable assumptions, such information is not a

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guarantee of future performance and actual results or developments may differ materially from the forward-looking information.

Material factors or assumptions used by Coalspur or KCE 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 in this Scheme Booklet.

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 or KCE 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. See Section 8 for a discussion of potential risk factors underlying, and other information relevant to, the forward-looking information. Forward-looking information should, therefore, be construed in light of such risk factors and undue reliance should not be placed on them. All forward-looking information should be read in light of such risks and uncertainties.

The forward-looking information in this Scheme Booklet reflect views and expectations held only at the date of this Scheme Booklet. Coalspur believes that all forward-looking information included in the Coalspur Information has been included on a reasonable basis and KCE believes that all forward-looking information included in the KCE Information has been included on a reasonable basis. However, none of Coalspur, KCE and their respective 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 Scheme Booklet will actually occur. Coalspur Shareholders should therefore treat all forward-looking information with caution and not place undue reliance on it.

Subject to any continuing obligations under law, regulation, policy or the Listing Rules, Coalspur, KCE and their respective directors disclaim any obligation to revise or update, after the date of this Scheme Booklet, any forward looking information to reflect any change in views, expectations or assumptions on which that information is based.

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.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet, including those in respect of the Scheme Consideration, are subject to the effect of rounding (unless otherwise stated). Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet, and any discrepancies in any table between totals and sums of amounts listed in that table or to previously published figures are due to rounding.

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Currency

All references in this Scheme Booklet to:

- "A$", "AUD", "Australian dollars" are to Australian currency;
- "C$", "CAD" and "Canadian dollars" are to Canadian currency; and
- "US$", "USD" and "US dollars" are to United States currency.

Privacy and personal information

Coalspur, KCE and their respective agents will need to collect personal information to implement the Transaction. The personal information may include the names, contact details and details of shareholdings of Coalspur Shareholders together with contact details of individuals appointed by Coalspur Shareholders as proxies, body corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

Coalspur Shareholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them and may contact the Australian Registrar on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) or the Canadian Registrar on +1 800 564 6253 (within North America) or +1 514 982 7555 (international) if they wish to exercise those rights.

The information may be disclosed to print and mail service providers, and to Coalspur and KCE and their respective advisers and agents to the extent necessary to effect the Scheme. If the information outlined above is not collected, Coalspur may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Transaction effectively, or at all.

Coalspur Shareholders who appoint an individual as their proxy, body corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above.

Persons are entitled, under section 173 of the Corporations Act, to inspect and copy the Register. The Register contains personal information about Coalspur Shareholders.

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Letter from the Chairman of Coalspur

Dear Coalspur Shareholder,

Further to Coalspur's announcement on 24 February 2015 in relation to the proposed acquisition of Coalspur by KC Euroholdings S.à r.l. (**KCE**), I am pleased to present you with this Scheme Booklet to assist you to make a decision on how to vote on the Scheme. If implemented, the Scheme will result in KCE acquiring all of your Coalspur Shares for a cash payment of A$0.023 per share.

For the reasons set out in this Scheme Booklet, the Directors recommend that you vote in favour of the Scheme Resolution at the Scheme Meeting currently scheduled for 10.00am on 22 April 2015, in the absence of a Superior Offer.

Background

On 23 June 2014, Coalspur announced that it would undertake a strategic review process overseen by the 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 flagship 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.

On 29 June 2014, Coalspur retained Deutsche Bank to act as its financial adviser to provide management and the Special Committee with advice relating to the strategic review process and, along with Coalspur's legal and other advisers, to assist in the assessment and negotiation of strategic alternatives. Deutsche Bank is a leading global investment bank and is the preeminent adviser to the North American coal sector, advising on more than ten M&A transactions in the sector since January 2013.

The Scheme represents the completion of the strategic review process. Over the past eight months, Coalspur and its advisers have 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.

Throughout the strategic review process a significant number of parties were approached, of which ten 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.

Upon concluding the strategic review process, the Coalspur Board has selected and recommends the proposal by KCE, which is outlined in this Scheme Booklet, as the best proposal received in terms of maximising returns to Coalspur Shareholders in the absence of a Superior Offer.

The Scheme

The Scheme, if implemented, will deliver to Coalspur Shareholders A$0.023 in cash for every Coalspur Share held. This represents a premium of 44% to the last closing price on the ASX prior to the 24 February 2015 announcement and a premium of 53% based on the volume weighted average price on the ASX over the 60 days immediately prior to the 24 February 2015 announcement.

The Directors have considered the advantages and disadvantages of the Scheme and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Offer. The advantages and disadvantages of the Scheme are clearly laid out in Section 2 of this Scheme Booklet.

Importantly, 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.

Your vote is important regardless of how many Coalspur shares you own. If you are unable to attend the Scheme Meeting in person, I encourage you to vote by completing the Proxy Form enclosed with this Scheme Booklet and returning it in accordance with the directions on the form. If you are in any doubt as to what action you should take in relation to the Scheme, you should consult your legal, investment, taxation or other professional adviser.

If you have any questions regarding the Scheme please call Mr Simon Robertson (Company Secretary, Australia) on +61 8 6555 2945 any time between 8.00am and 5.00pm (WST) Monday to Friday or Ms Xenia Kritsos (Company Secretary, Canada) on +1 604 697 4474 any time between 8.00am and 5.00pm (PST) Monday to Friday.

Yours sincerely,



Mark Rodda
Chairman

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Important dates and times for the Scheme

Time and date for determining Canadian Coalspur Shareholders on the Canadian Register to receive the Scheme Booklet and voting instruction forms	5.00pm (WST) / 2.00am (PST) on 20 March 2015
Latest time and date for lodgement 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.

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1. Summary of the Transaction

1.1 Introduction

This summary identifies key features of the Transaction but must be read in conjunction with the additional detailed information for Coalspur Shareholders set out in this Scheme Booklet. You are urged to read this Scheme Booklet in its entirety.

On 24 February 2015, Coalspur announced that it had entered into the Scheme Implementation Agreement with KCE and Cline under which, subject to the satisfaction or waiver, as applicable, of defined conditions (see Section 10.10), KCE will acquire all of the Coalspur Shares through a scheme of arrangement for consideration of A$0.023 per Coalspur Share. The Scheme values the equity in Coalspur at approximately A$15 million. Cline has guaranteed the obligations of KCE under the Scheme.

If the Scheme is approved by the Requisite Majority of Coalspur Shareholders and by the 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 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 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.

A copy of the Scheme is set out in Annexure 3.

KCE has entered into an agreement with EIG pursuant to which EIG will assign all of its rights and interests under the EIG Facility, including all security interests, to KCE. The EIG Debt Assignment is independent of and may occur prior to implementation of the Scheme. Further details of the EIG Facility and EIG Debt Assignment are set out in Section 6.5.

KCE has agreed in-principle terms with Borrowdale pursuant to which Borrowdale will assign all of its rights and interests under the Borrowdale Facility, including all security interests, to KCE. The Borrowdale Debt Assignment is independent of and may occur prior to implementation of the Scheme. Further details of the Borrowdale Facility and Borrowdale Debt Assignment are set out in Section 6.6.

It is a condition of the Scheme that prior to the Second Court Date, Coalspur cancel or enter into binding agreements with the holders of Coalspur Options to cancel their Coalspur Options in return for the Cancellation Consideration. Further details regarding the cancellation of the Coalspur Options are set out in Section 11.1(d).

1.2 What you will receive if the Scheme is approved

If the Court makes an order approving the Scheme, Coalspur will send to each Coalspur Shareholder notice of that fact on the Implementation Date. Scheme Participants will be sent the Scheme Consideration on or around the Implementation Date, and in any event within 5 Business Days of the Implementation Date, for the transfer of the Coalspur Shares held by them to KCE.

Further details about the Scheme Consideration are set out in Section 5.2.

1.3 Directors' recommendations

Your Directors have determined that the Scheme is in the best interests of Coalspur Shareholders and unanimously recommend that Coalspur Shareholders vote in favour of the Scheme in the absence of a Superior Offer. Each of the Directors will (in the absence of a Superior Offer) vote, or procure the voting of, any Coalspur Shares held by or on behalf of that Director at the time of the Scheme Meeting, in favour of the Scheme Resolution at the Scheme Meeting.

The reasons to vote in favour of or against the Scheme, as considered by the Directors, are set out in Section 2.

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The implications for Coalspur Shareholders if the Scheme does not proceed are significant and are set out in Section 2.3 under the heading titled, "What happens if the Scheme is not implemented?"

1.4 Independent Expert

Coalspur has commissioned BDO as the Independent Expert to prepare a report to ascertain whether the Scheme is in the best interests of Coalspur Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Coalspur Shareholders, in the absence of a superior offer.

The Independent Expert's Report is set out in Annexure 1.

1.5 Implementation, timetable and procedures

If the Scheme is approved by Coalspur Shareholders and the Court, and all other conditions to the Transaction are satisfied or (where applicable) waived, it is expected that the Scheme will be implemented on or around 13 May 2015. The key dates and times in relation to the Scheme are set out at the beginning of this Scheme Booklet. These key dates are indicative only and are subject to change.

1.6 Conditions to the Scheme

Implementation of the Scheme is subject to a number of outstanding conditions precedent that are set out in Section 10.10(a).

A description of all of the conditions to the Scheme is included in the Scheme Implementation Agreement in Annexure 2.

1.7 Scheme Meeting

The Scheme Meeting, to approve the Scheme, is scheduled to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on 22 April 2015 at 10.00am (WST). Voting eligibility for the Scheme Meeting will be determined on 20 April 2015 at 5.00pm (WST).

Further details of the Scheme Meeting, including how to vote, are contained in Section 4. The Notice of Scheme Meeting is contained in Annexure 5.

1.8 Voting thresholds

(a) **Scheme**

The Scheme Resolution must be approved by the Requisite Majority, being:

(i) unless the Court orders otherwise, a majority in number (more than 50%) of Coalspur Shareholders present and voting on the Scheme Resolution (in person or by proxy, corporate representative or attorney); and

(ii) at least 75% of the total number of votes which are cast on the Scheme Resolution.

(b) **Court Approval**

If the Scheme Resolution is approved at the Scheme Meeting, and all other conditions of the Scheme have been satisfied or (where applicable) waived, the Court will be asked to approve the Scheme on the Second Court Date, in accordance with section 411(4)(b) of the Corporations Act. The Second Court Date is expected to be on or around 28 April 2015.

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1.9 Tax implications

The transfer of your Coalspur Shares in accordance with the Scheme may have tax implications for you. You should seek your own professional advice regarding your individual tax consequences. A summary of relevant shareholder tax implications for Coalspur Shareholders is contained in Section 9.

1.10 What to do next

(a) **Read the remainder of this Scheme Booklet**

Read the remainder of this Scheme Booklet in full before making any decision on the Scheme.

(b) **Consider your options**

Coalspur Shareholders should refer to Section 2 for further guidance on the reasons to vote in favour of, or against, the Scheme and Section 8 for guidance on the risk factors associated with the Scheme.

If you have any questions in relation to the Transaction, the Scheme or the Scheme Meeting, please contact Mr Simon Robertson (Company Secretary, Australia) on +61 8 6555 2945 any time between 8.00am and 5.00pm (WST) Monday to Friday or Ms Xenia Kritsos (Company Secretary, Canada) on +1 604 697 4474 any time between 8.00am and 5.00pm (PST) Monday to Friday or consult your legal, investment, taxation, financial or other professional adviser.

(c) **Vote at the Scheme Meeting**

Your Directors urge you to vote on the Scheme Resolution at the Scheme Meeting. The Scheme affects your shareholding in Coalspur, and your vote at the Scheme Meeting is important in determining whether the Scheme proceeds.

Your Directors unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Offer.

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2. Reasons to vote in favour of or against the Scheme

Set out below are reasons why the Coalspur Board recommends that you vote in favour of the Scheme. Also set out below is a summary of some of the reasons why you may decide to vote against the Scheme. You should read the entire Scheme Booklet before deciding whether or not to vote in favour of the Scheme.

While your Directors acknowledge that there are reasons to vote against the Scheme, they believe the advantages of the Scheme significantly outweigh the disadvantages.

2.1 Reasons to vote in favour of the Scheme

Your Directors recommend the Scheme	Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Offer. In reaching their recommendation, your Directors have had regard to reasons to approve, or not to approve, the Scheme as outlined in this Section 2. Your Directors will (in the absence of a Superior Offer) vote, or procure the voting of any Coalspur Shares held by or on their behalf at the time of the Scheme Meeting in favour of the Scheme Resolution.
The Independent Expert, BDO, has concluded that the Scheme is in your best interests	The Independent Expert, BDO, has concluded that the Scheme is fair and reasonable and in the best interests of Coalspur Shareholders, in the absence of a superior offer. The Independent Expert's Report is set out in Annexure 1.
The Scheme Consideration represents a premium to the market price of Coalspur Shares prior to announcement of the Scheme	The cash payment of A$0.023 per Coalspur Share to be paid to Coalspur Shareholders represents a premium of 44% to the last closing price on the ASX prior to the announcement of the Scheme, and 53% to the volume weighted average price of Coalspur Shares over the 60 days prior to announcement of the Scheme.
No Superior Offer has emerged	Since announcement of the Scheme on 24 February 2015, and up to the date of this Scheme Booklet, no Superior Offer has emerged and the Coalspur Board is not aware of any Superior Offer that is likely to emerge.
The Scheme Consideration is all cash and provides certainty of value and timing to Coalspur Shareholders	The cash payment of A$0.023 per Coalspur Share to be paid to Coalspur Shareholders provides certainty of value and timing in relation to realising an investment in Coalspur Shares. If the Transaction does not proceed, Coalspur Shareholders will continue to be subject to the risks associated with Coalspur's business and operations, which are set out in Section 8.2, rather than realising a certain value for their Coalspur Shares under the Scheme. In particular, Coalspur will be exposed to the repayment risks relating to the EIG Facility and Borrowdale Facility due on the EIG Repayment Date and Borrowdale Repayment Date, respectively.
The Scheme represents the best available outcome from the strategic review process	A comprehensive, global strategic review process was initiated by the Coalspur Board in June 2014 and conducted by Coalspur's management who were under the direction of the Special Committee which comprised the non-executive Directors. The Financial Adviser assisted Coalspur's

	management in conducting the strategic review process. A significant number of strategic and financial parties were canvassed over an eight month period regarding the potential financing, re-financing, joint venturing or outright purchase of Vista and/or Coalspur. Non-binding proposals were received from a few parties, including KCE, in late 2014. At the conclusion of the strategic review process, the Coalspur Board selected and recommends the proposal by KCE and this Transaction as representing the best available alternative for Coalspur Shareholders, given the alternatives considered and expressions of interest received from third parties. If the Transaction does not proceed, there is no guarantee that a superior strategic alternative will be forthcoming ahead of the EIG Repayment Date and Borrowdale Repayment Date for the EIG Facility and Borrowdale Facility, respectively.
Significant risk associated with Coalspur's continuing business and operations if the Scheme is not implemented	In light of the due dates for repayment of the EIG Facility and the Borrowdale Facility on the EIG Repayment Date and Borrowdale Repayment Date, respectively, if the Scheme is not implemented and a Superior Offer or an alternative source of financing is not completed by such dates, there is a significant risk concerning Coalspur's ability to continue its business and operations. The consequences of this will be significant and could include the requirement for Coalspur to consider filing for creditor protection, appointing an administrator or conducting an orderly winding up of its operations.
Coalspur's largest shareholder has confirmed support for the Scheme	Coalspur's largest shareholder, Borrowdale, which holds approximately 20.4% of Coalspur Shares, has confirmed to Coalspur that it intends to vote in favour of the Scheme in respect of the Coalspur Shares held by or on behalf of Borrowdale, in the absence of a superior offer.
Coalspur's share price is likely to fall if the Scheme is not implemented, in the absence of a Superior Offer	Your Directors believe that, in light of the due dates for repayment of the EIG Facility and the Borrowdale Facility, Coalspur's share price is likely to fall further if the Scheme is not implemented, in the absence of a Superior Offer.

2.2 Reasons to vote against the Scheme

You may disagree with your Directors' unanimous recommendation or the Independent Expert's conclusion	In concluding that the Scheme is in the best interests of Coalspur Shareholders, in the absence of a superior offer, the Directors and Independent Expert are making judgements based on future events which are not predictable with certainty and which may prove to be incorrect (either positively or negatively). Coalspur Shareholders may not agree with the Directors' unanimous recommendation or the Independent Expert's conclusion and are not obliged to follow the recommendation.
You may believe that now is	There can be no guarantee that market conditions will improve or that a

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the wrong time to divest your shares in Coalspur	Superior Offer will eventuate in time to repay the EIG Facility and the Borrowdale Facility by their repayment deadlines on the EIG Repayment Date and Borrowdale Repayment Date respectively. The terms and conditions of the EIG Facility and the Borrowdale Facility were approved by Shareholders in June 2013 and, since that time, there has been a considerable decline in thermal coal markets.

2.3 Other relevant considerations

The Scheme is conditional	The Scheme is conditional on approval by the Requisite Majority of Coalspur Shareholders and by the Court. The Transaction is also conditional on a number of other conditions which are set out in Section 10.10. As at the date of this Scheme Booklet, your Directors are not aware of any matter which they expect will result any of those conditions not being satisfied. See Section 10.10(a) for the conditions which remain outstanding as at the date of this Scheme Booklet.
All or nothing proposal	If the Scheme is approved by the Requisite Majority of Coalspur Shareholders and the Court and all of the other conditions to the Transaction are either satisfied or waived (where applicable): • the Scheme will bind all Scheme Participants, including those who do not vote on the Scheme Resolution and those who vote against it, meaning that all Scheme Participants will have their Coalspur Shares transferred to KCE and will receive the Scheme Consideration; • Coalspur will become a wholly-owned Subsidiary of KCE; and • Coalspur will be delisted from ASX and TSX. If any of the conditions to the Transaction are not satisfied or waived (where applicable) on or before the Second Court Date, the Scheme Implementation Agreement may be terminated and the Transaction will not be implemented.
What happens if the Scheme is not implemented?	The consequences of the Scheme not being implemented include: • Scheme Participants will retain their Coalspur Shares, will not receive the Scheme Consideration, and will continue to be exposed to the risks associated with their investment in Coalspur Shares; • Coalspur will be exposed to repayment risks relating to the EIG Facility and the Borrowdale Facility, which are repayable on the EIG Repayment Date and Borrowdale Repayment Date respectively. After 31 March 2015, these repayment dates may result in the EIG Facility and Borrowdale Facility being immediately due and payable if the Scheme is not implemented; • Coalspur will be exposed to the significant risk associated with its ability to continue its business and operations. The existing Coalspur Board and management will attempt to continue to

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	operate Coalspur's business. However, there is a real risk that the Coalspur Board may determine that Coalspur should file for creditor protection, appoint an administrator or conduct an orderly winding up of its operations; • the expected benefits of the Transaction (as discussed in Section 2.1) will not be realised; • Coalspur will have incurred significant costs and management time and resources through the strategic review process and pursuing the Transaction, for no outcome; • depending on the reasons that the Scheme is not implemented, Coalspur may be liable to pay the Coalspur Reimbursement Fee (A$150,000) to KCE (for further details in relation to the Coalspur Reimbursement Fee, see Section 10.13); and • the market price of Coalspur Shares may decline to the extent that the prevailing market price reflects an assumption that the Scheme will be completed.

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3. Frequently Asked Questions

The following table provides brief answers to questions you may have in relation to the Transaction, and you are urged to read these in conjunction with the more detailed information included in this Scheme Booklet.

Questions about the Transaction	
What is the Scheme?	The Scheme is a proposed acquisition of Coalspur to be implemented by way of a scheme of arrangement between Coalspur and the Coalspur Shareholders as at the Record Date under which all of the Coalspur Shares will be transferred to KCE in consideration for the payment by KCE of the Scheme Consideration. The Scheme requires the approval of both the Requisite Majority of Coalspur Shareholders at the Scheme Meeting and the Court. The terms of the Scheme are set out in full in Annexure 3.
What is the Scheme Consideration?	If the Transaction proceeds, the Scheme Consideration, being A$0.023 for each Coalspur Share you hold on the Record Date, will be sent to you on or around the Implementation Date, and in any event within 5 Business Days of the Implementation Date. Canadian Coalspur Shareholders will receive their Scheme Consideration converted into Canadian dollars based on the relevant noon exchange rate quoted by the Bank of Canada on the Implementation Date.
What will be the effect of the Scheme?	If the Scheme is approved by the Requisite Majority of Coalspur Shareholders and the Court: • all your Coalspur Shares as at the Record Date will be transferred to KCE; • in exchange, you will receive the Scheme Consideration for each Coalspur Share transferred; and • Coalspur will become a wholly-owned Subsidiary of KCE and will be delisted from ASX and TSX.
Are there conditions that need to be satisfied before the Scheme can proceed?	Implementation of the Scheme is subject to satisfaction (or waiver in some cases) of a number of conditions contained in the Scheme Implementation Agreement, set out in Section 10.10 and Annexure 2. A number of those conditions remain outstanding as at the date of this Scheme Booklet, as described in Section 10.10(a), some of which are outside of the control of Coalspur.
What is the Directors' recommendation?	Your Directors have carefully considered the advantages and disadvantages of the Transaction and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Offer. Your Directors will (in the absence of a Superior Offer) vote, or procure the voting of any Coalspur Shares held by or on their behalf at the time of the Scheme Meeting in favour of the Scheme Resolution.

Questions about the Transaction	
What are the reasons to vote in favour of the Scheme?	The Directors have described in Section 2.1 the reasons why Coalspur Shareholders should vote in favour of the Scheme.
What are the reasons to vote against the Scheme?	The Directors have described in Section 2.2 the reasons why you may decide to vote against the Scheme.
What is the Independent Expert's conclusion?	The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Coalspur Shareholders, in the absence of a superior offer. The Independent Expert's Report is set out in Annexure 1.
If I wish to support the Scheme, what should I do?	If you are a Coalspur Shareholder and wish to support the Scheme you should vote your Coalspur Shares in favour of the Scheme Resolution at the Scheme Meeting either in person or by proxy. See Section 4 for directions on how to vote and important voting information generally.
What happens if I vote against the Scheme?	If, despite your Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Transaction, you may vote against the Scheme Resolution at the Scheme Meeting. If the Scheme is approved by the Requisite Majority of Coalspur Shareholders and by the Court, and all other conditions to the Transaction are satisfied or waived (where applicable), your Coalspur Shares will be transferred to KCE in consideration for you receiving the Scheme Consideration for your Coalspur Shares. This will occur even if you voted against the Scheme Resolution at the Scheme Meeting. If the Scheme is not approved by the Requisite Majority of Coalspur Shareholders or the Court, Coalspur will remain an independent company and you will remain a Coalspur Shareholder.
How will the Transaction be implemented?	If the Scheme becomes Effective, no further action is required on the part of the Scheme Participants in order to implement the Scheme. Under the Scheme, Coalspur is given authority to effect a valid transfer of all Coalspur Shares to KCE and to enter the name of KCE in the Register as holder of all Coalspur Shares. If the Scheme becomes Effective, each Scheme Participant will receive the Scheme Consideration for each Coalspur Share they hold as at the Record Date and Coalspur will become a wholly-owned subsidiary of KCE and will be delisted from ASX and TSX.
What happens if the Scheme is not approved?	If the Scheme is not approved by the Requisite Majority of Coalspur Shareholders or the Court, the Scheme will not be implemented. Further, if any of the conditions to the Transaction are not satisfied or waived (where applicable), including if the Scheme is not approved by the Requisite Majority of Coalspur Shareholders and by the Court, the Scheme Implementation Agreement may be terminated and the

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Questions about the Transaction	
	Transaction will not be implemented. The consequences of the Scheme not being implemented are described in Section 2.3.
Is a Superior Offer likely? What happens if a Superior Offer emerges?	As at the date of this Scheme Booklet, no Superior Offer for Coalspur has emerged. Despite having completed a comprehensive, global strategic review process it is possible that, if Coalspur were to continue as an independent company, a Superior Offer for Coalspur may materialise in the future. However Coalspur believes that the chance of this is remote as Coalspur has, as part of the strategic review process, reached out to more than 50 strategic and financial parties globally that would have an interest in investing in or acquiring Vista. Coalspur's exposure to the repayment risks relating to the EIG Facility and the Borrowdale Facility, due on the EIG Repayment Date and Borrowdale Repayment Date, respectively, are likely to adversely impact the likelihood of a Superior Offer emerging in advance of these dates. Until the Effective Date (if the Scheme is approved by the Requisite Majority of Coalspur Shareholders and the Court) or the Sunset Date (whichever occurs earlier), there is nothing preventing other parties from making unsolicited Competing Proposals for Coalspur. Any third party proposing to make a Competing Proposal should have regard to the EIG Debt Assignment and Borrowdale Debt Assignment when structuring a Competing Proposal. Further details regarding Competing Proposals and Superior Offers are set out in Sections 5.3 and 10.11.
What are the tax implications of the Transaction?	Your receipt of cash under the Scheme will typically be a taxable transaction. Section 9 provides a description of the general Australian and Canadian tax consequences of the Transaction. Your tax consequences will depend on your particular situation. You should consult your own tax adviser for a full understanding of the applicable tax consequences to you resulting from the Scheme. If you are unsure, you should seek professional tax advice as soon as possible.

Questions about your entitlements	
Who is entitled to participate in the Transaction?	Each person (other than KCE) who is a Coalspur Shareholder on the Record Date (expected to be 7.00pm (Sydney time) on 6 May 2015) will be entitled to participate in the Scheme. See Section 11.2 for details on KCE's holdings in Coalspur.
When will I be paid the Scheme Consideration?	If the Scheme is implemented, you will be sent your Scheme Consideration on or around the Implementation Date, and in any

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Questions about your entitlements	
	event within 5 Business Days of the Implementation Date, which is expected to be on 13 May 2015.
Will I have to pay brokerage fees on the disposal of my Coalspur Shares?	No brokerage fees or other costs are payable in connection with the payment of the Scheme Consideration.

Questions about voting	
Who can vote?	If you are an Australian Coalspur Shareholder or Canadian Registered Coalspur Shareholder at 5.00pm (WST) / 2.00am (PST) on 20 April 2015 you will be entitled to vote on the Scheme Resolution to be proposed at the Scheme Meeting. If you are a Canadian Non-Registered Coalspur Shareholder see Section 4.4(b) for voting instructions. For further details on how to vote, see Section 4.
When and where will the Scheme Meeting be held?	The Scheme Meeting to approve the Scheme is scheduled to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on 22 April 2015 commencing at 10.00am (WST). Further details of the Scheme Meeting, including how to vote, are contained in Section 4. The Notice of Scheme Meeting is contained in Annexure 5.
What vote is required to approve the Scheme?	The Scheme Resolution needs to be approved by the Requisite Majority of Coalspur Shareholders, which is: • unless the Court orders otherwise, a majority in number (more than 50%) of Coalspur Shareholders present and voting on the Scheme Resolution (in person or by proxy, corporate representative or attorney); and • at least 75% of the total number of votes cast on the Scheme Resolution.
Is voting compulsory?	No, voting is not compulsory. However, your vote is important. If you are an Australian Coalspur Shareholder and cannot attend the Scheme Meeting, scheduled to be held on 22 April 2015 at 10.00am (WST), you should complete and return the Proxy Form enclosed with this Scheme Booklet. If you are a Canadian Coalspur Shareholder, you should follow the voting instructions in Section 4.4 to ensure your vote is counted. For further details regarding voting and submitting Proxy Forms for the Scheme Meeting, see Section 4.
Why should I vote?	Your vote will be important in determining whether the Transaction will proceed. Your Directors have determined that the Scheme is in the best

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Questions about voting	
	interests of Coalspur Shareholders and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Offer.
What happens if I do not vote?	If you do not vote and the Scheme is approved by a Requisite Majority of Coalspur Shareholders and the Court, your Coalspur Shares on the Record Date will be transferred to KCE in consideration for you receiving the Scheme Consideration for your Coalspur Shares. If the Scheme is not approved, Coalspur will remain an independent company and you will remain a Coalspur Shareholder.
Can I attend the Court and oppose the Court approval of the Scheme?	If you wish to oppose approval by the Court of the Scheme at the Court hearing to be held on the Second Court Date, you may do so by filing with the Court, and serving on Coalspur, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Coalspur at least one Business Day (in Perth, Western Australia) before the Second Court Date.
What are my options?	You may: • vote in favour of the Scheme Resolution at the Scheme Meeting in person or by proxy; • vote against the Scheme Resolution at the Scheme Meeting in person or by proxy; • sell your Coalspur Shares in the market at any time before the close of trading on ASX or TSX on the Effective Date (depending on which exchange your particular shares trade on); or • do nothing and abstain from voting.
What if I cannot, or do not wish to, attend the Scheme Meeting?	If you cannot, or do not wish to, attend the Scheme Meeting, you may appoint a proxy, corporate representative or attorney to vote on your behalf. For further details regarding voting and submitting Proxy Forms for the Scheme Meeting, see Section 4. Canadian Non-Registered Coalspur Shareholders cannot attend and vote at the Scheme Meeting unless they have been appointed proxy holder in accordance with the instructions set forth in Section 4.4(b).
How do the Directors intend to vote in respect of their own Coalspur Shares?	Each Director will (in the absence of a Superior Offer, vote, or procure the voting of any Coalspur Shares held by or on their behalf at the time of the Scheme Meeting in favour of the Scheme Resolution. Your Directors collectively control the voting rights attaching to approximately 0.4% of the total number of Coalspur Shares on issue.
How does Borrowdale intend to vote in respect of their Coalspur Shares?	Coalspur's largest shareholder, Borrowdale, which holds 20.4% of Coalspur Shares, has confirmed to the Coalspur Board that it intends to vote the Coalspur Shares held by or on behalf of Borrowdale it in favour of the Scheme, in the absence of a Superior Offer. Borrowdale has also entered into the Standstill Agreement with KCE under which it has agreed not to dispose of some of its Coalspur

Questions about voting	
	Shares representing 19.9% of the total Coalspur Shares on issue during the period described in Section 7.5.
What does KCE's acquisition of the Borrowdale Facility mean?	KCE has agreed in-principle terms with Borrowdale to acquire all of Borrowdale's rights and interests under the Borrowdale Facility in consideration for the Borrowdale Royalty. The Independent Expert has concluded that the Borrowdale Royalty payable to Borrowdale does not give rise to a collateral benefit by KCE to induce Borrowdale to approve the Scheme, when compared to the amount owed by Coalspur under the Borrowdale Facility and the Borrowdale Repayment Date.

Questions about KCE	
Who is KCE?	KCE is a Cline affiliate put in place in 2014 to acquire, develop and operate coal mines in international (non-U.S.) markets. In December 2014, Kameron Collieries ULC, a subsidiary of KCE expanded into Canada by acquiring Glencore's 75% interest in the Donkin coal mine in Nova Scotia and by acquiring Morien Resources Corp.'s 25% shareholding in the Donkin mine. See Section 7 for further information on KCE.
Why does KCE wish to implement the Transaction?	The KCE Board believes that the Transaction has significant benefits for KCE. Coalspur's Vista advances KCE's strategy to service growing international markets through a low cost production platform.

General questions	
What other information is available to answer my questions about the Transaction?	You should read the detailed information in relation to the Transaction provided in this Scheme Booklet. Further information in relation to Coalspur can be obtained from ASX on its website www.asx.com.au, from Canadian Securities Authorities on www.sedar.com or on Coalspur's website http://www.coalspur.com. You may also contact Mr Simon Robertson (Company Secretary, Australia) on +61 8 6555 2945 any time between 8.00am and 5.00pm (WST) Monday to Friday or Ms Xenia Kritsos (Company Secretary, Canada) on +1 604 697 4474 any time between 8.00am and 5.00pm (PST) Monday to Friday to request copies of Coalspur's financial statements and MD&A. Financial information is provided in Coalspur's comparative annual financial statements and MD&A for its most recently completed financial year in this Scheme Booklet. You may also consult your legal, investment, taxation, financial or other professional adviser.

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4. Scheme Meeting and voting information

This Section contains information relating to voting entitlements and information on how to vote at the Scheme Meeting for Coalspur Shareholders.

4.1 Scheme Meeting

(a) **Time and location**

The Scheme Meeting to approve the Scheme is scheduled to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on 22 April 2015 at 10.00am (WST).

(b) **Requisite Majority**

At the Scheme Meeting, the Scheme Resolution will be proposed to the Scheme Meeting which must be approved by:

(i) unless the Court orders otherwise, a majority in number (more than 50%) of Coalspur Shareholders present and voting on the Scheme Resolution (in person or by proxy, corporate representative or attorney); and

(ii) at least 75% of the total number of votes which are cast on the Scheme Resolution,

for the Scheme to become Effective.

(c) **Notice of Scheme Meeting**

The Scheme Resolution is set out in the Notice of Scheme Meeting in Annexure 5.

4.2 Entitlement and ability to vote at the Scheme Meeting

If you are an Australian Coalspur Shareholder or Canadian Registered Coalspur Shareholder as at 5.00pm (WST) / 2.00am (PST) on 20 April 2015, you will be entitled to vote on the Scheme Resolution at the Scheme Meeting.

If you are a Canadian Non-Registered Coalspur Shareholder, see Section 4.4(b) for voting instructions.

Voting on the Scheme Resolution will be by poll.

4.3 Voting Process – Australian Coalspur Shareholders

(a) **Voting in person**

If you are an Australian Coalspur Shareholder and wish to vote in person, you should attend the Scheme Meeting.

(b) **Voting by proxy – Australian Coalspur Shareholders**

If you are an Australian Coalspur Shareholder, your personalised Proxy Form for the Scheme Meeting accompanies this Scheme Booklet.

If you are an Australian Coalspur Shareholder, you can appoint a proxy by completing and returning to Coalspur the enclosed Proxy Form for the Scheme Meeting. The Proxy Form must be received by Coalspur by no later 10.00am (WST) on 20 April 2015, or 48 hours before any adjourned or postponed Scheme Meeting.

You must return the Proxy Form to Coalspur by either:

(i) posting it in the envelope provided or faxing it to the Australian Registrar:

Mail to:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Fax to:

1800 783 447 (within Australia)
+61 3 9473 2555 (outside Australia)

(ii) posting it to Coalspur's registered office at Level 1, 28 Ord Street, Perth, Western Australia.

If an attorney signs a Proxy Form on your behalf, a certified copy of the power of attorney, under which the Proxy Form was signed, must be received by the Australian Registrar at the same time as the Proxy Form (unless you have already provided a certified copy of the power of attorney to Coalspur).

If you complete and return a Proxy Form, you may still attend the meeting in person, revoke the proxy and vote at the meeting. Proxy Forms may also be revoked by contacting the Australian Registrar or submitting a new Proxy Form prior to 10.00am (WST) on 20 April 2015 or 48 hours before any adjourned or postponed Scheme Meeting.

(c) **Undirected proxies**

An Australian Coalspur Shareholder who has submitted a proxy has the right to appoint the chairman of the Scheme Meeting, or another person (who need not be a Coalspur Shareholder) to represent him, her or it at the Scheme Meeting and vote on the Scheme Resolution, by inserting the name of his, her or its desired representative in the space provided for that purpose on the Proxy Form. An Australian Coalspur Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half the votes.

Any instrument of proxy in which the name of the appointee is not filled in will be deemed to have been given in favour of the chairman of the Scheme Meeting.

The chairman of the Scheme Meeting intends to vote all undirected proxies in favour of the Scheme Resolution.

(d) **Voting by corporate representative**

To vote in person at the Scheme Meeting, an Australian Coalspur Shareholder or proxy, which is a body corporate, may appoint an individual to act as its representative.

Unless otherwise specified in the appointment, a representative acting in accordance with his or her authority, until it is revoked by the body corporate Australian Coalspur Shareholder, is entitled to exercise the same powers on behalf of that body corporate as that body corporate could exercise at a meeting or in voting on a resolution.

A certificate with or without the seal of the body corporate Australian Coalspur Shareholder, signed by two directors of that body corporate, or signed by one director and one secretary, or any other document as the chairman of the Scheme Meeting in his sole discretion considers sufficient, will be evidence of the appointment, or of the revocation of the appointment, as the case may be, of a representative.

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(e) **Voting by attorney**

An Australian Coalspur Shareholder may appoint a person (whether a Coalspur Shareholder or not) as its attorney to attend and vote at the Scheme Meeting.

An instrument appointing an attorney must be in writing executed under the hand of the appointer or the appointer's attorney duly authorised in writing, or if the appointer is a corporation, under its common seal (if any) or the hand of its duly authorised attorney or executed in a manner permitted by the Corporations Act. The instrument may contain directions as to the manner in which the attorney is to vote on a particular resolution(s) and, subject to the Corporations Act, may otherwise be in any form as the Directors may prescribe or accept. A fax of a written power of attorney is valid provided it has been provided to Coalspur on the fax numbers in Section 4.3(b) by no later than 10.00am (WST) on 20 April 2015. Such fax will be deemed to have been served on Coalspur upon the receipt of a transmission report confirming successful transmission of that fax.

4.4 Voting Process – Canadian Coalspur Shareholders

Only Australian Coalspur Shareholders or Canadian Registered Coalspur Shareholders, or the persons they appoint as their proxies, are permitted to vote in person at the Scheme Meeting. Most Canadian Coalspur Shareholders are Canadian Non-Registered Coalspur Shareholders because the Coalspur Shares they own are not registered in their names but instead are registered in the name of the brokerage firm, bank or trust company through which they purchased their Coalspur Shares.

Pursuant to the provisions of NI 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* (**NI 54-101**), these securityholder materials are being sent to both Canadian Registered Coalspur Shareholders and Canadian Non-Registered Coalspur Shareholders.

In addition to reading this Section, Canadian Coalspur Shareholders should refer to Annexure 6, "Important Information for Canadian Shareholders".

(a) **Voting Process – Canadian Registered Coalspur Shareholders**

Canadian Registered Coalspur Shareholders registered on Coalspur's Canadian Register at 2.00am (PST) / 5.00pm (WST) on 20 April 2015 may vote in person at the Scheme Meeting or by proxy in accordance with the instructions set forth in this Section.

(i) *Voting in person*

If you are a Canadian Registered Coalspur Shareholder and wish to vote in person, you should attend the Scheme Meeting to be held in Perth, Australia.

(A) Voting by corporate representative

To vote in person at the Scheme Meeting, a Canadian Registered Coalspur Shareholder or proxy, which is a body corporate, may appoint an individual to act as its representative.

Unless otherwise specified in the appointment, a representative acting in accordance with his or her authority, until it is revoked by the body corporate Canadian Registered Coalspur Shareholder, is entitled to exercise the same powers on behalf of that body corporate as that body corporate could exercise at a meeting or in voting on a resolution.

A certificate with or without the seal of the body corporate Canadian Registered Coalspur Shareholder, signed by two directors of that body corporate, or signed by one director and one secretary, or any other document as the chairman of the Scheme

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Meeting in his sole discretion considers sufficient, will be evidence of the appointment, or of the revocation of the appointment, as the case may be, of a representative.

(B) Voting by attorney

A Canadian Registered Coalspur Shareholder may appoint a person (whether a Coalspur Shareholder or not) as its attorney to attend and vote at the Scheme Meeting.

An instrument appointing an attorney must be in writing executed under the hand of the appointer or the appointer's attorney duly authorised in writing, or if the appointer is a corporation, under its common seal (if any) or the hand of its duly authorised attorney or executed in a manner permitted by the Corporations Act. The instrument may contain directions as to the manner in which the attorney is to vote on a particular resolution(s) and subject to the Corporations Act, may otherwise be in any form as the Directors may prescribe or accept. A fax of a written power of attorney is valid provided it has been provided to Coalspur on the fax numbers in Section 4.3(b) by no later than 7.00pm (PST) on 19 April 2015 / 10.00am (WST) on 20 April 2015. Such fax will be deemed to have been served on Coalspur upon the receipt of a transmission report confirming successful transmission of that fax.

(ii) *Voting by proxy*

Enclosed with this Scheme Booklet is a Proxy Form for use at the Scheme Meeting. A Canadian Registered Coalspur Shareholder has the right to appoint any other person or company (who need not be a Coalspur Shareholder) to represent such Canadian Registered Coalspur Shareholder at the Scheme Meeting by inserting such person's full name in the blank space provided in the Proxy Form, or by completing another proper form of proxy. If you leave the space on the Proxy Form blank, the chairman of the Scheme Meeting, who is named on the Proxy Form, is appointed to act as your proxy holder.

A Canadian Registered Coalspur Shareholder appointing a proxy holder may indicate the manner in which the appointed proxy holder is to vote regarding any specific item by checking the space opposite the item on the Proxy Form. If the Canadian Registered Coalspur Shareholder giving the proxy wishes to confer a discretionary authority regarding any item of business, then the space opposite the item should be left blank. The Coalspur Shares represented by the proxy submitted by a Canadian Registered Coalspur Shareholder will be voted or withheld from voting in accordance with the instructions, if any, given in the Proxy Form and, if the Canadian Registered Coalspur Shareholder specifies a choice with respect to the Scheme Resolution, the securities will be voted accordingly.

A Canadian Registered Coalspur Shareholder wishing to vote by proxy should complete and sign the Proxy Form and return it in the envelope provided to the Canadian Registrar at:

Attention: Proxy Department
Computershare Investor Services Inc.
8th Floor
100 University Avenue
Toronto, Ontario M5J 2Y1

The deadline for delivering duly completed and executed Proxy Forms to the Canadian Registrar is 7.00pm (PST) on 19 April 2015 / 10.00am (WST) on 20 April 2015 or 48 hours before any adjourned or postponed Scheme Meeting.

A Canadian Registered Coalspur Shareholder who has returned a proxy has the power to revoke it in accordance with the provisions of the Corporations Act (Australia), which provide

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that every proxy may be revoked by written notice signed by the Canadian Registered Coalspur Shareholder or by the Canadian Registered Coalspur Shareholder's attorney authorised in writing and delivered to the registered office of Coalspur at any time prior to 7.00pm (PST) on 19 April 2015 / 10.00am (WST) on 20 April 2015. A revocation of a proxy does not affect any matter on which a vote has been taken before the revocation.

The persons named in the Proxy Form will vote the Coalspur Shares in respect of which they are appointed in accordance with the direction of the Canadian Registered Coalspur Shareholder appointing them. In the absence of such direction, the relevant proxy may vote or abstain from voting on the Scheme in their discretion. The Proxy Form confers discretionary authority on the persons named in the proxy with respect to amendments or variations to matters identified in the Notice of Scheme Meeting in Annexure 5 and with respect to other matters which may properly come before the Scheme Meeting. At the time of printing of this Scheme Booklet, management knows of no such amendments, variations or other matters to come before the Scheme Meeting. However, if any such amendments, variations or other matters which are not now known to management should properly come before the Scheme Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

If you have not indicated on the Proxy Form how you wish to vote on the Scheme Resolution, and the chairman of the Scheme Meeting has been appointed as your proxy holder, your Coalspur Shares will be voted in favour of the Scheme Resolution.

(b) **Canadian Non-Registered Coalspur Shareholders**

Coalspur Shares owned by a Canadian Non-Registered Coalspur Shareholder are registered either:

(i) in the name of an intermediary (**Intermediary**) that the Canadian Non-Registered Coalspur Shareholder deals with in respect of the Coalspur Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or

(ii) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant.

Canadian Non-Registered Coalspur Shareholders are not entitled to attend or vote at the Scheme Meeting except in accordance with this Section 4.4(b). Canadian Non-Registered Coalspur Shareholders who wish to vote their Coalspur Shares at the Scheme Meeting should carefully follow the instructions set out in this Section.

In accordance with applicable securities law requirements, Coalspur has distributed copies of this Scheme Booklet and related materials to the clearing agencies and Intermediaries for distribution to Canadian Non-Registered Coalspur Shareholders. Intermediaries will be responsible for sending these materials to Canadian Non-Registered Coalspur Shareholders.

Each Intermediary has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Canadian Non-Registered Coalspur Shareholders in order to ensure that their Coalspur Shares are voted at the Scheme Meeting. The form of proxy or voting instruction form supplied to a Canadian Non-Registered Coalspur Shareholder by an Intermediary is similar to the Proxy Form provided to Canadian Registered Coalspur Shareholders. However, its purpose is limited to instructing the applicable Intermediary how to vote on behalf of the Canadian Non-Registered Coalspur Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically mails a scannable voting instruction form instead of the form of proxy. The Canadian Non-Registered Coalspur Shareholder is asked to complete the voting instruction form and return it to Broadridge by mail or facsimile. Broadridge then tabulates the results of all instructions received and provides appropriate

instructions in respect of the voting of Coalspur Shares to be represented at the applicable meeting. **A Canadian Non-Registered Coalspur Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Coalspur Shares at the Scheme Meeting. The voting instruction form must be returned as directed by Broadridge well in advance of the Scheme Meeting in order to have the Coalspur Shares voted.**

Intermediaries may also provide Canadian Non-Registered Coalspur Shareholders with a Proxy Form which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Coalspur Shares beneficially owned by the Canadian Non-Registered Coalspur Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the Proxy Form, this Proxy Form is not required to be signed by the Canadian Non-Registered Coalspur Shareholder when submitting the proxy. In this case, the Canadian Non-Registered Coalspur Shareholder who wishes to submit a proxy should carefully follow the instructions of their Intermediary, including those regarding when and where the completed proxy or voting instruction form is to be delivered.

In either case, the purpose of these procedures is to enable Canadian Non-Registered Coalspur Shareholders to direct the voting of the Coalspur Shares that they beneficially own.

If a Canadian Non-Registered Coalspur Shareholder who receives one of the forms described above wishes to vote at the Scheme Meeting (or have another person attend and vote on behalf of the Canadian Non-Registered Coalspur Shareholder), the Canadian Non-Registered Coalspur Shareholder should strike out the names of the persons listed in the Proxy Form or the voting instruction form, as applicable, and insert the Canadian Non-Registered Coalspur Shareholder or such other person's name in the blank space provided.

If you are a Canadian Non-Registered Coalspur Shareholder, your Intermediary must receive your voting instructions in sufficient time to act on them. If you provide voting instructions but subsequently wish to change them, you can revoke your prior voting instructions by providing new instructions on a voting instruction form or Proxy Form with a later date than your previous instructions, provided that your Intermediary receives your new voting instructions with sufficient time to act on them. To be effective, the Canadian Registrar must receive proxy voting instructions from your Intermediary by no later than 7.00pm (PST) on 19 April 2015 / 10.00am (WST) on 20 April 2015 or 48 hours before any adjourned or postponed Scheme Meeting. **Canadian Non-Registered Coalspur Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.**

4.5 Notice Record Date and Voting Record Date

The Coalspur Board have determined that:

(i) 5.00pm (WST) / 2.00am (PST) on20 March 2015, as the Notice Record Date, which is the date for determining those Canadian Coalspur Shareholders that will be provided with the Scheme Booklet and voting instruction forms; and

(ii) 5.00pm (WST) / 2.00am (PST) on 20 April 2015, as the Voting Record Date, which is the date for determining those Australian Coalspur Shareholders and Canadian Registered Coalspur Shareholders on the Register entitled to vote at the Scheme Meeting.

Any person who becomes a Coalspur Shareholder on the Canadian Register by acquiring Coalspur Shares between the Notice Record Date and the Voting Record Date and wishes to vote at the Scheme Meeting by proxy should contact the Canadian Registrar and Australian Registrar for further information on how to do so. Any person who becomes a Canadian Non-Registered Coalspur Shareholder between the Notice Record Date and Voting Record date and wishes to vote at the Scheme Meeting should contact their Intermediary.

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5. Key considerations

The purpose of this Section 5 is to identify significant issues for you to consider in relation to the Scheme.

Before deciding how to vote at the Scheme Meeting, you should carefully consider the factors discussed below and the risk factors, outlined in Section 8, as well as the other information contained in this Scheme Booklet.

5.1 Background

Under the Transaction, KCE will acquire all of the Coalspur Shares through a scheme of arrangement under Australian law.

The Scheme is subject to, among other things, approval by the Requisite Majority of Coalspur Shareholders at the Scheme Meeting, approval by the Court pursuant to section 411(4)(b) of the Corporations Act on the Second Court Date and the satisfaction or waiver (where applicable) of certain conditions.

If the Scheme becomes Effective, Coalspur will become a wholly-owned Subsidiary of KCE and will be delisted from ASX and TSX. Coalspur is expected to be delisted from ASX and TSX shortly after the Implementation Date. All Coalspur Shares will be transferred to KCE and Scheme Participants will be paid the Scheme Consideration for the transfer of the Coalspur Shares held by them on the Record Date.

5.2 What you will receive under the Scheme

If the Scheme is implemented, Scheme Participants will be sent A$0.023 cash per Coalspur Share from KCE as consideration for the transfer of their Coalspur Shares on or around the Implementation Date, and in any event within 5 Business Days of the Implementation Date. Canadian Coalspur Shareholders will receive their Scheme Consideration converted into Canadian dollars based on the relevant noon exchange rate quoted by the Bank of Canada on the Implementation Date.

KCE and Cline have executed the Deed Poll pursuant to which KCE has agreed (and Cline undertakes to unconditionally and irrevocably guarantee the obligations of KCE), subject to the Scheme becoming Effective, to pay (or procure the payment of) the aggregate Scheme Consideration to Coalspur. Under the Scheme, Coalspur must then send the Scheme Consideration to the Scheme Participants. A copy of the Deed Poll is attached as Annexure 4.

Details on the Australian and Canadian tax considerations in relation to the Scheme Consideration can be found in Section 9.

5.3 Competing Proposals

During the Exclusivity Period, the Scheme Implementation Agreement prohibits Coalspur and certain of their representatives from taking certain actions in relation to Competing Proposals. For further details, please refer to Section 10.11.

If the Directors receive a Competing Proposal from a third party that the Coalspur Board determines is a Superior Offer, Coalspur must give notice of the Superior Offer to KCE. KCE has the right, but not the obligation, within 5 Business Days of receipt of that notice to offer to amend the terms of the Scheme, make a takeover bid for Coalspur or propose any other form of transaction.

Any third party proposing to make a Competing Proposal should have regard to the EIG Debt Assignment and Borrowdale Debt Assignment when structuring a Competing Proposal. See Sections 6.5(c) and 8.2(a)(i) for further details on the EIG Debt Assignment and Sections 6.6(c) and 8.2(a)(ii) for further details on the Borrowdale Debt Assignment.

Your Directors will carefully consider any Competing Proposal received from a third party (provided it does not breach the terms of the Scheme Implementation Agreement) and inform you of any material developments. Presently your Directors are not aware of any such proposals.

Further details on Competing Proposals are provided in Section 10.11 and in the Scheme Implementation Agreement, a copy of which is attached as Annexure 2.

5.4 Directors' recommendation

Your Directors believe that the Scheme is in the best interests of Coalspur Shareholders, and they unanimously recommend that Coalspur Shareholders vote in favour of the Scheme, in the absence of a Superior Offer.

Your Directors have formed their conclusion and made their recommendation on the Scheme based on the reasons outlined in Section 2.1.

Each of the Directors (set out in Section 6.3) will vote or procure the voting of, any Coalspur Share (as applicable) held by or on behalf of a Director at the time of the Scheme Meeting, in favour of the Scheme Resolution at the Scheme Meeting, in the absence of a Superior Offer.

The reasons Coalspur Shareholders might elect to vote against the Scheme and other relevant considerations are set out in Sections 2.2 and 2.3 respectively.

5.5 Independent Expert's Report

The Independent Expert, BDO, has reviewed the terms of the Scheme and concluded that the Scheme is fair and reasonable, and in the best interests of Coalspur Shareholders, in the absence of a superior offer.

The Independent Expert has assessed the fair value of Coalspur Shares to be in the range of nil to A$0.032 per Coalspur Share, with a preferred value of A$0.006. This reflects the estimated full underlying value of Coalspur, including a premium for control. As the Scheme Consideration is A$0.023 cash per Share, the Independent Expert has concluded that the Scheme is fair and reasonable, and in the best interests of Coalspur Shareholders, in the absence of a superior offer.

The Independent Expert has considered a number of factors in assessing the Scheme, including:

(i) how the value of a Share compares to the Scheme Consideration for each Share;

(ii) the likelihood of a superior offer being available to Coalspur;

(iii) other factors which the Independent Expert considers relevant to Coalspur Shareholders in their assessment of the Scheme; and

(iv) the position of Coalspur Shareholders should the Scheme not proceed.

The Independent Expert also considered the Borrowdale Royalty compared to the amount owed by Coalspur under the Borrowdale Facility and the Borrowdale Repayment Date. The Independent Expert has concluded that Borrowdale Royalty, payable to Borrowdale as part of the Borrowdale Debt Assignment, does not give rise to a collateral benefit by KCE to induce Borrowdale to approve the Scheme.

Report is set out in Annexure 1 and should be read in its entirety, including the assumptions on which the conclusions are based.

5.6 What are your options and what should you do?

You have the following four options in relation to your Coalspur Shares. Coalspur encourages you to consider your personal risk profile, portfolio strategy, tax position and financial circumstances and seek professional advice before making any decision in relation to your Coalspur Shares.

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(a) **Vote in favour of the Scheme Resolution at the Scheme Meeting**

Your Directors unanimously recommend that you vote in favour of the Scheme Resolution at the Scheme Meeting, in the absence of a Superior Offer. The reasons for your Directors' unanimous recommendation are set out in Section 2.1.

To vote in favour of the Scheme, you need to vote in favour of the Scheme Resolution at the Scheme Meeting. For directions on how to vote at the Scheme Meeting, and important voting information generally, please refer to Section 4.

(b) **Vote against the Scheme Resolution at the Scheme Meeting**

If, despite your Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Transaction, you may vote against the Scheme Resolution at the Scheme Meeting.

However, you should note that if the Scheme becomes Effective (as a result of Coalspur Shareholders passing the Scheme Resolution by the Requisite Majority and the Scheme being approved by the Court, amongst other things), the Scheme will bind all Coalspur Shareholders, including those who vote against the Scheme Resolution at the Scheme Meeting or those who do not vote at all.

(c) **Sell your Coalspur Shares on ASX or TSX**

The Transaction does not preclude you from selling your Coalspur Shares on market for cash, if you wish, provided you do so before close of trading in Coalspur Shares on ASX or TSX (depending on which exchange your particular shares trade on) on the Effective Date (currently expected to be 29 April 2015).

Since the Announcement Date, Coalspur Shares have traded on ASX and TSX at prices above the closing share prices on 24 February 2015 (being the last ASX and TSX trading day for Coalspur Shares prior to the announcement of the Transaction).

If you are considering selling your Coalspur Shares on ASX or TSX you should have regard to the prevailing trading prices of Coalspur Shares at that time.

If you sell your Coalspur Shares on market for cash, you:

(i) will not be entitled to receive the Scheme Consideration;

(ii) may incur a brokerage charge;

(iii) may experience tax consequences, including incurring Australian CGT or Canadian income tax (as the case may be); and

(iv) will not be able to participate in a Superior Offer, if one emerges, noting that, as at the date of this Scheme Booklet, your Directors have not received notice from any third party of an intention to make any Competing Proposal.

(d) **Do nothing**

If, despite your Directors' unanimous recommendation and the conclusion of the Independent Expert, you decide to do nothing, you should note that if the Scheme becomes Effective (as a result of Coalspur Shareholders passing the Scheme Resolution by the Requisite Majority and the Scheme being approved by the Court, amongst other things), Scheme will bind all Coalspur Shareholders, including those who vote against the Scheme Resolution at the Scheme Meeting or those who do not vote at all.

Remember, if you want to receive the Scheme Consideration, your vote is important. If the Scheme is not approved by the Requisite Majority of Coalspur Shareholders, you will not be entitled to receive any Scheme Consideration.

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6. Information about Coalspur

6.1 Overview of Coalspur

Coalspur is a coal exploration and development company with 1.7 billion tonnes of Measured and Indicated Coal Resources (Measured 903.1 million tonnes, Indicated 796.8 million tonnes) with the principal objective of becoming a coal producer in the short to medium term. Vista is Coalspur's flagship project, and is one of the largest undeveloped export thermal coal projects in North America with Measured and Indicated Coal Resources of over one billion tonnes and marketable reserves of 304 million tonnes (**Mt**). Vista covers approximately 10,000 hectares, providing a large scale, surface mineable, thermal coal project containing a strike length of over 20km of continuous gently dipping coal seams. In addition, Coalspur holds coal leases directly to the north of Vista, comprising Vista Extension, and to the south of Vista, comprising Vista South, which Coalspur believes have the potential to host a significant coal resource, and leverage off planned Vista infrastructure.

Coalspur's plans envisage the development of an open cut mine and coal process facility at Vista in two phases. The development capital for Vista Phase 1 is anticipated to be approximately C$478 million.

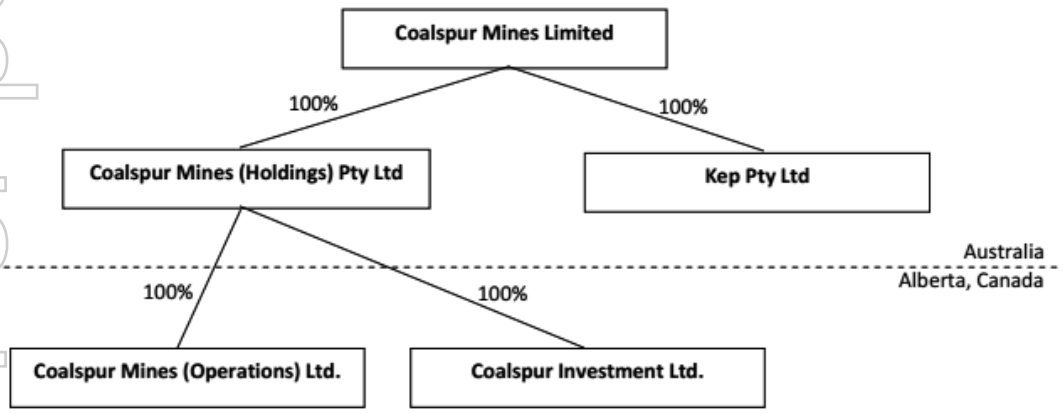
Vista Phase 1 is fully permitted from a regulatory perspective. The Alberta Energy Regulator (**AER**) issued a decision approving Vista Phase 1 in February 2014, and subsequently issued a number of supplemental approvals and licenses, culminating in the issuance of a mineral surface lease on 10 October 2014. The estimated timeline for Vista Phase 1 is dependent on achieving a number of steps, including full construction financing and Board approval to proceed with construction and mine development.

Coalspur is listed on ASX and TSX and maintains a senior, secured debt facility with EIG and a subordinated secured debt facility with Borrowdale. Coalspur is a 'disclosing entity' for the purposes of the Corporations Act and a 'reporting issuer' for the purposes of Canadian securities laws and is therefore subject to regular reporting obligations under the Corporations Act, Canadian securities laws, the Listing Rules and the TSX Rules. See Section 6.10 for further information.

In addition to the information about Coalspur contained in this section, the Independent Expert's Report in Annexure 1 contains further detailed information on Coalspur.

6.2 Organisational Structure

The following chart illustrates the entities comprising the Coalspur Group as at the date of this Scheme Booklet.



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6.3 Directors and Key Management Personnel

The current Directors and other key management personnel (**KMP**) of Coalspur are as follows:

(a) **Directors**

Mark Rodda - Non-Executive Chairman

Mr Mark Rodda is a lawyer with private practice, in-house legal and corporate consultancy experience. 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. He also serves on the Board of Antipa Minerals as a non-executive director. He holds a BA and LLB.

Mr Rodda was appointed a Director of Coalspur on 13 October 2011 and the Non-Executive Chairman of the Coalspur Board on 15 July 2014. Mr Rodda is also the Chairman of the Audit Committee and the Special Committee, and is a member of the Remuneration and Nominations Committee.

Gill Winckler - President and Chief Executive Officer, Director

Ms Gill Winckler joined Coalspur from BHP Billiton, where she worked for 15 years in a number of senior executive roles. Ms Winckler was Chief Development Officer of the Energy Coal Division where she was responsible for BHP Billiton's thermal coal business development activities and project growth pipeline around the world. Ms Winckler was Vice President of Strategy and Development for BHP Billiton's Diamonds and Speciality Products division based in Canada. In this role she was instrumental in advancing the company's potash growth program in Canada.

Ms Winckler is a Chartered Accountant and holds a B Comm (Hons) and a B.Sc.

Denis Turcotte - Non-Executive Director

Mr Denis Turcotte is a Professional Engineer with over 25 years' experience and was previously the President and CEO of Algoma Steel Inc. an integrated steel producer based in Sault Ste. Marie, Ontario. Mr Turcotte is currently President and CEO of a private business consulting and investing firm. He is also a director of Domtar Corp. and a member of the Advisory Board of the Brookfield Special Situations Funds.

Mr Turcotte was appointed as an independent non-executive Director of Coalspur on 22 December 2010. Mr Turcotte is the Chairman of the Remuneration and Nominations Committee and a member of the Audit Committee and Special Committee.

David Murray - Non-Executive Director

Mr David Murray has over 30 years of international experience in the coal industry and 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 holds a B.Sc in Civil Engineering and a Post Graduate Diploma in Mining Engineering.

Mr Murray was appointed a Director of Coalspur on 13 October 2011. Mr Murray is a member of the Audit Committee, Special Committee and the Remuneration and Nominations Committee.

(b) **Other KMP**

Colin Gilligan - Chief Operating Officer

Mr Colin Gilligan holds the position of Chief Operating Officer where he has overall responsibility for the development and commissioning of Vista.

Mr Gilligan has 24 years of mining and project development experience at senior levels and previously worked in South Africa and Australia. He studied Mining Engineering and Mineral Economics and attended the AMP at Harvard Business School. Prior to joining Coalspur, he served, among other roles, as the Chief Operating Officer of Mitsui Coal Pty Ltd for three years and as Executive Manager, Resources Development for Thiess Pty Ltd for five years.

Robert (Rob) Gough – Chief Financial Officer (Resignation effective 31 March 2015)

As Chief Financial Officer, Mr Rob Gough is responsible for financial management and control of the company. Before joining Coalspur, he was Vice President Finance (CFO) for BHP Billiton's Energy Coal Division based in Sydney, Australia. Mr Gough held a number of other senior executive roles with BHP Billiton during a total of 16 years with the company, including VP Finance (CFO) in the Minerals Exploration division and VP Business Development in both the Energy Coal and Diamonds and Specialty Products divisions. Mr Gough has a Bachelor of Commerce, Masters of Business Administration (University of Melbourne, Australia) and has been a Certified Practicing Accountant since 1994.

Xenia Kritsos – Vice President and General Counsel

Ms Xenia Kritsos holds the position of Vice President, General Counsel and Joint Company Secretary where she is responsible for Coalspur's legal and corporate governance affairs.

Ms Kritsos has more than 15 years of experience as a lawyer, both in-house and in private practice in Canada and overseas. Prior to joining Coalspur, Ms Kritsos was Senior Legal Counsel and Corporate Secretary for Hunter Dickinson Inc. and certain of its group companies and, before that, Ms Kritsos practiced as a lawyer in the Vancouver office of McCarthy Tétrault LLP.

Ms Kritsos holds a Bachelor of Civil Laws (BCL) from the University of Oxford, as well as a Bachelor of Laws (LLB) and 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.

6.4 Vista Project

The information in this Section 6.4 is 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 (**Vista Technical Report**). The Vista Technical Report was prepared by Grant van Heerden, Murray Lytle and Paul Franklin of Snowden Mining Industry Consultants Inc. (**Snowden**), each an independent qualified person as defined in NI 43-101 and a competent person under JORC Code 2004. For a complete description of assumptions, qualifications and procedures associated with this information, reference should be made to the full text of the Vista Technical Report, which is available for review on SEDAR at www.sedar.com and on the ASX website at www.asx.com.au.

(a) **Project Description and Location**

The Coalspur Projects are situated immediately east of Hinton in Alberta, Canada. The Coalspur Projects are comprised of two separate coal deposits divided into three individual project areas. Two projects are contiguous, these being the main Vista project and Vista Extension. One project, Vista

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South, while connected geographically, occurs in a separate sub-basin to the south of Vista. All three projects are targeting thermal coal.

Throughout this Scheme Booklet the term "Vista" will refer only to the main Vista project which has been the subject of a feasibility study and is the only area of the Coalspur Projects for which Mineral Reserves have been estimated and declared. The other two projects, Vista South and Vista Extension, have only had Mineral Resources estimated and declared.

Vista is targeting a gently dipping series of sub-cropping coal measures along a strike length of approximately 20 km at low strip ratio. Coalspur acquired Vista in several stages through the acquisition of various contiguous leases: Hinton West and Hinton East from Consolidated Tanager Limited in early 2009; Z Block and the McLeod River North blocks from Mancal Coal Inc. in June 2010.

The coal bearing strata within Vista areas form part of the upper Saunders Group from the Coalspur Formation. There are four principal seams of economic interest: the Val d'Or; the McLeod; the McPherson, and the Silkstone seams. Several minor seams are also known to occur but these are limited in extent and do not contribute materially to the overall Coal Resource estimates.

The coal is a moderate rank high volatile bituminous coal (High Volatile Bituminous C – ASTM Classification) suited to steam raising. Two products are contemplated: a premium product targeting a calorific value of 5,800 kcal/kg on a gross as received (**GAR**) basis; and a secondary product targeting 5,550 kcal/kg GAR.

The Coalspur Projects are located east of Hinton in Alberta, Canada, approximately 280 km west of Edmonton. Vista (and Vista Extension) is directly accessible from Hinton via the McPherson Creek logging road (owned and maintained by West Fraser Timber Co. Limited), while Vista South is accessible via the Yellowhead Highway (highway 16) and the Robb logging road (owned and maintained by West Fraser Timber Co. Limited).

The Coalspur Projects have been explored and drilled sporadically by four companies since the early 1970's. More than 390 core and rotary holes have been drilled for a total length of over 35,000 m.

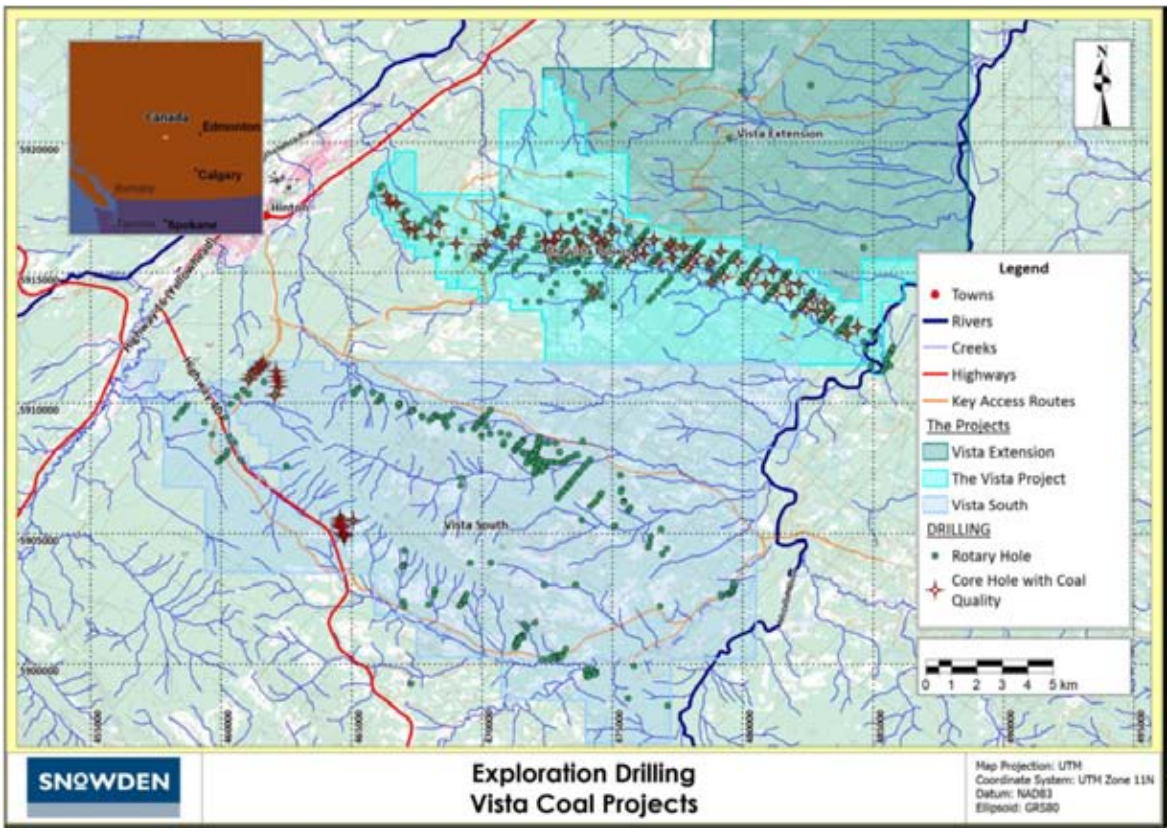
The most recent exploration drilling was undertaken by Coalspur and was completed in 2012. The drilling successfully verified previous exploration drilling results and provided more detailed information from in-fill drilling.

Currently there is no exploration underway at any of the Coalspur Projects.

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Drill Hole Locations in Coalspur Projects



(b) **Geology and Exploration**

(i) Vista

Coal associated with Vista occurs along the eastern margin of the Rocky Mountain Foothills Disturbed Belt. The most prominent structural feature is the Pedley Fault which trends northwest-southeast along the south western boundary of the Vista lease and separates the faulted, steeply dipping strata in the west from the gently dipping, monoclinal strata that underlie Vista.

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

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

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

Investigations indicate that near-surface groundwater flow follows ground surface topography in a south to south easterly direction towards McPherson Creek. The water table is generally about 5 m below surface except at elevated areas in the northwest and in the southeast areas

of the McLeod River Block where the groundwater table is interpreted much deeper at about 12 m to 17 m below the surface.

(ii) Vista Extension

Vista Extension is contiguous with Vista and it represents the down-dip continuation of the geology as described above. Within Vista Extension, the primary seams of potential economic interest are the Val d'Or and McPherson seams.

(iii) Vista South

The rocks underlying Vista South form part of a thick sequence of continental sediments from the Saunders Group that overlies the marine Wapiabi Formation of the Alberta Group. The Upper Cretaceous-Tertiary Saunders Group is over 3,600 m thick and is divisible into the Brazeau, Coalspur and Paskapoo Formations. Although all three units include carbonaceous partings and thin coal seams, major coal deposits are restricted to the Coalspur and Paskapoo Formations.

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

Six persistent and correlatable coal zones have been identified in the Hinton region. In descending order they are identified as the Val d'Or, Arbour, McLeod, McPherson, Silkstone and Mynheer zones. These zones are typically multi ply coal seams interbedded mudstone/bentonite partings and can range in thickness from 1 m to up to 3.5 m. The most significant zones present on Vista South are the Val d'Or, McLeod, McPherson and Silkstone zones.

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

- The Southwest Limb: trending northwest/southeast at steep dip angles ranging from 45° to 65° northeast.
- The Nose Area: extending across the syncline structure from the southwest limb to the northeast limb. A relatively flat bottom syncline structure plunging gently between 8° and 10° southeast.
- The Northeast Limb: extending from the Nose to the Gregg River and truncated to the northeast by the major Pedley reverse thrust fault which separates the Entrance Syncline from the adjacent Prairie Creek Anticline. The dip angle on this limb increases from 20° near the Nose to 35° and finally near vertical where it is directly over thrust by the Pedley Fault. South-eastward from this point, the structure is uncertain. Extreme deformation and structural repeats of the coal seams have been observed in drilling near the Pedley Fault over thrust on the Ski Hill Road which was intensely drilled by Denison in 1981.

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

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(c) **Coal Resource Estimates**[1]

Coal Resources have been estimated from geological models constructed using the exploration drill hole data. Several iterations of the models using various software systems and methodologies have been undertaken recently.

(i) Vista

As part of the Vista Feasibility Study, Snowden reported in its Technical Report, dated 26 January 2012, Coal Resources for Vista. These estimates were updated by Golder later in 2012 and are presented below.

Coal Resource Estimates for Vista

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

(ii) Vista and Vista Extension

As a part of updating the Snowden (2012) Technical Report, Golder incorporated estimates for Vista Extension in the estimate presented in their Technical Report dated 12 September 2012. The estimates for each (Vista and Vista Extension) were not presented separately as the two areas are contiguous. The table below shows the combined estimates prepared by Golder (2012).

Coal Resource Estimates for Vista and Vista Extension:

Description	Measured (Mt)	Indicated (Mt)	Measured & Indicated (Mt)	Inferred (Mt)
In Situ Coal Resources	692.5	537.1	1,229.6	1,430.2

Coal Resource Estimates for Vista Extension:

Description	Measured (Mt)	Indicated (Mt)	Measured & Indicated (Mt)	Inferred (Mt)
In Situ Coal Resources	6.5	167.2	173.7	969.3

(iii) Vista South

Moose Mountain Technical Services, in 2012, prepared a Technical Report, dated June 25, 2012 (available on www.sedar.com) in respect of Vista South. Estimates presented in that report are summarised in the table below.

[1] Coal Resources are inclusive of Coal Reserves

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Coal Resource Estimates for Vista South:

Description	Measured (Mt)	Indicated (Mt)	Measured & Indicated (Mt)	Inferred (Mt)
In Situ Coal Resources	210.6	259.7	470.3	604.6

(d) **Coal Reserve Estimates**

This section is pertinent to Vista only.

The Coal Reserve estimates for Vista are based on the Coal Resources of Vista after waste dilution and coal recovery criteria are applied at every coal : waste interface. The reserves are then those Coal Resources which have been conditioned and are contained within a pit outline and production forecast which is demonstrated to yield both a technically and economically feasible design. The Coal Reserves are shown below.

See the Vista Technical Report for information as to the basis of the estimates and the modifying factors involved.

Coal Reserves for Vista:

Seam	Coal Reserves (Mt)			Marketable Reserves (Mt)
	Proven	Probable	Total	Total
Val d'Or	204.1	13.0	217.1	119.1
McLeod	63.4	13.9	77.3	41.0
McPherson	131.7	23.2	154.9	101.2
West Extension[1]	*31.5*	*4.0*	*35.5*	*21.5*
East Extension[1]	*34.0*	*2.6*	*36.6*	*21.0*
Total	464.7	56.7	521.4	303.8

Note 1: The West and East extensions were included in earlier feasibility studies but were omitted from the study relating to the Vista Technical Report due to logistics related to the current planning exercise. They are correctly included in the Mineral Reserves.

(e) **Development**

The previously reported Feasibility Study Mine Design (Golder, 2012) has recently been amended and updated by Thiess Pty Ltd. (Thiess, 2014). This updated mine plan and sequence is based on a hybrid strip/terrace approach that minimises strip ratio and haulage cost in the early years, while maintaining the required coal quality and production volumes, and providing for an orderly transition for mining the remaining coal in the ultimate pit shell.

The mining study and mine design work applies to the Vista mine area only and has no application to either the Vista South or the Vista Extension resource areas.

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In this current report, contract mining is used instead of an owner's fleet and terrace mining using truck/shovel has replaced dragline strip mining. Vista has received certain project approvals for the Phase 1 development and further approvals are in process. Thereafter approvals for the Phase 2 development will be sought.

The mining methods and associated cost estimates were developed by Thiess which is under consideration by Coalspur to provide contract mining services. The Thiess study incorporated only Vista Phase 1 area (Vista 1) and Snowden expanded the planning to incorporate the Vista Phase 2 area (Vista 2).

Snowden has reviewed the Thiess mine plan and cost estimates to ensure that the plan is feasible and that the costs are reasonable for this type of mining in this part of the world.

Mining is proposed to be done by contractors using ultra class sized mobile equipment. The study work provided by Thiess Mining provides the basis of the envisioned mining methods and equipment. Snowden concurs that these methods are appropriate and have been adequately thought through and detailed with back up sufficient to warrant contractor performance and confidence in delivery.

The mine plan for both Phase 1 and Phase 2 is driven by the following criteria:

- The mine is designed to annually produce sufficient ROM coal to maximise the utilisation of the coal processing plant, initially at approximately 11 Mtpa (Phase 1) and subsequently up to 20 Mtpa (Phase 1 and Phase 2)

- In terms of scheduling and sequencing, the key target is initially to mine sufficient Val d'Or Seam coal in order to consistently produce 2 Mtpa of coal with a heating value of 5,800 kcal/kg (CV5800). Note that approximately 65% of the Val d'Or Seam is of sufficient quality to produce a CV5800 product at a yield of approximately 58.4%. The remaining coal processing plant capacity is applied to the remaining ROM to produce the CV5550 product.

- To minimise life of mine (**LOM**) haulage costs and provide realistic LOM dump balances and landforms by logical and efficient development of the hybrid strip/terrace mine plan being utilised to generate lower strip ratios and haulage costs during the first five years.

- The pit progression, and the LOM schedule uncovers the Val d'Or seam at a constant rate in order to meet coal production requirements, while the development of the up-dip and the down-dip McLeod and McPherson seam areas are sequenced to balance the provision of adequate in-pit dump space and overall minimisation of haulage.

An exhaustive and detailed scheduling and haulage simulation is used to achieve this outcome and is seen as both necessary and practical through Snowden's review.

(f) **Permitting**

Vista has a regulatory history extending back over 30 years. The eastern portion of Vista in an area that was originally part of the McLeod River Coal Project, received approval from the Government of Alberta in 1983, following the completion of an extensive regulatory process that included an environmental assessment, technical applications to the Energy Resources Conservation Board (**ERCB**), and a public hearing held by the ERCB. The Provincial approval included a Coal Processing Plant Approval and a Mine Permit to produce 4.2 Mtpa saleable export thermal coal. The Coal Processing Plant Approval and the western half of the Mine Permit were transferred to Coalspur by the Alberta Government in May 2011, as Approval C2011-3 and Permit C2011- 5.

In May 2012, Coalspur applied to the ERCB and the Alberta Environment and Sustainable Resource Development for: the amendment of the Mine Permit and Coal Processing Plant Approval and the

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grant of coal mine pit and waste dump licences under the Alberta Coal Conservation Act; approval for the construction, operation and reclamation of the Project under the Alberta Environmental Protection Act; and approval for construction of water management works and licences for diversion of surface water and groundwater under the Alberta Water Act.

In June 2013, Coalspur's applications under the Alberta Coal Conservation Act were transferred to the ERCB's successor, the AER. In February 2014, the Alberta Energy Regulator (AER) granted approval for a 5.2 million tonnes per annum (Mtpa) facility at Vista under decision 2014 ABAER 004. In accordance with this approval, in May 2014 the AER issued amended Coal Mine Permit No. C2011-5A, amended Coal Processing Plant Approval No. C2011-3A, Coal Mine Licence No. C2014-5 to operate a surface mine pit, and Coal Mine Licence No's. C2014-4, C2014-6 and C2014-7 for waste rock dumps. In August 2014, the AER granted approvals and licences to Coalspur under the Environmental Protection and Enhancement Act (Alberta) and Water Act (Alberta). In October 2014, the AER issued a mineral surface lease to Coalspur under the Public Lands Act (Alberta). The mineral surface lease is the final approval required from the AER in order to commence construction of Vista. A development permit will be sought by Coalspur from Yellowhead County prior to commencing construction.

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

Vista is planned to be developed as two sequential phases – Phase 1 and Phase 2. Phase 1 will use Coalspur's existing Mine Permit (C2011-5A) and Coal Processing Plant Approval (C2011-3A) as a regulatory base to obtain the approvals described above for the construction, operation and reclamation of a 5.0 Mtpa operation. Vista Phase 1 designs and plans do not require any Federal permits or approvals that would necessitate initiating the environmental assessment process defined by the Canadian Environmental Assessment Act.

Phase 2 will involve expanding the Mine Permit and increasing the mining rate, adding a second module to the coal processing plant and expanding ancillary facilities as necessary. It is anticipated that Phase 2 will require applications to the AER to amend Mine Permit C2011-5A to include the remaining Vista coal leases to the west of the existing Mine Permit; amend the Coal Processing Plant Approval C2011-3Ato include the additional processing module to increase coal processing capacity up to 11.2 Mtpa; and grant the necessary coal mine pit and waste dump licences for a second mining area in the expanded Mine Permit. Phase 2 of the Project will also require a new environmental assessment and applications to amend the Alberta Environmental Protection Act and Alberta Water Act approvals and permits issued for Phase 1 of Vista.

Coalspur and its consultants will identify specific Project aspects where Federal agencies have regulatory authority and where the potential exists for authorisations and/or permits. Terms of reference documents will be prepared to address the requirements of the Federal EA Act, in order to assist Federal agencies to make a decision regarding their regulatory involvement in the Project. The primary areas of interest include the Fisheries Act, the Navigable Waters Protection Act and the Explosives Act. The technical review will also include the Species At Risk Act. Similar to Phase 1, Coalspur will work diligently to minimize environmental impacts, but given recent changes to the federal process requiring Comprehensive Studies for any coal project producing greater than 3,000 metric tonnes per day, Coalspur believes that Phase 2 of the Project will trigger the requirement for regulatory approvals from Federal agencies.

6.5 EIG Financing

(a) History of EIG Facility

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

In July 2013, following shareholder approval on 27 June 2013, Coalspur issued 120 million warrants to EIG with an exercise price of A$0.55, and made an initial drawdown of US$37 million under the EIG Facility, which included a US$7 million facility fee payable to EIG. Part of this initial drawdown of the EIG facility was used to repay C$10 million of the C$40 million outstanding under the previous C$70 million credit facility with Borrowdale. The remaining C$30 million of the previous credit facility with Borrowdale was restructured into the current Borrowdale Facility. Refer to Section 6.6 for further information on the current Borrowdale Facility.

On 31 March 2014, Coalspur and EIG agreed to an extension and associated amendments to the EIG Facility. The EIG Facility originally required that Coalspur execute a mining contract by 31 March 2014, which would have been premature at that time in light of the protracted regulatory approval process for Vista. Accordingly, this date was extended to 31 March 2015. In addition, the amended terms of the EIG Facility provided for compensation ranging between US$7 million to US$12 million, payable to EIG in the event that EIG sized the debt below US$250 million or not at all, and either EIG or Coalspur withdrew from the EIG Facility prior to any further drawdown of the EIG Facility (which was now permissible under the revised terms).

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

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

(b) Current status of EIG Facility

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

By not accepting the EIG Facility, Coalspur triggered an obligation to repay EIG the outstanding principal and accrued interest and US$12 million for make whole payments by 31 March 2015.

To facilitate implementation of the Scheme, EIG has agreed to extend the repayment date for the EIG Facility. The EIG Facility is repayable upon termination of the EIG Sale Agreement or implementation of the Scheme, whichever occurs earlier. If the EIG Sale Agreement is terminated prior to 31 March 2015, then the EIG Facility remains repayable on 31 March 2015.

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

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(c) **KCE purchase of EIG Facility**

KCE has executed the EIG Sale Agreement to purchase EIG's senior, secured debt (at a discount to face value) and the EIG Warrants. The EIG Sale Agreement provides that EIG will assign all of its rights and interests under the EIG Facility, including all security interests, to KCE in consideration for an initial upfront cash payment together with future cash payments contingent on future coal prices. The EIG Debt Assignment is subject to limited conditions precedent and is not contingent on implementation of the Scheme. However, the Scheme is conditional on KCE acquiring EIG's rights and interests under the EIG Facility before the Second Court Date (and therefore becoming the new holder of Coalspur's senior, secured debt facility).

6.6 Borrowdale Financing

(a) **History of Borrowdale Facility**

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

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

As described in Section 6.5(a), in July 2013 Coalspur made an initial draw of US$37 million under the EIG Facility. Part of this initial drawdown of the EIG facility was used to repay C$10 million of the C$40 million outstanding under the Borrowdale Previous Facility. The remaining C$30 million of the Borrowdale Previous Facility was restructured into the current Borrowdale Facility.

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

(b) **Current status of Borrowdale Facility**

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

(c) **KCE purchase of Borrowdale Facility**

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

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the Second Court Date (and therefore becoming the new holder of Coalspur's subordinated secured debt facility).

The Independent Expert's Report evaluates the Borrowdale Royalty and concludes that the Borrowdale Royalty does not give rise to a collateral benefit to induce Borrowdale to approve the Scheme.

6.7 Material Contracts

(a) **Ridley Terminals Inc.**

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

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

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

(iv) Coalspur finalised its port capacity arrangements at Ridley Terminals by allowing an option to acquire 1.0 Mtpa capacity to lapse, and by confirming its intention to proceed with a previously signed agreement. The finalised capacity commences with 2.5 Mtpa in 2015, and increases to 10.7 Mtpa in 2020, which satisfies the majority of Vista's forecast requirements at full production. Coalspur is subject to minimum throughput payments of $12.8 million in 2015, increasing to $54.9 million per year by 2020.

(v) As a result of various delays in obtaining the necessary regulatory approvals, licenses and permits for the construction and operation of Vista, Coalspur declared a force majeure event, as defined in the Terminal Services Agreement with Ridley Terminals, due to government inaction as of 18 December 2013. Specifically, the force majeure event constitutes "acts or refusals to act of any government or government agency in its sovereign capacity", in light of the regulatory delays in approving Vista. The delays outlined include the inability of Coalspur to meet the declared contract volume of 2.5 million tonnes in 2015 and possibly a portion of the 4.5 million tonnes in 2016.

(vi) In October 2014, upon receipt of the Mineral Surface Lease referred to in Section 6.4(f), Coalspur notified Ridley Terminals of the termination of the force majeure event that was declared in December 2013. Coalspur has claimed relief from Ridley Terminals to mitigate the payments that Coalspur would otherwise have had to make in 2015 and 2016.

(b) **Canadian National Railway Company**

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

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

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(c) **Sedgman**

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

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

(d) **Thiess**

In June 2014, Coalspur announced that it had selected Thiess as its preferred mining contractor for Vista. Thiess was selected based on, among other things, its proven track record as the world's preeminent total services mining contractor, together with attractive pricing of the contracted services which underpin Vista's competitive FOB cost position. No agreement has yet been concluded between Coalspur and Thiess.

(e) **First Nations and Tourmaline Oil Corp.**

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

(i) Mountain Cree Inc;

(ii) Aseniwuche Winewak Nation of Canada;

(iii) Samson Cree Nation;

(iv) Ermineskin Cree Nation;

(v) Whitefish (Goodfish) Lake First Nation;

(vi) Alexis Nakota Sioux Nation; and

(vii) Tourmaline Oil Corp.

6.8 Historical financial information

The selected historical financial information in this Section has been extracted from Coalspur's audited financial statements for the year ended 31 December 2013 and six month period ended 31 December 2012 and its reviewed financial statements for the six month period ended 30 June 2014.

The information in this Section is a summary only and has been prepared solely for inclusion in this Scheme Booklet. The full financial accounts for the financial year ended 31 December 2013 and the six month period ended 31 December 2012 and the interim financial accounts for the six month period ended 30 June 2014 (inclusive of all applicable notes) of Coalspur have been published in Coalspur's audited financial statements for the year ended 31 December 2013 and six month period ended 31 December 2012 and the reviewed interim financial statements for the six month period ended 30 June 2014, which are available from ASX's website www.asx.com.au, from www.sedar.com or on Coalspur's website www.coalspur.com. Financial information is also provided in Coalspur's MD&A for its most recently completed financial year.

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You may also contact Mr. Simon Robertson (Company Secretary, Australia) on +61 8 6555 2945 any time between 8.00am and 5.00pm (WST) Monday to Friday or Ms. Xenia Kritsos (Company Secretary, Canada) on +1 604 697 4474 any time between 8.00am and 5.00pm (PST) Monday to Friday to request copies of Coalspur's financial statements and MD&A.

As a result of entering into the Scheme Implementation Agreement, Coalspur is expecting to recognise a non-cash impairment charge in its 2014 full year accounts. The impairment charge is subject to finalisation of Coalspur's full year accounts, which are expected to be released before 30 March 2015. Coalspur Shareholders are advised to consider and review Coalspur's full year accounts when released on ASX and TSX.

(a) **Consolidated Statements of Financial Position (C$)**

	As at 30 June 2014 Reviewed	As at 31 December 2013 Audited	As at 31 December 2012 Audited
Current Assets			
Cash and cash equivalents	10,588,297	10,668,872	14,867,640
Trade and other receivables	181,138	114,842	517,572
Prepayments	696,814	1,066,937	1,014,826
Total Current Assets	11,466,249	11,850,651	16,400,038
Non-Current Assets			
Property, plant and equipment	1,052,172	1,072,698	904,894
Exploration and evaluation assets	13,509,295	13,509,295	13,509,295
Mine development assets	158,512,894	146,751,942	120,387,691
Prepayments	42,800,000	42,800,000	42,800,000
Intangible assets	2,500,000	2,500,000	3,500,000
Other assets	21,075,976	22,464,605	3,498,640
Total Non-Current Assets	239,450,337	229,098,540	184,600,520
Total Assets	250,916,586	240,949,191	201,000,558
Current Liabilities			
Trade and other payables	1,027,671	2,610,333	3,659,022
Provisions	118,108	146,964	63,495
Credit facilities and fees payable	83,109,050	-	-
Interest payable on credit facilities	7,823,921	-	-
Embedded derivative	13,713,355	-	-
Total Current Liabilities	105,792,105	2,757,297	3,722,517
Non-Current Liabilities			
Credit facilities	-	69,568,910	30,000,000
Interest payable on credit facilities	-	3,703,008	-
Conversion feature on credit facility	-	940,195	-
Total Non-Current Liabilities	-	74,212,113	30,000,000
Total Liabilities	105,792,105	76,969,410	33,722,517
Net Assets	145,124,481	163,979,781	167,278,041
Equity			
Contributed equity	230,124,519	230,124,519	225,856,621
Share based payment reserve	30,093,303	29,315,920	17,905,440
Foreign currency translation reserve	(12,401,553)	(12,401,553)	(12,401,553)
Accumulated losses	(102,691,788)	(83,059,105)	(64,082,467)
Total Equity	145,124,481	163,979,781	167,278,041

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(b) Consolidated Statements of Profit or Loss and Other Comprehensive Income (C$)

	6 months ended 30 June 2014 Reviewed	Year ended 31 December 2013 Audited	6 months ended 31 December 2012 Audited
Operating expenses	(1,400,379)	(4,561,121)	-
Exploration and evaluation expenses	-	(175,498)	(1,934,147)
Corporate and administrative expenses	(5,903,751)	(11,529,791)	(5,073,037)
Other income	198,356	420,954	72,427
Other gains and losses	246,251	(884,532)	(8,514)
Operating loss	(6,859,523)	(16,729,988)	(6,943,271)
Financing expense	-	(2,246,650)	-
Mark-to-market adjustment on embedded derivatives	(12,773,160)	-	-
Loss before income tax	(19,632,683)	(18,976,638)	(6,943,271)
Income tax expense	-	-	-
Loss for the period	(19,632,683)	(18,976,638)	(6,943,271)
Loss attributable to members of Coalspur Mines Limited	(19,632,683)	(18,976,638)	(6,943,271)
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	(19,632,683)	(18,976,638)	(6,943,271)
Total comprehensive loss attributable to members of Coalspur Mines Limited	(19,632,683)	(18,976,638)	(6,943,271)
Basic and diluted loss per share (cents per share)	(3.64)	(2.97)	(1.12)

Notes:
1. In 2014 interest and rental income are presented as other income. In 2013 and 2012, these lines are shown separately.

(c) Consolidated Statements of Cash Flows (C$)

	6 months ended 30 June 2014 Reviewed	Year ended 31 December 2013 Audited	6 months ended 31 December 2012 Audited
Cash flows from operating activities			
Payment to supplies and employees	(7,617,971)	(14,848,291)	(6,073,723)
Interest received	6,860	108,463	45,646
Rental income	192,296	312,492	31,120
Interest paid	-	(1,109,589)	(974,315)
Payments for port capacity	-	(150,000)	-
Net cash outflow from operating activities	(7,418,815)	(15,686,925)	(6,971,272)
Cash flows from investing activities			
Payments for plant and equipment	(52,000)	(275,894)	(155,926)
Payments for mine development assets	(6,178,401)	(19,306,085)	(7,851,900)
Refund received for port capacity	-	-	3,200,000
Payments for exploration and evaluation assets	(271)	(175,498)	-
Net cash outflow from investing activities	(6,230,672)	(19,757,477)	(4,807,826)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	-	785,313	9,658,769
Proceeds from borrowings	13,754,400	38,874,671	10,000,000
Payments for financing	(45,000)	(8,224,057)	-
Net cash inflow from financing activities	13,709,400	31,435,927	19,658,769
Net (increase)/decrease in cash and cash equivalents	59,913	(4,008,475)	7,879,671
Net foreign exchange differences	(140,488)	(190,293)	(361)
Cash and cash equivalents at beginning of period	10,668,872	14,867,640	6,988,330
Cash and cash equivalents at end of period	10,588,297	10,668,872	14,867,640

6.9 Coalspur issued securities

(a) Capital structure

The capital structure of Coalspur as at the date of this Scheme Booklet is as follows:

Ordinary shares (issued and outstanding)	641,544,455
Warrants exercisable at $0.55 on the terms and conditions approved by Shareholders at a General Meeting on 27 June 2013[(1)]	120,000,000
Performance rights expiring between 30 June 2015 and 31 December 2016	9,965,082
Unlisted options with various exercise prices and expiry dates	7,330,739
Total	**778,840,276**

[(1)] Currently by EIG but to be transferred to KCE under the EIG Debt Assignment.

(b) Substantial shareholders

The only shareholder[2] who has lodged a substantial shareholder notice and who has not ceased to be a substantial shareholder as of the date of this Scheme Booklet, is as follows:

Substantial Shareholder	Number of Shares (000s)	Percentage
Borrowdale Park	130,903	20.4%

6.10 Further information

For risks associated with the Transaction see Section 8, specifically Section 8.2 for risks associated with Coalspur.

Certain additional information in relation to Coalspur is set out in Section 11.

As a disclosing entity under the Corporations Act, and due to its secondary listing on TSX, Coalspur is subject to regular reporting and disclosure obligations.

Copies of documents given by Coalspur to ASIC under the Corporations Act may be obtained from, or inspected at, any office of ASIC. All annual and half-yearly financial reports and announcements made under continuous disclosure are lodged with ASX and TSX, and can be viewed and downloaded at www.asx.com.au and www.sedar.com. Shareholders can also find further information on Coalspur's website at www.coalspur.com.

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[2] On 27 February 2015, KCE lodged an initial substantial shareholder notice with Coalspur in relation to the relevant interest it acquired in the Coalspur Shares held by Borrowdale arising from the Standstill Agreement referred to in Section 7.5.

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7. Information about KCE

The KCE Information, including the information in this section of the Scheme Booklet, has been prepared and provided by KCE and is the responsibility of KCE. None of Coalspur, its officers, employees or advisers assumes any responsibility for the accuracy or completeness of the KCE Information in this section.

7.1 Overview of KCE

KCE is a Cline affiliate put in place in 2014 to acquire, develop and operate coal mines in international (non-U.S.) markets. In December 2014, Kameron Collieries ULC, a subsidiary of KCE expanded into Canada by acquiring Glencore's 75% interest in the Donkin coal mine in Nova Scotia and by acquiring Morien Resources Corp.'s 25% shareholding in the Donkin mine.

Cline is a private coal company founded by Chris Cline. Its focus is on developing highly productive mining operations and it has a track record spanning 35 years. Cline's subsidiaries and affiliates control over four billion tons of reserves in the Illinois coal basin and Canada. Cline's subsidiaries and affiliates own approximately 86% of Foresight Energy LP (NYSE: "FELP") a U.S. thermal coal producer that currently operates four mining complexes consisting of four longwall mines and one room and pillar mine. FELP is the most productive and one of the lowest cost coal companies in the U.S. with 2014 EBITDA of US$404 million.

7.2 Directors of KCE

The directors of KCE are:

- Mr Paul Vining, Director and Chief Executive Officer; and
- Mr Keith Varney, Director

7.3 Funding Arrangements for Scheme Consideration

(a) Scheme Consideration

The Scheme Consideration is 100% cash. Under the terms of the Deed Poll, KCE has undertaken in favour of each Scheme Participant to pay the Scheme Consideration to Coalspur before the Implementation Date. Based on the number of Coalspur Shares and Performance Rights on issue as at the date of this Booklet, and the Scheme Consideration of $0.023 per Coalspur Share, the cash payable by KCE under the Scheme will be approximately $15.0 million.

This is in addition to the US$20 million payable by KCE under the EIG Sale Agreement to complete the acquisition of the EIG Facility.

(b) Overview of funding arrangements

KCE intends to fund the aggregate Scheme Consideration and the amounts payable to EIG on completion of the acquisition of the EIG Facility using its existing cash reserves or those of its Related Entities, which will be provided to KCE at or before the time that the funds are required for those purposes.

As at the date of this Scheme Booklet, the aggregate cash reserves of KCE and its Related Entities exceed the aggregate of the Scheme Consideration and the amount payable by KCE under the EIG Sale Agreement to complete the acquisition of the EIG Facility.

7.4 KCE's intentions for Coalspur

This Section 7.4 sets out KCE's current intentions in respect of Coalspur's business, assets, corporate structure and employees.

The statements set out in this Section 7.4 are based on information concerning Coalspur and its business that is known to KCE at the time of preparation of this Scheme Booklet either from publicly available sources or which KCE obtained from Coalspur in the course of its due diligence in connection with the proposed Scheme.

If the Scheme is implemented, KCE intends to conduct a general review of Coalspur's assets, business structure, capital, debt, financing and operational arrangements. KCE's final decisions on these matters will only be made in light of all material facts and circumstances at the relevant time and after having had the opportunity to review Coalspur's information in more detail after implementation of the Scheme. Accordingly, the statements set out in this Section 7.4 are statements of current intention only and may change as new information becomes available or as circumstances change.

(a) Continuation of Coalspur's business

KCE will continue to manage and operate Coalspur's business in substantially the same manner as it currently operates. KCE does not currently intend that any major changes will be made to the business or the deployment of fixed assets of Coalspur's business.

(b) Corporate matters

If the Scheme is implemented, KCE intends to:

(i) cause Coalspur to request ASX and TSX to remove Coalspur from their official lists as soon as practicable after the Implementation Date; and

(ii) reconstitute the Coalspur Board and the boards of Coalspur's subsidiaries to comprise representatives of KCE.

(c) Employees

Subject to the general review to be undertaken following implementation of the Scheme, KCE does not have any present intention to make any changes to the employment of Coalspur's present employees. If, following that review, there are to be any redundancies, including as a result of any rationalisation of Coalspur's head office function, the relevant employees will be treated in accordance with the terms of their respective employment contracts and applicable laws.

(d) Other intentions

Other than as set out in this Section 7.4, KCE has no current intention to make major changes to, or to dispose of any parts of, Coalspur's business.

7.5 Standstill Agreement and relevant interest

KCE has entered into an agreement with Borrowdale (the **Standstill Agreement**), under which Borrowdale agreed not to enter into or carry out certain agreements, arrangements or understandings (including sales, assignments, or granting of options or encumbrances) in relation to 127,667,346 Coalspur Shares currently held by Borrowdale. This represents 19.90% of the total number of Coalspur Shares on issue. The Standstill Agreement terminates at the earlier of (i) the Effective Date or (ii) the date on which the Scheme Implementation Agreement is terminated (unless, in either case, the standstill period is extended in certain circumstances set out in the Standstill Agreement).

As a result of entering into the Standstill Agreement, KCE has acquired a relevant interest in those 127,667,346 Coalspur Shares (i.e. 19.90% of the Coalspur Shares on issue).

The full terms of the Standstill Agreement are set out in an annexure to the substantial holder notice lodged by KCE (amongst others) with the ASX on 27 February 2015.

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8. Risk factors

8.1 Introduction

The risk factors in Section 8.2 are existing factors relating to Coalspur's business and the industry in which it operates. However, the list of risks set out in Section 8.2 is not exhaustive. Additional risks and uncertainties of which Coalspur is unaware, or that it currently considers immaterial, may also impair the business, operations and future prospects of Coalspur and Vista. If any such risks were to occur, the business of Coalspur may be harmed and its financial condition, and results of operations, may suffer significantly.

These risks will only continue to be relevant to Coalspur Shareholders if the Scheme does not proceed and Coalspur Shareholders retain their current investment in Coalspur. If the Scheme proceeds, Coalspur Shareholders will receive the Scheme Consideration, will cease to be Coalspur Shareholders and will no longer be exposed to the risks set out in Section 8.2.

In deciding whether to vote in favour of the Scheme, you should carefully consider the following risk factors. These risk factors do not take into account the individual investment objectives, financial situation, position or particular needs of Coalspur Shareholders.

Scheme Participants in doubt about how to act, should seek independent professional advice before deciding on how to vote on the Scheme.

8.2 Risks relating to Coalspur

(a) **Risks specific to Coalspur**

(i) Repayment of EIG Facility and EIG Debt Assignment

The EIG Facility (including all drawdowns, fees and interest) is due for repayment on the EIG Repayment Date. The EIG Facility is repayable upon termination of the EIG Sale Agreement or implementation of the Scheme, whichever occurs earlier. If the EIG Sale Agreement is terminated prior to 31 March 2015, then the EIG Facility is repayable on 31 March 2015. If none of the Scheme, a Superior Offer or an alternative source of financing or renegotiation of the repayment date of the EIG Facility is achieved prior to these dates, Coalspur will be unable to repay the EIG Facility.

The EIG Debt Assignment is governed by the EIG Sale Agreement which provides that EIG will assign all of its rights and interests under the EIG Facility, including all security interests, to KCE. The EIG Debt Assignment is not conditional on implementation of the Scheme. However, the Scheme is conditional on KCE acquiring EIG's rights and interests under the EIG Facility before the Second Court Date. A consequence of this is that, if an event of default occurs under the EIG Facility, KCE will be entitled to appoint a receiver to Coalspur.

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

(ii) Repayment of Borrowdale Facility and Borrowdale Debt Assignment

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

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

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

(iii) Continuation of business and operations

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

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

(iv) Funding requirements for Vista development

The construction of Vista, and the exploration and development of Coalspur's other properties require financing. Failure to obtain sufficient financing may result in delays or indefinite postponement of exploration and development of Coalspur's properties, a loss of Coalspur's

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

(v) Commodity price risks

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

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

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

(vi) Regulatory permits and licences

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

(vii) Take or pay commitments

Coalspur has contracts with Ridley Terminals to provide port services that contain minimum throughput ("take or pay") charges. In the event Coalspur is unable to produce and sell enough coal to meet these commitments, and it is unable to sell the port capacity to a third party, it may have to pay minimum throughput charges to Ridley Terminals without making use of the port services made available by Ridley Terminals. As of 18 December 2013, Coalspur declared force majeure due to government inaction as defined the Terminal Service Agreement with Ridley Terminals, in light of the regulatory delays in approving Vista. In October 2014 upon receipt of the Mineral Surface Lease referred to in Section 6.4(f), Coalspur

notified Ridley Terminals of the termination of the force majeure event that was declared in December 2013. Coalspur is currently committed to ship 130.7 million tonnes of coal through Ridley Terminals over the course of 14 years commencing in 2015, with associated minimum throughput payments totalling C$660 million. Coalspur has claimed relief from Ridley Terminals to mitigate the payments that Coalspur would otherwise have had to make in 2015 and 2016 however the outcome of this claim is uncertain.

(viii) Multiple mineral and surface rights

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

Coalspur has identified oil and gas pipeline infrastructure in the region of Vista. Coalspur has come to an agreement with the oil and gas operator in the region to move the pipeline infrastructure. However, if the oil and gas operator does not cooperate with Coalspur, there is a risk that the commencement of mining operations by Coalspur may be delayed until both parties adhere to the agreement.

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

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

(ix) Execution of construction and production plan

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

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

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

(x) Recruitment and retention of key personnel

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

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

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

(xi) Major service providers and other consultants

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

(xii) Coal Resources and Coal Reserves estimates

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

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

(xiii) Environmental risks and regulations

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

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are unknown to Coalspur at present and which have been caused by previous or existing owners or operators of the properties.

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

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

(xiv) Foreign exchange risks

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

(xv) Inadequate financial reporting

Although Coalspur believes that its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, it cannot provide absolute assurance in that regard. Coalspur prepares its financial reports in accordance with accounting policies and methods prescribed by International Financial Reporting Standards. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of Coalspur. Significant accounting policies are described in more detail in the notes to Coalspur's financial statements for the year ended 31 December 2013.

(xvi) Adverse tax legislation

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

(xvii) Adverse changes to government policies

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

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

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

(xviii) Exploration and development risks

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

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

(xix) Government licenses, permits and approvals

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

(xx) Uninsured risks

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

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

(xxi) Risks associated with transportation infrastructure

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

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

(xxii) Title to properties

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

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

All of the leases in which Coalspur has or may earn an interest will be subject to applications for renewal or grant (as the case may be). The renewal or grant of the term of each lease is usually at the discretion of the relevant government authority. If a lease is not renewed or

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granted, Coalspur may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that area.

(xxiii) Government regulation

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

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

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

(xxiv) Competition

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

(b) **General market risks**

(i) Securities investment risks

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

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

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(ii) General economic and financial conditions

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

8.3 Scheme risk factors

(a) **Satisfaction or waiver of conditions**

Completion of the Scheme is subject to a number of conditions. There can be no certainty, nor can Coalspur provide any assurance, that these conditions will be satisfied or waived (where applicable), or if satisfied or waived (where applicable), when that will occur. In addition, there are a number of other conditions precedent to the Scheme which are outside the control of Coalspur including, but not limited to, approval of the Scheme by the Requisite Majority of Coalspur Shareholders and required regulatory and third party approvals and consents (see Section 10.10 and Annexure 2).

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

(b) **Termination of the Scheme Implementation Agreement**

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

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

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

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9. Taxation implications for Coalspur Shareholders

This Section provides a general summary of the potential Australian and Canadian tax consequences for Coalspur Shareholders arising from the disposal of their Coalspur Shares under the Scheme. This summary is based on the law and practice in effect as at the date of this Scheme Booklet. However, the summary is not intended to be authoritative or a complete statement of the law applicable to the particular circumstances of any Coalspur Shareholder.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Coalspur Shareholder. Being general in nature, this Section does not take into account the individual circumstances of each Coalspur Shareholder and should not be relied upon by any Coalspur Shareholder or any other person. Coalspur Shareholders should obtain, and only rely upon, their own professional taxation advice about the consequences of disposing of Coalspur Shares for cash having regard to their own specific circumstances, including the application and effect of the income and other taxes of any country, state, province or other jurisdiction in which the Coalspur Shareholders reside or carry on business.

9.1 Coalspur Shareholders who are not resident in Australia or Canada

Coalspur Shareholders who are not resident in either Australia or Canada should seek their own independent tax advice on the tax consequences, in their country of residence, of the Scheme. The statements below are limited to the Australian and Canadian tax consequences to those resident Shareholders, and are subject to the disclaimer in bold text above.

9.2 Coalspur Shareholders who do not hold their shares as capital assets

The statements below are limited to the Australian and Canadian tax consequences to those Coalspur Shareholders whose Coalspur Shares are held on capital account for investment purposes.

9.3 Australian income tax consequences for Coalspur Shareholders

(a) **Australian Resident Coalspur Shareholders**

The statements below are limited to the Australian tax consequences to those Coalspur Shareholders whose Coalspur Shares are held on capital account. The Australian tax consequences for Coalspur Shareholders who hold their Coalspur Shares as revenue assets or trading stock, or as assets used in carrying on a business, or who are subject to the taxation of financial arrangements rules in Division 230 of the Tax Act in relation to gains and losses on their Coalspur Shares may be different to the statements below. Such Coalspur Shareholders should seek their own advice.

Broadly, a capital gain, a capital loss, or a net nil position, will arise depending on whether the Scheme Consideration exceeds, is less than, or is equal to the cost base, indexed cost base or reduced cost base (as relevant) of your Coalspur Shares. The time of the capital gains tax event will be the Implementation Date.

A Coalspur Shareholder will realise a capital gain in connection with the disposal of a Coalspur Share equal to the amount of the Scheme Consideration less the cost base (or indexed cost base, if applicable) of that Coalspur Share. Alternatively, a Coalspur Shareholder will realise a capital loss equal to the amount by which the reduced cost base of the Coalspur Share exceeds the Scheme Consideration. A capital loss may only be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year, subject to the satisfaction of certain applicable loss recoupment tests.

The cost base of a Coalspur Share should generally include the amount paid (or deemed to be paid) to acquire the Coalspur Share that includes certain incidental costs of the acquisition, such as

brokerage fees. Reduced cost base is usually determined in a similar, but not identical manner. These amounts will generally be determined in Australian dollars (A$).

A Coalspur Shareholder who is an individual who holds the Coalspur Shares (directly or indirectly through a trust), or a complying superannuation fund may be entitled to claim the capital gains tax (CGT) discount in calculating any capital gain provided that the:

(i) Coalspur Shares were acquired at least 12 months before the Implementation Date (excluding the acquisition and disposal dates); and

(ii) Coalspur Shareholder did not choose to index the cost base of their Coalspur Shares (if such choice was available).

In these circumstances, the applicable CGT discount that should reduce a net capital gain arising from the disposal of Coalspur Shares is as follows:

(i) 50% for individuals; and

(ii) $33\ ^{1}/_{3}$% for a complying superannuation entity.

The CGT discount is applied to the capital gain after any available capital losses of the Coalspur Shareholder are first offset against that capital gain (i.e. on the net gain).

(b) **Non-Australian resident Coalspur Shareholders**

The following discussion applies to a Coalspur Shareholder who, immediately before the Implementation Date, is not, and has never been, a resident of Australia for the purposes of the Tax Act and who holds their Coalspur Shares on capital account (i.e. for investment purposes).

A non-Australian tax resident Coalspur Shareholder will be able to disregard the whole of the capital gain or capital loss they make for Australian tax purposes on the disposal of their Coalspur Shares as Coalspur does not hold Taxable Australian Real Property (as defined in the Tax Act) that exceeds the value of its non-Taxable Australian Real Property assets.

Non-Australian tax resident Coalspur Shareholders should, however, obtain their own independent tax advice on the application of the Tax Act to any gain or loss realised on transfer of their Coalspur Shares.

9.4 Australian Goods and Services Tax

Coalspur Shareholders should not be liable for GST on the transfer of Coalspur Shares on the receipt of the Scheme Consideration.

9.5 Australian Stamp Duty

Coalspur Shareholders will not be liable for stamp duty in any Australian State or Territory on the transfer of the Coalspur Shares.

9.6 Certain Canadian Federal Income Tax Considerations

The following is a summary of the principal Canadian federal income tax considerations under the Income Tax Act (Canada) (the **Canadian Tax Act**) in respect of the disposition of Coalspur Shares to KCE under the Scheme, generally applicable to a Coalspur Shareholder who, for the purposes of the Canadian Tax Act and at all relevant times, holds its Coalspur Shares as capital property, deals at arm's length with Coalspur and KCE, and is not affiliated with Coalspur or KCE. Coalspur Shares generally will be considered capital property to a Coalspur Shareholder unless the Coalspur Shareholder holds such Coalspur Shares in the course of carrying on a business, or the Coalspur Shareholder has acquired them in a transaction or transactions

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considered to be an adventure or concern in the nature of trade. This summary does not address the tax consequences of disposing of Coalspur Shares to KCE that were acquired pursuant to the provisions of a stock option plan or another employee compensation plan, or in respect of, by virtue of, or in the course of employment.

This summary is based on the provisions of the Canadian Tax Act in force as of the date of this Scheme Booklet, the regulations thereunder in force on the date of this Scheme Booklet (the **Regulations**) and Coalspur's adviser's understanding of the administrative policies of the Canada Revenue Agency (the **CRA**) made publicly available prior to the date of this Scheme Booklet. This summary takes into account all specific proposals to amend the Canadian Tax Act and the Regulations which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this Scheme Booklet (the **Tax Proposals**) and assumes that the Tax Proposals will be enacted in their present form. No assurance can be given that the Tax Proposals will be enacted in the form proposed, or at all. This summary does not otherwise take into account or anticipate any other changes in law, whether by judicial, governmental or legislative decision or action or changes in the administrative policies of the CRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations which may differ materially from those described in this summary.

This summary is not applicable to a Coalspur Shareholder: (i) that is a "financial institution", as defined in the Canadian Tax Act for the purposes of the mark-to-market rules; (ii) an interest in which, or for whom, a Coalspur Share is a "tax shelter investment", as defined in the Canadian Tax Act; (iii) that has elected to report its "Canadian tax results" in a currency other than the Canadian currency pursuant to the "functional currency" reporting rules in the Canadian Tax Act; (iv) that has entered into a "derivative forward agreement" in respect of the Coalspur Shares, as defined in the Canadian Tax Act; or (v) in respect of which Coalspur is a "foreign affiliate", as defined in the Canadian Tax Act. Any such Coalspur Shareholder should consult its own tax adviser with respect to the Scheme.

For purposes of the Canadian Tax Act, all amounts related to the disposition of Coalspur Shares (including adjusted cost base and proceeds of disposition) must be expressed in Canadian dollars. Amounts denominated in a foreign currency must be converted into Canadian dollars using the rate of exchange quoted by the Bank of Canada at noon on the date such amounts arose, or such other rate as is acceptable to the CRA.

The adjusted cost base of a Coalspur Share will generally include the amount paid (or deemed to be paid) to acquire the Coalspur Share, plus any costs associated with the purchase, such as brokerage fees. If applicable, a Coalspur Share that was acquired on a flow through share basis has an acquisition cost and adjusted cost of zero. Shareholders are urged to consult their own tax advisers if they are uncertain of the adjusted cost base in their Coalspur Shares.

(a) **Residents of Canada**

The following portion of the summary is generally applicable to a Coalspur Shareholder who, at all relevant times, for purposes of the Canadian Tax Act and any applicable income tax treaty, is, or is deemed to be, resident in Canada (a **Resident Shareholder**).

A Resident Shareholder, whose Coalspur Shares constitute capital property that are disposed of to KCE will realise a capital gain (or capital loss) equal to the amount by which the Canadian dollar equivalent of the cash received for such Coalspur Shares, net of any reasonable costs of disposition, exceeds (or is less than) the aggregate adjusted cost base to such Resident Shareholder of such Coalspur Shares.

A Resident Shareholder who realises a capital gain or capital loss on the disposition of Coalspur Shares will generally be required to include one-half of the amount of any such capital gain (a **taxable capital gain**) in income, and will generally be entitled to deduct one-half of the amount of any capital loss (an **allowable capital loss**) against taxable capital gains realised in the year of disposition.

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Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year against net taxable capital gains realised in such year in accordance with the detailed rules in the Canadian Tax Act.

Foreign tax, if any, levied on any gain realised on the disposition of Coalspur Shares may be eligible for a foreign tax credit under the Canadian Tax Act to the extent and under the circumstances prescribed therein.

Capital gains realized by an individual or a trust, other than certain trusts, may give rise to alternative minimum tax under the Canadian Tax Act. Resident Shareholders should consult their own tax advisers with respect to the alternative minimum tax provisions.

A Resident Shareholder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Canadian Tax Act) may be liable to pay an additional refundable tax of 6 $^{2}/_{3}$% on certain investment income, including amounts in respect of taxable capital gains.

(b) **Non-Residents of Canada**

The following portion of the summary is generally applicable to a Coalspur Shareholder who, at all relevant times and for the purposes of the Canadian Tax Act and any applicable income tax treaty:

(i) is a person who is neither resident, nor deemed to be resident, in Canada; and

(ii) does not use or hold, and is not deemed to use or hold, Coalspur Shares, and will not use or hold or be deemed to use or hold Coalspur Shares, in connection with carrying on a business in Canada,

(a **Non-Resident Shareholder**).

Special rules, which are not discussed in this summary, may apply to a Non-Resident Shareholder that is an insurer that carries on an insurance business in Canada and elsewhere. Such Non-Resident Shareholders are advised to consult with their own tax advisers.

A Non-Resident Shareholder will not be subject to tax under the Canadian Tax Act on any capital gain realized on the disposition of Coalspur Shares for cash under the Scheme unless: (i) the Coalspur Shares are "taxable Canadian property" (as defined in the Canadian Tax Act) to the Non-Resident Shareholder at the time of disposition; and (ii) the Non-Resident Shareholder is not entitled to relief under an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Shareholder is resident.

Generally, Coalspur Shares will not be taxable Canadian property to a Non-Resident Shareholder at the time of disposition under the Scheme provided that the Coalspur Shares are listed on a designated stock exchange (which includes the TSX and the ASX) at that time, unless at any time during the 60-month period that ends at that time: (a) such Non-Resident Shareholder, persons with whom such Non-Resident Shareholder did not deal at arm's length and partnerships whose members include, either directly or indirectly through one or more partnerships, the Non-Resident Shareholder or persons that do not deal at arm's length with the Non-Resident Holder, or such Non-Resident Shareholder together with all such persons, owned 25% or more of the issued shares of any class or series of the capital stock of Coalspur; and (b) more than 50% of the fair market value of the shares disposed of was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Canadian Tax Act), timber resource properties (as defined in the Canadian Tax Act), and options in respect of, or interests in, or civil law rights in, any such properties (whether or not such property exists).

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Notwithstanding the above, a Coalspur Share may be deemed to be "taxable Canadian property" to a particular Non-Resident Shareholder where the Non-Resident Shareholder acquired or held the Coalspur Share in certain circumstances, including acquiring the Coalspur Share in consideration of the disposition of other taxable Canadian property. Non-Resident Holders for whom a Coalspur Share may be taxable Canadian property should consult their own tax advisers.

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10. Information about the Scheme

10.1 Scheme Implementation Agreement

Coalspur, KCE and Cline have entered into the Scheme Implementation Agreement in connection with the proposed Scheme. The Scheme Implementation Agreement sets out the obligations of Coalspur and KCE in relation to the Scheme. Cline has guaranteed the obligations of KCE under the Scheme Implementation Agreement.

The Scheme Implementation Agreement is contained in Annexure 2.

10.2 Scheme Meeting

The Court has ordered that a meeting of Coalspur Shareholders be held at 10.00am (WST) on 22 April 2015 to consider the Scheme.

The fact that under section 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved this Scheme Booklet does not mean that the Court:

(i) has formed any view as to the merits of the proposed Scheme or as to how Coalspur Shareholders should vote (on this matter Coalspur Shareholders must reach their own decision); or

(ii) has prepared, or is responsible for, the content of the Scheme Booklet.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

The Scheme is conditional, among other things, on approval of the Scheme Resolution by the Requisite Majority of Coalspur Shareholders. If the Scheme Resolution is not approved by the Requisite Majority of Coalspur Shareholders, it will not be implemented and Coalspur will not apply to the Court for any further orders in connection with the Scheme.

Further details of the consequences of the Scheme not being implemented are set out in Section 2.3 under the heading titled "What happens if the Scheme is not implemented?".

10.3 Court approval of the Scheme

Coalspur will apply to the Court for orders approving the Scheme if:

(i) the Scheme Resolution is approved by the Requisite Majority of Coalspur Shareholders at the Scheme Meeting; and

(ii) all other conditions to the Transaction which need to be satisfied or waived before the Second Court Date are satisfied or waived (where applicable).

The date on which the Court hears Coalspur's application is the Second Court Date.

The Court may refuse to grant the orders referred to above even if the Scheme Resolution is approved by the Requisite Majority of Coalspur Shareholders.

ASIC will be asked to issue a written statement that it has no objection to the Scheme. ASIC would not be expected to issue such a statement until shortly before the Second Court Date. If ASIC does not produce a written statement that it has no objection to the Scheme, the Court may still approve the Scheme provided it is satisfied that the Scheme has not been proposed for the purpose of enabling any person to avoid the operation of Chapter 6 (i.e. the takeovers provisions) of the Corporations Act.

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Coalspur Shareholders have the right to seek leave to appear at the Court on the Second Court Date to oppose the approval by the Court of the Scheme or make representations to the Court in relation to the Scheme. If you wish to oppose approval by the Court of the Scheme at the Court hearing you may do so by filing with the Court, and serving on Coalspur, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Coalspur at least one Business Day (in Perth, Western Australia) before the Second Court Date. That date is currently scheduled to occur on or around 28 April 2015. Any change to this date will be announced through ASX and TSX and will be available on ASX's website, www.asx.com.au, and on the Canadian Securities Administrators website, www.sedar.com.

Alternatively, if you wish to make representations to the Court in relation to the Scheme, the Court may grant you leave to be heard at the hearing without becoming a party to the proceeding.

10.4 Actions by Coalspur and KCE

If Court orders approving the Scheme are obtained, the Directors and the KCE Board will take or procure the taking of the steps required for the Transaction to be implemented. These will include the following:

(i) Coalspur will lodge with ASIC an office copy of the Court order approving the Scheme, under section 411(10) of the Corporations Act, and the Scheme will become Effective;

(ii) Coalspur will notify ASX and TSX of the Court order approving the Scheme;

(iii) on the close of trade on the Effective Date, Coalspur Shares will be suspended from trading on ASX and TSX;

(iv) by no later than 5.00pm (WST) on the Business Day prior to the Implementation Date, KCE will deposit in a trust account maintained by Coalspur the funds necessary to pay the Scheme Consideration to Scheme Participants. Coalspur will hold these funds on trust for the benefit of Scheme Participants;

(v) on the Implementation Date, all of the Coalspur Shares held by Scheme Participants on the Record Date will be transferred to KCE and Coalspur will pay each Scheme Participant the Scheme Consideration out of the trust account referred to in Section 10.4(iv) on or around the Implementation Date, and in any case within 5 Business Days of the Implementation Date;

(vi) on the Implementation Date, Coalspur will apply to be delisted from ASX and TSX, which is expected to occur shortly following that date; and

(vii) on the Implementation Date, each of the Directors and each of Coalspur's nominee directors on the boards of each Coalspur Group member (other than nominees of KCE, who will be appointed, and hold a majority of the seats on the Coalspur Board, as soon as practicable after the Second Court Date) will resign and be replaced by directors nominated by KCE.

10.5 Effective Date

The Scheme will become Effective on the date upon which the office copy of the order of the Court under section 411(10) of the Corporations Act approving the Scheme is lodged with ASIC or such earlier date as the Court determines or specifies in the order.

If the Scheme becomes Effective, Coalspur will immediately give notice of the event to ASX and TSX. Coalspur Shares will be suspended from trading on ASX and TSX on the Effective Date.

Once the Scheme becomes Effective, Coalspur and KCE will become bound to implement the Scheme in accordance with its terms.

10.6 Scheme

If the Scheme becomes Effective (i.e. after it is approved by Coalspur Shareholders and the Court), all Coalspur Shares outstanding on the Record Date will be transferred to KCE, in return for the payment by KCE of the Scheme Consideration as described in Section 10.4. See Annexure 3 for a copy of the Scheme.

10.7 Deed Poll

KCE and Cline have executed a Deed Poll in favour of the Scheme Participants, by which KCE offers to acquire all of the Coalspur Shares held by Scheme Participants. In consideration of the acceptance of that offer and (subject to the Scheme becoming Effective) the transfer of each Coalspur Share to KCE, KCE undertakes in favour of each Scheme Participant (and Cline undertakes in favour of each Scheme Participant to unconditionally and irrevocably guarantee the obligation of KCE) to pay the Scheme Consideration for each Coalspur Share, being A$0.023 cash for each Coalspur Share held by Scheme Participants, in accordance with the terms of the Scheme and the Scheme Implementation Agreement. See Annexure 4 for a copy of the Deed Poll.

10.8 Record Date

The Record Date for the Scheme is 7.00pm (Sydney time) on the date which is 5 Business Days after the Effective Date[3]. Only Coalspur Shareholders who appear on the Register at this time will be entitled to receive the Scheme Consideration.

10.9 Delisting of Coalspur

Following implementation of the Scheme, it is intended that Coalspur will request that ASX delist Coalspur Shares from the ASX and that TSX delist Coalspur Shares from TSX.

10.10 Conditions precedent to the Transaction

(a) **Outstanding conditions precedent to Transaction**

The Scheme and the obligations of Coalspur and KCE to implement the Transaction are subject to the following outstanding conditions precedent being satisfied or, where applicable, waived, in accordance with the terms of the Scheme Implementation Agreement on or prior to the Second Court Date:

(i) **Regulatory Approvals**:

(A) **ASIC**: ASIC issues or provides such consents, approvals, modifications or exemptions, or does such other acts which the parties agree are reasonably necessary or desirable to implement the Scheme;

(B) **ASX and TSX**: ASX and TSX issues or provides such consents or approvals or does such other acts which the parties agree are reasonably necessary to implement the Scheme; and

(C) all other regulatory approvals required to implement the Scheme being granted or obtained and those regulatory approvals not being withdrawn, cancelled, revoked or varied in a manner that is materially adverse to the parties;

(ii) **Shareholder approval**: Coalspur Shareholders approve the Scheme at the Scheme Meeting by the requisite majorities under the Corporations Act;

[3] Or such other date (after the Effective Date) as Coalspur and KCE may agree in writing or as ordered by the Court or as may be required by the ASX or TSX.

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(iii) **Coalspur Board Recommendation**: the Coalspur Board unanimously recommending that Coalspur Shareholders vote in favour of the Scheme, in the absence of a Superior Offer for Coalspur and in the absence of the Independent Expert finding that the Scheme is not in the best interests of Coalspur Shareholders and including that recommendation in the Scheme Booklet and no Director withdrawing or varying that recommendation or otherwise making any public statement or taking any action which would suggest that the Scheme is not so recommended;

(iv) **Restraining orders**: no temporary restraining order, preliminary or permanent injunction or other order or decision has been issued or made by any court of competent jurisdiction or any Regulatory Authority and there is no other legal restraint or prohibition preventing the consummation of any aspect of the Transaction on the Implementation Date;

(v) **Court Approval**: the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;

(vi) **Independent Expert's report**: the Independent Expert providing a report to Coalspur that concludes that the Scheme is in the best interests of Coalspur Shareholders and the Independent Expert not withdrawing or adversely modifying that conclusion;

(vii) **EIG**: KCE entering into an agreement in writing with EIG for the acquisition by KCE of EIG's rights and interests under the EIG Facility (including the acquisition of all the Coalspur Warrants on issue) and the transactions contemplated by that agreement completing before the Second Court Date;

(viii) **Borrowdale**: KCE entering into an agreement in writing with Borrowdale for the acquisition by KCE of Borrowdale's rights and interests under the Borrowdale Facility and the transactions contemplated by that agreement completing before the Second Court Date;

(ix) **Ridley Terminals:** either:

(A) Coalspur Mines (Operations) Limited has entered into a written agreement with Ridley Terminals to amend the Ridley Terminals Services Agreements; or

(B) the Ridley Terminals Services Agreements are terminated and a member of the Coalspur Group acceptable to KCE (in KCE's absolute discretion) has entered into one or more written agreements with Ridley Terminals in substitution of the Ridley Terminals Services Agreements,

such amendment, or termination and replacement agreements, taking effect on or before the Effective Date and being on terms acceptable to KCE (in KCE's absolute discretion);

(x) **Canadian National Railway Company:** either:

(A) Coalspur Mines (Operations) Limited has entered into a written agreement with CN to amend the Canadian National Railway Agreement; or

(B) the Canadian National Railway Agreement is terminated and a member of the Coalspur Group acceptable to KCE (in KCE's absolute discretion) has entered into one or more written agreements with CN in substitution of the Canadian National Railway Agreement,

such amendment, or termination and replacement agreement, taking effect on or before the Effective Date and being on terms acceptable to KCE (in KCE's absolute discretion);

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(xi) **Coal Leases and Mining and Environmental Approvals**: the relevant Coalspur Group entities have properly made all notifications to applicable Regulatory Authorities required in connection with the Transaction under or in respect of the Coal Leases and Mining and Environmental Approvals, and those notifications have not been withdrawn;

(xii) **No Coalspur Prescribed Occurrence**: no Coalspur Prescribed Occurrence occurring;

(xiii) **Coalspur Representations and Warranties**: the Coalspur Representations and Warranties given by Coalspur under the Scheme Implementation Agreement remain true and correct in all material respects;

(xiv) **No KCE Insolvency Event**: no KCE Insolvency Event occurs; and

(xv) **KCE Representations and Warranties**: the 'KCE Representations and Warranties' given by KCE and the 'Cline Representations and Warranties' given by Cline under the Scheme Implementation Agreement remain true and correct in all material respects;

(xvi) **Cancellation of Coalspur Options**:

(A) each Coalspur Option has been cancelled in consideration for the payment by Coalspur to the holder of the Coalspur Option of the Cancellation Consideration; or

(B) each person who is a holder of Coalspur Options has entered into a deed with Coalspur (in a form acceptable to KCE, acting reasonably) (**Option Cancellation Deeds**) to have his or her Coalspur Options cancelled, with effect on or before the Record Date, in consideration for the payment by Coalspur to the person of the Cancellation Consideration, and such cancellation is subject only to the Scheme becoming Effective; and

(xvii) **Extension of Mining and Environmental Approvals**: KCE has obtained assurances to the satisfaction of KCE from the Alberta Energy Regulator regarding its processes for extending the term of the Mining and Environmental Approvals and the probability of obtaining extensions for the Mining and Environmental Approvals.

(b) **Conditions precedent to Transaction that have been satisfied or waived**

As at the date of this Scheme Booklet, none of the conditions to the Transaction have been satisfied or waived by Coalspur or KCE.

10.11 Exclusivity arrangements

The Scheme Implementation Agreement contains exclusivity arrangements that, during the Exclusivity Period, prevent Coalspur and its Subsidiaries, or any of its or their Representatives, directly or indirectly:

(a) **No shop**

(i) soliciting, inviting, facilitating, encouraging or initiating any enquiries, negotiations, discussions or proposals;

(ii) entering into any agreement, arrangement or understanding (whether or not in writing and whether or not legally binding); or

(iii) communicating any intention to do any of the things in (ii),

in relation to, or which may reasonably expected to lead to, a Competing Proposal.

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(b) **No talk**

(i) initiating, negotiating or entering into or participating in negotiations or discussions with any person; or

(ii) having any intention to do any of these things,

in relation to, or which may reasonably be expected to lead to:

(iii) a Competing Proposal, even if that person's Competing Proposal was not directly or indirectly solicited, encouraged or initiated by Coalspur or any of its Representatives or the person has publicly announced the Competing Proposal; or

(iv) the Transaction not completing.

(c) **Due diligence information**

(i) soliciting, inviting or initiating any party other than KCE to undertake due diligence investigations on the Coalspur Group or their respective businesses and operations; or

(ii) making available to any other person (other than KCE or its Representatives) or permitting any such person to receive non-public information in relation to the Coalspur Group or their respective businesses and operations.

The exclusivity arrangements described above (excluding the no-shop arrangement described in Section 10.11(a)(i)) are subject to Coalspur's right to engage with third parties in connection with a bona fide, written Competing Proposal (not obtain in breach of the provision of clause 11 of the Scheme Implementation Agreement) where the Directors have determined that, among other things, such a Competing Proposal is a Superior Offer. However, KCE has the right, but not the obligation within 5 Business Days of receipt of a notice from Coalspur of a Superior Offer, to offer to amend the terms of the Scheme, make a takeover bid or propose any other form of transaction.

Any third party proposing to make a Competing Proposal should have regard to the EIG Debt Assignment and Borrowdale Debt Assignment when structuring a Competing Proposal. If the EIG Debt Assignment or Borrowdale Debt Assignment completes, the third party will have to reach an agreement with KCE regarding the EIG debt or Borrowdale debt (as applicable) or structure the Competing Proposal to have sufficient funds to repay EIG Facility and Borrowdale Facility which will become immediately due and payable if Coalspur pursues the Competing Proposal, after the Coalspur Board has determined that it is a Superior Offer. See Sections 6.5(c) and 8.2(a)(i) for further details on the EIG Debt Assignment and Sections 6.6(c) and 8.2(a)(ii) for further details on the Borrowdale Debt Assignment.

For more information refer to the Scheme Implementation Agreement in Annexure 2.

10.12 Termination of the Scheme Implementation Agreement

The Scheme Implementation Agreement may be terminated (in this Section 10.12 "terminate") in certain circumstances, including:

(a) **If Scheme fails to become Effective before the Sunset Date**

Coalspur or KCE may terminate if the Sunset Date has passed before the Scheme becomes Effective (other than as a result of a breach by the terminating party of its obligations under the Scheme Implementation Agreement).

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(b) **If there is a material breach of the Scheme Implementation Agreement**

Either KCE or Coalspur, with notice, may terminate if the other is in material breach of the Scheme Implementation Agreement (including breaches of any representation or warranty) at any time prior to the Second Court Date and if the breach is capable of remedy, it is not remedied within 5 Business Days of notice to do so from the non-defaulting party.

(c) **If the Scheme is not approved by Coalspur Shareholders**

Either KCE or Coalspur may terminate, if the Scheme is not approved by the Requisite Majority of Coalspur Shareholders (subject to certain qualifications detailed in the Scheme Implementation Agreement).

(d) **If the Court or Regulatory Authority restrains the Transaction**

Either KCE or Coalspur may terminate, if the Court or other Regulatory Authority has issued an order, decree or ruling or taken other action which permanently restrains or prohibits the Transaction and that order, decree, ruling or other action has become final and cannot be appealed.

(e) **Conditions Precedent**

Either KCE or Coalspur may terminate, if there is a breach or non-fulfilment of a condition precedent which is not waived and there is failure to agree on an alternative means of completing the Transaction.

(f) **A Director fails to recommend the Scheme**

KCE may terminate, if at any time prior to the Second Court Date, a Director has changed, withdrawn or modified his or her recommendation that Coalspur Shareholders vote in favour of the Scheme or makes a public statement or takes any action indicating that he or she no longer supports the Scheme or that they support a Competing Proposal.

(g) **The Coalspur Board recommends a Superior Offer**

KCE may terminate, if the Coalspur Board recommends a Competing Proposal for Coalspur at any time before the Second Court Date.

(h) **A Competing Proposal emerges**

KCE may terminate, if a Competing Proposal for Coalspur is announced, made, or becomes open for acceptance and, pursuant to that Competing Proposal, the bidder for Coalspur acquires voting power of 50% or more of Coalspur and that Competing Proposal is (or has become) free from any defeating conditions.

(i) **Coalspur Prescribed Occurrence occurs**

KCE may terminate, if a Coalspur Prescribed Occurrence occurs prior to the Second Court Date.

(j) **A majority of Directors change withdraw or modify their recommendation**

Coalspur may terminate, if at any time prior to the date of the Scheme Meeting, a majority of the Directors have changed, withdrawn or modified their recommendation because a Superior Offer has been received.

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(k) **Coalspur Board accepting Superior Offer**

Coalspur may terminate, if at any time prior to the Second Court Date, it is necessary for the Coalspur Board to recommend a Superior Offer, provided Coalspur has first complied with its obligations to KCE in relation to a Competing Proposal.

(l) **KCE Insolvency Event**

Coalspur may terminate, if a KCE Insolvency Event occurs prior to the Second Court Date.

For more information refer to the Scheme Implementation Agreement in Annexure 2.

10.13 Coalspur Reimbursement Fee

Coalspur has agreed to pay to KCE the Coalspur Reimbursement Fee of A$150,000 if:

(i) any Coalspur Director fails to recommend, or recommends against, qualifies their support of or withdraws its recommendation or approval of, the Transaction, other than as a result of the Independent Expert opining that the Scheme is not in the best interests of Coalspur Shareholders (other than where the Independent Expert has formed that opinion as a result of a Competing Proposal having being announced or made public);

(ii) any Director recommends or promotes a Competing Proposal;

(iii) the Court fails (taking into account all appeals) to approve the Scheme for the purposes of section 411(4)(b) of the Corporations Act as a result of a material non-compliance by Coalspur with any of its obligations under the Scheme Implementation Agreement;

(iv) the Scheme does not become Effective prior to the Sunset Date as a result of any non-compliance by Coalspur of any of its obligations under the Scheme Implementation Agreement or the Scheme Meeting not being held in an expeditious manner due to Coalspur delaying the Scheme Meeting as a result of a Competing Proposal;

(v) a Competing Proposal is announced before the date of the Scheme Meeting, the Coalspur Shareholders do not approve the Scheme at the Scheme Meeting and, as contemplated by the Competing Proposal, a third party acquires the voting power of 50% or more of Coalspur within 12 months of the Competing Proposal being announced; or

(vi) KCE terminates the Scheme Implementation Agreement due to a material breach of the Scheme Implementation Agreement (including breaches of any representation or warranty) by Coalspur which, if capable of remedy, continues for more than 5 Business Days following notice of such breach.

The Coalspur Reimbursement Fee is only payable once and is not payable by Coalspur once the Scheme becomes Effective, or (except under Section 10.13(iv) above) if the Coalspur Shareholders do not approve the Scheme at the Scheme Meeting.

10.14 KCE Reimbursement Fee

KCE has agreed to pay to Coalspur the KCE Reimbursement Fee of A$150,000 if:

(i) the Court fails to approve the Scheme as a result of a material non-compliance by KCE with any of its obligations under the Scheme Implementation Agreement;

(ii) the Effective Date of the Scheme has not occurred prior to the Sunset Date, as a consequence of non-compliance by KCE with any of its obligations under the Scheme Implementation Agreement; or

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(iii) Coalspur terminates the Scheme Implementation Agreement due to a material breach of the Scheme Implementation Agreement (including breaches of any representation or warranty) by KCE which, if capable of remedy, continues for more than 5 Business Days following notice of such breach.

The KCE Reimbursement Fee is only payable once and is not payable by KCE once the Scheme becomes Effective.

10.15 Guarantee by Cline

Cline has agreed to unconditionally and irrevocably guarantee to Coalspur the performance of KCE's obligations under the Scheme Implementation Agreement (Annexure 3) and Deed Poll (Annexure 4). The guarantee extends for so long as KCE has any liability or obligation to Coalspur under the Scheme Implementation Agreement until all of those liabilities or obligations have been fully discharged.

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11. Additional information

11.1 Interests of Directors

The Directors have no interest in the outcome of the Scheme, except as provided for in this Scheme Booklet.

(a) **Coalspur marketable securities**

The number, description and amount of Coalspur marketable securities held by or on behalf of each Director as at the date of this Scheme Booklet are:

Director	Coalspur Shares	Coalspur Options	Coalspur Performance Rights
Mr Mark Rodda	475,000	Nil	50,000
Mr Denis Turcotte	925,000	Nil	50,000
Mr David Murray	25,000	Nil	50,000
Ms Gill Winckler	1,045,000	1,007,514	3,257,514

Each Director holding Coalspur Options has entered into Option Cancellation Deeds agreeing to the cancellation of their Coalspur Options on or before the Record Date.

On the date the Scheme becomes Effective, the Coalspur Performance Rights held by each Director will automatically convert into one Coalspur Share per Coalspur Performance Right.

(b) **KCE marketable securities**

There are no marketable securities of KCE held by or on behalf of any Directors as at the date of this Scheme Booklet. However, pursuant to the EIG Sale Assignment KCE will acquire the EIG Warrants upon completion of the EIG Debt Assignment.

(c) **Participation in the Scheme**

All Directors will be treated in the same way under the Scheme as all other Coalspur Shareholders.

(d) **Arrangements in respect of Coalspur Options**

(i) Summary

It is a condition of the Scheme that prior to the Second Court Date, Coalspur cancel or enter into binding agreements with the holders of Coalspur Options to cancel their Coalspur Options in return for the Cancellation Consideration which are conditional only on the Scheme becoming Effective.

(ii) Holders of Coalspur Options

As at the date of this Scheme Booklet, Coalspur had the following Coalspur Options on issue:

Name of Holder of Coalspur Options	Exercise Price	Expiry Date	Number
Mr Eugene Wusaty	A$0.25	30 June 2015	2,750,000
Ms Gill Winckler	C$0.30	13 February 2019	1,007,514

Name of Holder of Coalspur Options	Exercise Price	Expiry Date	Number
Mr David Leslie	A$1.05	30 June 2015	750,000
Mr Gordon Mudryk	A$1.05	30 June 2015	700,000
Mr Colin Gilligan	C$0.30	13 February 2019	545,737
Mr Rob Gough	C$0.30	13 February 2019	545,737
Mr John Innis	C$0.30 / A$0.70	13 February 2019 / 30 June 2015	67,168 / 350,000
Ms Xenia Kritsos	C$0.30	13 February 2019	251,878
Mr Jonathon McCarthy	C$0.30	13 February 2019	151,127
Mr Curtis Brinker	C$0.30	13 February 2019	92,355
Ms Carrie Wong	C$0.30	13 February 2019	67,168
Mr Ryan O'Regan	C$0.30	13 February 2019	41,980
Ms Sheri Fraser	C$0.30	13 February 2019	10,075
Total number of Coalspur Options			**7,330,739**

(e) **Arrangements in respect of Coalspur Performance Rights**

In accordance with their terms, Coalspur Performance Rights, numbering 9,965,082 in total, will automatically convert into Coalspur Shares prior to the Record Date, upon the Scheme becoming Effective. The holders of Coalspur Performance Rights will be registered as holders of Coalspur Shares on the Register by no later than the Record Date and will be entitled to the Scheme Consideration.

(f) **Termination Benefits**

Except as set out in this Section 11.1, no other termination benefits are proposed to be paid to any Director or officer of Coalspur or any Related Entity.

(g) **Other Benefits**

There are no agreements or arrangements between any Director and another person which is in connection with or conditional on the outcome of the Scheme, except for the following payments:

(i) management and the employees of Coalspur will be entitled to the balance of their 2014 short term incentive plan payments on completion of the assignment of all EIG's rights and interests under the EIG Facility to KCE. The aggregate balance of the short term incentive payment is $996,506, of which Ms Gill Winckler will be entitled to $360,000; and

(ii) as part of the strategic review process a key employee retention plan has been established for certain management and employees of Coalspur who will be entitled to key employee retention plan payments upon the Scheme becoming Effective. The aggregate balance of the

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key employee retention plan payment is $1,248,500. Ms Gill Winckler will be entitled to $450,000 as a key employee retention plan payment.

(h) **Interests of Directors in contracts entered into by KCE**

Except as set out in this Section 11.1, none of the Directors have any interests in contracts entered into by KCE.

(i) **Other agreements or arrangements with Directors in connection with the Scheme**

Coalspur proposes to obtain a new directors' and officers' insurance policy, to provide coverage for all current Directors for seven years from the Implementation Date.

Except as set out in this Section 11.1, there are no other agreements or arrangements between any Director of Coalspur and any other person in connection with or conditional upon the outcome of the Scheme.

11.2 Relevant interests of KCE in Coalspur securities

KCE has a relevant interest in 127,667,346 Coalspur Shares (19.90% of the total number of Coalspur Shares on issue) due to the Standstill Agreement with Borrowdale, as described in Section 7.5. KCE does not hold any Coalspur Options. Under the terms of the EIG Sale Agreement, KCE will acquire the EIG Warrants from EIG on completion of the EIG Debt Assignment, which (unless waived by KCE as a condition precedent to the Scheme), will occur before the Second Court Date.

KCE has no intention to acquire any Coalspur Shares or Coalspur Options prior to the Scheme becoming Effective.

11.3 Dealings in Coalspur securities

Neither KCE nor any Associate has provided, or agreed to provide, consideration for any Coalspur Shares under a purchase or agreement during the four months ended on the day immediately before the date of this Scheme Booklet.

During the period of four months ended on the day immediately before the date of this Scheme Booklet, neither KCE nor any Associate has given, offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an Associate, to:

(i) vote in favour of the Scheme; or

(ii) dispose of Coalspur Shares,

and the benefit has not been offered to all Coalspur Shareholders.

11.4 Material change in financial position of Coalspur

As a result of entering into the Scheme Implementation Agreement, Coalspur is expecting to recognise a non-cash impairment charge in its 2014 full year accounts. The impairment charge is subject to finalisation of Coalspur's full year accounts, which are expected to be released before 30 March 2015. Aside from the impairment, to the knowledge of the Directors, there has been no other material change to the financial position of Coalspur since 30 June 2014, being the date of the last published half year financial statement of Coalspur.

11.5 Lodgement of Scheme Booklet

This Scheme Booklet was given to ASIC on 27 February 2015 in accordance with section 411(2)(b) of the Corporations Act.

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11.6 No unacceptable circumstances

The Directors believe that the Scheme does not involve any circumstances in relation to the affairs of any Coalspur Shareholder that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

11.7 Creditors of Coalspur

The Scheme, if implemented, is not expected to materially prejudice Coalspur's ability to pay its creditors as the Scheme involves the acquisition of Coalspur Shares for consideration provided by a third party, rather than the acquisition of Coalspur's underlying assets. No material new liability (other than Transaction costs) is expected to be incurred by Coalspur as a consequence of the Transaction. Coalspur has paid and is paying all of its creditors within normal terms of trade and is solvent and trading in an ordinary commercial manner.

11.8 Experts and fees

The persons performing a function in a professional or advisory capacity in connection with the Scheme and with the preparation of this Scheme Booklet are:

(i) Hardy Bowen as legal adviser in relation to Australian law to Coalspur;

(ii) McCarthy Tétrault LLP as legal adviser in relation to Canadian law to Coalspur;

(iii) Deutsche Bank as Financial Adviser to Coalspur;

(iv) BDO as the author of the Independent Expert's Report;

(v) Snowden as the author of the Independent Technical Specialist's Report;

(vi) Deloitte as independent auditor to Coalspur; and

(vii) Ernst & Young has reviewed the Australian and Canadian taxation considerations in Section 9.

Each of them will be entitled to receive professional fees charged in accordance with their normal basis of charging.

The estimated fees payable to each of the above persons performing a function in a professional or advisory capacity in connection with the Scheme and with the preparation of this Scheme Booklet are as follows:

Adviser	Estimated Fee (Plus GST/VAT)
Hardy Bowen	A$350,000
McCarthy Tétrault LLP	A$31,000
Deutsche Bank (US$3,000,000)	A$3,860,000
BDO	A$95,000
Snowden	A$80,000
Ernst & Young	A$12,000
Other (including filing fees, regulatory fees and mailing costs)	A$24,000
TOTAL	**A$4,452,000**

Notwithstanding the foregoing, the Financial Adviser and their Related Entities as a full-service financial advisory firm, in the ordinary course (i) acts as a trader of, and dealer in, securities both as principal and on

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behalf of clients and, as such, may have had, and may in the future have, long or short positions in the securities of KCE and/or its affiliates and/or Coalspur, their predecessor or successor companies, (ii) conducts research on securities and provides investment advice to clients on investment matters and may, in the ordinary course of business, provide research reports and advice with respect to KCE and/or Coalspur, their predecessor or successor companies and (iii) may have provided, or in the future provide, other financial services which may include financial advisory services to KCE and/ or Coalspur, their predecessor or successor companies.

11.9 Consents

(a) **Consents**

Each of the following persons has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet in the form and context in which it is named:

(i) Hardy Bowen has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet as legal adviser to Coalspur as to matters of Australian law.

(ii) McCarthy Tétrault LLP has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet as legal advisers to Coalspur as to matters of the Canadian law.

(iii) Deutsche Bank has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet as the Lead Financial Adviser to Coalspur.

(iv) Computershare Investor Services Pty Limited has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet as the Australian Registrar.

(v) Computershare Investor Services Inc has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet as the Canadian Registrar.

(vi) BDO has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named as the Independent Expert in this Scheme Booklet and to the inclusion in this Scheme Booklet of the Independent Expert's Report in Annexure 1 and the references to the Independent Expert's Report elsewhere in this Scheme Booklet, in each case in the form and context in which they are included.

(vii) Snowden has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet and to the inclusion of its Independent Technical Specialist's Report, which forms appendix 5 and 6 to the Independent Expert's Report, and to references to this elsewhere in this Scheme Booklet, in each case in the form and context in which they are included.

(viii) Deloitte has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named in this Scheme Booklet as the auditor to Coalspur and to the inclusion in this Scheme Booklet of extracts from, references to and information from Coalspur's audited financial statements as at and for the year ended 31 December 2013, and as at and for the six month period ended 31 December 2012, and reviewed financial statements as at and for the six month period ended 30 June 2014 as included in Section 6.8 and references to this information elsewhere in this Scheme Booklet, in each case in the form and context in which they are included.

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(ix) Ernst & Young has given and has not before the date of this Scheme Booklet withdrawn its written consent to be named having reviewed the Australian and Canadian taxation implications of the Scheme for certain Australian and Canadian Coalspur Shareholders, which is set out in Section 9 and the summaries of that Section elsewhere in this Scheme Booklet, in each case in the form and context in which they are included.

(x) KCE has given and has not before the date of this Scheme Booklet withdrawn its written consent to the inclusion in this Scheme Booklet of the KCE Information in the form and context in which it is included.

(b) **Disclaimer**

Each person referred to in Section 11.9(a):

(i) has not authorised or caused the issue of this Scheme Booklet;

(ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than as specified in Section 11.9(a); and

(iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and any statement or report which has been included in this Scheme Booklet with the consent of that person referred to in Section 11.9(a).

11.10 Information relating to Ore Reserves and Mineral Resources

(a) **Coalspur**

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

The information in this Scheme Booklet 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 Scheme Booklet 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 Scheme Booklet 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

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

(b) **Disclaimer**

Each person referred to in this Section 11.10:

(i) has not authorised or caused the issue of this Scheme Booklet;

(ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than as specified in this Section 11.10; and

(iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for any part of this Scheme Booklet other than a reference to its name and any statement or report which has been included in this Scheme Booklet with the consent of that person referred to in this Section 11.10.

11.11 Regulatory conditions and relief

(a) **ASX**

Listing Rule 6.23.2 provides that a change which has the effect of cancelling an option for consideration can only be made if shareholders approve the change. ASX has granted Coalspur a waiver from Listing Rule 6.23.2 to allow for the cancellation of Coalspur Options without the need to obtain Coalspur Shareholder approval. The waiver is conditional on the Scheme being approved by the Requisite Majority of Coalspur Shares and by the Court, and that full details of the cancellation of the Coalspur Option is clearly set out in this Scheme Booklet. See Section 11.1(d) for details of the cancellation of the Coalspur Options.

Coalspur is considering seeking waivers, confirmations and approvals from ASX to permit Coalspur not to register any transfer of Coalspur Shares between the Canadian Register and Australian Register from the Notice Record Date to the Voting Record Date. If this occurs, Coalspur will advise Coalspur Shareholders by releasing an announcement to ASX (www.asx.com.au) and Canadian Securities Administrators (www.sedar.com).

(b) **ASIC**

In connection with the Scheme, Coalspur has applied to ASIC for relief pursuant to section 250P of the Corporations Act to extend the time by which Coalspur must hold its 2015 annual general meeting. Without relief, Coalspur would need to hold its 2015 annual general meeting by no later than 31 May 2015. Coalspur has applied for relief to permit it to hold its 2015 annual general meeting by no later than 31 July 2015 and will advise of the outcome of the relief application by releasing an announcement to ASX (www.asx.com.au) and Canadian Securities Administrators (www.sedar.com).

11.12 Supplementary information

If between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, KCE becomes aware of any of the following:

(i) a material statement in the KCE Information is false or misleading;

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(ii) a material omission from the KCE Information;

(iii) a significant change affecting a matter included in the KCE Information; or

(iv) a significant new matter affecting KCE that has arisen and that would have been required to be included in the KCE Information if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

KCE will make available supplementary information to Coalspur. Coalspur will make any such supplementary material provided by KCE available to Coalspur Shareholders by releasing that material to ASX (www.asx.com.au) and Canadian Securities Administrators (www.sedar.com) and posting the supplementary document to Coalspur's website (http://www.coalspur.com). Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Coalspur may also send such supplementary materials to Coalspur Shareholders.

If, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, Coalspur becomes aware of any of the following:

(i) a material statement in this Scheme Booklet is false or misleading;

(ii) a material omission from this Scheme Booklet;

(iii) a significant change affecting a matter included in this Scheme Booklet; or

(iv) a significant new matter that has arisen and that would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

Coalspur will make available supplementary material to Coalspur Shareholders. Coalspur intends to make available any supplementary material by releasing that material to ASX (www.asx.com.au) and Canadian Securities Administrators (www.sedar.com) and posting the supplementary document to Coalspur's website (www.coalspur.com). Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Coalspur may also send such supplementary materials to Coalspur Shareholders.

11.13 Other material information

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Director or Related Entity of Coalspur which has not previously been disclosed to Coalspur Shareholders.

THE ISSUE OF THIS SCHEME BOOKLET IS AUTHORISED BY THE DIRECTORS OF COALSPUR MINES LIMITED AND THIS SCHEME BOOKLET HAS BEEN SIGNED BY OR ON BEHALF OF THE DIRECTORS OF COALSPUR MINES LIMITED ON 17 MARCH 2015.



Mark Rodda
Director

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12. Glossary

In this Scheme Booklet (and Annexure 3 to Annexure 6), unless the context requires otherwise:

Accounting Standard has the meaning given to it in section 9 of the Corporations Act.

AER means the Alberta Energy Regulator.

AIFRS means Australian International Financial Reporting Standards, as issued by the Australian Accounting Standards Board.

Annexure means an annexure to this Scheme Booklet.

Announcement Date means the date on which KCE and Coalspur announced to ASX and TSX that they had entered into the Scheme Implementation Agreement, being 24 February 2015 (PST) and 25 February 2014 (WST).

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to it in the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as appropriate.

Australian Registrar means Computershare Investor Services Pty Limited.

Australian Coalspur Shareholder means a person who is registered as a shareholder of Coalspur according to the records of the Australian Registrar as of 5:00pm (WST) on 20 April 2015.

BDO means BDO Corporate Finance (WA) Pty Ltd.

Borrowdale means Borrowdale Park S.A.

Borrowdale Debt Assignment means the assignment by Borrowdale of all of its rights and interests under the Borrowdale Facility, including all security interests, to KCE.

Borrowdale Debt Balance means:

(i) if Borrowdale receives US$34.3 million in Borrowdale Royalty payments prior to 15 years after completion of the Borrowdale Debt Assignment, US$34.3 million; and

(ii) otherwise, US$36.3 million.

Borrowdale Facility means the C$30 million credit facility provided by Borrowdale pursuant to the Facility Agreement dated 11 July 2013 between Borrowdale and Coalspur Investments Limited, as amended and restated pursuant to an amendment deed dated 1 April 2014, and the associated Financial Indebtedness of the members of the Coalspur Group to Borrowdale, and all rights Borrowdale has against any person in connection with that indebtedness.

Borrowdale Previous Facility has meaning given in Section 6.6(a).

Borrowdale Repayment Date means the date which is one month after the EIG Repayment Date.

Borrowdale Royalty has the meaning given in Section 6.6(c).

Broadridge means Broadridge Investor Communications.

Business Day has the meaning given in the Listing Rules.

Canadian Coalspur Shareholder means a Canadian Registered Coalspur Shareholder or a Canadian Non-Registered Coalspur Shareholder.

Canadian National Railway Agreement means the CN Confidential Transportation Agreement No. 523969-AA made as of 25 March 2013 between Canadian National Railway Company and Coalspur Mines (Operations) Ltd.

Canadian Non-Registered Coalspur Shareholder means a person who beneficially holds Coalspur Shares held by a Canadian Registered Coalspur Shareholder.

Canadian Registered Coalspur Shareholder means a person who is registered as a shareholder of Coalspur according to the records of the Canadian Registrar.

Canadian Registrar means Computershare Investor Services Inc.

Canadian Securities Regulatory Authorities means the securities regulatory authorities of the following provinces of Canada: British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland.

Cancellation Consideration means the aggregate consideration to be provided to holders of Coalspur Options, being C$14,103.70 comprised of the amounts set out opposite each tranche of Coalspur Options as described in the following table:

Exercise Price	Number of options	Number of option holders	Issue Date	Expiry Date	Cancellation Consideration
C$0.30	2,780,739	10	5 March 2014 and 30 May 2014	13 February 2019	C$0.005 per option
A$1.05	700,000	1	16 July 2010	30 June 2015	C$50 per option holder
A$1.05	750,000	1	14 May 2010	30 June 2015	C$50 per option holder
A$0.70	350,000	1	24 March 2010	30 June 2015	C$50 per option holder
A$0.25	2,750,000	1	30 September 2009	30 June 2015	C$50 per option holder

CGT means capital gains tax.

CIM or **CIM Standards** means Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council on 20 August 2000.

Cline means Cline Resource and Development Company.

Coal Leases means collectively, the various leases by virtue of which the holder thereof is entitled to mine, recover, remove or dispose of coal, issued by any Regulatory Authority in connection with the business or activities of any member of the Coalspur Group, including without limitation those specified in Part 1 of Schedule 6 of the Scheme Implementation Agreement, together with any renewals, extensions, modifications, substitutions, amalgamations, successions, conversions, demise to lease, renaming or variation of any of those mineral claims.

Coalspur means Coalspur Mines Limited, ACN 003 041 594.

Coalspur Board means the board of directors of Coalspur.

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Coalspur Diligence Materials the information fully and fairly disclosed by Coalspur to KCE and its Representatives in the Coalspur data room hosted by Merrill DataSite on behalf of Coalspur and any additional information that has been fully and fairly disclosed in writing by Coalspur in response to a request by KCE.

Coalspur Group means Coalspur and its Related Entities.

Coalspur Information means the information contained in this Scheme Booklet other than the KCE Information and the Independent Expert's Report in Annexure 1.

Coalspur Option means an option to acquire a Coalspur Share.

Coalspur Performance Right means a performance right exchangeable for, or exercisable or convertible into, a Coalspur Share.

Coalspur Prescribed Occurrence means other than:

(i) as required by the Scheme Implementation Agreement or the Scheme;

(ii) matters which have been fully and fairly disclosed in

(A) Coalspur Diligence Materials;

(B) documents released by Coalspur on ASX and SEDAR; or

(iii) as agreed to in writing by KCE,

the occurrence of any of the following between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date:

(i) Coalspur converting all or any of its shares into a larger or smaller number of shares;

(ii) any member of the Coalspur Group resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;

(iii) any member of the Coalspur Group:

(A) entering into a buy-back agreement; or

(B) resolving to approve the terms of a buy-back agreement under the Corporations Act;

(iv) any member of the Coalspur Group declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members;

(v) a member of the Coalspur Group issuing securities, including without limitation shares, or granting an option (over its shares, or agreeing to make such an issue or grant such an option other than to Coalspur or to a direct or indirect wholly-owned subsidiary of Coalspur or pursuant to the exercise on an option disclosed to ASX prior to the date of the Scheme Implementation Agreement), including pursuant to a dividend reinvestment or other share plan;

(vi) a member of the Coalspur Group issuing or agreeing to issue securities convertible into shares, including pursuant to a performance rights plan, a dividend reinvestment or other share plan;

(vii) a member of the Coalspur Group making any change to its constitution or constating documents, as applicable;

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(viii) a member of the Coalspur Group disposing, or agreeing to dispose, of the whole, or a part, of its assets (including, without limitation, the Coal Leases, the Mining and Environmental Approvals and its other coal assets), business or property;

(ix) a member of the Coalspur Group:

(A) acquiring, leasing or disposing of;

(B) agreeing to acquire, lease or dispose of; or

(C) irrevocably offering, proposing, announcing a bid or tendering for,

any business, assets, entity or undertaking, the value of which exceeds A$150,000 (individually or in aggregate);

(x) a member of the Coalspur Group terminating, varying or consenting to the termination or variation of, or waiving or releasing any material right under, any Coal Lease, Mining and Environmental Approval, or any other material agreement, deed or other arrangement or understanding;

(xi) a member of the Coalspur Group creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a part, of its business or property other than a lien which arises by operation of law or legislation securing an obligation that is not yet due in the ordinary course of business;

(xii) an Insolvency Event occurring in relation to any member of the Coalspur Group; or

(xiii) a member of the Coalspur Group:

(A) entering into any contract or commitment (including in respect of Financial Indebtedness) requiring payments by any member of the Coalspur Group, as applicable, in excess of A$150,000 (individually or in aggregate) other than any payment required by law, or which is otherwise material to the Coalspur Group;

(B) waiving any third party default where the financial impact on the Coalspur Group will be in excess of A$150,000 (individually or in aggregate);

(C) otherwise waiving, releasing, granting or transferring any rights with a value of more than A$150,000 (individually or in aggregate);

(D) other than pursuant to commitments that existed prior to the date of this agreement and which have been fully and fairly disclosed to KCE, a member of the Coalspur Group providing financial accommodation other than to members of the Coalspur Group (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of A$150,000 (individually or in aggregate);

(E) a member of the Coalspur Group being deregistered as a company or otherwise dissolved except in the case of a member of the Coalspur Group with less than A$150,000 (individually or in aggregate) in net assets as at the date of this agreement; or

(F) a member of the Coalspur Group changing any accounting policy applied by them to report their financial position other than any change in policy required by a change in Accounting Standards.

Coalspur Projects means Vista, Vista Extension and Vista South.

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Coalspur Reimbursement Fee means the amount of A$150,000 payable by Coalspur to KCE in the circumstances set out in the Scheme Implementation Agreement and Section 10.13.

Coalspur Share means a fully paid ordinary share issued in the capital of Coalspur.

Coalspur Shareholder means, at the relevant time, a person who is registered in the Register as a holder of Coalspur Shares.

Coalspur Warrant means a warrant to acquire a Coalspur Share.

Competing Proposal means any proposal or offer received by Coalspur from a third party (other than KCE or its Related Entities) to evaluate or enter into any transaction that is similar to the Transaction or under which (other than as required or contemplated by the Scheme):

(i) a person would acquire a relevant interest or voting power in 50.1% or more of Coalspur Shares or of the securities of any of member of the Coalspur Group;

(ii) a person would enter into, buy, dispose of, terminate or otherwise deal with any cash settled equity swap or other synthetic, economic or derivative transaction connected with or relating to 50.1% or more of Coalspur Shares or of the securities of any member of the Coalspur Group;

(iii) a person would directly or indirectly acquire or obtain an interest (including an economic interest) in all or a substantial part or material part of the business conducted by, or property of, Coalspur or any member of the Coalspur Group;

(iv) a person would acquire Control of Coalspur or any member of the Coalspur Group;

(v) a person may otherwise acquire, or merge with, Coalspur or any member of the Coalspur Group (including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of securities, strategic alliance, dual listed company structure or joint venture); or

(vi) Coalspur will issue, on a fully diluted basis, 50.1% or more of its capital as consideration for the assets or share capital or another person,

or which is conditional upon Coalspur failing to proceed with the Scheme or terminating the Scheme Implementation Agreement, or any proposal by Coalspur to implement any material reorganisation of capital or dissolution. The variation of a proposal or offer constitutes a proposal or offer for the purposes of this definition.

Control has the meaning given to that term in section 50AA of the Corporations Act.

Corporations Act means the Corporations Act 2001 (Cth) (Australia).

Court means the Federal Court of Australia.

CN means Canadian National Railway Company.

CSA means the Canadian Securities Administrators.

Deed Poll means the deed poll dated on or around 14 March 2015 executed by KCE and Cline, set out in Annexure 4.

Deloitte means Deloitte Touche Tohmatsu of Level 14, Woodside Plaza 240 St Georges Terrace, Perth, Western Australia 6000.

Deutsche Bank means Deutsche Bank Securities Inc.

Director means a director of Coalspur.

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Effective means, when used in relation to a Scheme, the order of the Court made under section 411(4)(b) in relation to the Scheme coming into effect pursuant to section 411(10) of the Corporations Act.

Effective Date means the date on which the Scheme becomes Effective.

EIG means EIG Energy Fund XV-A, L.P., EIG Energy Fund XV, L.P., EIG Energy Fund XV-B, L.P., EIG Energy Fund XV (Cayman), L.P. and EIG Management Company, LLC.

EIG Debt Assignment means the assignment by EIG of all of its rights and interests under the EIG Facility, including all security interests, to KCE pursuant to the EIG Sale Agreement.

EIG Facility means the senior secured debt facility of up to US$350 million entered into on 18 April 2013 between Coalspur and EIG, as amended from time to time, and the associated Financial Indebtedness of the members of the Coalspur Group to EIG (including all of the EIG Warrants), and all rights EIG has against any person in connection with that indebtedness.

EIG Repayment Date means the later of:

(i) 31 March 2015; or

(ii) the earlier of:

(A) the termination of the EIG Sale Agreement; or

(B) the implementation of the Scheme.

EIG Sale Agreement means the Sale Agreement dated on or around 24 February 2015 between EIG, the Coalspur Group (excluding Coalspur Investment Limited) and KCE.

EIG Warrants means the 120,000,000 Coalspur Warrants issued to EIG in connection with the EIG Facility.

EPC means engineering, procurement and construction.

ERCB means the Energy Resources Conservation Board.

Ernst & Young means Ernst & Young of 680 George Street, Sydney, NSW 2000, Australia.

Exclusivity Period means the period commencing on 24 February 2015 and ending on the earlier of the date that the Scheme Implementation Agreement is terminated, the Implementation Date or the Sunset Date.

Financial Adviser means any adviser or advisers retained by Coalspur relating to the Scheme or a Competing Proposal, and at the date of this Scheme Booklet means Deutsche Bank.

Financial Indebtedness means any debt or other monetary liability (whether actual or contingent) in respect of moneys borrowed or raised or any financial accommodation.

Implementation Date means the fifth Business Day after the Record Date, or such other date agreed to in writing by Coalspur and KCE.

Independent Expert means BDO.

Independent Expert's Report means the report of BDO set out in Annexure 1.

Independent Technical Specialist means Snowden.

Independent Technical Specialist's Report means the report of Snowden set out in the appendixes to the Independent Expert's Report.

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Indicated Mineral Resource or **Indicated Coal Resource** means:

(i) for the purposes of the CIM Standards, that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and texting information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed; and

(ii) for the purposes of the JORC Code, the meaning given to that term in the JORC Code.

Inferred Mineral Resource or **Inferred Coal Resource** means:

(i) for the purposes of the CIM Standards, that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pit, workings and drill holes; and

(ii) for the purposes of the JORC Code, the meaning given to that term in the JORC Code.

Intermediary has the meaning given in Section 4.4(b).

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

KCE means KC Euroholdings S.à r.l.

KCE Board means the board of directors of KCE.

KCE Information means all the information contained in this Scheme Booklet regarding KCE or Cline prepared by KCE or its advisors, being the information in the Sections or parts of those Sections described below:

(i) Section 3 under the part named, "Questions about KCE";

(ii) Section 7;

(iii) Section 11.2;

(iv) Section 11.3; and

(v) Section 12: the definitions contained in the Glossary for "Cline", "KCE", "KCE Information" and "Standstill Agreement",

except in each case to the extent that information is based on information provided or prepared by or on behalf of Coalspur.

KCE Insolvency Event means KCE:

(i) the person is or becomes unable to pay its debts as and when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act, or would be presumed to be insolvent if that Act applied;

(ii) the person suspends or threatens to suspend payment of its debts generally;

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(iii) the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or the making of any order, or the passing of any resolution, for the winding up, liquidation or bankruptcy of the party other than where the application or order (as the case may be) is set aside within 14 days;

(iv) the appointment of a provisional liquidator, liquidator, receiver or a receiver and manager or other insolvency official (whether under Australian law or foreign law) to the person or to the whole or a substantial part of the property or assets of the person;

(v) the appointment of an administrator to the person;

(vi) the entry by a person into any compromise or arrangement with creditors; or

(vii) the person ceases or threatens to cease to carry on business.

KCE Reimbursement Fee means the amount of A$150,000 payable by KCE to Coalspur in the circumstances set out in the Scheme Implementation Agreement and summarised in Section 10.14.

KMP means key management personnel.

Listing Rules means the official listing rules of ASX.

MD&A means management's discussion and analysis.

Measured Mineral Resource or **Measured Coal Resource** means:

(i) for the purposes of the CIM Standards, that part of a Mineral Resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity; and

(ii) for the purposes of the JORC Code, the meaning given to that term in the JORC Code.

Mineral Reserve or **Coal Reserve** means, for the purposes of the CIM Standards, the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, and economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

Mineral Resource or **Coal Resource** means:

(i) for the purposes of the CIM Standards, a concentration or occurrence of natural, solid, inorganic or fossilised organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories; and

(ii) for the purposes of the JORC Code, the meaning given to that term in the JORC Code and is also described as **Coal Resource** in this Scheme Booklet.

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Mining and Environmental Approvals means all present and future permits, certificates, authorisations, approvals, orders, consents, instructions, registrations, directions, decisions, decrees, conditions, notifications, demands, filings, licenses or permits whether or not having the force of law, issued by any Regulatory Authority in connection with the business or activities of any member of the Coalspur Group, including without limitation in relation to Environmental Laws and those specified in Part 2 of Schedule 6 of the Scheme Implementation Agreement (as amended, varied or replaced from time to time).

Mtpa means million tonnes per annum.

NI 43-101 means National Instrument 43-101 *Standards of Disclosure for Mineral Projects* adopted by CSA.

Notice of Scheme Meeting means the notice convening the Scheme Meeting together with the Proxy Forms for that meeting as set out in Annexure 5.

Notice Record Date means 5.00pm (WST) / 2.00am (PST) on 20 March 2015, being the time and date for determining Coalspur Canadian Shareholders on the Canadian Register to receive the Scheme Booklet and voting instruction forms.

Option Cancellation Deeds has the meaning in given in Section 10.10(a)(xvi)(B).

Ore Reserve has the meaning given to that term in the JORC Code and is also described as **Coal Reserve** in this Scheme Booklet.

Probable Mineral Reserve means, for the purposes of the CIM Standards, the economically mineable part of an Indicated Mineral Resource and, in some circumstances, a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information in mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

Proved/Proven Mineral Reserve means, for the purposes of the CIM Standards, the economically mineable part of a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

Proxy Form means the proxy form that accompanies this Scheme Booklet or is available from the Australian Registrar or the Canadian Registrar.

PST means Pacific Standard Time in Canada.

Record Date means 7.00pm (Sydney time) on the fifth Business Day following the Effective Date or such other date (after the Effective Date) as Coalspur and KCE may agree in writing or as ordered by the Court or as may be required by the ASX or TSX.

Register means the share register of Coalspur kept pursuant to the Corporations Act.

Regulatory Authority includes, in any jurisdiction:

(i) a government or governmental, semi-governmental, administrative, fiscal or judicial entity or authority;

(ii) a minister, department, office, commission, delegate, instrumentality, tribunal, agency, board, authority or organisation of any government;

(iii) any regulatory organisation established under statute; and

(iv) in particular, ASX, ASIC, TSX, the Canadian Securities Regulatory Authorities and the Government of Alberta.

Related Entity means, in relation to a party, any entity that is related to that party within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in the Accounting Standards) that is Controlled by that party.

Representatives means in relation to an entity:

(i) each of the entity's Related Entities; and

(ii) each of its and its Related Entities' directors, officers, employees, contractors, advisers (including legal, financial and other expert advisers) and agents, but excluding the Independent Expert.

Requisite Majority means in relation to the Scheme Resolution, a resolution passed by:

(i) unless the Court orders otherwise, a majority in number (more than 50%) of Coalspur Shareholders, who are present and voting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; and

(ii) at least 75% of the votes cast on the resolution.

Ridley Terminals means Ridley Terminals Inc.

Ridley Terminals Services Agreements means:

(i) the terminal services agreement dated 26 October 2011; and

(ii) the terminal services agreement dated 28 March 2012, as amended and restated on 31 August 2012,

between Ridley Terminals and Coalspur Mines (Operations) Limited.

Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between Coalspur and the Scheme Participants, the form of which is contained in Annexure 3, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by KCE and Coalspur.

Scheme Booklet means this scheme booklet.

Scheme Consideration means the consideration to be provided to Scheme Participants under the terms of the Scheme, being $0.023 in respect of each Coalspur Share held by a Scheme Participant on the Record Date, the aggregate Scheme Consideration for each Scheme Participant being rounded to the nearest whole cent.

Scheme Implementation Agreement means the Scheme Implementation Agreement dated 24 February 2015 between Coalspur, KCE and Cline, set out in Annexure 2.

Scheme Meeting means the meeting of Coalspur Shareholders convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act and includes any adjournment of that meeting, to be held at 10.00am (WST) on 22 April 2015.

Scheme Participant means each person who is a Coalspur Shareholder as at the Record Date (other than KCE).

Scheme Resolution means the resolution to be proposed to the Coalspur Shareholders at the Scheme Meeting to approve the Scheme, set out in the Notice of Scheme Meeting.

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Second Court Date means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned or appealed application is heard.

SEDAR means the computer system established under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* for the transmission, receipt, acceptance, review and dissemination of documents filed in electronic format in Canada.

Sedgman means Sedgman Canada Limited.

Special Committee means the special committee appointed by the Board of Directors to oversee the strategic review process undertaken by Coalspur.

Snowden means Snowden Mining Industry Consultants Pty Ltd.

Standstill Agreement means the agreement referred to in Section 7.5.

Subsidiary has the meaning given to that term in section 9 of the Corporations Act.

Sunset Date means 30 June 2015 or such later date as agreed to in writing between Coalspur and KCE.

Superior Offer means a bona fide Competing Proposal (which was not obtained in breach of clause 11 of the Scheme Implementation Agreement) the Coalspur Board, acting reasonably and in good faith, and after taking advice from its legal advisers practising in the area of corporate law and Financial Advisers, determines:

(i) is reasonably capable of being valued and completed on a timely basis, taking into account all aspects of the Competing Proposal and the person making it, including without limitation having regard to legal, regulatory and financial matters and any conditions precedent; and

(ii) would, if completed in accordance with its terms, be more favourable to Coalspur and Coalspur Shareholders than the Scheme, after taking into account all of the terms and conditions of, and the identity, reputation and standing of the person making, the Competing Proposal.

Tax Act means the Income Tax Assessment Act 1936 (Cth) and the Income Tax Assessment Act 1997 (Cth).

Thiess means Thiess Pty Ltd.

Transaction means the acquisition by KCE of all of the Coalspur Shares by means of the Scheme in accordance with the terms of the Scheme Implementation Agreement.

TSX means the Toronto Stock Exchange.

United States or **US** means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

US Exchange Act means the United States Securities Exchange Act of 1934, as amended.

US Securities Act means the United States Securities Act of 1933, as amended.

Vista means Coalspur's primary thermal coal project located near Hinton, Alberta.

Vista Extension means the Vista Extension coal project, located contiguously and directly to the north of Vista, comprising of coal leases held by Coalspur.

Vista South means the Vista South project located to the south of Vista, comprising of coal leases held by Coalspur.

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Vista Technical Report means the technical report titled, "The Coalspur Coal Projects, Hinton, Alberta. Project No. 04372 / V1428, NI43-101 Technical Report" dated 31 July 2014 available on www.sedar.com and www.asx.com.au as well as on Coalspur's website at www.coalspur.com.

Voting Record Date means 5.00pm (WST) / 2.00am (PST) on 20 April 2015, being the time and date for determining the eligibility of Australian Coalspur Shareholders on the Australian Register and Canadian Registered Shareholders on the Canadian Register to vote at the Scheme Meeting.

WST means Western Standard Time in Australia.

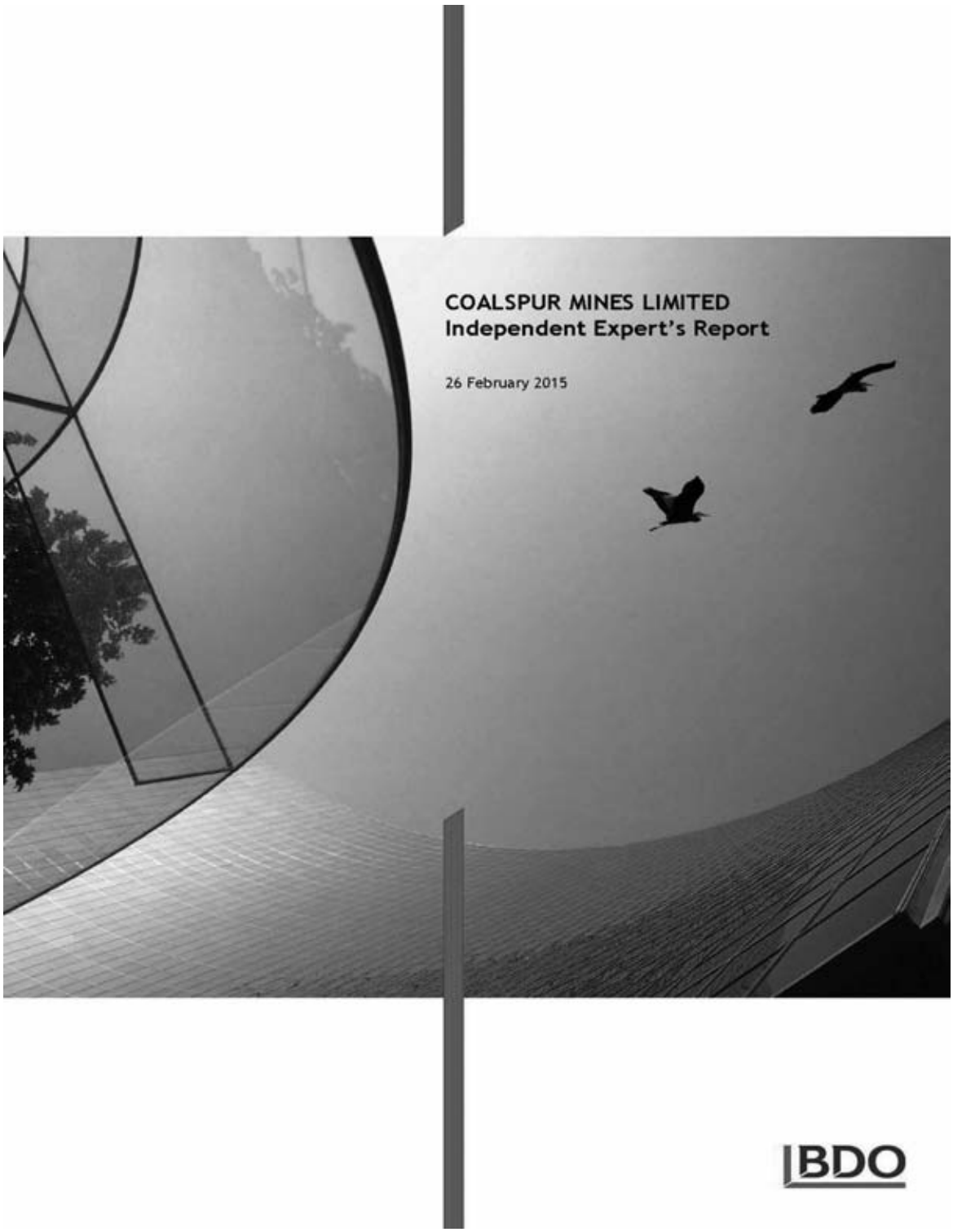
In this Scheme Booklet:

- all dates and times are Perth, Western Australia times unless otherwise indicated;
- words and phrases not otherwise defined in this Scheme Booklet (excluding the Annexures of this Scheme Booklet) have the same meaning (if any) as is given to them by the Corporations Act;
- the singular includes the plural and vice versa. A reference to a person includes a reference to a corporation;
- headings are for ease of reference only and do not affect the interpretation of this Scheme Booklet;
- a reference to a Section is to a Section in this Scheme Booklet unless stated otherwise;
- a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them; and
- the meaning of general words is not limited by specific examples introduced by "including", "for example" or similar expressions.

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Annexure 1 – Independent Expert's Report



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Financial Services Guide

26 February 2015

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('**we**' or '**us**' or '**ours**' as appropriate) has been engaged by Coalspur Mines Limited ('**Coalspur**') to provide an independent expert's report on the Scheme of Arrangement whereby KC Euroholdings S.a.r.l. ('**KCE**') proposes to acquire the issued equity in Coalspur for a cash payment of A$0.023 per share. You will be provided with a copy of our report as a retail client because you are a shareholder of Coalspur.

Financial Services Guide
In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('**FSG**'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us
BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide
We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice
We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

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Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $95,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Other Assignments
In April 2014, BDO was engaged by Coalspur to prepare an independent expert's report in relation to a transaction that did not proceed.

In May 2013, BDO was engaged by Coalspur to provide an independent expert's report on the proposed issue of shares and warrants under a facility agreement with EIG Global Energy Partners and restructuring agreement with Borrowdale Park. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement was approximately $75,000.

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Coalspur for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution
Internal complaints resolution process
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (**'FOS'**). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details
You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 1 - Glossary and Copyright Notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Discount Rate Assessment

Appendix 4 - Resource multiple Company and Transaction Descriptions

Appendix 5 - Independent Technical Report prepared by Snowden Mining Industry Consultants Pty Ltd

Appendix 6 - Mineral Asset Valuation Report prepared by Snowden Mining Industry Consultants Pty Ltd

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

26 February 2015

The Directors
Coalspur Mines Limited
Level 1, 28 Ord Street
West Perth WA 6005

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 25 February 2015, Coalspur Mines Limited (**'Coalspur'** or **'the Company'**) announced that it had entered into a scheme implementation agreement with KC Euroholdings S.a.r.l. (**'KCE'**), an affiliate of The Cline Group LLC (**'Cline'**), to give effect to the acquisition of all of the issued Coalspur equity (**'the Scheme'**). Under the Scheme, Coalspur shareholders will receive cash consideration of A$0.023 per Coalspur share held on a fully diluted basis (**'Scheme Consideration'**).

Cline is part of a privately held energy development group founded in 1990 by Chris Cline. Cline and its affiliates have developed and operated underground mines in Canada and the USA.

Coalspur proposes to enter into the Scheme as it does not have the capital required to fund the Vista Coal Project (**'Vista Coal'**), Vista South Project (**'Vista South'**) and Vista Extension Project (**'Vista Extension'**) into production or to service its long term debt obligations with EIG (hereinafter defined) and Borrowdale Park S.A.. Throughout our report, we have collectively referred to Vista Coal, Vista South and Vista Extension as **'the Projects'**.

Additionally, KCE has entered into an agreement with EIG Energy Fund XV-A, L.P., EIG Energy Fund XV, L.P., EIG Energy Fund XV-B, L.P., EIG Energy Fund XV (Cayman), L.P. and EIG Management Company, LLC (collectively **'EIG'**) and agreed commercial terms with Borrowdale Park S.A. (**'Borrowdale'**) to acquire the debt that is owed to them by Coalspur (the terms of which have been discussed in section 4 of our Report). Throughout our report, we refer to these debt facilities as the **'EIG Facility'** and the **'Borrowdale Facility'** respectively. Throughout our report, we have referred to KCE's acquisition of the Borrowdale Facility as the **'Borrowdale Transaction'**.

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2. Summary and Opinion

2.1 Purpose of the report

The Scheme

The directors of Coalspur have requested that BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) prepare an independent expert's report (**'our Report'**) to express an opinion as to whether or not the Scheme is in the best interests of the shareholders of Coalspur (**'Shareholders'**).

Our Report is prepared pursuant to section 411 of the Corporations Act 2001 (Cth) (**'the Act'**) and is to be included in the scheme booklet for Coalspur to be sent to all Shareholders (**'Scheme Booklet'**) in order to assist them in their decision whether to approve the Scheme.

Collateral Benefit

The Borrowdale Facility will be acquired by KCE. Borrowdale is a shareholder in Coalspur. Our Report also includes an assessment of whether any collateral benefit will be given to Borrowdale under the Borrowdale Transaction if the Scheme is approved.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission (**'ASIC'**) Regulatory Guide 9 'Takeover Bids' (**'RG 9'**), Regulatory Guide 60 'Schemes of Arrangements' (**'RG 60'**), Regulatory Guide 111 'Content of Expert's Reports' (**'RG 111'**) and Regulatory Guide 112 'Independence of Experts' (**'RG 112'**).

The Scheme

In arriving at our opinion, we have assessed the terms of the Scheme as outlined in the body of this report. We have considered:

- how the value of a Coalspur share on a controlling basis compares to the value of the cash consideration of A$0.023 per Coalspur share being offered by KCE;
- the likelihood of a superior alternative offer being available to Coalspur;
- other factors which we consider to be relevant to Shareholders in their assessment of the Scheme; and
- the position of Shareholders should the Scheme not proceed.

Collateral benefit

In arriving at our opinion, we have assessed whether a net benefit has been given by KCE to Borrowdale under the Borrowdale Transaction as outlined in the body of this report. We have considered:

- how the value of the financial benefits given by KCE to Borrowdale compares to the value of Coalspur's financial obligation to Borrowdale; and
- if the nature and overall circumstances of the arrangement or transaction gives rise to a collateral benefit by KCE to Borrowdale to induce Borrowdale to approve the Scheme.

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2.3 Opinion

The Scheme

We have considered the terms of the Scheme as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Scheme is fair and reasonable to Shareholders. Therefore, in the absence of a superior proposal, we conclude that the Scheme is in the best interests of Shareholders.

In our opinion, the Scheme is fair because the Scheme Consideration is greater than our assessed control value of a Coalspur share. In our opinion, the Scheme is reasonable because it is fair, and the position of Shareholders if the Scheme is approved is more advantageous than the position if the Scheme is not approved.

Collateral benefit

We have considered the terms of the Borrowdale Transaction as outlined in the body of this report and have concluded that Borrowdale will not be given a collateral benefit if the Scheme is approved.

In our opinion, no collateral benefit will be given to Borrowdale because Coalspur's financial obligation to Borrowdale, which would be met by the financial benefit given, is greater than our assessed value of the financial benefit given. We consider that the nature and overall circumstances of the Borrowdale Transaction do not give rise to a collateral benefit by KCE to Borrowdale to induce Borrowdale to approve the Scheme.

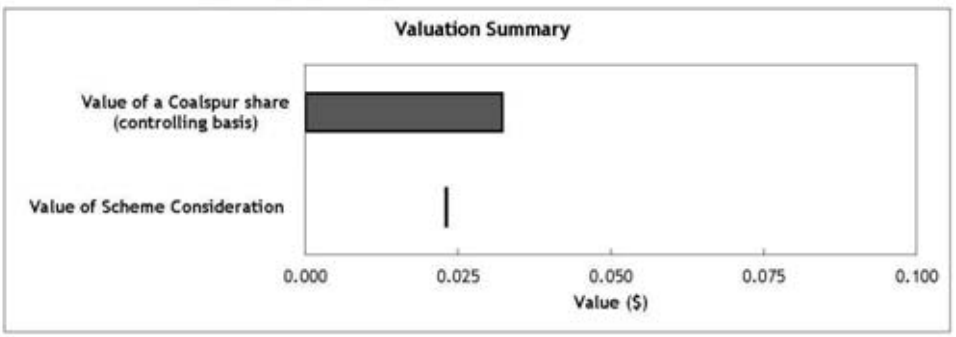
2.4 Fairness

In section 12, we determined that our assessed preferred value of a Coalspur share on a controlling basis is less than the value of the Scheme Consideration as detailed below.

	Ref	Low $	Preferred $	High $
Value of a Coalspur share (controlling basis)	9	-	0.006	0.032
Value of Scheme Consideration	10	0.023	0.023	0.023

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

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2.5 Reasonableness

In order to assess whether the Scheme is reasonable we have considered the analysis in section 13 of this report, in terms of both:

- advantages and disadvantages of the Scheme; and
- other considerations, including the position of Shareholders if the Scheme does not proceed and the consequences of not approving the Scheme.

In our opinion, the position of Shareholders if the Scheme is approved is more advantageous than the position if the Scheme is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Scheme is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1	The Scheme is fair	13.2.1	Shareholders will be unable to participate in the potential upside from the successful development of the Projects, assuming that the Projects can be funded appropriately and successfully.
13.1.2	Shareholders will obtain cash under the Scheme and not shares in KCE. Shareholders will therefore not be subject to the uncertainties of KCE's future plans and ownership. This is a particular benefit if the risk profile of KCE is not aligned with the risk profile of Shareholders	13.2.2	Shareholders may face potential tax implications such as crystallising a capital gains tax liability or loss on the disposal of their shares earlier than expected. Refer to Section 9 of the Scheme Booklet for additional information on the tax consequences of the Scheme.
13.1.3	Shareholders have the opportunity to realise their investment with certainty and at a premium to the Company's quoted market price		
13.1.4	Shareholders will not be exposed to funding uncertainties of the Project and any potential significant dilution that may arise		
13.1.5	Shareholders will not be exposed to the risk of default on repayment of the Company's debts		

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Other key matters we have considered include:

Section	Description
13.3	We are not aware of any alternative proposal at present that might offer Shareholders a premium over the value ascribed to and resulting from the Scheme
13.4	Consequences of not approving the Scheme: – availability of alternative funding

2.6 Collateral benefit

Our assessment of the Borrowdale Transaction shows that the present value of the financial benefit in the form of royalty obligations is lower than the present value of the outstanding interest and principal repayments as set out below.

Borrowdale Transaction	Ref	C$m
Present value of interest and principal repayments under current arrangement	11	39.00
Present value of royalty obligations	11	0.58

Source: BDO analysis

The above values indicate that, in the absence of any other relevant information, Borrowdale will not be given a collateral benefit if the Scheme is approved.

The nature and overall circumstances of the Borrowdale Transaction do not give rise to a collateral benefit by KCE to Borrowdale to induce Borrowdale to approve the Scheme.

3. Scope of our Report

3.1 Purpose of our Report

The Scheme

The Scheme is to be implemented pursuant to section 411 of the Act. Part 3 of Schedule 8 to the Corporations Act Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to section 411 of the Act ('**Section 411**').

Schedule 8 of the Act requires an independent expert's report if:

- the corporation that is the other party to the scheme has a common director or directors with the company which is the subject of the scheme; or
- the corporation that is the other party is entitled to more than 30% of the voting shares in the subject company.

The expert must be independent and must state whether or not, in his or her opinion, the proposed scheme is in the best interest of the members of the company the subject of the scheme and setting out his or her reasons for that opinion.

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KCE does not hold any shares in Coalspur and there are no common directors, hence an independent expert's report is not specifically required in relation to the Scheme. However, the directors of Coalspur have requested that BDO prepare this report as if it were an independent expert's report pursuant to Section 411, and to provide an opinion as to whether the directors of Coalspur are justified in recommending the Scheme in the absence of a superior proposal.

Collateral benefit

Section 623 of the Act prohibits a bidder from giving, or offering to give, a benefit to a person if that benefit is likely to induce the person to:

- accept an offer under the bid; or
- dispose of securities in the bid class

if that benefit is not offered to all holders of securities in the bid class under the bid.

This rule is intended to ensure equality of treatment between all shareholders. Whilst the collateral benefit rule in section 623 does not strictly apply to schemes of arrangement, the views of ASIC and the courts are that it is relevant to schemes of arrangement.

Prior to, or simultaneous with, the implementation of the Scheme, the Borrowdale Facility will be acquired by KCE. Borrowdale is a shareholder in Coalspur.

Our Report has been commissioned by the directors of Coalspur to provide an opinion stating whether any collateral benefit will be given to Borrowdale under the Borrowdale Transaction if the Scheme is approved.

3.2 Regulatory guidance

The Scheme

The Act does not define the term 'in the best interests of'. In determining whether the Scheme is in the best interests of Shareholders, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

A key matter under RG 111 that an expert needs to consider when determining the appropriate form of analysis is whether or not the effect of the transaction is comparable to a takeover bid and is therefore representative of a change of 'control' transaction.

In the circumstance of a scheme that achieves the same outcome as a takeover bid, RG 111 suggests that the form of the analysis undertaken by the independent expert should be substantially the same as for a takeover. Independent expert reports required under the Act in the circumstance of a takeover are required to provide an opinion as to whether or not the takeover bid is 'fair and reasonable'.

While there is no definition of 'fair and reasonable', RG 111 provides some guidance as to how the terms should be interpreted in a range of circumstances. RG 111 suggests that an opinion as to whether transactions are fair and reasonable should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to effect the transaction.

Schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, 'in the best interests' must be capable of a broad interpretation to meet the particular circumstances of each transaction. This involves judgment on the part of the expert as to the overall

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commercial effect of the transaction, the circumstances that have led to the transaction and the alternatives available.

The expert must weigh up the advantages and disadvantages of the proposed transaction and form an overall view as to whether shareholders are likely to be better off if the proposed transaction is implemented than if it is not. This assessment is the same as that required for a 'fair and reasonable' assessment in the case of a takeover. If the expert would conclude that a proposal is 'fair and reasonable', if it was in the form of a takeover bid, the expert will also be able to conclude that the scheme is in the best interests of shareholders. An opinion of 'in the best interests' does not imply the best possible outcome for shareholders.

Collateral benefit

RG 9 provides guidance on takeover bids. Although RG 9 does not strictly apply to schemes of arrangement, we considered that, in the same way that ASIC and the courts view that section 623 is relevant to schemes of arrangement, RG 9 is also relevant to schemes of arrangement if they are used as a mechanism to conduct a takeover bid. Section E of RG 9 provides guidance on how collateral benefits should be considered and if any benefit is likely to induce acceptance or disposal.

Offering or giving collateral benefits to some target holders to induce them to accept a takeover offer or otherwise dispose of bid class securities is prohibited in section 623 of the Corporations Act. In considering whether a benefit is likely to induce acceptance or disposal, RG 9 suggests that we look at the overall circumstances of the arrangement or transaction giving rise to the benefit and the nature of the benefit. As such, no particular factor should be considered a 'safe harbour'.

Some key factors that may suggest a benefit is likely to induce acceptance of disposal include:

- when a benefit outside a bid is provided to a target holder in exchange for, or conditional on, the holder's acceptance of the bid or disposal of the securities, the benefit will generally amount to an inducement;
- a benefit that is material and connected to a bid will be more likely to induce a holder;
- the context of the transaction or arrangement associated with the benefit, and if the potential inducement effect of a benefit cannot be explained by reference to normal commercial matters that are independent of the recipient's holding in the target; and
- when objective indications of the purpose and effect of the transaction involving a benefit may also give rise to concern that the benefit is likely to induce acceptance or disposal, particularly if parties have entered into unnecessarily complex arrangements to mask the benefit, or if the overall arrangements are inconsistent with the stated purpose or where the bidder appears to have selectively entered into beneficial arrangements with certain holders, unnecessarily favouring those with larger holdings.

Paragraph 9.214 states that the test of 'inducement' is wider in scope than the prima facie 'net benefits' test. A collateral benefit that constitutes an inducement to accept a bid or dispose of bid class securities may be contrary to section 623(1) of the Act even if it is not a net benefit or involves 'arm's length' dealing.

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3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

The Scheme

Having regard to the above, BDO has completed this comparison for the Scheme in three parts:

- a comparison between the value of a Coalspur share including a premium for control and the value of the cash consideration being offered per share (fairness - see section 12 'Is the Scheme fair?');
- an investigation into other significant factors to which Shareholders might give consideration, prior to approving the Scheme, after reference to the value derived above (reasonableness - see section 13 'Is the Scheme reasonable?'); and
- a consideration of whether the Scheme is in the best interests of Shareholders.

RG 111 states that if a transaction is fair and reasonable then the expert can conclude that the transaction is in the best interests of shareholders; if a transaction is not fair but reasonable an expert can still conclude that the transaction is in the best interests of shareholders; if a transaction is neither fair nor reasonable then the expert would conclude that the transaction is not in the best interests of shareholders.

Collateral Benefit

We have assessed whether a collateral benefit will be given to Borrowdale by undertaking a comparison between the value of the financial benefit given by KCE to Borrowdale and the value of Coalspur's financial obligation to Borrowdale (see section 11). We have also considered whether the nature and overall circumstances of the Borrowdale Transaction would give rise to a collateral benefit by KCE to Borrowdale to induce Borrowdale to approve the Scheme.

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**'). A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

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4. Relevant transactions

4.1 Outline of the Scheme

On 25 February 2015, Coalspur announced that it had entered into a Scheme Implementation Agreement with KCE, to give effect to the proposed acquisition of all of the issued Coalspur equity. Under the Scheme, Coalspur shareholders will receive a cash consideration of A$0.023 for every Coalspur share held. Following the completion of the Scheme, Coalspur will be removed from the official list of the Australian Securities Exchange ('**ASX**') and Toronto Stock Exchange ('**TSX**') and will become wholly owned by KCE.

Additionally, KCE has entered into an agreement with EIG and agreed in principle terms with Borrowdale to acquire the debt that is owed to them by Coalspur. KCE proposes to acquire the rights and interests of Borrowdale and EIG on the terms set out in sections 4.2 and 4.3 below.

The Scheme and various obligations of the parties are conditional on the following:

- all regulatory approvals;
- shareholder approval by the requisite majorities under the Act;
- the Coalspur Board unanimously recommending that Shareholders vote in favour of the Scheme;
- Court approval;
- KCE completing the acquisition of EIG's rights and interests under the EIG Facility; and
- KCE reaching an agreement with Borrowdale and completing the acquisition of Borrowdale's rights and interests under the Borrowdale Facility.

4.2 KCE's acquisition of the Borrowdale Facility

KCE and Borrowdale have agreed commercial terms pursuant to which KCE will acquire the rights and interests of Borrowdale under the Borrowdale Facility and any affiliate or related company funds with which it is associated. Completion of KCE's acquisition of the rights and interests of Borrowdale under the Borrowdale Facility is not conditional on and independent of the Scheme.

The terms of the agreement include:

- **Mineral Royalty to Borrowdale**: KCE will be obliged to pay Borrowdale a royalty equal to:
  - C$0.75/tonne, if the realised Coalspur Price is greater than US$125
  - C$0.50/tonne, if the realised Coalspur Price is greater than US$115
  - C$0.25/tonne, if the realised Coalspur Price is greater than US$100

  on each tonne of coal mined and sold by Coalspur from its existing coal leases.

  The royalty will be payable until the earlier of:

  (i) expiry of the coal leases; or

  (ii) when the aggregate royalty payments equal the debt balance of US$34.3 million or US$36.3 million if Coalspur takes more than fifteen years to repay the debt balance.

- **Conditions precedent**: The conditions precedent that must be satisfied or waived by KCE include customary and usual conditions, acquisition of the EIG Facility by KCE, satisfactory amendments having been made to Coalspur's contracts with Canadian National Railway and Ridley Terminals, and any necessary approvals for amendments to or transfers of Coalspur's coal leases or environmental approvals.

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4.3 Proposal for restructuring of the EIG Facility

KCE has 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 this agreement is subject to limited conditions precedent and is not contingent upon completion of the Scheme.

5. Profile of Coalspur

5.1 Overview

Coalspur, formerly known as Xenolith Resources Limited, is a coal exploration development company with thermal coal projects located in Alberta, Canada. The Projects cover approximately 10,000 hectares and provide a large scale, surface mineable, thermal coal project. Coalspur has offices in Vancouver and Hinton in Canada as well as in Australia. The Company is listed on both the ASX and the TSX.

The Company's current board members and senior management are set out below:

- Mr Mark Rodda - Chairman, Non-executive Director;
- Mr Colin Gilligan - Chief Operations Officer;
- Ms Gill Winckler - Managing Director;
- Mr Robert Gough - Chief Financial Officer;
- Mr David Murray - Non-executive Director;
- Mr Denis Turcotte - Non-executive Director;
- Ms Xenia Kritsos- Joint Company Secretary; and
- Mr Simon Robertson - Joint Company Secretary.

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5.2 History

Major events of the Company's history are summarised in the following table.

Year	Events
1987	Coalspur was listed on the ASX.
Jan-2012	The Company completed a bankable feasibility Study on Vista Coal, which defined a 30 year mine life with an annual marketable coal production capacity of 11.2 million tonnes per annum ('**Mtpa**') after ramp up to full production. This was updated in March 2014 in an Independent Technical Report by Snowden Mining Industry Consultants Pty Ltd ('**Snowden**') to 11.5 Mtpa.
Apr-2012	On 30 April 2012, the Company submitted the final Environmental Impact Assessment and Energy Resources Conservation Board applications for Phase 1 of Vista Coal to the Alberta Government.
Apr-2012	The Company acquired the Vista Extension for C$13 million from Canadian Occidental Petroleum Limited and Irving Industries Pty Ltd.
Mar-2013	Coalspur announced that it had signed a seven year definitive transport agreement with Canadian National Railway ('**CNR**') for haulage of coal from Vista Coal to Ridley Terminals. The agreement with CNR includes transportation of up to 12 Mtpa of coal.
Jun-2013	The Company's board approved the Vista Coal development plan with capital of C$458 million. Coalspur shareholders approved the EIG Facility and Borrowdale Facility amendments.
Dec-2013	On 9 December 2013, the Alberta Energy Regulator ('**AER**') held the first part of its hearing in Calgary relating to Coalspur's applications for approval of Vista Coal.
Jan-2014	The AER concluded its hearing relating to Coalspur's applications for approval of Vista Coal. Coalspur announced that it had reached an agreement with Borrowdale for the provision of a standby funding facility of C$10 million. The facility has an interest rate of 10.5% per annum and to be repaid from proceeds raised as part of the final overall Vista Coal financing solution. The facility is in addition to the C$30 million balance owing to Borrowdale under the existing facility.
Feb-2014	The AER approved Vista Coal.
Mar-2014	Coalspur released an update to the previously filed technical report relating to Vista Coal as a result of the announcement of the revised capital expenditure estimates for phases one and two of the Vista Coal project. The updated technical report concluded that the Vista Coal had sufficient open pit coal resources to yield 11.5 Mtpa of saleable thermal coal products with a mine life of 30 years.
Apr-2014	The Company announced that the definitive amendment agreement had been signed giving effect to the standby debt facility of C$10 million provided by Borrowdale.
Jun-2014	Coalspur secured an agreement with EIG for a further US$10 million drawdown on the facility, to be used to continue focusing on critical value adding activities at its Projects, as well as the commencement of a strategic review process.
Aug-2014	Coalspur announced the receipt of supplementary, regulatory approvals pursuant to the Environmental Protection and Enhancement Act (Alberta) and the Water Act (Alberta) for Vista Coal.
Oct-2014	The Company announced that the AER had issued a mineral surface lease pursuant to the Public Lands Act for Phase 1 of Vista Coal, which is the final approval required from the AER to commence construction.

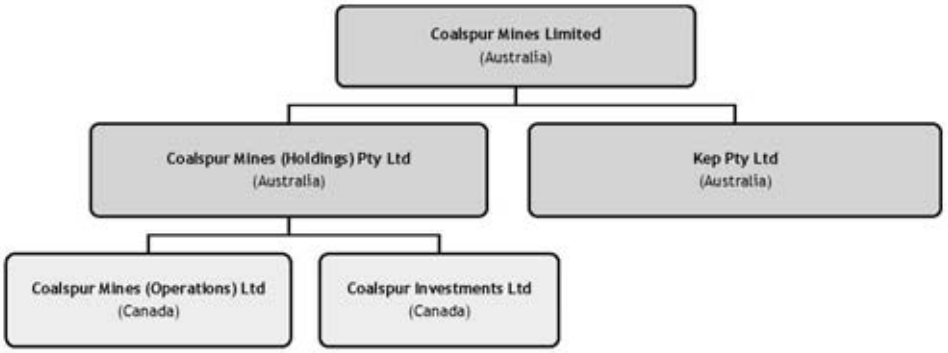
Source: Company announcements

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5.3 Structure

The corporate structure of Coalspur is summarised as follows.



Source: Company announcements

5.4 Projects

Coalspur's primary project is Vista Coal in West Alberta, Canada. The Company also has a number of other potential projects, being Vista South and Vista Extension. However, the development of Vista Coal is the main priority of the Company.

Vista Coal Project

The Vista Coal Project covers approximately 10,000 hectares and contains 20km of continuous gently dipping strike length and a coal resource base.

Vista Coal is located close to the established Canadian National rail facilities which are suitable for transportation of coal to deepwater ports. The Vista Coal property consists of 19 leases plus a further three under application. All of these leases are held directly, or in escrow, by Coalspur.

The lease holdings in the area consist of four separate blocks referred to as Hinton West, Z Block, Hinton East, Other Vista Project and McLeod River North. Coalspur acquired West and East from Tanager in early 2009, and Z Block and the McLeod River North blocks from Mancal Coal Inc in June 2010.

The Tanager leases, held in escrow, are subject to a final payment of C$10 million upon the Company achieving coal production from the leases of 90,000 tonnes per month over a three month period prior to 19 February 2016.

The Company completed a Bankable Feasibility Study on Vista Coal in January 2012, which defined a 30-year mine life with an annual marketable coal production capacity of 11.2 Mtpa after ramp up to full production. This was updated in March 2014 in an Independent Technical Report by Snowden to 11.5 Mtpa.

The Company has entered into a number of agreements with Ridley Terminals to secure port allocation of up to 10.7 Mtpa, commencing in 2015. The initial terms of these agreements expire in 2028 and have an optional seven year extension period.

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As a result of various delays in obtaining the necessary regulatory approvals with regard to the construction and operation of Vista Coal, Coalspur determined on 18 December 2013 to declare force majeure as per the terms of the agreement with Ridley Terminals.

The delays resulting from the force majeure are anticipated to result in Coalspur's inability to meet the declared contract volume of 2.5 Mtpa in 2015 and a portion of the 4.5 Mtpa in 2016. The force majeure was terminated with effect from 10 October 2014, being the date of issuance by the AER of a mineral surface lease for the first phase ('**Phase 1**') of Vista Coal.

The Company has received regulatory approvals for development of Phase 1 but has not yet applied for approvals for the second phase ('**Phase 2**'). If the Company could obtain the required funding, it forecasts to commence Phase 1 waste removal by July 2016 with Phase 2 production forecast to commence in 2019.

Vista South Project

Vista South covers approximately 23,000 hectares located adjacent to Vista Coal. The proximity to Vista Coal allows for Vista South to leverage off potential infrastructure that will be developed closer to the town of Hinton and the main line of the CNR.

Vista South was previously drilled by Denison Mines Ltd in the 1980's. As per the National Instrument 43-101 ('**NI 43-101**') Technical Report prepared by Snowden dated 31 July 2014, Vista South has measured and indicated resources of 470.3 Mt and inferred resources of 604.6 Mt. However, to date, exploration and evaluation expenditure on this project has been nominal and the Company has no immediate plans to evaluate them further.

Vista Extension

The Vista Extension is located on the northeast boundary of Vista Coal and covers 14,432 hectares. The project was previously owned by Canadian Occidental Petroleum Limited and Irving Industries Pty Ltd. The Company acquired the project in April 2012 for C$13 million and has since completed a scoping study.

As per the NI43-101 Technical Report prepared by Snowden dated 31 July 2014, the Vista Extension Project has measured and indicated resources of 173.7 Mt and inferred resources of 969.3 Mt. However, to date, exploration and evaluation expenditure on this project has been nominal and the Company has no immediate plans to evaluate them further.

Further information on the projects can be found in Appendix 5 and Appendix 6.

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5.5 Historical statement of financial position

Statement of Financial Position	Reviewed as at 30-Jun-14 C$	Audited as at 31-Dec-13 C$	Audited as at 31-Dec-12 C$
CURRENT ASSETS			
Cash and cash equivalents	10,588,297	10,668,872	14,867,640
Trade and other receivables	181,138	114,842	517,572
Prepayments	696,814	1,066,937	1,014,826
TOTAL CURRENT ASSETS	11,466,249	11,850,651	16,400,038
NON-CURRENT ASSETS			
Property, plant and equipment	1,052,172	1,072,698	904,894
Exploration and evaluation assets	13,509,295	13,509,295	13,509,295
Mine development assets	158,512,894	146,751,942	120,387,691
Prepayments	42,800,000	42,800,000	42,800,000
Intangible assets	2,500,000	2,500,000	3,500,000
Other assets	21,075,976	22,464,605	3,498,640
TOTAL NON-CURRENT ASSETS	239,450,337	229,098,540	184,600,520
TOTAL ASSETS	250,916,586	240,949,191	201,000,558
CURRENT LIABILITIES			
Trade and other payables	1,027,671	2,610,333	3,659,022
Provisions	118,108	146,964	63,495
Credit facilities and fees payable	83,109,050	-	-
Interest payable on credit facilities	7,823,921	-	-
Embedded derivative	13,713,355	-	-
TOTAL CURRENT LIABILITIES	105,792,105	2,757,297	3,722,517
NON-CURRENT LIABILITIES			
Credit facilities	-	69,568,910	30,000,000
Interest payable on credit facilities	-	3,703,008	-
Conversion feature on credit facility	-	940,195	-
TOTAL NON-CURRENT LIABILITIES	-	74,212,113	30,000,000
TOTAL LIABILITIES	105,792,105	76,969,410	33,722,517
NET ASSETS	145,124,481	163,979,781	167,278,041
EQUITY			
Contributed equity	230,124,519	230,124,519	225,856,621
Share based payment reserve	30,093,303	29,315,920	17,905,440
Foreign currency translation reserve	(12,401,553)	(12,401,553)	(12,401,553)
Accumulated losses	(102,691,788)	(83,059,105)	(64,082,467)
TOTAL EQUITY	145,124,481	163,979,781	167,278,041

Source: Coalspur's audited financial statements for the year ended 31 December 2012 and 2013 and reviewed financial statements for the half year ended 30 June 2014

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We note that for the half year ended 30 June 2014, the Coalspur's auditor expressed an emphasis of matter regarding the Company's ability to continue as a going concern.

Commentary on statement of financial position

- Cash increased to C$14.9 million as at 31 December 2012 primarily on account of C$10.0 million drawn down from the Borrowdale credit facility and C$9.7 million from the exercise of unlisted options to purchase ordinary shares. Further, the cash balance decreased by C$4.2 million during the year to 31 December 2013 as a result of a US$7.0 million facility fee, C$19.3 million capitalised towards mine development, C$11.5 million for corporate and administrative costs and C$4.6 million for operating expenditures. These outflows were partially offset by US$37 million drawn from the EIG Facility.
- Exploration and evaluation assets represent the expenditure relating to the Vista Extension project which has remained stable at C$13.5 million between 31 December 2012 and 30 June 2014. The Company has deferred a future drilling program and a pre-feasibility study on this project.
- Mine development assets have increased over the last three years as the Company continues to capitalise all work pertaining to the Projects. Capitalised development and capitalised finance costs during the six months ended 30 June 2014 totalled C$6.2 million and C$5.6 million, respectively.
- Non-current prepayments of C$42.8 million relate to non-refundable deposits paid for all throughput capacity to Ridley Terminals.
- The intangible assets of C$2.5 million at 30 June 2014 related to the option exercised by the Company to purchase additional throughput capacity from Ridley Terminals totalling 2.5 Mtpa commencing in 2018.
- Other assets increased by C$19 million during the year ended 31 December 2013 primarily on account of 120 million warrants issued to EIG and 14 million warrants issued to Borrowdale in July 2013. The remaining variance is due to a US$7 million facility fee paid to EIG.
- Non-current liabilities increased to C$74.2 million at 31 December 2013 due to draw downs on the Borrowdale Facility, draw downs on the facility finalised with EIG and accrued interest of C$3.7 million.
- Contributed equity increased during the year to 31 December 2013 by C$4.3 million following the exercise of unlisted options and conversion of share rights. The share based payments reserve increased by C$11.4 million primarily as a result of 120 million warrants issued to EIG and performance rights issues to directors, employees and contractors. These were offset by the exercise and conversion of options and share rights, as well as the forfeiture of share rights as their conditions were not met.
- The Group changed its functional currency from Australian dollars to Canadian dollars; therefore all transactions in the six months to 31 December 2012 and year to 31 December 2013 were recorded in Canadian dollars. As Coalspur's functional currency is now the same as its presentation currency, no foreign currency translation differences will arise in preparation of the accounts.

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5.6 Historical statement of comprehensive income

Statement of Comprehensive Income	Reviewed for the half year ended 30-Jun-14 C$	Audited for the year ended 31-Dec-13 C$
Operating expenses	(1,400,379)	(4,561,121)
Exploration and evaluation expenses	-	(175,498)
Corporate and administrative expenses	(5,903,751)	(11,529,791)
Finance expenses	-	(2,246,650)
Interest income	6,060	108,463
Rental income	192,296	312,491
Other gains and losses	246,251	(884,532)
Mark-to-market adjustment on embedded derivatives	(12,773,160)	-
Loss for the period before tax	(19,632,683)	(18,976,638)
Income tax expense	-	-
Loss for the period after tax	**(19,632,683)**	**(18,976,638)**
Foreign exchange differences on translation	-	-
Total comprehensive loss for the year	**(19,632,683)**	**(18,976,638)**

Source: Coalspur's audited financial statements for the year ended 31 December 2013 and reviewed financial statements for the half year ended 30 June 2014

Commentary on income statement

- Total operating and exploration expenses of C$4.7 million in the year to 31 December 2013 also included the expensing of C$1.0 million that had previously been paid to acquire an option for 1.0 Mtpa from Ridley Terminals that was allowed to expire in the year, as discussed above.
- Corporate and administrative expenses of C$11.5 million in the year to 31 December 2013 included costs of C$1.3 million relating to fees associated with evaluating additional financing, an increased number of employees, progressing regulatory applications and advancing procurement and construction planning throughout 2013. The decline in expenditure for the period ended 30 June 2014 amounting to C$5.9 million compared to C$6.2 million for the period ended 30 June 2013 was a result of the Company focusing on the conservation of cash by reducing its IT costs, and reducing travel related expenses and eliminating recruitment costs.
- Rental income increased in the year to 31 December 2013 as Coalspur sub-leased the former Calgary office space from May 2013.
- Other losses in the year to 31 December 2013 related to foreign exchange losses on cash and debt.
- The mark to market adjustment on embedded derivatives for the six months ended 30 June 2014 represents the make-whole premium payable at 31 March 2015, in relation to the Company exercising its right to not accept EIG's debt sizing.

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5.7 Capital structure

The share structure of Coalspur as at 24 February 2015 is outlined below:

	Number
Total ordinary shares on issue	641,544,455
Top 20 shareholders	538,629,498
Top 20 shareholders - % of shares on issue	83.96%

Source: Share registry information

The ordinary shares held by the most significant ASX shareholders as at 24 February 2015 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Canadian Register Control	341,346,795	53.21%
Borrowdale Park SA	55,831,335	8.70%
JP Morgan Nominees Australia Limited	35,343,473	5.51%
AWJ Family Pty Limited	16,707,963	2.60%
Citicorp Nominees Pty Limited	16,597,846	2.59%
HSBC Custody Nominees (Australia) Limited	16,439,936	2.56%
Subtotal	482,267,348	75.17%
Others	159,277,107	24.83%
Total ordinary shares on issue	**641,544,455**	**100.00%**

Source: Share registry information

The options and other equity instruments currently on issue as at 24 February 2015 are outlined below:

Terms	Number of Options
Performance Rights with a nil exercise price	9,965,082
Options exercisable at C$0.30 on or before 16-Dec-16	1,773,225
Options exercisable at C$0.30 on or before 30-Jun-19	1,007,514
Options exercisable at $0.25 on or before 30-Jun-15	2,750,000
Options exercisable at $0.70 on or before 30-Jun-15	350,000
Options exercisable at $1.05 on or before 30-Jun-15	1,450,000
EIG Warrants exercisable at $0.55 and expire on repayment of the EIG Facility	120,000,000
Total Number of Equity Instruments	**137,295,821**

Source: Option registry information

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6. Economic analysis

Australia

Growth in the global economy continued at a moderate pace in 2014. China's growth was in line with policymakers' objectives. The US economy continued to strengthen, but the Euro area and Japanese economies were both weaker than expected. Forecasts for global growth in 2015 envisage continued moderate growth.

Commodity prices have continued to decline, in some cases sharply. The price of oil in particular has fallen significantly over the past few months. These trends appear to reflect a combination of lower growth in demand and, more importantly, significant increases in supply. The much lower levels of energy prices will act to strengthen global output and temporarily to lower CPI inflation rates.

Financial conditions are very accommodative globally, with long-term borrowing rates for several major sovereigns reaching new all-time lows over recent months. Some risk spreads have widened a little but overall financing costs for creditworthy borrowers remain remarkably low.

In Australia, the available information suggests that growth is continuing at a below-trend pace, with domestic demand growth overall quite weak. As a result, the unemployment rate has gradually moved higher over the past year. The fall in energy prices can be expected to offer significant support to consumer spending, but at the same time the decline in the terms of trade is reducing income growth. Overall, the Reserve Bank of Australia's ('**RBA**') assessment is that output growth will probably remain a little below trend for somewhat longer, and the rate of unemployment peak a little higher, than earlier expected. The economy is likely to be operating with a degree of spare capacity for some time yet.

The CPI recorded the lowest increase for several years in 2014. This was affected by the sharp decline in oil prices at the end of the year and the removal of the price on carbon. Measures of underlying inflation also declined a little, to around 2¼ per cent over the year. With growth in labour costs subdued, it appears likely that inflation will remain consistent with the target over the next one to two years, even with a lower exchange rate.

Credit growth picked up to moderate rates in 2014, with stronger growth in lending to investors in housing assets. Dwelling prices have continued to rise strongly in Sydney, though trends have been more varied in a number of other cities over recent months. The Bank is working with other regulators to assess and contain economic risks that may arise from the housing market.

The Australian dollar has declined noticeably against a rising US dollar over recent months, though less so against a basket of currencies. It remains above most estimates of its fundamental value, particularly given the significant declines in key commodity prices. A lower exchange rate is likely to be needed to achieve balanced growth in the economy.

Source: www.rba.gov.au *Statement by Glenn Stevens, Governor: Monetary Policy Decision dated 3 February 2015*

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Canada

Inflation in Canada is close to the 2 per cent target. Core inflation rose more rapidly than was expected in the Bank's July Monetary Policy Report, mainly reflecting unexpected sector-specific factors. Total CPI inflation is evolving broadly as expected, as the pickup in core inflation was largely offset by lower energy prices. Underlying inflationary pressures are muted, given the persistent slack in the economy and the continued effects of competition in the retail sector.

Although the outlook remains for stronger momentum in the global economy in 2015 and 2016, the profile is weaker than in July and growth prospects are diverging across regions. Persistent headwinds continue to buffet most economies and growth remains reliant on exceptional policy stimulus. Against a background of ongoing geopolitical uncertainties and lower confidence, energy prices have declined and there has been a significant correction in global financial markets, resulting in lower government bond yields. Despite weakness elsewhere, the U.S. economy is gaining traction, particularly in sectors that are beneficial to Canada's export prospects. The U.S. dollar has strengthened against other major currencies, including the Canadian dollar.

In this context, Canada's exports have begun to respond. However, business investment remains weak. Meanwhile, the housing market and consumer spending are showing renewed vigour and auto sales have reached record highs, all fuelled by very low borrowing rates. The lower terms of trade will have a tempering effect on income.

Canada's real GDP growth is projected to average close to 2 1/2 per cent over the next year before slowing gradually to 2 per cent by the end of 2016, roughly the estimated growth rate of potential output. As global headwinds recede, confidence in the sustainability of domestic and global demand should improve and business investment should pick up. Together with a moderation in the growth of household spending, this is expected to gradually return Canada's economy to a more balanced growth path. As the economy reaches its full capacity in the second half of 2016, both core and total CPI inflation are projected to be about 2 per cent on a sustained basis.

Weighing all of these factors, the Bank judges that the risks to its inflation projection are roughly balanced. Meanwhile, the financial stability risks associated with household imbalances are edging higher. Overall, the balance of risks falls within the zone for which the current stance of monetary policy is appropriate and therefore the target for the overnight rate remains at 1 per cent.

Inflation has remained close to the 2 per cent target in recent quarters. Core inflation has been temporarily boosted by sector-specific factors and the pass-through effects of the lower Canadian dollar, which are offsetting disinflationary pressures from slack in the economy and competition in the retail sector. Total CPI inflation is starting to reflect the fall in oil prices.

Oil's sharp decline in the past six months is expected to boost global economic growth, especially in the United States, while widening the divergences among economies. Persistent headwinds from deleveraging and lingering uncertainty will influence the extent to which some oil-importing countries benefit from lower prices. The Bank's base-case projection assumes oil prices around US$60 per barrel. Prices are currently lower but our belief is that prices over the medium term are likely to be higher.

The oil price shock is occurring against a backdrop of solid and more broadly-based growth in Canada in recent quarters. Outside the energy sector, we are beginning to see the anticipated sequence of increased foreign demand, stronger exports, improved business confidence and investment, and employment

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growth. However, there is considerable uncertainty about the speed with which this sequence will evolve and how it will be affected by the drop in oil prices.

Business investment in the energy-producing sector will decline. Canada's weaker terms of trade will have an adverse impact on incomes and wealth, reducing domestic demand growth. Although there is considerable uncertainty around the outlook, the Bank is projecting real GDP growth will slow to about 1 1/2 per cent and the output gap to widen in the first half of 2015. The negative impact of lower oil prices will gradually be mitigated by a stronger U.S. economy, a weaker Canadian dollar, and the Bank's monetary policy response. The Bank expects Canada's economy to gradually strengthen in the second half of this year, with real GDP growth averaging 2.1 per cent in 2015 and 2.4 per cent in 2016. The economy is expected to return to full capacity around the end of 2016, a little later than was expected in October.

Weaker oil prices will pull down the inflation profile. Total CPI inflation is projected to be temporarily below the inflation-control range during 2015, moving back up to target the following year. Underlying inflation will ease in the near term but then return gradually to 2 per cent over the projection horizon.

The outlook for inflation is subject to several risks emanating from both the external environment and the domestic economy. The most important risks to inflation are: stronger U.S. private demand, oil prices lower or higher than assumed, slower growth in emerging-market economies, weaker Canadian exports and business investment, and imbalances in the Canadian household sector.

From a policy perspective, the oil price shock increases both downside risks to the inflation profile and financial stability risks.

Weighing all these factors, on 21 January the Bank of Canada announced that it is lowering its target for the overnight rate by one-quarter of one percentage point to 3/4 per cent. The Bank's action is intended to provide insurance against these policy risks, support the sectoral adjustment needed to strengthen investment and growth, and bring the Canadian economy back to full capacity and inflation to target within the projection horizon.

Source: www.bankofcanada.ca *Monetary Policy Report Summary January 2015.*

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7. Industry analysis

7.1 Overview

Coal deposits are found below the earth's surface with the quality of a coal deposit determined by the length of time in formation, commonly known as its 'organic maturity', temperature and pressure. The rank of coal refers to the physical and chemical properties that coals of different maturities possess. Lower rank coals such as lignite generally possess a much lower organic maturity, have a soft texture, a dull earthly appearance and are characterized by high moisture levels and low energy (carbon) content. Higher ranked coals such as Anthracite, which is the highest ranking coal, are harder, stronger, contain less moisture, and produce more energy.

To date coal has been mined by two broad methods, opencast mining and underground mining, the choice of extraction method determined by the geology of the coal deposit.

The two major coal types are coking coal and thermal coal. Coking coal is used for the production of metallurgical coke, which is used as a reductant in the production of both iron and steel. It is primarily used because of its high carbon content and coking characteristics, however it is also used for the smelting and casting of base metals. Of the different types of coking coal, hard coal is the most valuable as it produces the highest quality coke. Semi soft coking coal and Pulverised Coal Injection are used more in blending with hard coking coal to be used as an auxiliary fuel source to increase the effectiveness of blast furnaces.

Thermal coal, also referred to as steaming coal generally contains less carbon than coking coal therefore it cannot be used in the production of steel. It is therefore primarily used as an energy source for coal fired power plants. The major producers of thermal coal are China, United States of America ('**US**') and India, with the largest importers being China, Japan and South Korea.

7.2 Demand

Thermal coal is used to generate approximately 41.0% of the world's electricity, with thermal coal's share in global electricity generation accounting for double that of natural gas, the second largest source for electrical generation.

Globally, the majority of thermal coal is used in the country where it is produced with only a small proportion of traded thermal coal accounting for global consumption. The largest exporters are Australia and Indonesia, reflecting the small size of their domestic energy consumption. The largest importers of thermal coal are China and the European Union.

The market for traded thermal coal consists of two broad geographical markets as a result of the effect of transport costs. The Atlantic market consists of exports from the Americas, Russia and Europe, while the Pacific market largely comprise of coal trade from Australian and Indonesia to China, Korea and Japan. However, lower cost of freight, subdued demand from importers and an increase in the volume traded thermal coal from both traditional and non-traditional suppliers have seen an increase in links between the Atlantic and Pacific markets.

7.3 Prices

Coal is a global commodity and, as such, prices are determined by global supply and demand factors. With both the international community and the world's dependency on energy growing, fuel products are the single most important input affecting global economic growth.

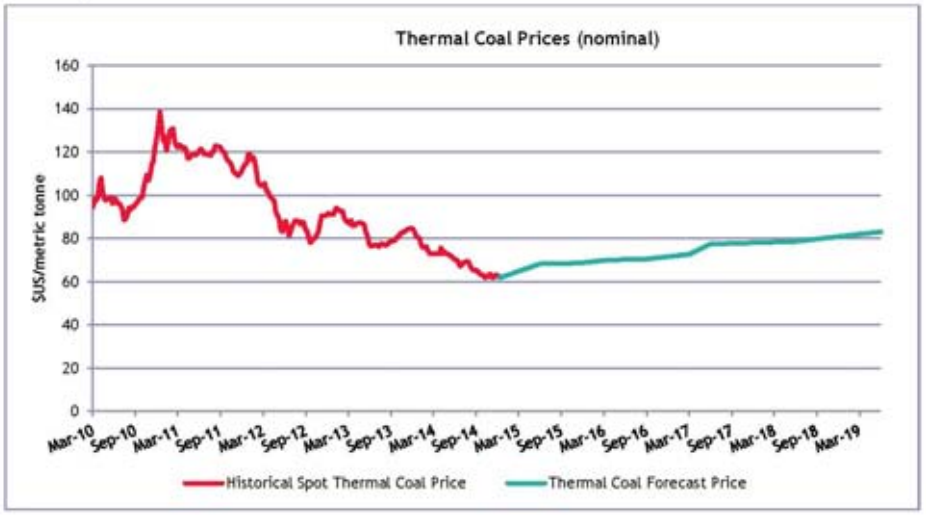
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The continued growth of emerging nations such as India and China are key drivers for the coal demand. In particular, the demand for electricity in these emerging nations is considered to be a key determinant for the current performance of the industry. Currently, over 73.8% of global coal production comprise of thermal coal, with the share expanding in the last five years as a result of growing global consumption.

During early 2010, the price of thermal coal dropped off as a result of subdued demand for thermal coal from importing countries and an increase in the volume of traded coal. However, prices recovered rapidly in the second half of 2010 as China moved from being a net exporter to a net importer of thermal coal.

In 2011 and 2012, the price of thermal coal declined, with the key driver being an increase in the volume of exports from the Americas. Exports from US increased by over 50 per cent in the first half of 2012, as a result of the domestic energy consumption shifting from coal to gas. While the fall in demand for coal in the US saw production decrease, some US producers increased production, taking advantage of low global freight rates to increase their exports of thermal coal to Asia and Europe.

In 2013, prices for thermal coal remained weak as supply of thermal coal continued to increase at a faster rate than the demand for thermal coal. In November 2014, prices dropped to below US$62/ metric tonne, representing a five year low. The price drop was primarily attributable to an increase in production from Australia, one of the world's largest coal exporters, which was up 15% compared to the same period in the previous year.



Source: Bloomberg & Consensus Economics

Prices are expected to remain fairly stable at current levels as is shown by the consensus forecast in the chart above. China and India's coal demand growth is forecast to be slower in this decade than it has been in the last decade driven by efficiency improvements and a movement towards less coal intensive economic activities.

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7.4 Outlook

Growing imports are expected to drive further expansion and integration of global coal markets. The international trade of thermal coal is expected to be at the forefront of this movement and should continue to support the demand for electricity. The overall coal industry is forecast to increase at an annualised rate of 3.9% over the next five years. In 2014, revenue is forecast to increase by 4.3% due to rising output.

Demand for coal will be constrained to the extent that countries, both developed and emerging, shift towards alternative sources of energy. For example, countries such as Japan and other European nations are focused on reducing greenhouse gas emissions. This view is also supported by forecast pressures on downstream demand for coal as there is a push towards energy sources like natural gas. The fastest growing alternative sources of fuels are forecast to be renewable, nuclear and hydro.

The coal industry is considered to be a mature industry. There is an expected trend towards achieving economies of scale and extracting synergies via a merger and acquisition strategy.

Source: IBIS World & BDO analysis

8. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('**FME**')
- Discounted cash flow ('**DCF**')
- Quoted market price basis ('**QMP**')
- Net asset value ('**NAV**')
- Market based assessment such as a resource multiple

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

In our assessment of the value of Coalspur's shares, we have considered the following methodologies:

- Sum-of-parts as our primary approach, which estimates the market value of a company by separately valuing each asset and liability of the company ('**Sum-of-Parts**'). The value of each asset may be determined using different methodologies; and
- QMP as our secondary approach.

Sum-of-Parts

We have employed the Sum-of-Parts approach in estimating the fair market value of Coalspur by aggregating the fair market values of its underlying assets and liabilities, having consideration to the:

- value of Coalspur's interest in Vista Coal (applying the DCF method and the resource multiple valuation method) incorporating the assumption that Coalspur will have to raise the additional capital through a share placement/capital raising under the DCF method;

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- value of Coalspur's interest in other exploration assets namely Vista South and Vista Extension on the basis of the Mineral Asset Valuation Report prepared by Snowden Mining Industry Consultants Pty Ltd ('**Snowden**') dated 24 February 2015 ('**Valuation Report**'); and
- value of other assets and liabilities of Coalspur (applying the cost approach under the NAV method).

We have applied the above methodologies for the components of our Sum-of-Parts approach for the following reasons:

- the DCF method was considered for Coalspur's flagship project, Vista Coal, as its core value is in the future cash flows to be generated from the sale or development of this project;
- cash flows from Vista Coal have a finite life, may vary substantially from year to year and can be reasonably estimated, rendering it suitable for the DCF valuation;
- the life of mine of Vista Coal has been prepared based on coal reserves identified by Coalspur and does not include any resource potential, therefore, there is sufficient reasonable basis for the DCF method to be applied for the life of mine;
- the resource multiple valuation method was also used for the valuation of the Vista Coal project in the event that developing the project may not be viable in the current market and Coalspur may sell the project based on the value of its in-ground resources instead;
- the DCF method has not been applied to Vista South and Vista Extension projects as we consider there to be insufficient reasonable grounds to do so, without ore reserves and without feasibility studies for these two projects; and
- other component parts such as other assets and liabilities of Coalspur are valued using the NAV method.

In performing our valuation of Coalspur's Vista Coal project using the DCF method, we have relied on the Independent Technical Report prepared by Snowden dated 17 December 2014 ('**Technical Report**') based on Snowden's review of the technical project assumptions contained in the cash flow model of Vista Coal. This report can be found in Appendix 5.

Snowden has also provided an independent opinion on the market valuations of Coalspur's Vista South and Vista Extension projects in its Valuation Report, which can be found in Appendix 6.

Snowden's Technical Report and Valuation Report are prepared in accordance with the Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ('**the Valmin Code**') and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources ('**JORC Code**').

QMP

QMP has been adopted as our secondary method and is a relevant methodology to consider because Coalspur's shares are listed on the ASX and the TSX. This means there is a regulated and observable market where Coalspur's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed as to Coalspur's activities.

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9. Valuation of Coalspur

9.1 Sum-of-Parts valuation

We have employed the Sum-of-Parts method in estimating the value of Coalspur's shares by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the following:

- the value of Coalspur's Vista Coal Project;
- the value of Coalspur's Vista South Project;
- the value of Coalspur's Vista Extension Project; and
- the value of other assets and liabilities of Coalspur.

The sum-of-parts value of Coalspur's shares on a going concern basis is reflected in our valuation below:

Summary of Assessment	Section	Low value C$'000	Mid value C$'000	High value C$'000
Value of Vista Coal	9.1.5	46,033	49,003	51,973
Add: Value of Vista South & Vista Extension	9.1.6	12,963	20,575	28,188
Add: Other assets and liabilities	9.1.7	37,680	43,980	50,280
Less: Debt outstanding	9.1.8	(109,862)	(109,862)	(109,862)
Value of Coalspur under Sum-of-Parts method		(13,186)	3,696	20,579
Number of Coalspur shares		641,545	641,545	641,545
Number of performance rights		9,965	9,965	9,965
Fully diluted securities	9.1.9	651,510	651,510	651,510
Calculated value per share (C$)		**(0.020)**	**0.006**	**0.032**
Exchange rate (C$/A$)		1.021	1.021	1.021
Value per share (A$)		**-**	**0.006**	**0.032**

Source: BDO analysis

The table above indicates that the value of a Coalspur share using the Sum-of-Parts approach is between nil and $0.032, with a preferred value of $0.006. The value of a Coalspur share derived under the Sum-of-Parts method is reflective of a controlling interest.

We note the above valuation assumes an exchange rate of 1 C$: A$1.021, which is based on the average exchange rate observed over the 30 trading days to 24 February 2015.

9.1.1 Valuation of Vista Coal

We considered the DCF and the resource multiple valuation methodologies in valuing Vista Coal.

The DCF approach estimates the fair market value by discounting the future cash flows arising from the project to their net present value. Performing a DCF valuation requires the determination of the following:

- the expected future cash flows that Vista Coal is expected to generate; and
- an appropriate discount rate to apply to the cash flows of Vista Coal to convert them to present value equivalent.

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The resource multiple methodology is a market based approach which seeks to arrive at a value of a company by reference to its total reported resources and reserves. The resource multiple methodology is measured on the basis of a value per contained unit of the mineral resource determined. The resource multiple represents the value placed on the resources of comparable companies by a liquid market.

9.1.2 Future cash flows

The management of Coalspur has prepared a detailed cash flow model for Vista Coal ('**the Model**'). We have reviewed the Model and the material assumptions that underpin it. The Model includes estimated future cash flows for both Phase 1 and Phase 2 of Vista Coal. Section 5.4 of our Report provides an outline of Phase 1 and Phase 2 of Vista Coal, but further detail can be found in Snowden's Technical Report.

BDO has made certain adjustments to the Model where it was considered appropriate, to arrive at an adjusted model ('**the Adjusted Model**'). In particular, we have converted the cash flows from real to nominal and also adjusted the economic assumptions underpinning the Model.

The Adjusted Model includes recommendations made by Snowden. Snowden provided independent expert advice on the reasonableness of the following assumptions and inputs within the Model.

BDO has undertaken an analysis of the Model which involved:

- analysing the Model to confirm its integrity and mathematical accuracy;
- appointing Snowden as technical expert to review, and where required, provide changes to the technical assumptions underlying the Model;
- performing a sensitivity analysis on the value of Vista Coal as a result of flexing selected assumptions and inputs;
- conducting independent research on certain economic and other inputs such as commodity prices, inflation and discount rate applicable to the future cash flows of Vista Coal; and
- holding discussions with Coalspur's management regarding the preparation of the forecasts in the Model and its views.

BDO has made the following adjustments to arrive at the Adjusted Model:

- adjusted the Model to reflect any changes to the technical assumptions as a result of Snowden's review and any changes to the economic and input assumptions from our research; and
- applying inflation to the cash flows in the Model.

The cash flows contained in the Adjusted Model has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to the value of Vista Coal. Whilst we do not warrant that our enquiries have identified all of the matters that an audit, or due diligence and/or tax investigation might disclose, we believe that the information is reasonable for us to form an opinion as to the value of Vista Coal and that there are reasonable grounds for the assumptions made in the Adjusted Model.

Appointment of a technical expert

We engaged Snowden to prepare a report providing a technical assessment of the project assumptions underlying the Model. Snowden's assessment involved the review and provision of input on the reasonableness of the assumptions adopted in the Model, including but not limited to:

- mining physicals (including volume mined, recovery and grade);
- operating costs (comprising direct operating expenditure and certain fixed costs);

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- capital expenditure (development and sustaining capital required);
- royalties payable;
- rehabilitation costs; and
- other relevant assumptions.

A copy of Snowden's Technical Report is included in Appendix 5.

Limitations

Since forecasts relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the plans on which the forecasts are based. Accordingly, actual results may vary materially from the forecasts, as it is often the case that some events and circumstances frequently do not occur as expected, or are not anticipated, and those differences may be material.

Life of mine

The Model estimates future cash flows expected from coal production at Vista Coal based on JORC compliant coal resource and reserves over an expected mine life of 24 years.

Economic assumptions

Foreign exchange rate

All commodity prices are stated in United States Dollars ('**US$**') and the cash flows in the Model are in Canadian Dollars ('**C$**'). The conversions from US$ to C$ were undertaken using the following foreign exchange rate assumptions:

Exchange rate	2015	2016	2017	2018-2037
1 C$: x US$	0.79	0.81	0.85	0.89

Source: Bloomberg

Inflation

The Model was prepared on real terms but we have presented the cash flows in nominal terms in our Adjusted Model. Given that Vista Coal is based in Canada, and all costs are denominated in C$ we have inflated the cash flows using our estimate of Canadian inflation over the life of the mine. Based on our analysis of the rate of inflation observed in Canada historically and the target inflation rate set by the Bank of Canada, we have applied an inflation rate of 2% to the operating costs and capital expenditure commitments included in the Adjusted Model.

Given the expected mine life of 24 years, we applied inflation to the long term coal price forecast assumptions beyond the forecast data provided by Consensus Economics (from the year 2024). This is on the premise that, whilst there will be year-on-year fluctuations in coal prices, the long term average real prices will remain constant over the remaining life of mine. Nominal prices are reflected by the inflation factor (also reflecting the time value of money) on the long term average real coal prices.

Coal prices are denominated in US$, therefore we consider the ten year forecast inflation rate sourced from Bloomberg of 2.2% to be an appropriate inflation rate to apply. However, we have remained conservative and adopted an inflation rate of 2% as to remain consistent with the inflation measure used for costs, thereby maintaining a constant margin over the life of mine.

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Coal prices

In obtaining forecast coal prices we have considered:

- historical spot and forward prices from Bloomberg; and
- most recent Consensus Economics price forecasts.

Based on our analysis, we adopted the following forecast coal prices (in nominal terms):

Coal pricing	2015	2016	2017	2018	2019	2020-37
Thermal coal contract price (US$/t)	68.8	71.5	75.3	78.7	83.0	90.0

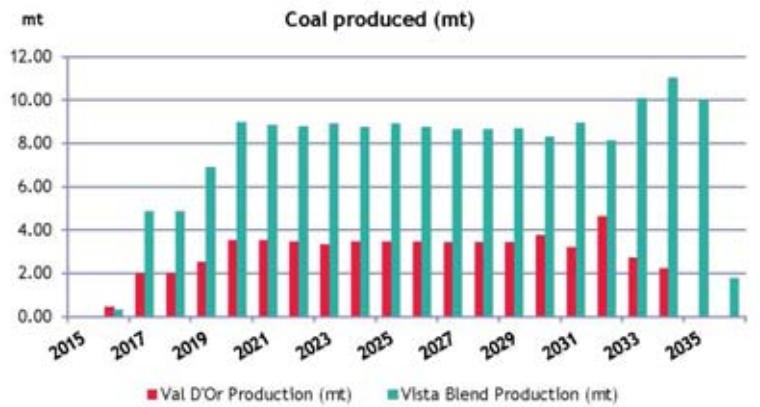
Source: Consensus Economics & BDO estimates

We are unable to source up to date coal price forecasts beyond 2024. As such, we have assumed real prices will remain constant over the remaining life of mine. We have converted these prices to nominal prices using the annual US inflation forecast of 2.2% as discussed above.

Coalspur have two different coal products, namely **'Val D'Or'** and **'Vista Blend'**. Discounts and premiums have been applied to the forecast coal prices to reflect the characteristics of the products and their appropriateness has been verified by Snowden.

Mining physicals

Waste production for Phase 1 is forecast to commence in July 2016, with Phase 2 forecast to commence in 2019. The graphs below illustrate the technical mining assumptions that have been verified by Snowden for use in the Adjusted Model.



Source: Adjusted Model and Snowden

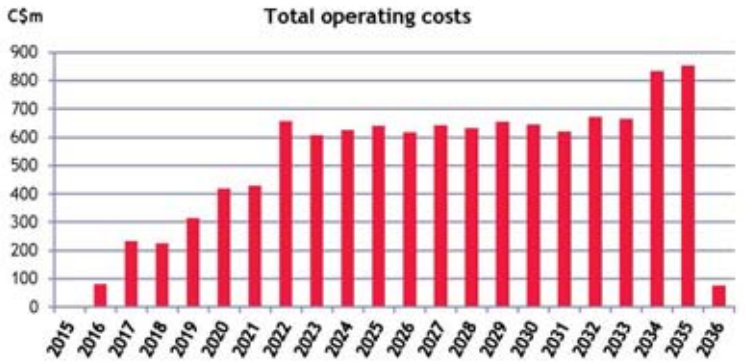
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Source: Adjusted Model and Snowden

Operating costs

Operating costs included in the Adjusted Model include transportation costs, direct mining costs, processing costs, indirect mining costs and mobilisation costs. The total operating costs over the forecast period are set out below.



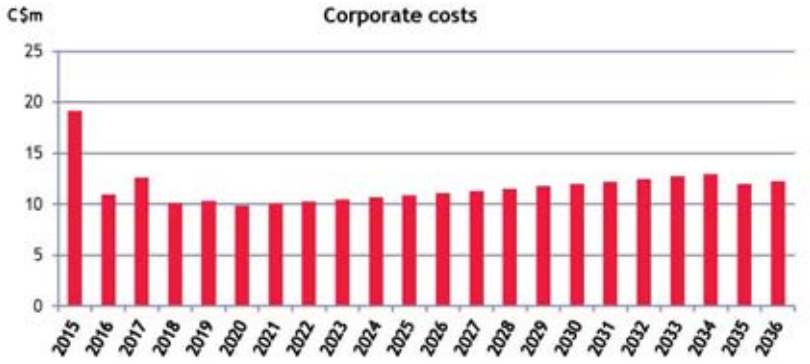
Source: Adjusted Model and Snowden

Corporate costs

Corporate costs are included in the Adjusted Model. Management has provided an estimate of corporate costs to be incurred on the basis that there is likely to be a downsizing of head office costs. Management advises that an adjustment to the Model is appropriate to reflect lower administration costs incurred at its Hinton premises. This lower estimate is a result of the contract mining company providing services that

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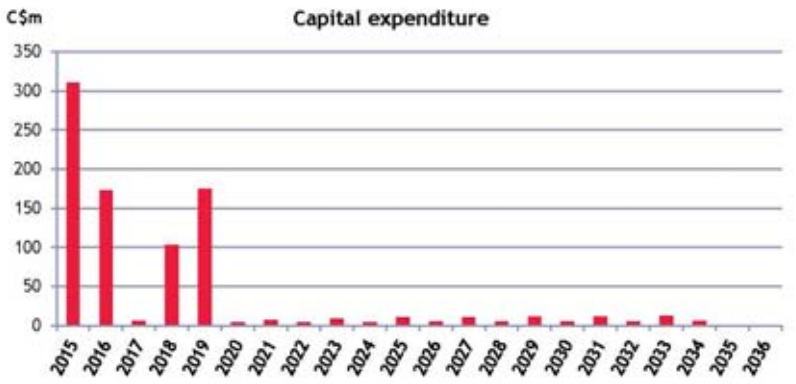
were initially assumed to be conducted by the owner. We have applied inflation to the forecast corporate costs provided by Management. The forecast corporate costs are illustrated in the graph below.



Source: Adjusted Model and Snowden

Capital expenditure

The graph below shows the forecast capital costs per annum for the life of mine. These amounts have been confirmed by Snowden who consider the plant equipment selection and sizing to be appropriate for the proposed plan.



Source: Adjusted Model and Snowden

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Royalties

The Adjusted Model includes the following royalties:

- the Mine Mouth Royalty which is calculated as 1% of net revenue, after the deduction of transportation costs and marketing costs;
- the Alberta net revenue royalty, which based on the current assumptions in the Adjusted Model, the Company is not liable to pay; and
- the Tanager Royalty, which is calculated as 1% of gross revenue derived from the Tanager leases.

Taxes

The tax assumptions included in the Model are based on Canadian tax law. The Model includes an income tax of 10% payable to the Alberta Government and an income tax of 15% payable to the Federal Government.

Discount rate

We have selected a nominal after tax discount rate of 11% to discount the forecasts to their present value in our base case. In our sensitivity analysis we have adopted a discount rate range of 9% to 13%. In selecting this range of discount rates we considered the following:

- the debt to equity ratios of the Company;
- the size of the operations;
- the location of the operations;
- the diversity of operations;
- the stage of development of the comparable companies' projects;
- the rates of return for comparable listed coal producing companies;
- the debt to equity ratio of comparable listed coal producing companies;
- the debt to equity ratio of comparable listed resource companies at a similar stage of development as Coalspur; and
- the risk profile of Coalspur as compared to other listed comparable companies.

Details of our discount rate determination, including a description of the companies used in our assessment of the discount rate, are provided in Appendix 3.

Sensitivity analysis

We have analysed the key assumptions to the Adjusted Model and have prepared sensitivities on the net present value ('**NPV**') of the project. These sensitivities have been prepared to assist Shareholders in considering the potential impact on the value of Vista Coal if our base case assumptions change.

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Sensitivity Analysis					
Flex	NPV (C$m)	NPV (C$m)	NPV (C$m)	NPV (C$m)	NPV (C$m)
	Coal price	Exchange rate	Val D'Or Production	Vista Blend Production	Corporate Costs
-10%	(1,108.11)	213.13	(537.53)	(678.67)	(410.51)
-8%	(970.74)	101.26	(514.28)	(627.24)	(412.67)
-6%	(833.38)	(15.87)	(491.03)	(575.80)	(414.82)
-4%	(696.01)	(143.83)	(467.78)	(524.29)	(416.97)
-2%	(558.64)	(281.13)	(444.53)	(472.78)	(419.12)
0%	(421.27)	(421.27)	(421.27)	(421.27)	(421.27)
2%	(283.91)	(555.95)	(398.02)	(369.77)	(423.43)
4%	(153.57)	(685.44)	(374.77)	(318.26)	(425.58)
6%	(37.52)	(810.05)	(351.52)	(267.05)	(427.73)
8%	67.71	(930.04)	(328.27)	(216.92)	(429.88)
10%	161.74	(1,045.67)	(305.02)	(170.38)	(432.04)

Source: BDO analysis

We have also considered how sensitive the NPV of Vista Coal is to changes in the discount rate. We have considered a discount rate of between 9% and 13% and under each scenario the NPV of Vista Coal is negative.

We note the following from the sensitivities included in the table above:

- Given the 24-year life of mine, the NPV of Vista Coal is extremely sensitive to changes in the coal price, with an 8% increase in forecast coal prices resulting in the value of Vista Coal being positive. Conversely, an 8% deterioration of the forecast coal price will result in approximately a 130% reduction in the NPV of Vista Coal.
- Similarly, as the forecast contract coal prices are denominated in US$, the NPV of Vista Coal is highly sensitive to fluctuations in the C$: US$ exchange rate.

9.1.3 Conclusion on DCF valuation

On the basis of the assumptions set out above, we conclude that the value of Vista Coal to Coalspur using the DCF approach is nil. Given the life of mine of 24 years, there is considerable scope for these assumptions to differ from the assumptions used in our base case scenario. However, we also note that Coalspur is unlikely to have the ability to fund the required capital expenditure for Vista Coal. Therefore, the DCF approach cannot be relied upon under these circumstances, even if Vista Coal becomes economical to develop under different assumptions in the future.

9.1.4 Resource multiple valuation

Whilst the base case DCF value is nil, implying that Vista Coal may not be economical to develop under the current base case assumptions, nor is it likely that the Company has the ability to fund the required capital expenditure even if Vista Coal becomes economical to develop, there is value in the resources.

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This is particularly the case for a buyer of the project who may have access to funds and/or a lower cost of capital. Therefore, we used the resource multiple valuation methodology to arrive at a value per contained unit of the mineral resource determined to be applied to the resources contained in Vista Coal.

We have considered the resource multiple for comparable companies to compute the inferred value of Coalspur's share of Vista Coal. Information on publicly listed comparable companies was gathered using Bloomberg. We selected a group of publicly listed companies which we considered to be the most comparable to Coalspur due to:

- the nature of their business activities;
- exposure to a similar end user market; and
- similar risks faced with respect to their ongoing business.

A total of nine comparable publicly listed companies were identified based on our search criteria. The company descriptions for these identified 'most comparable companies' are set out in Appendix 4.

The resource multiple was determined by comparing the enterprise value to the attributable resources of the comparable companies. The enterprise value was based on the market capitalisation as at 24 February 2015, after including a premium for control of 30%. Our analysis of a relevant control premium to apply can be found in section 9.2. The attributable resources for the comparable companies were derived from a combination of ASX announcements and annual reports for the period closest to our valuation date.

However, we note that our trading and transaction multiples are established from enterprise values of comparable companies and transaction values in acquiring the shares of companies respectively and are not specific to coal deposits/resources (which are assets only).

Trading multiple analysis

The table below sets out the enterprise value as a multiple of total resources (measured, indicated and inferred) for the comparable non-producing companies.

Company	Enterprise value (minority) (A$m)	Control premium	Enterprise value (control) (A$m)	Attributable resources (Mt)	Enterprise value (control)/Resources (A$/t)
Guildford Coal Ltd	133.1	30%	173.0	2,417.0	0.072
Firestone Energy Ltd	45.1	30%	58.6	3,883.3	0.015
Tiaro Coal Ltd	6.7	30%	8.7	258.7	0.034
Pan Asia Corporation Ltd	2.5	30%	3.3	133.0	0.025
Ikwezi Mining Ltd	8.5	30%	11.1	205.8	0.054
Modun Resources Ltd	6.5	30%	8.5	478.0	0.018
East Energy Resources Ltd	22.5	30%	29.3	3,444.5	0.009
Coal of Africa Ltd	60.6	30%	78.8	2,047.5	0.038
APAC Coal Ltd	0.5	30%	0.7	18.2	0.038
Minimum					**0.009**
Maximum					**0.072**
Median					**0.034**
Mean					**0.034**

Source: Bloomberg, Company Annual Reports and ASX announcements

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A brief description of the above broadly comparable companies is presented in Appendix 4.

Transaction multiple analysis

We have also considered the comparable market transactions methodology, which is used where there is an active market for comparable assets being traded. In an active market, the demand and supply of the assets, directly affects the value of the asset. Actual transactions of comparable assets can be regarded as the most tangible evidence of value however direct valid comparisons can be difficult due to the specific circumstances of each transaction. In particular:

- where the transaction recognised a special value to the purchaser;
- if economic conditions and rates of return have changed;
- if the parties did not have comparable negotiating abilities; and
- where a degree of comparability between the assets being valued differs.

The transaction multiples calculated in our Report have been calculated from transactions where adequate information on the transaction has been disclosed to calculate relevant multiples. The table below sets out the enterprise value to resource multiples for comparable merger and acquisition transactions we have identified from 1 January 2012 to 24 February 2015.

Target company	Announcement date	Consideration (A$m)	Percentage acquired	Transaction value (A$m)	Atributable resources (Mt)	Transaction multiple (A$/t)
Carabella Resources Ltd	03-Dec-13	53.9	88.9%	60.6	165.9	0.365
Coalbank Ltd	27-Aug-13	6.9	100.0%	6.9	1,300.0	0.005
Xceed Resources Ltd	26-Aug-13	15.2	100.0%	15.0	66.0	0.230
Hume Coal Pty Ltd	30-May-13	9.7	30.0%	53.3	451.0	0.118
Firestone Energy Ltd	17-Dec-12	15.4	35.58%	36.1	1,882.0	0.019
Rocklands Richfield Ltd	21-May-12	182.6	100%	187.3	761.3	0.246
Coalworks Ltd	07-May-12	137.1	82.7%	171.6	880.5	0.195
Minimum						**0.005**
Maximum						**0.365**
Median						**0.195**
Average						**0.168**

Source: Bloomberg, Capital IQ, Mergermarket, Company Annual Reports and ASX announcements

A brief description of the transactions identified above can be found in Appendix 4.

9.1.5 Conclusions of resource multiple analysis

Having considered the above, we consider an appropriate resource multiple for Vista Coal to be in the range between $0.031/t to $0.035/t with a preferred multiple of $0.033/t.

We note that our transaction multiples are significantly higher than the current trading multiples, which we attribute to the current state of equity markets as well as, more specifically, the weakening of coal prices since many of these transactions occurred.

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As a cross check of our above assessment, we have also implied a resource multiple from Snowden's Valuation Report. Snowden's valuation of Vista South and Vista Extension implies a resource multiple of $0.006/t to $0.013/t based on total resources (measured, indicated and inferred) of 2,217.9 Mt. Our assessed multiple range for Vista Coal is higher than the implied multiple for Vista South and Vista Extension due to the more advanced stage of development of Vista Coal relative to the other projects.

Based on attributable resources of 1,516.8 Mt in Vista Coal, we arrive at our valuation as follows:

Exploration and evaluation assets	Low	Preferred	High
Attributable Resources (in Mt)	1,516.8	1,516.8	1,516.8
Resource multiple A$/t	0.031	0.033	0.035
Value of Vista Coal (in A$)	47,020,800	50,054,400	53,088,000
Exchange rate (A$/C$)	0.979	0.979	0.979
Value of Vista Coal (in C$)	46,033,363	49,003,258	51,973,152

Source: BDO analysis

9.1.6 Valuation of Vista South and Vista Extension

We engaged Snowden to provide an independent valuation of the coal resources of the Vista Extension and Vista South properties contiguous with Vista Coal. Snowden has valued Coalspur's resources by applying the following methodologies:

- Comparable transactions of Canadian coal deposits based on US$/Mt coal in situ; and
- Kilburn Geoscience rating method for exploration potential of coal project areas in Alberta.

Snowden further states that no actual coal property sales were used in the analysis, only coal properties offered for sale. Further, the depressed condition of the coal market has been factored into this analysis, but the lack of actual sales data introduces another element of uncertainty.

However, we are satisfied that the valuation methodologies adopted by Snowden are in accordance with industry practices and in accordance with requirements of the Valmin Code. The range of values for Vista South and Vista Extension as calculated by Snowden are set out below:

Resources	Low value US$m	Preferred value US$m	High value US$m
Comparable transaction method			
Vista Extension	4.16	7.04	9.91
Vista South	6.21	9.42	12.64
	10.37	16.46	22.54
Exchange rate (US$/C$)	0.80	0.80	0.80
Value of resources in C$	**12.96**	**20.58**	**28.19**
Kilburn method			
Vista Extension	6.01	8.64	11.26
Vista South	8.97	13.06	17.16
	14.98	21.70	28.42
Exchange rate (US$/C$)	0.80	0.80	0.80
Value of resources in C$	**18.73**	**27.13**	**35.53**

Source: Snowden's Valuation Report

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We note that the above valuation figures are presented exactly as Snowden have presented them, and that minor rounding errors may occur.

Snowden notes that these valuations are quite similar for Vista Extension and Vista South and that either could be used to value the projects.

The wide range in values can be attributed to the existing uncertainties as regards to the price of coal which has declined by approximately 25% in the past 12 months in US$ terms.

We have adopted the value under the comparable transaction method in arriving at the values of Vista South and Vista Extension.

9.1.7 Other assets and liabilities

Other assets and liabilities represent the assets and liabilities which have not been specifically adjusted.

From our review of these other assets and liabilities, outlined in the table below, we do not believe that there is a material difference between their book values and their fair values unless an adjustment has been noted below. The table below represents a summary of the assets and liabilities identified:

Statement of Financial Position	Note	Reviewed as at 30-Jun-14 C$	Other assets Low C$	Mid C$	High C$
CURRENT ASSETS					
Cash and cash equivalents	(a)	10,588,297	6,695,762	6,695,762	6,695,762
Trade and other receivables		181,138	181,138	181,138	181,138
Prepayments		696,814	696,814	696,814	696,814
TOTAL CURRENT ASSETS		11,466,249	7,573,714	7,573,714	7,573,714
NON-CURRENT ASSETS					
Property, plant and equipment		1,052,172	1,052,172	1,052,172	1,052,172
Exploration and evaluation assets	(b)	13,509,295	-	-	-
Mine development assets	(b)	158,512,894	-	-	-
Prepayments	(c)	42,800,000	30,200,000	36,500,000	42,800,000
Intangible assets	(c)	2,500,000	-	-	-
Other assets	(d)	21,075,976	-	-	-
TOTAL NON-CURRENT ASSETS		239,450,337	31,252,172	37,552,172	43,852,172
TOTAL ASSETS		250,916,586	38,825,886	45,125,886	51,425,886
CURRENT LIABILITIES					
Trade and other payables		1,027,671	1,027,671	1,027,671	1,027,671
Provisions		118,108	118,108	118,108	118,108
Credit facilities and fees payable	(d)	83,109,050	-	-	-
Interest payable on credit facilities	(d)	7,823,921	-	-	-
Embedded derivative	(d)	13,713,355	-	-	-
TOTAL CURRENT LIABILITIES		105,792,105	1,145,779	1,145,779	1,145,779
TOTAL LIABILITIES		105,792,105	1,145,779	1,145,779	1,145,779
NET ASSETS		145,124,481	37,680,107	43,980,107	50,280,107

Source: Coalspur's reviewed financial statements as at 30 June 2014, Coalspur's December 2014 Quarterly Report, Coalspur's September 2014 Quarterly Report and BDO analysis

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The following adjustments were made to determine the value of other assets and liabilities that have not been accounted for in our valuation of the Projects.

Note a: Cash and cash equivalents

We updated cash and cash equivalents to reflect the balance outstanding as at 31 December 2014. Net change in other assets between 30 June 2014 and 31 December 2014 is explained mostly by the change in cash balance over the period. Net change in other assets not explained by the change in cash was determined to be immaterial.

Note b: Mining assets

We excluded the value of the exploration and evaluation assets as well as the mine development assets which relate to the Projects. These values have been separately valued in section 9.1.5 and section 9.1.6.

Note c: Prepayments and intangible assets

Prepayments of $42.8 million relate to the deposit paid to Ridley Terminals Inc to secure port capacity of 2.5 Mt per annum in 2015, increasing to 10.7 Mtpa in 2020 through to 2028. This deposit is non-refundable and will be offset against future port charges. Due to a force majeure event that had occurred in December 2013 but subsequently lifted in October 2014, the take-or-pay obligations with Ridley Terminals are expected to be pushed out by approximately 22 months. This is approximately the time period required for construction of the Vista Coal project.

As such, this prepayment has value unless Coalspur decides not to sell the Vista Coal project and delays its development beyond two years from which the minimum throughput payment charges begin. Our assessment of the value of this prepayment is consistent with the approach that we have taken to the value of Vista Coal.

We have estimated the value of these prepayments based on a range of scenarios that assume no penalty lost on the deposits paid (as the 'High' scenario) to a scenario where the amount of minimum throughput payment for the first year of $12.6 million is deducted as a penalty on the deposits as a result of a one-year delay in the development of the Vista Coal project (as the 'Low' scenario).

The calculations are shown in the following table.

Prepayments	Low value C$	Mid value C$	High value C$
Deposits paid	42,800,000	42,800,000	42,800,000
Less: Assumed take or pay penalty scenario	(12,600,000)	(6,300,000)	-
Net value	30,200,000	36,500,000	42,800,000

Source: BDO analysis

Intangible assets of $2.5 million relate to the Company's purchase of an option to acquire additional throughput capacity of 2.5 Mtpa, which it exercised during the year ended 31 December 2013. This amount will be amortised over the initial term of the contract. Unlike the prepayments of deposits paid to secure port capacity that will be offset against future port charges, it is less likely that a third party would place any value on this option. Hence, we have not attributed any value to this intangible asset.

Note d: Other assets and debt outstanding

Other assets of approximately C$21.08 million mainly comprise warrants issued to EIG and Borrowdale, finance fees paid to EIG and share based payments associated with the Borrowdale Facility. As they all relate to the credit facilities relating to EIG and Borrowdale, we have accounted for these separated in

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section 9.1.8. We have also excluded the values of the credit facilities and fees payable, interest payable on credit facilities and the embedded derivative liability as they have been separately accounted for in section 9.1.8.

9.1.8 Debt outstanding

As discussed in the earlier sections, the Company has a secured subordinated debt facility with Borrowdale at an interest rate of 10.5% and a credit facility with EIG carrying an interest rate of 8% per annum in cash plus 3% per annum payable either in cash or which can be capitalised as part of the outstanding obligations.

Summary of the credit facilities, interest payable and embedded derivative associated with the EIG and Borrowdale facilities are as follows:

LIABILITIES Credit facilities	30-Jun-14 C$
Borrowdale Facility	33,000,000
EIG Facility	50,109,050
	83,109,050

LIABILITIES Interest payable on credit facilities	30-Jun-14 C$
Borrowdale Credit facility	3,380,999
EIG Credit facility	4,442,922
	7,823,921

LIABILITIES Embedded derivative	30-Jun-14 C$
Embedded derivative liability	13,713,355
	13,713,355

ASSETS Other assets	30-Jun-14 C$
Share based payments associated with the Borrowdale Facility	5,307,000
Warrants issued to EIG and Borrowdale	13,889,800
Legal and finance fees paid/incurred on the EIG Facility and Borrowdale Facility	9,093,270
Amortisation capitalised to mine development assets	(5,907,639)
Financing expense on modification of the Borrowdale Facility	(2,246,650)
Conversion feature on the EIG Facility	940,195
	21,075,976

Source: Coalspur's reviewed financial statements as at 30 June 2014 and BDO analysis

We have treated the embedded derivative liability as a debt because it arose as a consequence of Coalspur exercising its right to not accept EIG's debt sizing, which resulted in the EIG Facility being due for repayment on 31 March 2015. Accordingly, a make-whole premium of US$12 million, payable at 31 March 2015 was recorded as a mark to market adjustment and disclosed as an embedded derivative in the statement of financial position. The repayment date of the EIG Facility has since been extended to the

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later of (i) 31 March 2015 or (ii) the earlier of (a) the termination of the agreement between KCE and EIG, or (b) the implementation of the Scheme.

We have not discounted the debt obligation and interest payable given that the debt is repayable within the near future and hence the amount in present value terms is not expected to be materially different as at the date of the report. Additionally, we have adjusted 'Other assets' against the outstanding debt estimated as at 31 December 2014 while presenting the value of a Coalspur share in section 9.1.

Significant movements in net debt outstanding have occurred between 30 June 2014 and 31 December 2014 primarily due to accrued interest and currency movements. Therefore, we made the following adjustments to net debt outstanding to estimate the net debt balance as at 31 December 2014:

- interest accrued at 10.5% per annum on the outstanding Borrowdale Facility for the six-month period;
- interest accrued at 11% per annum on the outstanding EIG Facility for the six-month period;
- reduction in the embedded derivative balance relating to the Borrowdale Facility as advised by the Company;
- quarterly amortisation of other assets which are expected to be fully amortised by 31 March 2015; and
- currency movements on all outstanding net debt, embedded derivative and other assets balances.

The net debt outstanding is reflected in the table below.

Liabilities	Adjusted C$
Credit facilities (EIG Facility and Borrowdale Facility)	90,526,569
Interest payable on credit facilities	13,474,393
Embedded derivative	13,361,528
Other assets	(7,500,895)
	109,861,595

Source: BDO analysis

9.1.9 Shares outstanding

In section 9.1.3, we determined that, given the negative DCF value, it is not economical for Coalspur to develop Vista Coal under the current base case assumptions. We have relied on the resource multiple valuation to determine the value of Vista Coal which is based on the assumed sale of the project to a third party for whom the development of Vista Coal may be economic.

Hence, no assumptions have been made on funding required to develop Vista Coal and accordingly, no additional shares are assumed to be issued.

The Sum-of-Parts value is calculated on a fully diluted basis based on the existing number of Coalspur shares of 641,544,455 and the existing number of Coalspur performance rights of 9,965,082 as at the date of this report.

9.2 Quoted Market Prices for Coalspur Securities

To provide a comparison to the valuation of Coalspur in section 9.1, we have also assessed the quoted market price for a Coalspur share trading on both the ASX and the TSX.

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The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that the expert should calculate the value of a company's shares as if 100% control were being obtained. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in section 13.

Therefore, our calculation of the quoted market price of a Coalspur share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

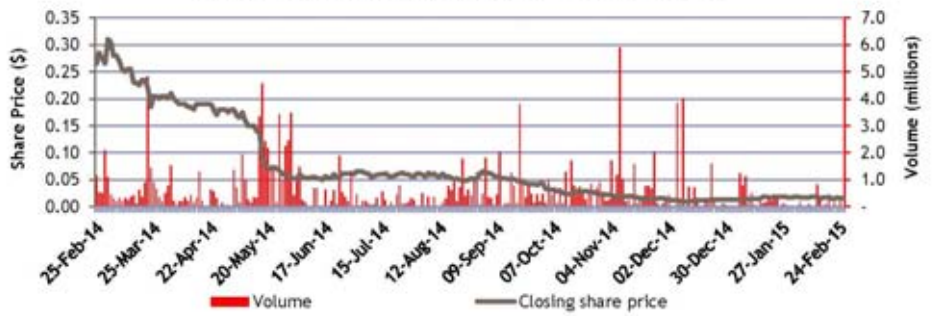
Minority interest value

Our analysis of the quoted market price of a Coalspur share is based on the pricing prior to the announcement of the Scheme. This is because the value of a Coalspur share after the announcement may include the effects of any change in value as a result of the Scheme. However, we considered the value of a Coalspur share following the announcement when we have considered reasonableness in section 13.

Information on the Scheme was announced to the market on 25 February 2015. Therefore, the following charts provide a summary of the share price movement over the 12 months to 24 February 2015 which was the last trading day prior to the announcement.

ASX

Coalspur share price and trading volume history (ASX)



Source: Bloomberg

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The daily price of Coalspur shares from 24 February 2014 to 24 February 2015 has ranged from a low of $0.010 on 8 December 2014 to a high of $0.330 on 28 February 2014. From February 2014, the share price has shown a downward trend with the most significant trading volumes experienced between the months of April 2014 and June 2014. The highest single day of trading was on 7 November 2014, where 5,898,670 shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		$		(movement)	$		(movement)
29/01/2015	Quarterly Activities and Cashflow Report	0.017	▸	0.0%	0.017	▸	0.0%
29/10/2014	Quarterly Activities and Cashflow Report	0.023	▲	4.5%	0.022	▼	4.3%
13/10/2014	Coalspur Announces Receipt of Mineral Surface Lease	0.024	▸	0.0%	0.029	▲	20.8%
27/08/2014	Coalspur Announces Receipt of Three Approvals	0.050	▼	5.7%	0.065	▲	30.0%
06/08/2014	Coalspur Mines Limited Technical Report (Updated)	0.058	▼	7.9%	0.056	▼	3.4%
01/08/2014	Quarterly Activities and Cashflow Report	0.059	▼	3.3%	0.058	▼	1.7%
24/06/2014	Coalspur clarifies previously issued technical disclosure	0.062	▲	12.7%	0.062	▸	0.0%
23/06/2014	Funding and Mining Contractor Update	0.055	▸	0.0%	0.062	▲	12.7%
30/05/2014	Corporate and Vista Project Update	0.052	▼	3.7%	0.055	▲	5.8%
15/05/2014	Coalspur Files Interim Financial Report and Provides Update	0.091	▼	35.0%	0.070	▼	23.1%
30/04/2014	Quarterly Activities and Cashflow Report	0.180	▲	2.9%	0.165	▼	8.3%
29/04/2014	Annual Report to shareholders	0.175	▼	3%	0.170	▼	3%
29/04/2014	Full Year Statutory Accounts Revised	0.175	▼	3%	0.170	▼	3%
14/04/2014	Coalspur Appoints Sedgman as EPC Contractor	0.190	▲	6%	0.190	▸	0%
03/04/2014	Coalspur Announces ASX Waiver in Relation to Borrowdale Loan	0.195	▼	3%	0.190	▼	3%
01/04/2014	Coalspur Mines Limited Vista Independent Technical Report	0.210	▲	5%	0.190	▼	10%
01/04/2014	Coalspur Announces Updated Vista Technical Report and AIF	0.210	▲	5%	0.190	▼	10%
28/02/2014	Alberta Energy Regulator Approval of Vista Project	0.310	▲	17%	0.280	▼	10%

Source: Bloomberg

On 28 February 2014, Coalspur announced that the AER had approved Vista Coal. On the day of the announcement, the share price increased by 17% to $0.310 however fell by 10% to $0.280 in the three days subsequent.

On 15 May 2014, the Company released its unaudited Interim Financial Report which outlined that Coalspur no longer intended to commence construction in June 2014 as a result of delays in securing all

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financing and permits necessary for the development of Vista Coal. On the day of the release, the Company's share price fell by 35% to $0.091 and continued to fall by a further 23.1% to $0.070 in the following three days.

On 23 June 2014, the Company announced it had selected Thiess Pty Ltd as its mining contractor for Vista Coal and that it had secured an additional US$10 million funding through drawing down on its existing EIG Facility. Coalspur announced it was to use the funds to continue activities on Vista Coal and to initiate a strategic review process aimed at enhancing shareholder value. The share price remained unchanged on the day of the announcement however it increased by 12.7% to $0.062 the following day.

On 27 August 2014, Coalspur announced that the AER had issued the Company with three approvals for Phase 1 of Vista Coal. On the day of the announcement, the Company's share price fell by 5.7% to $0.050, however increased by 30% to $0.065 in the three days subsequent.

On 13 October 2014, the Company announced that the AER had issued Coalspur with a mineral surface lease for Phase 1 of Vista Coal. The mineral surface lease is the final approval required from the AER in order to commence construction of Vista Coal. On the day of the announcement, the share price remained unchanged, however increased by 20.8% to $0.029 in the following three days.

To provide further analysis of the market prices for a Coalspur share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 24 February 2015.

Share Price per unit	24-Feb-15	10 Days	30 Days	60 Days	90 Days
Closing price	$0.016				
Volume weighted average price (VWAP)		$0.017	$0.018	$0.013	$0.017

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Scheme, to avoid the influence of any increase in price of Coalspur shares that has occurred since the Scheme was announced.

An analysis of the volume of trading in Coalspur shares for the twelve months to 24 February 2015 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.016	$0.016	216,500	0.03%
10 Days	$0.015	$0.019	1,992,547	0.31%
30 Days	$0.015	$0.020	4,435,257	0.69%
60 Days	$0.010	$0.020	20,499,402	3.20%
90 Days	$0.010	$0.035	43,028,583	6.71%
180 Days	$0.010	$0.072	88,069,269	13.73%
1 Year	$0.010	$0.330	155,457,956	24.23%

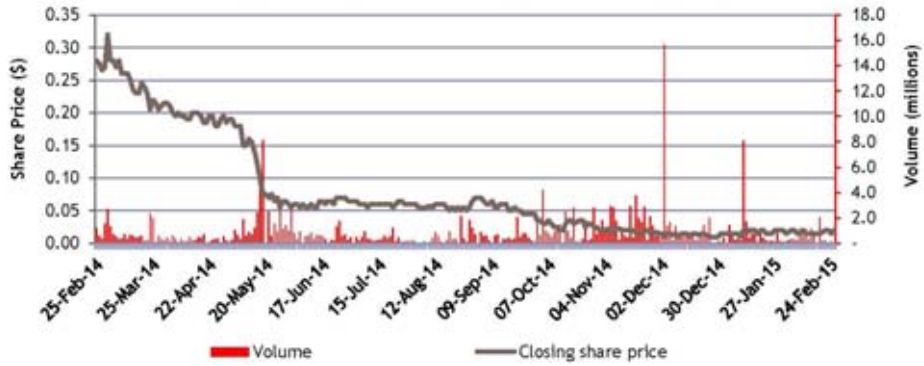
Source: Bloomberg, BDO analysis

This table indicates that Coalspur's shares display a low level of liquidity, with 24.23% of the Company's current issued capital being traded in a twelve month period.

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TSX

Coalspur share price and trading volume history (TSX)



Source: Bloomberg

The daily price of Coalspur shares from 24 February 2014 to 24 February 2015 has ranged from a low of C$0.010 on 20 November 2014 to a high of C$0.355 on 28 February 2014. From mid February 2014, the share price has shown a downward trend with the most significant trading volumes experienced between the months of May 2014 and June 2014 as well as November and December 2014.

There appears to be significant unexplained spikes in trading volumes, for example on 2 December 2014, there were approximately 15.69 million Coalspur shares traded on the TSX. Our analysis of Coalspur's announcements over the twelve months to 24 February 2015 indicates that there was not any material information released to the market on or around this day.

During the twelve month period to 24 February 2015 a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		C$ (movement)			C$ (movement)		
13/11/2014	Release of interim financial statements and management discussion	0.020	▸	0.0%	0.015	▾	25.0%
10/10/2014	Receipt of mineral surface lease	0.020	▾	20.0%	0.035	▴	75.0%
26/08/2014	Coalspur Announces Receipt of Three Approvals	0.050	▾	9.1%	0.070	▴	40.0%
05/08/2014	Update of NI43-101 Technical Report	0.055	▸	0.0%	0.055	▸	0.0%
31/07/2014	Quarterly Activities and Cashflow Report	0.060	▸	0.0%	0.055	▾	8.3%
23/06/2014	Coalspur clarifies previously issued technical disclosure	0.070	▴	16.7%	0.070	▸	0.0%
23/06/2014	Funding and mining contractor update	0.070	▴	16.7%	0.070	▸	0.0%

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Date	Announcement	Closing Share Price Following Announcement C$	(movement)	Closing Share Price Three Days After Announcement C$	(movement)
29/05/2014	Corporate and Vista Project Update	0.060	▼ 7.7%	0.060	▶ 0.0%
14/05/2014	Coalspur Files Interim Financial Report and Provides Update	0.120	▼ 14.3%	0.075	▼ 37.5%
29/04/2014	Quarterly Activities and Cashflow Report	0.185	▼ 5.1%	0.180	▼ 2.7%
29/04/2014	Annual report to shareholders	0.185	▼ 5.1%	0.180	▼ 2.7%
14/04/2014	Coalspur Appoints Sedgman as EPC Contractor	0.200	▶ 0%	0.185	▼ 8%
02/04/2014	Coalspur Announces ASX Waiver in Relation to Borrowdale Loan	0.200	▼ 5%	0.195	▼ 3%
31/03/2014	Coalspur Announces Updated Vista Technical Report and AIF	0.215	▶ 0%	0.195	▼ 9%
27/02/2014	Alberta Energy Regulator Approval of Vista Project	0.270	▲ 2%	0.280	▲ 4%

Source: Bloomberg

On 27 February 2014, Coalspur announced that the AER had approved Vista Coal. On the day of the announcement, the share price increased by 2% to C$0.270 and continued to increase to C$0.280 in the three days subsequent.

On 14 May 2014, the Company released its unaudited Interim Financial Report which outlined that Coalspur no longer intended to commence construction in June 2014 as a result of delays in securing all financing and permits necessary for the development of Vista Coal. On the day of the release, the Company's share price fell by 14.3% to C$0.120 and continued to decline in the following three days where it closed 37.5% lower at C$0.075.

On 23 June 2014, the Company announced it had selected Thiess Pty Ltd as its mining contractor for Vista Coal and that it had secured an additional US$10 million funding through drawing down on its existing EIG Facility. Coalspur announced it was to use the funds to continue activities on Vista Coal and to initiate a strategic review process aimed at enhancing shareholder value. The market viewed this news positively as evidenced by a 16.7% increase in the Company's share price following the announcement.

On 26 August 2014, Coalspur announced that the AER had issued the Company with three approvals for Phase 1 of Vista Coal. On the day of the announcement, the Company's share price fell by 9.1% to C$0.050, however increased by 40% to C$0.070 in the three days subsequent.

On 10 October 2014, the Company announced that the AER had issued Coalspur with a mineral surface lease for Phase 1 of Vista Coal. The mineral surface lease is the final approval required from the AER in order to commence construction of Vista Coal. On the day of the announcement, the share price decreased 20% to C$0.020, which we consider an unexplained price movement. However, in the three days following this announcement the share price increased by 75% to C$0.035.

On 13 November 2014, the Company released its interim financial statements for the period ending 30 September 2014 as well as management's discussion of the Company's results. The share price remained unchanged on the day of the announcement however it declined by 25% to C$0.015 in the three days subsequent.

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To provide further analysis of the market prices for a Coalspur share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 24 February 2015.

Share Price	24-Feb-15	10 Days	30 Days	60 Days	90 Days
Closing price	C$0.020				
Volume weighted average price (VWAP)		C$0.016	C$0.018	C$0.015	C$0.016

Source: Bloomberg, BDO analysis

In order to compare the above results with the QMP of an ASX listed share we have converted the above exchange rates at an exchange rate of 1 C$: A$1.021, which is based on the average exchange rate observed over the 30 trading days to 24 February 2015. Our results are set out in the table below.

Share Price	24-Feb-15	10 Days	30 Days	60 Days	90 Days
Closing price	$0.020				
Volume weighted average price (VWAP)		$0.016	$0.018	$0.015	$0.016

Source: BDO analysis

The above weighted average prices are prior to the date of the announcement of the Scheme, to avoid the influence of any increase in price of Coalspur shares that has occurred since the Scheme was announced.

An analysis of the volume of trading in Coalspur shares for the twelve months to 24 February 2015 is set out below:

Trading days	Share price low	Share price High	Cumulative volume traded	As a % of Issued capital
1 Day	C$0.015	C$0.020	-	0.00%
10 Days	C$0.015	C$0.020	4,942,186	0.77%
30 Days	C$0.015	C$0.020	14,010,278	2.18%
60 Days	C$0.010	C$0.020	41,416,603	6.46%
90 Days	C$0.010	C$0.035	97,847,272	15.25%
180 Days	C$0.010	C$0.075	152,640,897	23.79%
1 Year	C$0.010	C$0.355	223,778,472	34.88%

Source: Bloomberg, BDO analysis

This table indicates that Coalspur's shares display a low level of liquidity, with 34.88% of the Company's current issued capital being traded in a twelve month period.

Conclusion on QMP of Coalspur (minority interest)

For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and

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- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Coalspur, we do not consider there to be a deep market for the Company's shares as a result of only 24.23% of the Company's current issued capital being traded on the ASX over the twelve months prior to the announcement of the Scheme and approximately 34.88% of its shares traded on the TSX over the same period.

Our assessment is that a range of values for Coalspur shares based on market pricing, after disregarding post announcement pricing, is between $0.016 and $0.020.

Control Premium

We reviewed the control premiums paid by acquirers of mining companies listed on the ASX and summarise our findings below:

Year	Number of Transactions	Average Deal Value (A$m)	Average Control Premium (%)
2014	6	113.29	14.51
2013	16	49.12	57.80
2012	19	135.78	42.67
2011	20	634.68	31.40
2010	24	748.05	40.76
2009	29	86.80	39.23
2008	8	553.76	38.87
	Median	**135.78**	**39.23**
	Mean	**331.64**	**37.89**

Source: Bloomberg and BDO analysis

We note that observed control premiums can vary due to the:

- nature and magnitude of non-operating assets;
- nature and magnitude of discretionary expenses;
- perceived quality of existing management;
- market conditions and sentiment at the time of the transactions;
- commodity prices at the time of the transactions;
- nature and magnitude of business opportunities not currently being exploited;
- ability to integrate the acquiree into the acquirer's business;
- level of pre-announcement speculation of the transaction; and
- level of liquidity in the trade of the acquiree's securities.

Across the general Australian mining industry, the average annual control premium paid for effective control transactions since 2008 had a median of approximately 39%. We note that a majority of these transactions would have taken place at a time when commodity prices were significantly higher than the current levels. Also, given the current state of equity capital markets, with companies finding it difficult

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to secure equity funding, we consider an appropriate control premium to be lower than the average control premiums presented above.

Given that Coalspur is also listed on the TSX we have also considered the historical control premiums paid by acquirers of mining companies listed on the TSX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (US$m)	Average Control Premium (%)
2014	7	603.78	33.42
2013	20	179.23	32.52
2012	22	451.87	55.55
2011	24	943.33	40.73
2010	31	851.45	24.66
2009	27	142.05	41.82
2008	20	324.51	78.01
	Median	**451.87**	**40.73**
	Mean	**499.46**	**43.82**

Source: Bloomberg, BDO analysis

The table above indicates that the long term average of announced control premiums paid by acquirers of TSX listed general mining companies is in excess of 43%. The sample of transactions analysed includes extreme outliers with 16 of the transactions included in the sample with announced premiums in excess of 100% and 23 transactions involved situations where the acquirer obtained a controlling interest at a discount. In a sample where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the review period was 40.73%.

The average announced control premium was significantly higher in the year 2008 as a result of an extreme outlier which involved Vale SA's acquisition of Teal Exploration and Mining Inc on 15 December 2008 at an announced premium of 680.65%.

In 2010, commodity price volatility and high levels of gearing amongst junior mining players resulted in a considerably lower average announced control premium of 24.66%. Despite 2010 recording 31 control transactions, there were only two transactions whereby the acquirer paid a premium in excess of 60%. It should also be noted that included in the sample were four control transactions where the acquirer obtained a controlling interest at a discount.

Taking the above factors into consideration for both the control premiums paid on the ASX and the TSX, we consider an appropriate range to be between 25% and 35%.

Quoted market price including control premium

Applying a control premium to Coalspur's quoted market share price results in the following quoted market price value including a premium for control:

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	Low $	Midpoint $	High $
Quoted market price value	0.016	0.018	0.020
Control premium	25%	30%	35%
Quoted market price valuation including a premium for control	**0.020**	**0.023**	**0.027**

Source: BDO analysis

Therefore, our valuation of a Coalspur share based on the quoted market price method and including a premium for control is between $0.020 and $0.027, with a rounded midpoint value of $0.023.

9.3 Assessment of Coalspur's Value

The results of the valuations performed are summarised in the table below:

	Low $	Preferred $	High $
Sum-of-Parts (section 9.1)	-	0.006	0.032
Quoted Market Price (section 9.2)	0.020	0.023	0.027

Source: BDO analysis

We note that the values obtained under the QMP method are reasonably consistent with the values obtained from the Sum-of-Parts method, albeit in the higher end of the range. The difference between the values obtained under the QMP method and the Sum-of-Parts method may be explained by the following:

- investors may have made different assumptions on the Projects, including exchange rates, discount rates, inflation rates and level of required dilution that may affect their valuation of the Projects;
- the wider range of values obtained from our Sum-of-Parts reflects the uncertainty of the assumptions made on the Projects; and
- our analysis in section 9.2 shows that Coalspur shares demonstrate a low level of liquidity and therefore an absence of a sufficiently active trading market to reflect a fair market value of the Company's shares.

Based on the above analysis, we are satisfied that our primary valuation methodology, being the Sum-of-Parts approach, is supported by our secondary valuation methodology, the QMP approach. Therefore, we consider that the value of a Coalspur share on a control basis to be between nil and $0.032, with a preferred value of $0.006.

10. Valuation of consideration

Under the Scheme, Shareholders will receive A$0.023 per share in cash for each share held in Coalspur.

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11. Collateral benefit

Borrowdale Transaction

In assessing whether KCE's acquisition of the Borrowdale Facility gives rise to a collateral benefit to Borrowdale, we compared the present value of the outstanding interest and principal repayments to the present value of the royalty payments to be made to Borrowdale.

As outlined in section 4.2 of our Report, KCE's acquisition of the Borrowdale Facility will result in KCE being liable to pay a royalty equal to:

- C$0.75/tonne, if the realised Coalspur Price is greater than US$125
- C$0.50/tonne, if the realised Coalspur Price is greater than US$115
- C$0.25/tonne, if the realised Coalspur Price is greater than US$100

on each tonne of coal mined and sold by Coalspur from its existing coal leases.

The royalty will be payable until the earlier of:

(i) expiry of the coal leases; or
(ii) when the aggregate royalty payments equal the debt balance of US$34.3 million or US$36.3 million if Coalspur takes more than fifteen years to repay the debt balance.

The present value of royalty payments is based on our forecast pricing used in the DCF model for Vista Coal. We note the following in relation to our assessment of the present value of the royalty obligation:

- we discounted the royalty obligations at a WACC of 11% per annum as determined in Appendix 3;
- we discounted the interest and principal repayments at Coalspur's cost of debt of 10.5% per annum;
- if at the expiry of the coal leases, the debt balance has not been repaid, the balance will be forgiven;
- based on our assessment of the realised Coalspur Price, the debt balance is not fully repaid over the life of mine; and
- we have only considered the present value of the royalty obligations to 31 December 2036, being the life of mine presented in the DCF model for Vista Coal. Production is forecast to cease in 2036.

The comparison between the present value of the outstanding interest and principal repayments and the present value of the royalty obligations is set out in the table below.

Borrowdale Transaction	C$m
Present value of interest and principal repayments under current arrangement	39.00
Present value of royalty obligations	0.58

Source: BDO analysis

Our analysis indicates the present value of the royalty obligations is less than the present value of the remaining interest and principal obligations. Accordingly, the value of the financial benefit to be given to Borrowdale is less than the value of the financial obligations of KCE.

We have assessed the present value of the interest and principal repayments under the current arrangement assuming that Coalspur can meet its debts as and when they fall due so that the Company can sell its interest in the Vista Coal and the other projects in an orderly manner as set out in section 9 of our report. If the Scheme is not approved and the Company is required to sell these assets in an accelerated manner, then the value received may be lower.

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For there to be a collateral benefit in the event of a forced sale, the present value of the Borrowdale Facility would need to be less than C$0.58 million, which is the present value of the royalty payments to Borrowdale. As the present value of the Borrowdale Facility is C$39 million, assuming the Company is able to meet its debts as and when they fall due, the value of the Borrowdale Facility would need to fall by at least C$38.42 million for there to be the possibility of a collateral benefit by KCE to Borrowdale.

In section 9.1, we determined that the midpoint value of Coalspur is C$3.696 million. If this falls below zero, then at that point it is reasonable to conclude that, to the extent the value is below zero, the value of the Borrowdale Facility will fall. For the value of the Borrowdale Facility to fall below the value of the royalty payments of C$0.58 million, the value of the Company's projects would need to fall by at least C$42.116 million (being C$38.42 million + C$3.696 million). In our valuation, we have incorporated a mid-point value of $69.578 million (being C$49.03 million + C$20.57 million) for the Company's projects, meaning that their value would need to drop to below $27.462 million (a 61% fall) for a collateral benefit to exist. In our opinion, it is reasonable to assume that any reduction in value of Coalspur's projects in the event of a forced sale will not be greater than $42.116 million or 61%.

We consider that the nature and overall circumstances of the Borrowdale Transaction do not give rise to a collateral benefit by KCE to Borrowdale to induce Borrowdale to approve the Scheme. In particular, it is noted that KCE's acquisition of the Borrowdale Facility is not contingent upon the completion of the Scheme. Therefore, we conclude that no collateral benefit will be given to Borrowdale if the Scheme is approved.

12. Is the Scheme fair?

We determined that our preferred value of a Coalspur share, including a premium for control, is lower than the Scheme Consideration as set out in the table below. Therefore, we conclude that the Scheme is fair for Shareholders.

	Ref	Low $	Preferred $	High $
Value of a Coalspur share (controlling basis)	9	-	0.006	0.032
Value of Scheme Consideration	10	0.023	0.023	0.023

Source: BDO analysis

13. Is the Scheme reasonable?

13.1 Advantages of approving the Scheme

We set out the key advantages that the Scheme is expected to bring to Shareholders.

13.1.1 The Scheme is fair

Our analysis in section 12 concludes that the Scheme is fair to Shareholders. RG 111 states that an offer is reasonable if it is fair.

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13.1.2 Shareholders obtain cash under the Scheme

The Scheme involves the acquisition of all the outstanding shares in Coalspur for a cash price of A$0.023 per share. Shareholders will obtain cash for the exit on their investment, which offers certainty in their returns.

Given the demonstrated low level of liquidity in the trading of Coalspur's shares, the certainty of the cash consideration of A$0.023 per share is a benefit to Shareholders. In particular, those who hold large parcels of shares and therefore may have difficulty selling their shares on market or in the event they are able to sell, may cause the quoted market price to fall.

If the consideration had been a scrip offer, Shareholders would have to hold shares in KCE following the Scheme. If that had been the case, Shareholders would have been exposed to the uncertainty of KCE's other operations and the potential illiquidity of its shares. The risk profile of KCE may also not be aligned with the risk profile of Shareholders. Since the Scheme Consideration is 100% cash, these concerns have been addressed.

13.1.3 Shareholders have the opportunity to realise their investment with certainty and at a premium to the Company's quoted market price

The terms of the Scheme involves the acquisition of outstanding shares for cash at A$0.023 per share, which represents a premium to the quoted market price as outlined in section 9.2 of our Report.

13.1.4 Shareholders will not be exposed to funding uncertainties of the Projects

Shareholders will no longer be exposed to funding uncertainties of the Projects, which, if present, would put their investment at risk. The Projects require significant capital outlay and given the current state of equity capital markets and depressed commodity prices, the Company may have difficulty funding the Projects.

13.1.5 Shareholders not exposed to risk of default on repayment of loan

In June 2014, EIG provided Coalspur with a notice providing the final sizing of the overall facility of US$175 million. The Company determined that it would not accept the EIG funding package as sized, given that it was not sufficient to fully fund Vista Coal.

Given the above, the EIG Facility (including all draws, fees and interest) is now due for repayment on the later of (i) 31 March 2015 or (ii) the earlier of the termination or the implementation of the Scheme. Additionally, the Borrowdale Facility also becomes payable on the later of (i) 31 March 2015 or (ii) the earlier of the termination or the implementation of the Scheme.

Given the material uncertainty regarding the Company's ability to continue as a going concern as highlighted in the Review Report for the half year ended 30 June 2014, coupled with the current price trend for thermal coal, we consider it unlikely for the Company to be able to secure debt funding or raise the required equity to repay the EIG Facility and the Borrowdale Facility within the short timeframe.

We are also aware that Coalspur has been unsuccessful in its attempts to secure funding for its Vista Coal project over the past two years. Together with the Company's current cash position, Coalspur runs the risk of defaulting on its debt obligations to both EIG and Borrowdale. This could impact the debt rating of

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the Company and ultimately, the ability of the shareholders to exit their holdings at a premium to their current price.

If Shareholders approve the Scheme, they will no longer be exposed to the risk of default by Coalspur on the repayment of the Company's debts.

13.2 Disadvantages of approving the Scheme

We set out the key disadvantages of approving the Scheme in the following section.

13.2.1 Shareholders will be unable to participate in the potential upside from the successful development of Vista Coal

If Shareholders approve the Scheme, they would be unable to participate in any potential upside of the Projects. If funded appropriately, Vista Coal is anticipated to bring long term positive returns to Shareholders. Additionally, this would also include the potential upside that the Company could receive on the successful development of Vista South and Vista Extension.

However, to participate in the potential upside of the Projects, Shareholders will be required to contribute new equity, or face significant dilution, or be exposed to significant risks associated with equity capital raising and other non-equity funding alternatives such as debt financing.

13.2.2 Shareholders may face potential tax implications

If the Scheme is approved, Shareholders may face potential tax implications such as crystallising a capital gains tax liability on the disposal of their shares earlier than expected for some Shareholders. Refer to Section 9 of the Scheme Booklet for additional information on the tax consequences of the Scheme. Individual shareholders should consult their tax advisers in relation to their circumstances.

13.3 Alternative Proposal

We are aware that Coalspur has been unsuccessful in its attempts to secure funding for its Vista Coal project over the past two years.

We are unaware of any alternative proposal that might offer the Shareholders of Coalspur a premium over the value ascribed to, resulting from the Scheme. We are also unaware of any alternative funding proposal that might refinance the existing debt obligations under the EIG Facility and the Borrowdale Facility.

13.4 Consequences of not Approving the Scheme

In the event that Shareholders do not approve the Scheme, the Company would need to raise approximately C$117 million to repay the EIG and Borrowdale facilities and approximately C$485 million to fund the capital expenditure requirements for Phase 1 of Vista Coal necessary to commence production from 2016. The funding alternatives available to Coalspur are set out below.

13.4.1 Availability of alternative funding

Debt funding

Given the material uncertainty regarding the Company's ability to continue as a going concern as highlighted for the half year ended 30 June 2014, we consider it unlikely that the Company will be able to secure debt funding. Typically, senior debt is not available to exploration companies due to their lack of

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operating revenues. The only potential form of debt funding that may be available to Coalspur is through the issue of convertible debt. Given the Company's difficulty in repaying the Borrowdale and EIG facilities, even if Coalspur is able to source senior debt or convertible debt, it is likely to be on considerably less favourable terms than the current facilities it holds with EIG and Borrowdale.

Equity funding

Given the current trends with regard to thermal coal pricing and the uncertainty regarding the ability to repay the outstanding debt due to EIG and Borrowdale, Coalspur may find it difficult to raise the required equity funding as outlined above. We have considered various aspects of a potential capital raising:

- appetite of the market for Coalspur shares;
- share issue price for a placement of a mining exploration company's shares;
- equity market conditions; and
- impact on existing shareholders' interests.

Appetite of the market for Coalspur shares

In assessing the ability of the Company to raise funds from the market, we have considered the liquidity of trading in Coalspur shares as set out in section 9.2 of our Report. The analysis indicates that the Company's shares displayed a low level of liquidity, with only 23.23% of the Company's issued capital traded over a twelve month period to 24 February 2015. This provides support to the view that the Company is likely to find it difficult to raise funds from the market.

Share issue price for a placement of mining exploration company shares

Our research indicates that if the Company is to be successful in raising the required capital funding from the market, it is likely that it would be at a discount to the current market price. The estimated capital required represents approximately 60 times Coalspur's market capitalisation prior to the announcement of the Scheme.

We have performed an analysis of recent placements of all companies listed on the ASX as well as placements undertaken by both mining companies and coal companies in particular. Our analysis indicates that these placements were conducted at an average discount in the range of 14% to 20% of the Company's share price (prior to capital raising costs). As such, we consider a discount of 15% to be reasonable for Coalspur.

We note that there are other factors which will impact the discount at which a company can raise funds from equity capital markets. Market sentiment and current and future commodity price outlook are significant factors in determining the magnitude of such a discount that is likely to be observed. We also note that the Company's difficulty in raising funds to develop Vista Coal and repay its debt obligations is likely to already be reflected in the price of a Coalspur share. Notwithstanding the above, we consider a discount of 15% to the current market price to be reasonable.

We have also applied an additional discount of 5% to reflect the capital raising costs that would likely be incurred by the Company in raising capital. Therefore, if Coalspur is able to raise equity capital, the price at which shares may be issued is detailed in the table below:

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Capital raising price	
Pre-announcement share price	$0.016
Discount to the market price	15%
Capital raising costs	5%
Assumed capital raising price	$0.013

Source: BDO analysis

It is likely that Coalspur would have to raise capital at a discount to its current (pre-announcement) market price, and if so, the capital raising is likely to result in a decrease in the Company's share price which is less than the Scheme Consideration.

Given the uncertainty around the Company's ability to operate as a going concern and the low level of liquidity of the Company's shares, it is possible that the capital raising price may be even lower than the assumed capital raising price above.

Impact on existing Shareholders' interests

An equity capital raising may also dilute existing Shareholders' interests, depending on the extent to which existing Shareholders participate in such a capital raising.

Based on the capital expenditure forecast included in the Model, which has been verified by Snowden, and the outstanding debt with EIG and Borrowdale, we estimate the Company would need to raise approximately C$602 million to develop Vista Coal to production.

Therefore, in order to raise approximately $615 million (C$602 million, converted at the average exchange rate over the 30 trading days to 24 February 2015), the Company would need to issue approximately 47.3 billion shares at an assumed capital raising price of $0.013 per share.

This analysis indicates that if the Scheme is not approved and the Company elects to raise capital from the market to repay its debt and fund the production of Vista Coal, then existing Shareholders' interests may be diluted from 100% to approximately 1.4% of the issued capital of Coalspur.

14. Conclusion

The Scheme

We have considered the terms of the Scheme as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Scheme is fair and reasonable to Shareholders. Therefore, in the absence of a superior proposal, we conclude that the Scheme is in the best interests of Shareholders.

In our opinion, the Scheme is fair because the Scheme Consideration is greater than our assessed control value of a Coalspur share. In our opinion, the Scheme is reasonable because it is fair, and the position of Shareholders if the Scheme is approved is more advantageous than the position if the Scheme is not approved.

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Collateral benefit

We have considered the terms of the Borrowdale Transaction as outlined in the body of this report and have concluded that no collateral benefit will be given to Borrowdale if the Scheme is approved.

In our opinion, no collateral benefit will be given to Borrowdale because KCE's financial obligation to Borrowdale, which would be met by the financial benefit given, is greater than our assessed value of the financial benefit given. We consider that the nature and overall circumstances of the Borrowdale Transaction do not give rise to a collateral benefit by KCE to Borrowdale to induce Borrowdale to approve the Scheme.

15. Sources of information

This report has been based on the following information:

- Draft Scheme Booklet on or about the date of this report;
- Scheme Implementation Agreement dated 24 February 2015;
- Management discussion and analysis for the nine month period ended 30 September 2014;
- Audited financial statements of Coalspur for the years ended 31 December 2013 and the half year ended 31 December 2012;
- Reviewed financial statements of Coalspur for the half year ended 30 June 2014;
- Unaudited management accounts of Coalspur for the period ended 30 September 2014;
- Technical Assessment and Valuation Report on the technical inputs and assumptions of Vista Coal and an independent valuation of Coalspur's mineral assets dated 24 February 2015 performed by Snowden;
- Share registry information;
- Option registry information;
- Bloomberg Data Service;
- Consensus Economics Forecasts;
- Capital IQ Data Service;
- Information in the public domain; and
- Discussions with Directors and Management of Coalspur.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $95,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Coalspur in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Coalspur, including the non-provision of material information, in relation to the preparation of this report.

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Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Coalspur and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Coalspur and their respective associates.

In April 2014, BDO was engaged by Coalspur to prepare an independent expert's report in relation to a transaction that did not proceed.

In May 2013, BDO was engaged by Coalspur to provide an independent expert's report on the proposed issue of shares and warrants under a facility agreement with EIG Global Energy Partners and restructuring agreement with Borrowdale. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement was approximately $75,000.

A draft of this report was provided to Coalspur and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These expert's reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

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Adam Myers is a member of the Institute of Chartered Accountants in Australia. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of Coalspur for inclusion in the Scheme Booklet which will be sent to all Coalspur Shareholders. Coalspur engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal by KCE for an all cash purchase for the outstanding equity in Coalspur.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Scheme Booklet. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Scheme Booklet other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by Coalspur and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actual be achieved. BDO Corporate Finance (WA) Pty Ltd disclaims any possible liability in respect of these forecasts. We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Scheme, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Coalspur, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Coalspur. The independent technical specialist engaged for the mineral asset valuation, Snowden, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation are appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

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The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes
Director

Adam Myers
Director

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Appendix 1 – Glossary and Copyright Notice

Reference	Definition
The Act	The Corporations Act 2001 (Cth)
Adjusted Model	BDO has adjusted the Model (as provided by management of Coalspur) in order to assess the value of Vista Coal using the DCF method
AER	Alberta Energy Regulator
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Borrowdale	Borrowdale Park S.A
Borrowdale Facility	Secured debt facility with Borrowdale Park S.A
Borrowdale Transaction	KCE's acquisition of the Borrowdale Facility, whereby KCE will acquire the rights and interests of the Borrowdale Facility in return for a royalty payable over the term of the coal lease. Further details of the royalty conditions can be found in section 4.2 of our Report
C$	Canadian Dollars
Coalspur	Coalspur Mines Limited
Coalspur Price	For any sale of coal mined from Coalspur's existing coal leases, the fixed sales price freight on board the loading point after final preparation, processing and loading plus any premium payments or minus penalties received by Coalspur from the purchaser / final customer of the coal, without deduction for any taxes
Cline	The Cline Group LLC
CNR	Canadian National Railway
The Company	Coalspur Mines Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EIG	EIG Energy Fund XV-A, L.P., EIG Energy Fund XV, L.P., EIG Energy Fund XV-B, L.P., EIG

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Reference	Definition
	Energy Fund XV (Cayman), L.P. and EIG Management Company, LLC
EIG Facility	Secured debt facility with EIG Energy Fund XV-A, L.P., EIG Energy Fund XV, L.P., EIG Energy Fund XV-B, L.P., EIG Energy Fund XV (Cayman), L.P. and EIG Management Company, LLC which is repayable by 31 March 2015
FME	Future Maintainable Earnings
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
KCE	KC Euroholdings S.a.r.l., an affiliate of Cline
Model	Vista Coal Model provided by management of Coalspur
Mtpa	Million tonnes per annum
NAV	Net Asset Value
NI43-101	National Instrument 43-101
Our Report	This independent expert's report prepared by BDO
Phase 1	The first phase of the Vista Coal Project, with production forecast to commence in July 2016
Phase 2	The second phase of the Vista Coal Project, with production forecast to commence in 2019
RBA	Reserve Bank of Australia
Ridley Terminals	Ridley Terminals Inc
RG 60	Schemes of arrangement (September 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Section 411	Section 411 of the Corporations Act 2001 (Cth)
Scheme Booklet	The Scheme Booklet, covering the proposed acquisition of all of the shares of Coalspur at a price of A$0.023 per share, which will be sent to all Shareholders
Sum-of-Parts	A valuation approach that estimates the market value of a company by separately valuing each asset and liability of the company, and where the value of each asset may be determined using different methodologies.
Tanager	Consolidated Tanager Limited
The Scheme	The proposed acquisition of all of the outstanding shares in Coalspur for cash consideration of A$0.023 per share
The Projects	Coalspur's Vista Coal, Vista South and Vista Extension Projects

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Reference	Definition
Shareholders	Shareholders of Coalspur not associated with KCE
Snowden	Snowden Mining Industry Consultants Pty Ltd
Technical Report	Independent Technical Report prepared by Snowden
TSX	Toronto Stock Exchange
US$	United States Dollars
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
Val D'Or	A type of coal product included in the Vista Coal model
Valuation Report	Mineral Asset Valuation Report prepared by Snowden
Vista Blend	A type of coal included in the Vista Coal model
Vista Coal	Coalspur's flagship and most developed project, being the Vista Coal Project
Vista Extension	The Vista Extension Project
Vista South	The Vista South Project
VWAP	Volume Weighted Average Price

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Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

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The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (**'EBIT'**) or earnings before interest, tax, depreciation and amortisation (**'EBITDA'**). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows ('DCF')*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

The resource multiple is a market based approach which seeks to arrive at a value for a company by reference to its total reported resources and to the enterprise value per tonne/lb of the reported resources of comparable listed companies. The resource multiple represents the value placed on the resources of comparable companies by a liquid market.

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Appendix 3 – Discount Rate Assessment

Determining the correct discount rate, or cost of capital, for a business requires the identification and consideration of a number of factors that affect the returns and risks of a business, as well as the application of widely accepted methodologies for determining the returns of a business.

The discount rate applied to the forecast cash flows from a business represents the financial return that will be before an investor would be prepared to acquire (or invest in) the business.

The capital asset pricing model ('**CAPM**') is commonly used in determining the market rates of return for equity type investments and project evaluations. In determining a business' weighted average cost of capital ('**WACC**') the CAPM results are combined with the cost of debt funding. WACC represents the return required on the business, whilst CAPM provides the required return on an equity investment.

Cost of Equity and Capital Asset Pricing Model

CAPM is based on the theory that a rational investor would price an investment so that the expected return is equal to the risk free rate of return plus an appropriate premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and demand a higher return for accepting a higher level of risk.

CAPM calculates the cost of equity and is calculated as follows:

CAPM	
K_e	$= R_f + B \times (R_m - R_f)$
Where:	
K_e	= expected equity investment return or cost of equity in nominal terms
R_f	= risk free rate of return
R_m	= expected market return
$R_m - R_f$	= market risk premium
B	= equity beta

The individual components of CAPM are discussed below.

Risk Free Rate (R_f)

The risk free rate is normally approximated by reference to a long term government bond with a maturity equivalent to the timeframe over which the returns from the assets are expected to be received. Having regard to the period of the operations we have used the current yield to maturity on the 10 year Commonwealth Government Bond which was 2.55% per annum as at 19 February 2015.

Market Risk Premium ($R_m - R_f$)

The market risk premium represents the additional return that investors expect from an investment in a well-diversified portfolio of assets. It is common to use a historical risk premium, as expectations are not observable in practice.

We have noted that the current market risk premium is 6%. This has been sourced from Bloomberg. The market risk premium is derived on the basis of capital weighted average return of all members of the S&P 200 Index minus the risk free rate is dependent on the ten year government bond rates. For the purpose of our report we have adopted a market risk premium of 6%.

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Equity Beta

Beta is a measure of the expected correlation of an investment's return over and above the risk free rate, relative to the return over and above the risk free rate of the market as a whole. A beta greater than one implies that an investment's return will outperform the market's average return in a rising market and underperform the market's average return in a falling market. On the other hand, a beta less than one implies that the business' performance compared to that of a business whose beta is greater than one will provide an inverse relationship in terms of the market's average return.

Equity betas are normally either a historical beta or an adjusted beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and hence derived from the historical data. It is then modified by the assumption that a stock will move towards the market over time, taking into consideration the industry risk factors which make the operating risk of the investment project greater or less risky than comparable listed companies when assessing the equity beta for an investment project.

It is important to note that it is not possible to compare the equity betas of different companies without having regard to their gearing levels. Thus, a more valid analysis of betas can be achieved by "ungearing" the equity beta (β_a) by applying the following formula:

$\beta_a = \beta / (1+(D/E \times (1-t))$

In order to assess the appropriate equity beta for the Vista Project we have used three approaches:

a) We have had regard to the equity beta of Coalspur. The geared beta below has been calculated using weekly data over a three-year period. We note that the debt to equity structure is reflective of Coalspur's structure as at 31 December 2014.

Company	Geared Beta	Debt/Equity	Ungeared Beta
Coalspur Mines Limited	1.57	89%	0.97

b) We have had regard to the equity betas of ASX listed coal producing companies. The geared betas below have been calculated using weekly data over two and three year periods.

Company	Market Capitalisation ($m)	Geared Beta	Debt/Equity	Ungeared Beta
Whitehaven Coal Ltd	1,688	1.50	32%	0.96
Blackgold International Holdings Ltd	73	0.63	22%	0.55
Resource Generation Ltd	113	0.94	11%	0.87
New Hope Corp Ltd	2,119	0.73	0%	0.73
Cockatoo Coal Ltd	134	1.41	20%	1.24
Wollongong Coal Ltd	110	0.87	165%	0.40
White Energy Co Ltd	61	1.33	0%	1.33
Universal Coal PLC	61	1.59	57%	1.14
Orpheus Energy Ltd	2	0.82	15%	0.74
			Mean	**0.88**
			Median	**0.87**

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c) We have had regard to the equity betas of ASX listed companies with advanced exploration assets. Although some of the below companies do not operate in the coal industry, the assets are at a similar stage of development, therefore we have assessed the risk profile of these companies to be comparable to Coalspur.

Company	Resource	Market Capitalisation ($m)	Geared Beta	Debt/Equity	Ungeared Beta
Sirius Resources NL	Nickel and base metals	1,257	2.14	0%	2.14
Ascot Resources Ltd	Coal and iron ore	12	1.41	180%	0.62
Attila Resources Ltd	Coal and gold	25	0.47	299%	0.15
Coalspur Mines Ltd	Coal	10	1.57	89%	0.97
				Mean	**0.97**
				Median	**0.80**

Selected Beta (B)

In selecting an appropriate Beta for Vista Coal, we have considered the similarities between Coalspur and the comparable companies selected above. The comparable similarities and differences noted are:

- the comparable companies' mining and exploration assets have varying risk profiles depending on the maturity of the assets and the stages and location of production;
- the producing companies having been producing for a considerable time period and therefore have already obtained the funding for its projects; and
- several companies are diversified and do not operate solely in the coal industry.

Having regard to the above we consider that an appropriate ungeared beta to apply to Vista Coal is between 0.90 and 1.20. The low end of our assessed ungeared beta range is based on the average ungeared betas for companies with coal assets. We have assessed the top end of our beta range based on Coalspur's ungeared beta, whilst also giving consideration to the betas of other coal producing companies identified above.

We are valuing Vista Coal prior to the implementation of the Scheme. As such, we have considered the likely capital structure of Coalspur if it were to fund the project to production. Our assessment of the forecast capital structure of Coalspur is based on the average debt to equity ratio of the coal producing companies identified above. This analysis indicates that the average debt to equity ratio of these companies is 33%, which implies a 25% debt and 75% equity funding. We consider this capital structure to reflect Coalspur's likely funding of Vista Coal assuming the Scheme is not implemented.

Based on the above assumed capital structure we have re-geared the project beta to 1.11 to 1.48.

Cost of Equity

On this basis we have assessed the cost of equity to be:

Input	Value Adopted Low	High
Risk free rate of return	3.25%	3.25%
Equity market risk premium	6.00%	6.00%
Beta (geared)	1.11	1.48
Cost of Equity	**9.91%**	**12.13%**

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Weighted Average Cost of Capital

The WACC represents the market return required on the total assets of the undertaking by debt and equity providers. WACC is used to assess the appropriate commercial rate of return on the capital invested in the business, acknowledging that normally funds invested consist of a mixture of debt and equity funds. Accordingly, the discount rate should reflect the proportionate levels of debt and equity relative to the level of security and risk attributable to the investment.

In calculating WACC there are a number of different formulae which are based on the definition of cash flows (i.e., pre-tax or post-tax), the treatment of the tax benefit arising through the deductibility of interest expenses (included in either the cash flow or discount rate), and the manner and extent to which they adjust for the effects of dividend imputation. The commonly used WACC formula is the post-tax WACC, without adjustment for dividend imputation, which is detailed in the below table.

CAPM	
WACC	$= \frac{E}{E+D} K_e + \frac{D}{D+E} K_d (1- t)$
Where:	
K_e	= expected return or discount rate on equity
K_d	= interest rate on debt (pre-tax)
E	= market value of equity
D	= market value of debt
(1- t)	= tax adjustment

Gearing

Before WACC can be determined, the proportion of funding provided by debt and equity (i.e., gearing ratio) must be determined. The gearing ratio adopted should represent the level of debt that the asset can reasonably sustain (i.e., the higher the expected volatility of cash flows, the lower the debt levels which can be supported). The optimum level of gearing will differentiate between assets and will include:

- the variability in earnings streams;
- working capital requirements;
- the level of investment in tangible assets; and
- the nature and risk profile of the tangible assets.

As described earlier, we understand the capital of structure of Coalspur going forward is to be made up of approximately 25% debt and 75% equity. Coalspur's cost of debt is 10.5%.

Calculation of WACC

Based on the above inputs we have calculated the WACC to be between 9.3% and 10.9%. Based on our assessment of the inherent risks of the project we consider the higher end of this range to be a more appropriate discount rate to apply to the cash flows of Vista Coal. As such we have used a rounded discount rate of 11% in our base case scenario.

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Comparable company descriptions

Set out below is a brief description of the companies used in determining the discount rate:

Company	Description
Whitehaven Coal Ltd	Whitehaven Coal Limited mines and sells metallurgical and thermal coals to the global steel, power generation, and metallurgical industries.
Blackgold International Holdings Ltd	Blackgold International Holdings Limited is a coal company. The Company's main activities include coal mining, transportation and trading in China.
Resource Generation Ltd	Resource Generation Ltd, through its subsidiaries, explores for and produces coal in Africa.
New Hope Corp Ltd	New Hope Corporation Limited is a thermal coal production company based in Australia. The Company also has interests in logistics and infrastructure operations in Australia.
Cockatoo Coal Ltd	Cockatoo Coal Ltd explores for and mines coal. The Company operates in Queensland.
Wollongong Coal Ltd	Wollongong Coal Limited operates as an exploration company. The Company mines coal in Australia and produces low ash metallurgical coke in India.
White Energy Co Ltd	White Energy Company Ltd develops and commercializes coal technologies used for processing poor quality coal into a higher quality and environmentally friendly coal.
Universal Coal PLC	Universal Coal PLC is a mining company. The Company explores properties for coal deposits.
Orpheus Energy Ltd	Orpheus Energy Limited is an Asia-focused vertically integrated coal producer through infrastructure, coal trading, production and exploration.
Sirius Resources NL	Sirius Resources NL is a mineral exploration and production company with exploration projects in Western Australia. The Company explores for nickel and base metals.
Ascot Resources Ltd	Ascot Resources Limited is a coal explorer and developer. The Company has an interest in the Titiribi Coal Project located in the Department of Antioquia, Colombia as well as the Wonmuna Iron Ore Project in Western Australia.
Attila Resources Ltd	Attila Resources Ltd explores for coal and gold. The Company operates in Talisker North in the northern Perth Basin; Cotters Run in the St. Ives-Junction Gold Belt; and the Lefroy project in the Hogans Find structural zone in Australia.

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Appendix 4 – Resource Multiple Company and Transaction Descriptions

A brief description of the broadly comparable companies discussed in section 9 is set out below:

Target	Description
Guildford Coal Ltd	Guildford Coal Limited is a coal mining company which owns interests in prospective exploration tenements across Queensland Coal Basins
Firestone Energy Ltd	Firestone Energy explores for coal and operates on the Waterberg coalfield in South Africa
Tiaro Coal Ltd	Tiaro Coal Ltd has a focus on exploring and developing metallurgical coal projects across Queensland.
Pan Asia Corporation Ltd	Pan Asia Corporation Ltd is focused on developing coal projects in South Kalimantan, Indonesia.
Ikwezi Mining Ltd	Ikwezi Mining Ltd is a mineral exploration and development company focused on the acquisition, exploration and development of coal projects in the KwaZulu Natal and Limpopo regions of South Africa.
Modun Resources Ltd	Modun Resources Ltd is a Mongolian focused coal explorer seeking projects to grow through exploration and acquisition. The Company plans to build a portfolio of both thermal and coking projects.
East Energy Resources Ltd	East Energy Resources Ltd is a coal exploration and development company primarily focused in the Eromanga Basin in Queensland
Coal of Africa Ltd	Coal of Africa primarily focuses on the acquisition, exploration and development of thermal and metallurgical coal projects in South Africa.
APAC Coal Ltd	APAC Coal Ltd is a subsidiary of Singapore listed Magnus Energy Group Ltd and has a 30 year concession to explore for coal in East Kalimantan, Indonesia

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The table below sets out a description of the transactions identified in section 9:

Target	Description
Carabella Resources Limited	China Kingho Energy Group acquired Carabella Resources Ltd for A$53.9 million. The transaction was announced on 3 December 2013 and completed on 20 February 2014. China Kingho Energy Group engages in coal mining, coal coking and coal gasification business in the chemical industry. Carabella Resources Ltd is a coal exploration and development company with interests in a portfolio of coal exploration tenements in the Bowen, Mulgildie, Clarence-Moreton and Eromanga Basins in Queensland.
Coalbank Limited	Loyal Strategic Investment Ltd acquired Coalbank Ltd for A$ 6.9 million. The transaction was announced on 27 August 2013 and completed on 20 November 2013. Loyal Strategic Investment Limited operates as an investment company domiciled in China. Coalbank Ltd is a coal mining company that holds coal exploration projects in Central and South East Queensland.
Xceed Resources Ltd	Keaton Energy Holdings Limited launched a cash offer to acquire 100% stake in Xceed Resources Limited for A$15.2 million. The transaction was announced on 26 August 2013 and completed on 27 February 2014. Keaton is a listed South Africa based engaged in the exploration and development of coal resources and new coal mines. Xceed Resources Limited is a listed Australia based company headquartered in Perth, Western Australia, and engaged in the exploration, evaluation, and development of coal projects.
Hume Coal Pty Limited	POSCO Australia Pty Ltd signed a definitive agreement to acquire the remaining 30% stake in Hume Coal Pty Limited from Cockatoo Coal Limited for A$9.7 million. The transaction was announced on 30 May 2013 and completed on 14 August 2013. Hume Coal Pty Limited (Hume), the Australia based company headquartered in Moss Vale, NSW, is engaged in the exploration of coal. POSCO Australia Pty Ltd, the Australia based company engaged in exploration and production of iron and a subsidiary of POSCO, the listed South Korea based steel manufacturer. Cockatoo Coal Limited, the ASX listed company headquartered in Sydney, NSW, is engaged in the acquisition, exploration, development, production and operation of coal mining projects.
Firestone Energy Ltd	Waterberg Coal Company acquired Firestone Energy via takeover offer for A$15.4 million. The transaction was announced on 17 December 2012 and completed on 23 September 2013.

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Target	Description
	Firestone Energy explores for coal and operates on the Waterberg coalfield in South Africa The Waterberg Coal Company Limited, the listed Australia based company engaged in the mining, exploration, development, and operation of gold properties.
Rocklands Richfield Ltd	Shandong Energy Group Co Ltd acquired Rocklands Richfield Ltd for A$182.6 million. The transaction was announced on 21 May 2012 and completed on 16 October 2012. Rocklands Richfield Limited is a coal mining company with exploration tenements located in the Bowen Basin of Queensland. Shandong Energy Group Ltd operates as holding company and is domiciled in China. The Company, through its subsidiaries, produces coal as well as other traditional energy products including oil, natural gas and also develops alternative energy including wind, nuclear, solar and biomass energy.
Coalworks Limited	Whitehaven Coal Limited acquired an 82.7% stake in Coalworks Ltd for A$137.1 million. The transaction was announced on 7 May 2012 and completed on 23 August 2012. Coalworks Ltd, an ASX listed company, headquartered in North Sydney, New South Wales, is engaged in the exploration and development of coal. Whitehaven Coal Limited, an ASX listed coal mining company.

Source: Bloomberg, Company Annual Reports and ASX Announcements

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Appendix 5 – Independent Technical Report prepared by Snowden Mining Industry Consultants Pty Ltd

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BDO Corporate Finance (WA) Pty Ltd

Independent Technical Review - Vista Project

Coalspur Mines Ltd

Project No. AU4539

February 2015

Final

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This report has been prepared by Snowden Mining Industry Consultants ("Snowden") on behalf of BDO Corporate Finance (WA) Pty Ltd.

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Doc ref: 141218 Final AU4538 BDO ITR Vista Coalspur

Last edited: 26/02/2015 16:21:00

Number of copies
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1 Executive summary

1.1 Snowden independence

BDO Corporate Finance (WA) Pty Ltd ("BDO") and Coalspur Mines Ltd ("Coalspur") requested Snowden to prepare an Independent Technical Review ("ITR") of the Coalspur Vista Coal Project in west central Alberta, Canada. Snowden is independent for the purposes of reviewing all work but the Phase 2 mine design. In August 2014, Snowden was asked to provide a detailed mine plan for the Phase 2 portion of the Vista Coal Project and this was completed. Because this work leveraged almost completely off the Thiess mine design for Phase 1 (at the client's request), Snowden views that it can reliably review the Phase 2 portion of the work as well.

Snowden confirms that all of their technical staff involved in this report are independent of Coalspur. Neither Snowden nor those involved in the preparation of this report have any material interest in the companies or mineral assets considered in this report. Snowden is remunerated by way of a professional fee determined according to a standard schedule of rates which is not contingent on the outcome of this report.

The consultants who have contributed to this report are listed in Table 1.1. Snowden has completed earlier assignments for the Vista Coal Project and developed a mine plan for the Vista Project Phase 2, and so cannot comment on that part of the project development.

Table 1.1 Contributors to the ITR

Name	Position	Professional designation	Contribution to ITR
Mr David Lawrence	Senior Principal Consultant	MAusIMM	Project manager
Mr Glen Guy	Principal Consultant	MAusIMM	Geomechanics/hydrogeology
Mr Wes MacKinnon	General Manager, Coal Technology QCC		Coal quality and plant design
Dr Murray Lytle	Sr. Principal Consultant	P.Eng. (CP)	Mine plan
Mr Paul Franklin	Principal Consultant	P.Eng.	Costing and economic analysis
Dr Herman Dorland	Senior Consultant	Pr.Sci.Nat (CP)	Geology and resource estimate

1.2 Basis of the report

1.2.1 Data sources

The data sources utilised in the completion of this report have been downloaded from the Coalspur Data Room, and include:

- Coal Resource Reports
- NI43-101 Technical Reports
- Other technical reports

In addition, Snowden has obtained public domain information from the Coalspur and ASX websites.

1.2.2 Data validation

Snowden has completed a technical review of the reports and data provided, and made reasonable enquiries or used its professional judgement to determine the validity of the information. A site visit to the Coalspur properties was undertaken by Dr Murray Lytle in June 2014. Snowden has had several client meetings with Coalspur on previous assignments and is very familiar with the Vista Mine Project.

1.3 Key design criteria

Snowden has reviewed the relevant documents made available for this study, and the design criteria shown on Table 1.2 has been extracted for particular attention. Snowden accepts these values for use in the Vista Mine Project definition studies.

Table 1.2 Accepted design criteria

Design criteria	Value	Comment
Dump slopes – ex-pit	1.5:1 (34°)	
OB slope angle	2H:1V (27°)	
OB setback	7.5 m	
Bench heights	20 m	Align with KCB and not later Golder values
Bench width	12 m	Align with KCB and not later Golder values
Slope angles	65°	Align with KCB and not later Golder values
Prime mover hours	71% (6,206 hr)	
Prime mover productivity	2,650 bcm/hr	This is 14 trips per hour or 4.25 minutes per load
Prime mover mech. avail.	89%	Will depend upon Liebherr warehousing and technician availability
Labour rates		Represent the Alberta market
Blast design	7.5 m x 8.6 m	Subgrade drilling on 20 m bench may need to increase
Mine plan		Relevant to the conditions and achievable
Product moisture	10.0% to 10.5% (TM is actually quoted as 12-125.% in product specifications	May pick up more moisture en route and should be tested. Original 12% TM projection was after allowing for thermal drying which has been removed from the design
Product yields by seam		Acceptable and on balance line up with the quoted overall product splits of 70% 5,500 and 30% 5,800
Product heat value		McLeod product = 5,500 kcal/kg is high for the quoted 52% to 56% yield range; blending may work
Plant capex/opex		Represent a North American installation
Plant equipment list		Relevant to the proposed duty production/performance guarantees are in place as part of the EPC contract and hence onus is on Sedgman to deliver a correctly sized plant
Cost model		Production and cost numbers correctly entered

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1.4 Report findings

1.4.1 Snowden opinion

Snowden is of the opinion that:

- Drilling, sampling and modelling data are adequate for the purpose of estimating coal resources as per NI43-101 guidelines for classified Coal Resources.
- The stratigraphically continuous Val d'Or, McPherson and McLeod coal zones are of sufficient thickness to represent a mineable target.
- The structural characteristics of the coal zones will not pose an impediment to coal extraction.
- The total in situ coal resource of more than 1 billion tonnes is sufficiently shallow to be deemed surface mineable.
- The raw coal quality and washability information which indicates that a 5,700 to 5,800 kcal/kg gross as received ("GAR") product at a wet yield of approximately 60% for the Val d'Or Seam and a 5,150 to 5,550 kcal/kg GAR product at a wet yield of approximately 45% for the McPherson and McLeod seams at a cut-point density of 1.55 are potentially achievable.
- Raw coal analyses indicates that the seams under consideration have a low to moderate sulphur content of 0.20% to 0.60%.
- The revised geotechnical parameters (KCB) are acceptable given that attention was paid to wall orientation and dominant jointing.
- The mine plan and Reserve estimate for the Vista Coal Project have been completed in a workmanlike manner.
- The modifying factors and design criteria are appropriate for this type of foothills coal mine.
- The capital and operating cost estimates for the operation are specific to the contract between Coalspur and Thiess Construction and that the unit costs for mining coal and waste are within the range of costs that would be expected for this size and type of mining operation.
- A product moisture of 12.0% to 12.5% may not be achievable due to additional moisture being picked up in transit and at the port. Due to the lower rank of the coal and the related moisture holding capacity, ex-plant total moisture around 14% may be more likely.
- The free moisture of 6.9% as indicated in the Sedgman nominal flowsheet for the fine coal circuit (size range -1.7+0.2 mm) through the use of screen-bowl centrifuges is not likely to be consistently achievable. Given there is a contract in place, the quoted Coal Preparation Plant ("CPP") moistures should reflect the supplied vendor guarantees, but these were not cited. The total moisture of 12.3% (from the flowsheet) is unlikely to be achieved and total moistures around 14% may be common.
- The average projected clean coal yield appears slightly higher than the base data suggests after allowing for practical offsets, but potentially may be achieved through optimisation of the mining operation and plant
- The McLeod seam alone may not make a product with a heating value of 5,500 kcal/kg GAR, particularly at the stated model yields of 52.5% to 56.5%. However, as the Stage 1 overall mine plan yield-energy relationship applied in the financial model appears valid, the McLeod 5,500 kcal/kg GAR outcome might be achieved by simply blending with some of the Val D'Or seam product.

- The Sedgman EPC contract amount of US$278,077,844 capital expenditure for combined coal handling processing plant ("CHPP") and MIA reflects a competitive North American market. The contract in place is for a 'Lump Sum Price'.
- The CHPP equipment sizes appear to be in line with a 1,500 t/h capacity plant.
- The onus is on the EPC provider to deliver the project to a satisfactory standard. Detailed aspects of the design were not reviewed and items such as sumps, pumps and piping have been assumed to be adequately sized, given that an EPC contract is in place with milestone payments and holdbacks demanding the contractor deliver to the contract conditions or face financial penalties.
- Coalspur has completed sufficient work to support the estimated costs for the transportation and marketing infrastructure
- There does not appear to be any consideration/sensitivity analysis given to potential higher moisture levels, leading to lower GAR energy levels being railed from site. If the product is railed at higher moisture levels, this effectively reduces margin as the unit cost of transporting excess moisture with no energy value is equivalent to the cost of transporting coal.

1.4.2 Conclusions

Snowden concludes that:

- There is a potentially surface mineable in situ Coal Resource of more than 1 billion tonnes present in the project area, and that this resource is appropriate to realise target thermal coal products at acceptable yields.
- There are no major geotechnical concerns with the mine development.
- The mine plan for the Coalspur Vista Coal Project is developed in sufficient detail to support a feasibility assessment of this part of the project.
- The capital and operating cost assumptions for the study are appropriate only to a contract mining scenario and will undoubtedly change if the mine is developed and operated by the mine owner. Typically, the net present value ("NPV") of an owner-operated mine is higher than for a contractor-operated mine.
- The capital and operating expenditure numbers in the financial model were provided by Coalspur.
- The resource yields presented in the financial model appear to be acceptable for the quoted 5,500 and 5,800 kcal/kg GAR product energy levels, but due to the rank and nature of the coal there is some doubt of the ability to achieve the 12% to 12.5% product total moisture levels being projected. Hence the 'GAR' energy levels being projected may not be achieved if higher product moistures are realised.
- The coal handling and preparation plant equipment selection and sizing are acceptable for the proposed duty.
- The financial performance of the project depends most significantly on the future price of coal and operating costs.

1.5 Project risks

As summarised in the conclusions above, the project is a viable open cut coal mine with a **mineable** resource that can produce a marketable product, however there have been some residual risks identified in relation to the technical viability of the project. These project risks are summarised in Table 1.3.

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Table 1.3 Summary of project risks

Area	Risk
Geology	Unknown structural complexity. Unknown discontinuity is coal seams. Uncertainty in the modelled product yield and quality.
Mining	Recognise that mining costs are specific to a contract and an owner-operator may experience a different cost environment.
Coal quality/ CHPP	Process efficiency poorer than expected, leading to loss in coal recovery. Processing and CHPP fit for purpose. Delays in procurement/construction leading to late delivery of processing facilities. Product specifications not achieved due to inability to meet target moisture without thermal drying.
Geotechnical/ hydrogeology	Sub-floor conditions will impact on the stability of in pit dump development. Pit inundation from an influx of groundwater or surface water.
Infrastructure	Capital costs exceed estimates.

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2 Project location and ownership

The Coalspur Coal Project is situated immediately east of Hinton in Alberta, Canada (Figure 2.1). The goal of the project is to economically mine and process thermal coal for domestic and international sale.

The Vista Coal Project proposes to develop a mine and extract coal from a gently dipping series of sub-cropping coal measures along a strike length of approximately 20 km at low strip ratio. Coalspur acquired the Vista property in several stages through the acquisition of various contiguous leases: Hinton West and Hinton East from Consolidated Tanager Limited in early 2009; Z Block and the McLeod River North blocks from Mancal Coal Inc. in June 2010.

The coal-bearing strata within the project areas form part of the upper Saunders Group from the Coalspur Formation. There are four principal seams of economic interest: the Val d'Or; the McLeod; the McPherson, and the Silkstone seams. Several minor seams are also known to occur but these are limited in extent and do not contribute materially to the overall Coal Resource estimates.

The coal is a moderate rank high volatile bituminous coal (High Volatile Bituminous C - ASTM Classification) suited to thermal combustion. Two products are contemplated:

- Premium product targeting a calorific value of 5,800 kcal/kg on a GAR basis
- Secondary product targeting 5,550 kcal/kg GAR.

2.1 Location and access

The project is located east of Hinton in Alberta, Canada, approximately 280 km west of Edmonton. The Vista Coal Project (and Vista Extension) is directly accessible from Hinton via the McPherson Creek logging road (owned and maintained by West Fraser Timber Co. Limited), while the Vista South Coal Property is accessible via the Yellowhead Highway ("Highway 16") and the Robb logging road (owned and maintained by West Fraser Timber Co. Limited).

2.2 Project ownership

Coalspur currently holds 55 individual coal lease agreements and three coal lease applications in the Hinton area as shown on Figure 2.2. Within this area, the Coalspur Coal Projects consist of 22 contiguous leases comprising the Hinton West, Z Block, Hinton East, Vista South, Vista Extension and McLeod River North Coal Resource Blocks. All of these leases are held directly, or in escrow, by Coalspur. This ITR is restricted to the Vista Coal Project and does not include the Vista Extension or Vista South blocks of land.

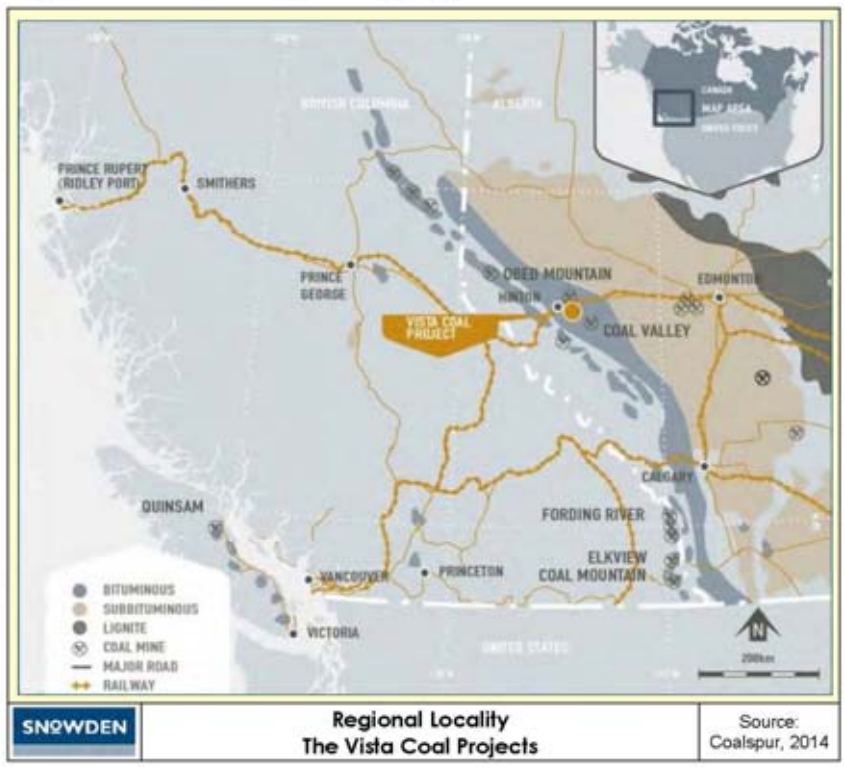
Coalspur purchased the five Hinton East and Hinton West coal leases from Consolidated Tanager Limited ("Tanager") on 19 February 2009. The Tanager leases, held in escrow, are subject to a final payment of C$10 million on the earlier of 19 February 2016, or coal production from the Tanager leases reaching 90,000 tonnes per month over a three-month period, and an ongoing 1% gross revenue royalty for coal sold from those leases only.

Coalspur executed an option to purchase agreement with Mancal Coal Inc. ("Mancal") to purchase a 100% interest in the McLeod River North and Z Block leases in October 2010. The leases were transferred to Coalspur on 21 October 2010. Two additional Crown coal leases inside the Mine Permit boundary were obtained from the Government of Alberta in May 2011 after the Mine Permit was transferred to Coalspur.

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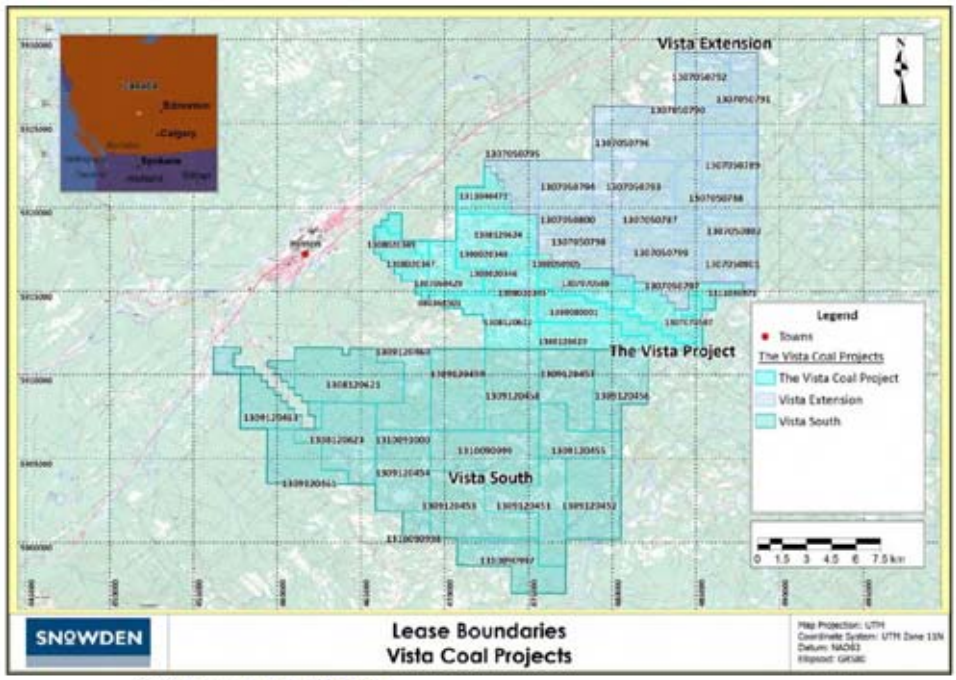
Coalspur holds additional coal leases to the south of the Vista Coal Project (Vista South) and also to the northeast of the Vista Coal Project (Vista Extension). Nexen sold the Vista Extension leases to Coalspur at the end of March 2012 and the transfer took place on 8 May 2012. The Vista South and Vista Extension leases have not been evaluated by Snowden for the purposes of this report.

Figure 2.1 Vista Coal Project locality map



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Figure 2.2 Vista Coal Project lease boundaries 2014



Source: www.energy.alberta.ca

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3 Geology and resource estimate

The following summarises the general geological and structural features of the Vista Coal Projects. Figure 3.1 presents the regional geology of the area.

Coal associated with the Vista Coal Project occurs along the eastern margin of the Rocky Mountain Foothills Disturbed Belt. The most prominent structural feature is the Pedley Fault which trends northwest-southeast along the south-western boundary of the Vista lease and separates the faulted, steeply dipping strata in the west from the gently dipping, monoclinal strata that underlie the Vista Coal Project.

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

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

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

Investigations indicate that near-surface groundwater flow follows ground surface topography in a south to south-easterly direction towards McPherson Creek. The water table is generally about 5 m below surface except at elevated areas in the northwest and in the southeast areas of the McLeod River Block where the groundwater table is interpreted much deeper at about 12 m to 17 m below the surface.

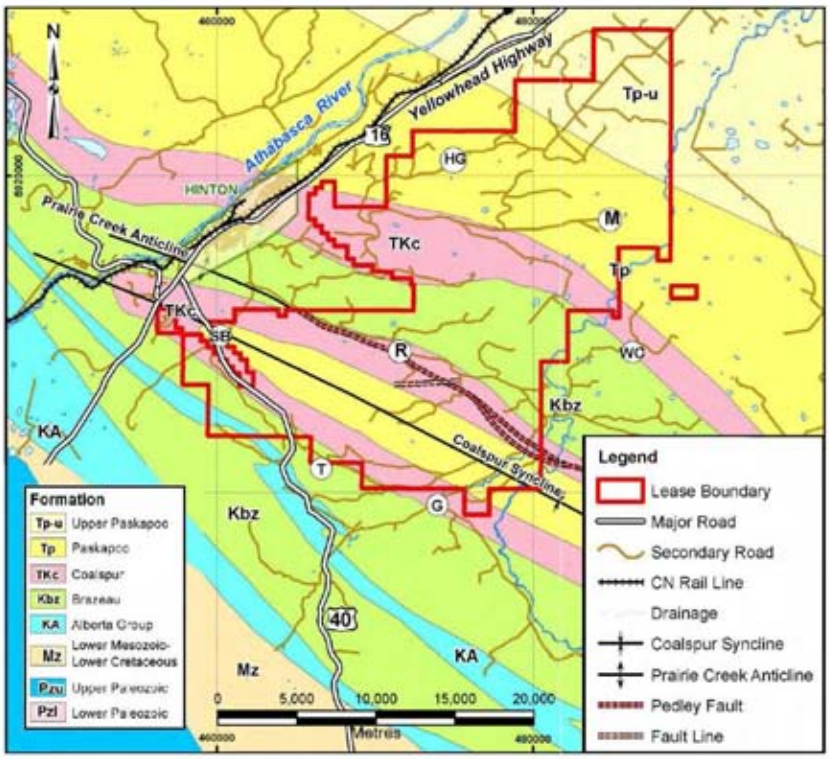
3.1 Adjacent properties

In December 2013 the Westmoreland Coal Company ("Westmoreland") bought the coal assets of Sherritt International Ltd ("Sherritt") and now owns and operates the nearby Coal Valley mine (located to the south of the Vista Coal Project), which produces export thermal coal from the Coalspur Formation.

Westmoreland also owns the Obed Mountain Mine (currently inactive) 25 km northeast of the Vista Coal Project. The coal at Obed Mountain Mine occurs in the Paskapoo Formation, which is of lower rank and is stratigraphically above the Coalspur Formation.

Sherritt will continue to work with Westmoreland on the Obed Mountain Mine remediation plan, and will continue to meet all financial obligations resulting from the October 2013 Obed Mountain Mine containment pond breach.

Figure 3.1 Regional geology of the project areas (TKc has Coal Resource)



3.2 Status of exploration and drilling

The Coalspur Coal Projects have been explored and drilled sporadically by four companies since the early 1970s. More than 390 core and rotary holes have been drilled for a total length of over 35,000 m.

The most recent exploration drilling undertaken by Coalspur was completed in 2012. The drilling verified previous exploration drilling results and provided detailed information from infill drilling.

Currently there is no exploration underway at any of the Vista Coal Project sites.

3.3 Coal Resource estimates[1]

Coal Resources for the Vista Coal Project have been estimated from geological models constructed using the exploration drillhole data. Several iterations of the models using various software systems and methodologies have been undertaken recently.

[1] Coal Resources are inclusive of Coal Reserves

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As part of the Vista Coal Project Feasibility Study, Snowden reported in its Technical Report dated 26 January 2012, Coal Resources for the Vista Coal Project. These estimates were updated by Golder later in 2012 and are presented in Table 3.1.

Table 3.1 Coal Resource estimates for the Vista Coal Project

Description	Measured (Mt)	Indicated (Mt)	Measured + Indicated (Mt)	Inferred (Mt)
In situ Coal Resources	686.0	369.9	**1,055.9**	460.9

3.4 Geology and resource estimate review

3.4.1 Snowden opinion

Snowden is of the opinion that:

- Drilling, sampling and modelling data are adequate for the purpose of estimating coal resources as per NI43-101 for the classified Coal Resource confidence.
- The stratigraphically continuous Val d'Or, McPherson and McLeod coal zones are of sufficient thickness to represent a mineable target.
- Structurally the coal zones are gently dipping. No significant faults have been identified in the project area.
- A total in situ Coal Resource of more than 1 billion tonnes have been estimated in accordance with NI43-101. This coal is sufficiently shallow to be deemed surface mineable.
- Raw coal quality and washability information indicates that a 5,700 to 5,800 kcal/kg GAR product at a wet yield of approximately 60% for the Val d'Or Seam and a 5,150 to 5,550 kcal/kg GAR product at a wet yield of approximately 45% for the McPherson and McLeod seams at a cut-point density of 1.55 are potentially achievable.
- Raw coal analyses indicate that the seams under consideration have a low to moderate sulphur content of 0.20% to 0.60%.

3.4.2 Conclusions

Snowden concludes that there is a potentially surface mineable in situ Coal Resource of more than 1 billion tonnes present in the project area. This Resource is appropriate to realise target thermal coal products at acceptable yields.

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4 Mine planning and Coal Reserve estimates

4.1 Basis of estimate

An NI41-103 compliant Coal Reserve estimate was previously reported for the Vista Coal Project in "September 2012 - Coalspur Mines Limited: Feasibility Study of the Vista Coal Project, Hinton Alberta" (Snowden). The report details the mining evaluation studies conducted to develop a detailed mine plan and financial analysis for the Vista Project.

Since September 2012, Coalspur has investigated 'terrace mining' methods using truck and shovel fleets instead of draglines. Furthermore, contract mining has been adopted as a preferred approach over owner-operator. Coalspur has most recently (Q1 2014) been engaged in discussions and studies with Thiess Pty Ltd (mining contractor) to advance the terrace mining alternative.

The principal impact to the mine plan through the use of a contractor is the elimination of a significant sum of start-up capital notionally at the expense of higher operating costs. It is recognised that Coalspur have a lump sum contract with Thiess that aggressively addresses operating costs but it is Snowden's view that, with no experience in Canadian operations, the Thiess contract is not guaranteed to eliminate operating cost risk. The 'shelf life' of the contract is not known to Snowden and it is surmised that if the contract is not put into effect within a prescribed time, its terms will likely be invalidated.

The current Reserve estimate differs from previous estimates, primarily due to changes in coal pricing. Areas excluded from the Coal Reserve are included in the Coal Resource estimates.

The coal processing flowsheet has also been changed since the 2012 NI43-101 report and coal rejects will be dry stacked and blended with mine waste in the mine dumps, thus eliminating the requirement for a tailings management facility.

4.2 Modifying factors

In accordance with NI 43-101 at the time of compilation of the original January 2012, the definitions of 'Coal Resource' and 'Coal Reserve' as set forth in the updated CIM Definition Standards adopted 27 November 2010 ("CIMDS") by the Canadian Institute of Mining, Metallurgy and Petroleum Council were adopted for estimating coal resources and reserves for the Vista Project coal deposit.

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

The coal loss and dilution factors used in defining the amount of coal to be recovered from the mine are appropriate for the type of deposit and the size of the equipment being used to extract the coal.

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4.3 Mine geomechanics and hydrology

The pit slope design parameters shown on Table 4.1 were used based on the original mine design (KCB report) and subsequently updated by Golder (2012). Since that time it has been determined that a dragline will not be used in the mining process and so dragline specific parameters have been removed from consideration. The Theiss mine design for Phase 1 reverted to the original KCB design criteria. Subsequent mine planning undertaken for Phase 2 has used the updated Golder (2012) parameters.

Variability of the two design parameters are only around operating and final wall bench heights and widths with inter-bench slope angles and overall angles being maintained. This should not make any substantial difference to pit stability.

In the Phase 1 mine plan, Thiess has developed a terrace mine plan for the purpose of estimating the contractor cost for the mine operation. During the geotechnical analysis for the stability of the advancing face (eastern side of the terrace) in that plan, it was determined that some of the jointing was potentially unfavourable for the planned alignment of the advancing faces. This unfavourable jointing resulted in Thiess deciding to adopt a soft wall approach in the advancing face. This provides safety and operational advantages by reducing the likelihood of material spilling from benches/blasts above onto the workings below.

Table 4.1 Geotechnical design parameters

Description	Value
Dump slopes	
Slopes – ex-pit	1.5:1 (34°)
Excavated walls	
OB slope angle	2H:1V (27°)
Top of highwall crest to OB slope toe	7.5m
Bench heights	20m (30m original)
Bench width	12m (16m original)
Slope angles	65°
Overall slope angle	45°

The assumptions used in developing these parameters include:

- 6° dip into highwall – assuming extraction down-dip, however more favourable conditions will be present with across dip extraction
- rock mass conditions as described in previous consultants reports
- groundwater drawdown will be as mining progresses and not influence excavated wall stability
- in-pit dump development will require sub-floor treatment if weak zones are present.

4.4 Coal Reserves for the Vista Coal Project

The Coal Reserve estimates for the Vista Coal Project are based on the Coal Resources of the Vista Coal Project after waste dilution and coal recovery criteria are applied at every coal:waste interface. The Reserves are then those Coal Resources which have been conditioned and are contained within a pit outline and production forecast which is demonstrated to yield both a technically and economically feasible design. The Coal Reserves are shown in Table 4.2.

Table 4.2 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	119.1
McLeod	63.4	13.9	77.3	41.0
McPherson	131.7	23.2	154.9	101.2
West Extension[1]	31.5	4.0	35.5	21.5
East Extension[1]	34.0	2.6	36.6	21.0
Total	**464.7**	**56.7**	**521.4**	**303.8**

[1] *The West and East extensions were included in earlier feasibility studies and are economic but were omitted from this current study due to logistics related to the current planning exercise. They are correctly included in the Coal Reserves.*

4.5 Mine design

The previously reported Feasibility Study Mine Design (Golder, 2012) has recently been amended and updated by Thiess Pty Ltd (Thiess, 2014). This updated mine plan and sequence is based on a hybrid strip/terrace approach that minimises strip ratio and haulage cost in the early years, while maintaining the required coal quality and production volumes, and providing for an orderly transition for mining the remaining coal in the ultimate pit shell.

4.5.1 Updated mine design work

In the most recent NI43-101 Technical Report, contract mining is used instead of an owner's fleet, and terrace mining using truck/shovel has replaced dragline strip mining. The Vista Coal Project has received project approvals for the Phase 1 development. Regulatory approvals for the Phase 2 development of the Vista Coal Project have not been applied for and hence not received.

The mining methods and associated cost estimates were developed by Thiess, and are under consideration by Coalspur to provide contract mining services. The Thiess study incorporated only the Vista Coal Project Phase 1 area. In August 2014, Snowden expanded the Thiess terrace mining concept to include the Phase 2 area.

Snowden has reviewed the Thiess mine plan and cost estimates to ensure that the plan is feasible and that the costs are reasonable for this type of mining in this part of the world.

4.5.2 Mining method

Mining is proposed to be done by contractors using ultra-class sized mobile equipment. The study work provided by Thiess Mining provides the basis of the envisioned mining methods and equipment. Snowden concurs that these methods are appropriate and have been adequately thought through and detailed with backup sufficient to warrant contractor performance and confidence in delivery.

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4.6 Life of Mine plan

The mine plan and production schedule, shown in Table 4.3, are driven by the following criteria:

- The mine is designed to annually produce sufficient Run of Mine ("ROM") coal to maximise the utilisation of the coal processing plant, initially at approximately 11 Mtpa (Phase 1) and subsequently up to 20 Mtpa (Phase 1 and Phase 2).
- In terms of scheduling and sequencing, the key target is initially to mine sufficient Val d'Or Seam coal in order to consistently produce 2 Mtpa of coal with a heating value of 5,800 kcal/kg (CV5800). Note that approximately 65% of the Val d'Or Seam is of sufficient quality to produce a CV5800 product at a yield of approximately 58.4%. The remaining coal processing plant capacity is applied to the remaining ROM to produce the CV5550 product.
- To minimise Life of Mine ("LOM") haulage costs and provide realistic LOM dump balances and landforms by logical and efficient development of the hybrid strip/terrace mine plan being utilised to generate lower strip ratios and haulage costs during the first five years.
- The pit progression and the LOM schedule uncovers the Val d'Or seam at a constant rate in order to meet coal production requirements, while the development of the up-dip and the down-dip McLeod and McPherson seam areas are sequenced to balance the provision of adequate in-pit dump space and overall minimisation of haulage.

An exhaustive and detailed scheduling and haulage simulation was used to achieve this outcome. Snowden believes this to have been both necessary and practical.

4.7 Coal reserve and mine planning review

4.7.1 Snowden opinion

The capital and operating cost estimates for the mining operation were developed as part of a competitive bidding process and so, appropriately, were not made available to Snowden. With this in mind, Snowden has the following opinions:

- For Phase 1, the geotechnical parameters (KCB) used are acceptable given that final slope and inter-bench angles are maintained and attention was paid to wall orientation and dominant jointing
- Phase 2 mine plan has used the updated Golder (2012) parameters
- The mine plan and reserve estimate for the Coalspur Vista Coal Project have been completed in a workmanlike manner
- The modifying factors and design criteria are appropriate for this type of foothills coal mine
- The capital and operating cost estimates for the operation are specific to the contract between Coalspur and Thiess Construction
- The unit costs for mining coal and waste are within the range of costs that would be expected for this size and type of mining operation.

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4.7.2 Conclusions

Snowden concludes that:

- there are no major geotechnical concerns if design limitation is adhered to
- the mine plan for the Coalspur Vista Coal Project is developed in sufficient detail to support a feasibility assessment of this part of the project
- the capital and operating cost assumptions for the study are appropriate only to a contract mining scenario and will undoubtedly change if the mine is developed and operated by the mine owner
- typically, the NPV of an owner-operated mine is higher than for a contractor-operated mine. This is based on experience rather than specific knowledge of the Thiess contract. However, the contract itself bears risk due to Thiess' lack of Canadian cold weather experience and the fact that the contract might not outlast a period of hiatus in the project.

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Table 4.3 Life of Mine production schedule

	2016	2017	2018	2019	2020	2021	2022	2023 to 2032	2033 to 2043
Raw coal mined									
Val DOr Seam delivered ('000 rmt)	4,139	6,236	6,199	5,937	6,145	8,795	9,680	101,766	53,443
McPherson Seam delivered ('000 rmt)	1,596	3,920	4,068	4,070	3,747	6,080	7,250	68,853	49,727
MCL (McLeod Seam) delivered ('000 rmt)	805	1,045	1,000	993	1,108	2,814	4,560	42,849	20,739
Total ROM production ('000 rmt)	6,540	11,202	11,267	11,000	11,000	17,689	21,489	213,468	123,909
Clean coal produced									
Export thermal coal (high heat value)	1,167	2,000	2,000	2,000	2,000	3,080	3,620	36,033	15,291
Calorific value (kcal/kg GAR)	5,765	5,765	5,765	5,765	5,765	5,765	5,765	57,650	63,415
Export thermal coal (low heat value)	2,650	4,587	4,593	4,594	4,578	7,485	8,765	87,703	56,694
Calorific value (kcal/kg GAR)	5,407	5,407	5,407	5,407	5,407	5,407	5,407	54,070	59,477
Total clean coal production ('000 t)	3,816	6,587	6,593	6,594	6,578	10,565	12,385	123,736	71,985
Waste material mined									
ROM re-handle (25% of ROM production) ('000 rmt)	1,635	2,801	2,817	2,750	2,750	4,422	5,372	53,367	30,977
Rejects hauling ('000 t)	2,943	5,041	5,070	4,950	4,950	7,960	9,670	96,061	55,759
Waste stripping									
Clearing and grubbing (hectares)	264	172	179	155	184	267	325	3,073	1,482
Topsoil (BCM)	401,450	392,279	437,932	267,743	222,221	377,385	258,310	2,221,103	1,442,268
Till (BCM)	8,670,736	8,413,865	9,598,582	9,913,872	10,396,127	12,445,839	7,625,121	88,236,472	48,921,880
Bulk waste (BCM)	12,745,182	15,903,064	12,707,581	13,653,204	13,225,756	50,933,644	90,043,178	820,497,446	483,494,514
Parting (BCM)	4,167,108	6,577,086	4,459,839	3,605,899	3,197,000	5,506,674	7,208,398	64,743,287	35,638,866
Total waste (BCM)	25,984,476	31,286,294	27,203,934	27,440,718	27,041,104	69,263,542	105,135,007	975,698,309	569,497,528

5 Preparation plant design

5.1 The Vista Coal Project coal preparation plant

The CPP was designed based on pilot plant test results and a schematic of the plant flowsheet is shown on Figure 5.1. The coal quality database consists of:

- approximately 1,200 proximate sample results across the full geographic extent of the project
- detailed washability test results including yield, ash and calorific value by density on approximately 300 working sections
- detailed clean coal analysis on some 200 working section simulated product samples
- approximately 200 attrition tests (drop shatter and wet tumble) on both coal and stone samples to support CPP design studies.

The CPP yields anticipated in meeting the average gross calorific value ranges targeted from the deposit (5,550 kcal/kg to 5,800 kcal/kg) are expected to range from slightly more than 50% to slightly less than 60%.

In the most recent CPP design by Sedgman, the design approach was to have larger processing units, to simplify maintenance and operational practices, and potentially deliver an overall better processing efficiency.

The plant arrangement is based on a single 1,500 t/h module and includes belt press filters for mechanical tailings dewatering.

The arrangement for 'pump' feeding the preparation plant eliminates feed bias to separate modules through having a single sump with pumps feeding the CPP. However, this approach is not typical of the majority of preparation plants and the extra pumping stage adds to the ongoing maintenance effort and ultimately increases operating costs.

Sedgman believe that a pump feeding the raw coal into the plant disperses the clays present in the raw feed, offering the best opportunity for discarding this material as early as possible. The clays also impact the amount of recycle streams normally designed into a preparation plant with a view to minimising the recycle of these clays. This has been considered in the thickener size, water circuit and desliming screen size. Note that this could also have been achieved through the traditional CPP feed approach without the unnecessary pumping of raw coal.

The plant coarse circuit will consist of two large 1,300 mm diameter dense medium cyclones processing the 50 mm x 1.7 mm fraction with medium being drained on separate product and reject drain and rinse screens. Sedgman state that the drain and rinse section lengths will be designed to achieve the lowest moisture possible with a screen to assist in both reducing the overall product moisture and improving the handle ability of the rejects in the cold weather. This is somewhat irrelevant as ultimately the selected centrifuges will determine what the product free moisture is, while the rank of the coal impacts on moisture holding capacity and non-centrifugal moisture and hence total moisture. Screen selection will have negligible impact on product moisture.

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

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The undersize of the desliming screen will be pumped through classifying cyclones and then screened over sieve bends to remove the high ash ultra-fines and clays prior to the 1.7 mm x 0.25 mm fraction being processed in reflux classifiers. Sedgman has selected reflux classifiers for fines processing based on simulation outputs and state "total yields can be improved by almost 2% by replacing the TBS and spiral units with reflux classifiers". The simulation report presented does not show the comparative efficiency data which was used in the simulation work. Similar process study work by Snowden/QCC using public domain data suggests the yield benefit is more likely to be less than 1.0%. Additionally, known operational issues with reflux classifiers in high clay environments add some risk to the process selection.

Tailings from the process will report to a high-rate thickener and the thickened underflow will be pumped to the tailings filter plant where the tailings will be dewatered using belt filters with discharge onto the coarse rejects conveyor. Combined rejects will be co-disposed in the mining waste dumps. It should be noted that there does not appear to be a contingency plan for instances when the tailings will not dewater effectively in the filters. This can often be a major operational issue where free swelling clays exist as the water cannot physically be separated from the solids.

5.2 Preparation plant design review

5.2.1 Snowden opinion

It is Snowden's opinion that:

- A product moisture of 12.0% to 12.5% may not be achievable due to additional moisture being picked up in transit and at the port. Due to the lower rank of the coal and the related moisture holding capacity, ex-plant total moistures around 14% could be common. Further moisture pickup ex-site should also be included in the review of the marketability of this coal as well as in the financial modelling.
- The Sedgman nominal flowsheet indicates 6.9% free moisture is expected from the fine coal circuit (size range -1.7+0.2 mm) through the use of screen-bowl centrifuges. Given there is a contract in place, the quoted CPP moistures should reflect the supplied vendor guarantees, but these were not sighted. Snowden/QCC do not believe this free moisture is achievable for this size fraction on a consistent basis. This also dictates that the overall ex-plant total moisture of 12.3% (from the flowsheet) is unlikely to be achieved, and total moistures around 14% may be common.
- The average projected clean coal yield appears slightly higher than the base data suggests after allowing for practical offsets, but potentially may be achieved through optimisation of the mining operation and plant.
- There is some question as to whether the McLeod seam, alone, will make a product with a heating value of 5,500 kcal/kg GAR, particularly at the stated model yields of 52.5% to 56.5%. However, as the Stage 1 overall mine plan yield-energy relationship applied in the financial model appears valid, the McLeod 5,500 kcal/kg GAR outcome might simply be achieved by blending with some of the Val D'Or seam product.

The Phase 1 Sedgman EPC contract which includes both the CHPP and MIA, reflects the competitive North American market, with a fixed lump sum price quoted of US$278,077,844. For Phase 2 development, an additional US$225 million is included in the financial model for EPC (i.e. Sedgman CHPP and MIA) and this value appears to be in the correct order of magnitude relative to the Phase 1 capital requirement.

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The CHPP equipment has not been reviewed in detail against the proposed design sizing and yield ranges, but the general equipment sizes appear to be in line with a 1,500 t/h capacity plant. The major equipment listed on the nominal flowsheet include:

- two 4.2 m x 6.1 m desliming screens
- two 1,300 mm DMCs
- two 4.2 m x 6.1 m DMC product drain and rinse screens
- two 3.0 m x 6.1 m DMC reject drain and rinse screens
- four VM1400 coarse coal centrifuges
- four 1.2 m diameter x 3.0 m long magnetic separators
- eight 660 mm diameter classifying cyclones
- eight sieve bends (size unknown)
- four 2 m diameter reflux classifiers
- eight 380 mm diameter fines product thickening cyclones
- three screen-bowl centrifuges for fine product dewatering
- two 1.8 m x 3.7 m high frequency fines reject dewatering screens
- one 50 m diameter tailings thickener.

There has been no review of sumps, pumps or pipes for general application or suitability for duty. However, as there is a contract in place to meet performance guarantees, the onus is on the EPC provider to deliver the project to a satisfactory standard on the proviso the feed coal quality is within the agreed design envelopes Sedgman have used for their equipment selection.

5.2.2 Conclusions

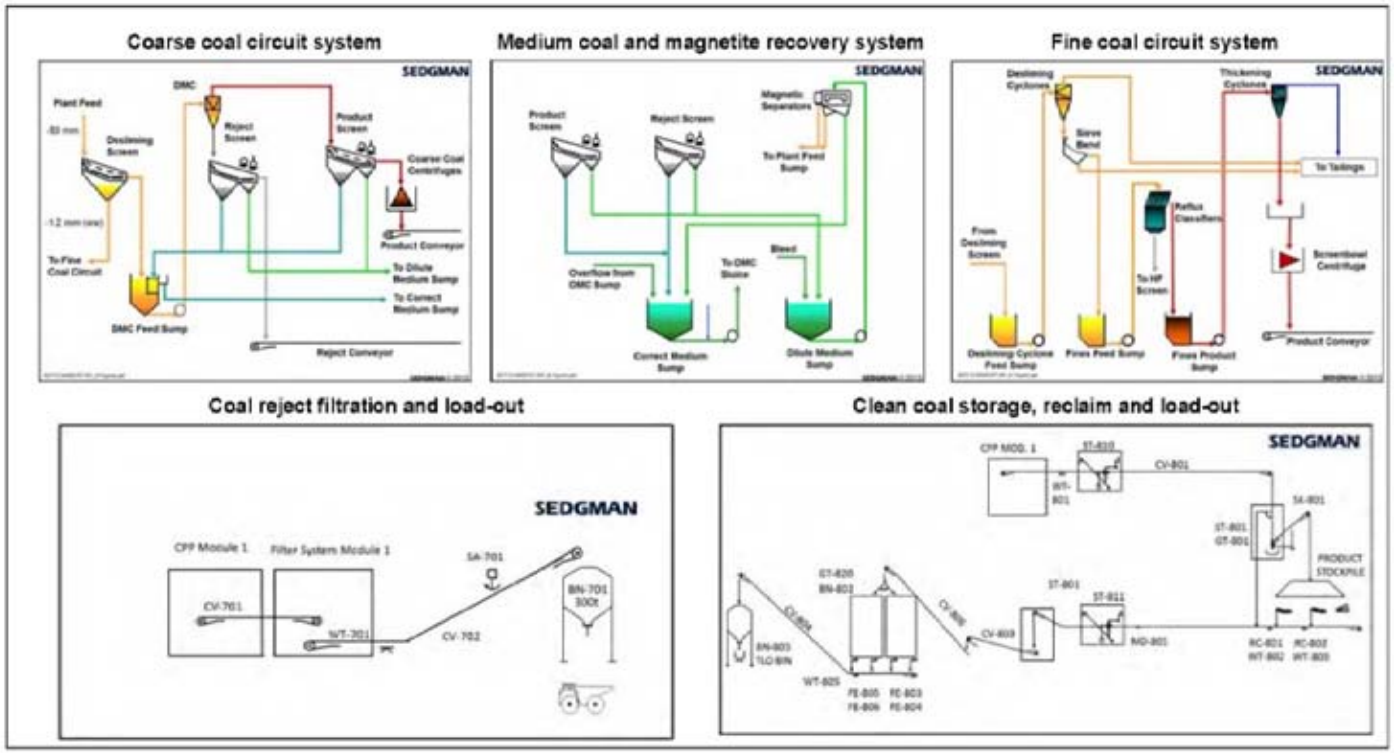
It is Snowden's opinion that:

- The capital and opex numbers in the financial model match what is presented in other Sedgman documents.
- The resource yields presented in the financial model appear to be acceptable for the quoted 5,500 and 5,800 kcal/kg GAR product energy levels, but due to the rank and nature of the coal there is some doubt of the ability to achieve the 12% to 12.5% product total moisture levels being projected. Hence the GAR energy levels being projected may not be achieved if higher product moistures are realised.
- The coal handling and preparation plant equipment selection and sizing are acceptable for the proposed duty.

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Figure 6.1 Coal preparation plant schematic



6 Transportation and marketing

The marketable export products will be transported by rail to the 24 Mtpa[2] Ridley Coal Terminal, at Port of Prince Rupert in British Columbia, for shipment to international markets. To date, Coalspur has secured up to 10.7 Mtpa export allocation through two separate agreements with Ridley Terminals Inc. The agreements are in place for 14 years with an option to extend for seven years.

Coalspur has also signed a transportation agreement and a siding construction agreement with Canadian National Railways under which they will develop a high-quality logistics supply chain to transport export thermal coal from Coalspur's Vista Coal Project to western Canadian ports.

According to Wood Mckenzie Consultants, there is a general expectation that the worldwide demand for thermal coal will exceed supply capabilities due to the expected future coal demand from China, India, Japan and South Korea.

Global demand for coal to fuel electricity generation is forecast to grow from about 4.9 billion tonnes currently, to about 8.3 billion tonnes in 2035. Coal demand for non-power purposes is expected to mirror the growth in demand for electricity generation, and combined, the total demand for thermal coal will grow to 11.9 billion tonnes in 2035 from its current level of 7.2 billion tonnes.

Declining coal self-sufficiency in regions with increasing demand provides a basis for growing imports, the majority of which will be seaborne. Seaborne thermal coal demand is expected to grow by 1.13 billion tonnes, from approximately 0.95 billion tonnes currently to an estimated 2.08 billion tonnes in 2035. The demand for thermal coal will be increasingly focused in Asia, the target market for Coalspur.

In 2035, supply is forecast to have increased significantly, reaching 2.1 billion tonnes. A large amount of the supply expansion is expected from low cost mines. Much of this low cost increase is a result of growth in the low rank seaborne coal market sourced from Indonesia, and later, from the US. Cost of mining operations is estimated to increase in real terms over the forecast period.

Pricing is generally directly proportional to the calorific value relative to a reference coal. This approach has been adopted in the Feasibility Study price forecast. However, sometimes pricing takes into account an ash discount as well and this has not been factored into the pricing for this project. For example, the price of Product 1, Vista's premium product (Val d'Or Seam), is calculated as follows:

$$Forecast\ FOB\ Price, US\$ = \left(\frac{5{,}800}{6{,}300}\right) * Newcastle\ Reference\ Price$$

[2] *Expected maximum capacity on completion of the current upgrades, current capacity is 12 Mtpa.*

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6.1 Transportation, marketing and economic analysis review

6.1.1 Snowden opinion

It is Snowden's opinion that:

- Coalspur has completed sufficient work to support the estimated costs for the transportation and marketing infrastructure.
- There is no consideration given to potential price differentials due to changes in ash and moisture content.
- Coalspur has negotiated contracts for the construction of the processing plant and mine infrastructure area. The capital costs used in the financial model are acceptable and in line with the data presented in the contract. The operating costs used in the financial model are also in line with indicative operating costs presented by Sedgman based on their US operations.

6.1.2 Conclusions

It is concluded that the financial performance of the project depends most significantly on the future price of coal. The second most significant variable will be the capital and operating costs, which are proposed to be performed under contracts that were classified as proprietary and withheld from review.

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7 Risk assessment

7.1 Evaluation and quantification of major risks

Snowden has summarised perceived and real risks relating to the technical aspects of the Project in Table 7.3, based on a ranking system illustrated in Table 7.1 and Table 7.2 and summarised in Figure 7.1. The risk values have been assessed initially from a pre-mitigation point of view, and a post-mitigation assessment is provided together with recommended risk mitigations that should be applied going forward.

Table 7.1 Risk probability descriptors

Probability	Descriptor	Description
5	Almost certain	Is expected to occur in most circumstances
4	Likely	Will probably occur in most circumstances
3	Possible	Might occur at some time
2	Unlikely	Could occur at some time
1	Rare	May occur only in exceptional circumstances

Table 7.2 Risk consequence (severity) descriptors

Consequence	Descriptor
5	Catastrophic
4	Major
3	Moderate
2	Minor
1	Insignificant

Figure 7.1 Risk matrix, probability and severity/risk rating index



This listing should not be considered fully comprehensive, but presents important risks that must be addressed in future studies for the implementation of the project.

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Table 7.3 Snowden key risks for the Coalspur Vista Project

Risk Record	Description of Risk	Recommended Action Plan to Mitigate Risk	Assessment of Current Risk			
			Probability	Severity/ Risk	Total	Risk Rating
Coal quality/ CHPP	Product specifications not achieved due to inability to meet target moisture without thermal drying.	Moisture sensitivity should be included in financial modelling.	3	4	12	MH
Mining	It is not known what the shelf life of the mining contract is. If it expires before mining commences, a new contract will have to be negotiated.	The average cost per tonne values used in the mine plan are appropriate for this level of study and the risk is that capital will have to be brought back into the project or a new contract negotiated.	4	3	12	MH
Infrastructure	Capital costs exceed estimates.	Develop and implement an execution plan that incorporates detailed design followed by competitive tendering of all aspects of the work.	3	3	9	M
Mining	Recognise that mining costs are specific to a contract and an owner-operator may experience a different cost environment.	Assess the costs from an owner-operator perspective if the mine is not developed under the current contract.	4	2	8	M
Mining	Thiess do not have Canadian cold weather experience and their productivity assumptions may not be accurate.	Monitor the contract very closely during the start-up period in particular.	3	3	9	M
Coal quality/ CHPP	Process efficiency poorer than expected, leading to loss in coal recovery.	Yield sensitivity should be included as part of financial modelling process.	3	3	9	M
Coal quality/ CHPP	Delays in procurement/construction leading to late delivery of processing facilities.	Procurement and delivery strategy needs to be defined early in project execution phase.	3	3	9	M
Geology	Realised yields being lower than predicted.	Undertake sensitivity analysis to investigate implications of up to 2% lower yield on financial outcomes.	3	2	6	ML
Geotechnical/ hydrogeology	Sub-floor conditions will impact on the stability of in pit dump development.	Develop and implement a procedure for preparation of dump foundations. Development of a plan for inspection and management of tip heads.	2	3	6	ML
Geology	Unknown structural complexity.	Update structural geology when further drilling occurs.	2	2	4	L
Geology	Unknown discontinuity is coal seams.	Evaluate continuity of seams when further drilling occurs.	2	2	4	L
Geotechnical/ hydrogeology	Pit inundation from an influx of groundwater or surface water.	Develop and implement a water management plan. Have adequate sump and pump capacity allowed for.	2	1	2	L

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9 Glossary of terms

Term	Description
Abbreviations	Ga – giga (10^9) years ago g/t – grams per tonne kg – kilogram, km – kilometre km^2 – square kilometres kt – kilotonnes m – metre M – million mm – millimetre Mtpa – million tonnes per annum Ma – million years ago PFS – prefeasibility study ppm – parts per million
Accuracy	Statistical term for the correctness of a value.
Anomalous	A departure from the expected norm. In mineral exploration this term is generally applied to either geochemical or geophysical values higher or lower than the norm.
Artisan	Skilled to semi-skilled manual worker.
Bedrock	Solid rock that underlies soil or other unconsolidated material.
CHP	Coal handling plant.
CHPP	Coal handling processing plant.
Cumulative frequency	Statistical analysis of the frequency of occurrence of values of a phenomenon less than a reference value.
DAF	Dry ash free basis for coal quality reporting.
DCF	Discounted cash flow. DCF analysis is a method of valuing a project, company, or asset using the concepts of the time value of money.
Diamond drilling	Method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit.
Dip	The angle at which rock stratum or structure is inclined from the horizon.
Domain	Geological and resource term for a distinct geological or mineralisation unit.
Fault	A fracture in rocks along which rocks on one side have been moved relative to the rocks on the other.
Footwall	The underlying side of a fault, ore body or mine workings.
GAR	Gross as received basis for coal quality determination.
Geochemical exploration	Used in this report to describe a prospecting technique which measures the content of certain metals in soils and rocks and defines anomalies for further testing.
Geophysical exploration	The exploration of an area in which physical properties (e.g. resistivity, gravity, conductivity, magnetic properties) unique to the rocks in the area are quantitatively measured by one or more geophysical methods.
Grade	The relative quantity or percentage of mineral content. Gold grade is commonly expressed in the terms: g/t - grams per tonne, ppb – parts per billion, ppm – parts per million.
Hangingwall	The overlying side of a fault, ore body or mine workings.
Indicated Mineral Resource	'An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.' (JORC, 2012)

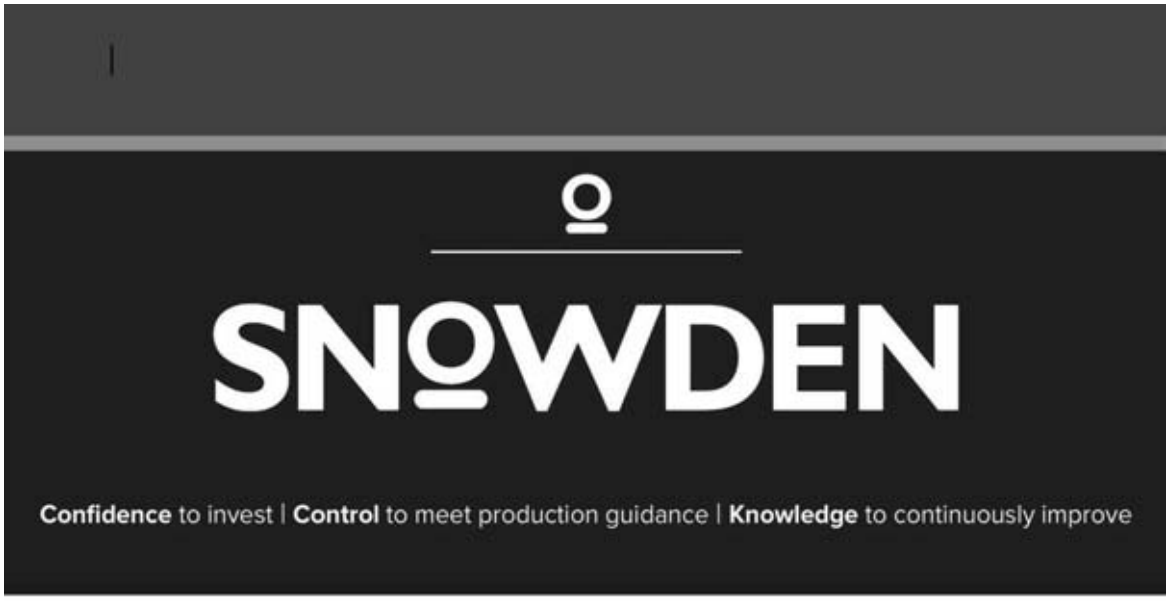
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BDO

Appendix 6 – Mineral Asset Valuation Report prepared by Snowden Mining Industry Consultants Pty Ltd

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BDO Corporate Finance

Valuation of Coal Resources

Coalspur Mines Ltd.

Project No. AU4539

February 2015

Final

www.snowdengroup.com

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This report has been prepared by Snowden Mining Industry Consultants ('Snowden') on behalf of BDO Corporate Finance.

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Issued by: Perth Office
Doc Ref: 2014-12-17 BDO Coalspur Vista Valuation FINAL

Last Edited: 26/02/2015 16:18:00

Number of copies
Snowden: 2
BDO Corporate Finance: 2

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24 February 2015

Private and Confidential

Mr. Sherif Andrawes
Partner, Corporate Finance
BDO Corporate Finance (WA) Pty. Ltd.
38 Station Street, Subiaco, WA 6008
Via Email: sheriff.andrawes@bdo.com.au

Dear Mr. Andrawes:

VALUATION OF COAL RESOURCES OF COALSPUR MINES LTD.

BDO Corporate Finance Pty Ltd ("BDO") requested Snowden Mining Industry Consultants Pty Ltd ("Snowden") to prepare an Independent Technical Report ("ITR") and Mineral Asset Valuation for inclusion in an Independent Expert's Report ("IER") of Coalspur Mines Ltd. ("Coalspur") mineral resources and ore reserves.

Snowden was requested to provide an independent technical assessment of the Coal Reserves of the Vista Project and an independent valuation of the Coal Resources of the Vista Extension and Vista South properties contiguous with the Vista Project Ore Reserves. This report presents a valuation of the Coal Resources and the independent technical assessment of the Coal Reserves has been prepared as a separate report.

The Valuation of the Coal Resources has been undertaken under the guidelines of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, 2005 edition (the VALMIN Code).

The Qualified Person ("QP") and Competent Valuator with overall responsibility for this report is Dr. Murray Lytle. Dr. Lytle has 39 years' experience in the mining industry involved in the exploration and mining of coal, base metals, precious metals (including gold) and industrial minerals. He has worked for Snowden for 6 years involved with resource estimation, mine planning, Competent Person's Reports and mineral asset valuations. He is a Professional Engineer registered with the Association of Professional Engineers and Geoscientists of Alberta ("APEGA") and is a Competent Person under the requirements of the VALMIN Code.

He has been assisted by Dr. Herman Dorland. The report has been reviewed by Mr. Terry Parker.

The Valuation Date is December 1, 2014 and currency denominations are in United States Dollars (US$).

Snowden is an independent firm providing specialist mining industry consultancy services in the fields of geology, exploration, resource estimation, mining engineering, geotechnical engineering, risk assessment, mining information technology and corporate advisory services. The company, which operates from offices in Perth, Brisbane, Johannesburg, Vancouver, London and Belo Horizonte (Brazil), has prepared independent technical reviews and mineral asset valuations on a variety of mineral commodities globally since 1987. The Perth office of Snowden has undertaken the review and mineral asset valuation work for this report.

Snowden visited the Coalspur Project in Alberta, Canada in June 2014 and updated the Coal Resources as at August 2014.

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Snowden confirms that Snowden and its technical staff are independent of Coalspur. Neither Snowden nor those involved in the preparation of this report have any material interest in the companies or coal assets considered in this report. Snowden is remunerated by way of a professional fee determined according to a standard schedule of rates which is not contingent on the outcome of this report.

A draft version of this report was provided to Coalspur along with a request to confirm that there are no material errors or any omissions and that the information in the report is factually accurate.

Snowden has endeavoured, by making reasonable enquiry of Coalspur to ensure that all material information and documentation has been fully disclosed to Snowden. This report is provided subject to the following qualifications:

- It is assumed that Coalspur has made available to Snowden all material information in its possession or known to Coalspur in relation to the technical, development and mining aspects of the projects, and that Coalspur has not withheld any material information, and that information is accurate and relevant in all material respects.
- It is assumed that all the geological reports, and other technical documents provided by Coalspur correctly and accurately record the results of all geological and other technical activities and test work conducted to date in relation to the relevant mineral tenements and accurately record any advice from relevant technical experts.
- Snowden is not a legal firm and is not qualified to make a legal opinion on the status of coal leases. Snowden has sighted title reports prepared by solicitors Blake, Cassels & Graydon LLP ("Blakes"), dated 28 May 2014 and discussed these with that firm and is satisfied as to there being good and valid title for each of the coal leases and that Coalspur has an interest in each of those leases as described in this report. Blakes has consented to the citing of its report in this Valuation.
- Snowden is not qualified to make a legal opinion on necessary governmental and other consents and approvals (including those regarding environmental issues) required to implement the various phases of the projects. Snowden has sighted official permit and approval documents that, within its experience with regulatory approval, lead it to believe that other and all necessary approvals have been obtained, or will be forthcoming, without any material delay and on terms which will not cause any material change to any mining, exploration or other activities proposed, and which will not cause any material change to the costs of such activities.
- It is assumed that all factual information provided by Coalspur as to the projects, or their history, or Coalspur future intentions, financial forecasting or the effect of relevant agreements, is correct and accurate in all material respects.

Snowden has made all reasonable enquiries into the material aspects of the project and while Snowden makes no warranty or representation as to the accuracy or completeness of the information provided by Coalspur and its advisors, and for information extracted from public sources, Snowden has:

- made reasonable enquiries and exercised our judgement on the reasonable use of such information.
- found no reason to doubt the accuracy or reliability of the information.

Technical Summary

For the specific purpose of this report, Snowden was provided with information by Coalspur (in a Data Room) relating to the projects. A visit to the Coalspur project site was undertaken in June 2014 to inspect drill sites and general infrastructure.

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Snowden has reviewed the geology and Coal Resources and considers the resource estimates to be reasonable in terms of tonnes and grade and have "reasonable prospects for economic recovery" under the JORC Code, 2012 edition. Snowden considers the resource modeling process to be appropriate and the estimate of resources to accurately reflect the data upon which the estimate was based.

Snowden considers that the Coalspur projects in Alberta are relatively under-explored.

Valuation Summary

Snowden has valued Coalspur's Coal Resources by applying the following methodologies:

- Comparable Transactions of Canadian coal deposits based on US$/mt coal in situ (Coal Resources).
- Kilburn Geoscience rating method for exploration potential of coal project areas in Alberta

Snowden notes that only one actual coal property sale was used in the analysis and the other data points were coal properties offered for sale. The current depressed condition of the coal market has been factored into this analysis but the lack of actual sales data introduces another element of uncertainty. The fact that the Kilburn and comparable market transactions were relatively close in value adds reassurance to the valuations.

A summary of the valuation results for Coalspur coal projects based on comparable transactions and the modified Kilburn method are provided on the tables below.

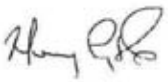
Fair market value of Coalspur coal resources as at December 1, 2014

Resources	Low US$M	High US$M	Preferred US$M
Comparable transaction			
Vista Extension	4.16	9.91	7.04
Vista South	6.21	12.64	9.42
Total	**10.37**	**22.54**	**16.46**
Kilburn method			
Vista Extension	6.01	11.26	8.64
Vista South	8.97	17.16	13.06
Total	**14.98**	**28.42**	**21.70**

Snowden notes that these valuations are quite similar for Vista Extension and Vista South and considers that either could be used to value the projects. The relatively wide range in values can be attributed to the current uncertainties regarding the price of coal which has fallen from 25% to 50% for different coal qualities in the last 12 months in US$ terms. The drop in price for the Coalspur equivalent coal has been 25% since December 2013.

Snowden advises that this report has been provided for the sole purpose of assisting BDO in preparing the IER and may not be used or relied upon for any other purpose. The Coal Resource valuation is only valid as at the date of this report as it will change with time in response to variations in economic, market, legal or political conditions in addition to ongoing development of the projects.

Yours faithfully,



Murray Lytle, PhD., P.Eng.
Sr. Principal Consultant

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1 Introduction

1.1 Report scope and basis of valuation

BDO and Coalspur requested Snowden to prepare a Coal Resource Valuation of the Coalspur exploration projects in west central Alberta, Canada. The tasks outlined by BDO for Snowden to accomplish were as follows:

- Verify through Canadian tenement registrations, the currency and expiry of tenements held by Coalspur and the status of their "permission to explore" applications
- Review and comment on the status of exploration for the Vista Extension and Vista South projects and provide guidance on further work requirements
- Review coal quality specifications and provide comment on marketability principally on the terms of thermal coal properties, washability characteristics and yield, and trace elements if data is available
- Comment on how commercialization will relate to the current level of exploration, marketability of coal quality, proposed mining techniques and issues including transport and port capacity
- Regional geological trends
- Data collected and analyzed to date
- Topographic, culture, conflicting infrastructure and conflicting tenure issues.
- Comment on future exploration requirements and potential for reserve conversion
- Broad estimate of capital requirements to convert the Coal Resources to Coal Reserves

Snowden confirms that all of its technical staff involved in this report are independent of Coalspur. Neither Snowden nor those involved in the preparation of this report have any material interest in the companies or mineral assets considered in this report. Snowden is remunerated by way of a professional fee determined according to a standard schedule of rates which is not contingent on the outcome of this report.

The Qualified Person ("QP") and Competent Valuator with overall responsibility for this report is Dr. Murray Lytle. Dr. Lytle has 39 years' experience in the mining industry involved in the exploration and mining of coal, base metals, precious metals (including gold) and industrial minerals. He has worked for Snowden for 6 years involved with resource estimation, mine planning, Competent Person's Reports and mineral asset valuations. He is a Professional Engineer registered with the Association of Professional Engineers and Geoscientists of Alberta ("APEGA") and is a Competent Person under the requirements of the VALMIN Code.

The report has been reviewed by Mr. Terry Parker (Principal Consultant, Mining Investment Governance) who has assisted with the valuation. Mr Parker has 44 years' experience in the mining industry involved in the exploration and mining of base metals, precious metals (including gold) and industrial minerals. He has worked for Snowden for 11 years involved with resource estimation, mine planning, Competent Person's Reports and mineral asset valuations. He is a Fellow of the Australasian Institute of Mining and Metallurgy ("AusIMM") and is recognised as a Chartered Professional Geologist with that organisation. He is a Competent Person under the requirements of the VALMIN Code.

The contributors are shown on Table 1-1 along with their respective areas of responsibility.

Table 1-1: Contributors to this ITR

Name	Position	Professional designation	Contribution to Valuation
Mr. Terry Parker	Principal Consultant	FAusIMM (CP)	Peer Review
Dr. Murray Lytle	Senior Principal Consultant	P.Eng. (CP)	Site Visit, valuation
Dr. Herman Dorland	Senior Principal Consultant	Pr.Sci.Nat, MGSSA (CP)	Review Geology

1.2 Basis of the Report

1.2.1 Data sources

The data sources utilised in the completion of this report have been downloaded from the Coalspur Data Room and include:

- Coal Resource Reports
- NI43-101 Technical Reports
- Other technical reports.

In addition Snowden has obtained public domain information from the Coalspur and ASX website.

1.2.2 Data Validation

Snowden has completed a technical review of the reports and data provided and made reasonable enquiries or used its professional judgment to determine the validity of the information.

1.2.3 Site Visit

A site visit to the Coalspur properties was undertaken by Dr. Murray Lytle in June 2014.

1.2.4 Client meetings

Snowden has had several client meetings with Coalspur and previous assignments and is very familiar with the Coalspur exploration projects which form the basis of this valuation.

1.3 Reporting standard

This report was prepared by Snowden in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts Reports ("the VALMIN Code"). Mineral Resources and Ore Reserves were reviewed in the context of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 edition ("the JORC Code").

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2 Accessibility, Climate, Local Resources, Infrastructure and Physiography

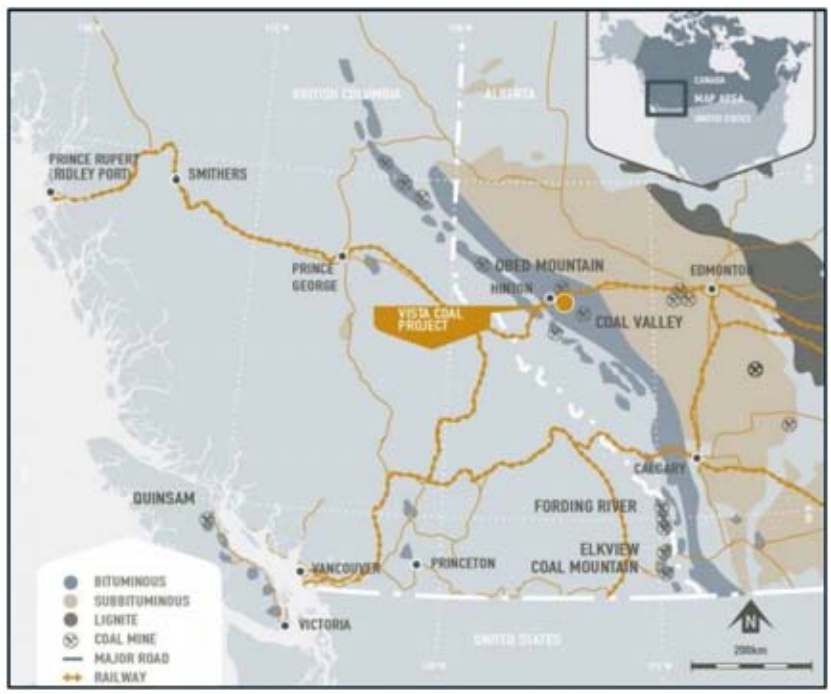
2.1 Access

The Coalspur Coal Project consists of the following mineral (coal) assets:

- Vista Coal Project,
- Vista Extension
- Vista South

The properties are accessible from Hinton via the Yellowhead Highway (Highway 16), which is an all-weather divided paved major highway which connects Hinton with Edson, Alberta 70 km to the east, with Edmonton, Alberta 276 km to the east. The Athabasca River flows parallel to and north of the highway and the town of Hinton as shown on Figure 2-1.

Figure 2-1: Location map of Coalspur properties



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

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

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

This valuation is focussed on the two exploration properties of Vista South and Vista Extension with no accounting made of the more advanced Vista Coal Project property.

2.2 Topography, Elevation and Vegetation

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

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

2.3 Climate

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

2.3.1 Regional Temperatures

Alberta has a dry continental climate with warm summers and cold winters. The province is open to cold arctic weather systems from the north, which often produces extremely cold conditions in winter. As the fronts between the air masses shift north and south across Alberta, temperature can change rapidly. Arctic air masses in the winter produce extreme minimum temperatures varying from −54°C in northern Alberta to −46°C in southern Alberta. In the summer, continental air masses produce maximum temperatures from 32°C in the mountains to 40°C in southern Alberta.

Mean annual temperature in the project area is 2.8°C with a maximum daily average of 14°C in July/August and a minimum daily average of -11.0°C in January. Extreme temperatures have been recorded ranging from a maximum of 35°C to a minimum of minus 42°C.

Table 2-1 shows the mean monthly temperatures prevalent at the project area compared to the national averages.

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Table 2-1: Monthly temperatures

Temperature	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Daily Avg (°C)	-11	-7	-2	4	9	12	14	14	9	4	-4	-8
Daily Max (°C)	-5	0	5	11	16	20	22	21	17	11	1	-2
Daily Min (°C)	-17	-14	-10	-4	1	5	6	6	1	-2	-10	-13
Canada Daily Avg (°C)	**-10**	**-8**	**-3**	**4**	**11**	**15**	**18**	**17**	**12**	**6**	**-1**	**-8**

2.3.2 Regional Precipitation

The Rocky Mountains cast a "rain shadow" over much of Alberta. As the moist air from the Pacific Ocean rises to pass over the mountains on its way to Alberta, it is cooled, and rain or snow fall on the Pacific side of the mountains. As the air descends on Alberta, it gains heat and produces warm, dry winds. The driest weather is in December and February when an average of 15-17 mm of snowfall is typically recorded. The wettest weather is from June to August, when an average of 81 mm of precipitation (snow and rain) is typical. The average annual relative humidity is 66.3% and average monthly relative humidity ranges from 50% in May to 84% in January and December.

Precipitation in Alberta ranges from 30 cm in the southeast to 45 cm in the north, except from the foothills region, where accumulations can reach up to 60 cm annually. The eastern slopes of the Rocky Mountains (where the project area is located) receive considerably less annual rainfall. Table 2-2 presents monthly averages for recorded precipitation.

Table 2-2: Monthly Precipitation

Precipitation	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Rainfall (mm)	1	0	1	14	61	78	93	72	46	16	2	0
Snowfall (mm)	29	15	21	8	4	0	0	0	3	12	20	17
Total (mm)	**30**	**15**	**22**	**22**	**65**	**78**	**93**	**72**	**49**	**28**	**22**	**17**

2.4 Local Resources and Infrastructure

The town of Hinton lies immediately west of the Vista Coal Project. The town is home to approximately 10,000 inhabitants. The vast majority of the labour force is employed, predominantly in the trades associated with the agriculture industry[1].

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

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

[1] http://www.citystats.ca/city/Alberta/Hinton.html

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3 History

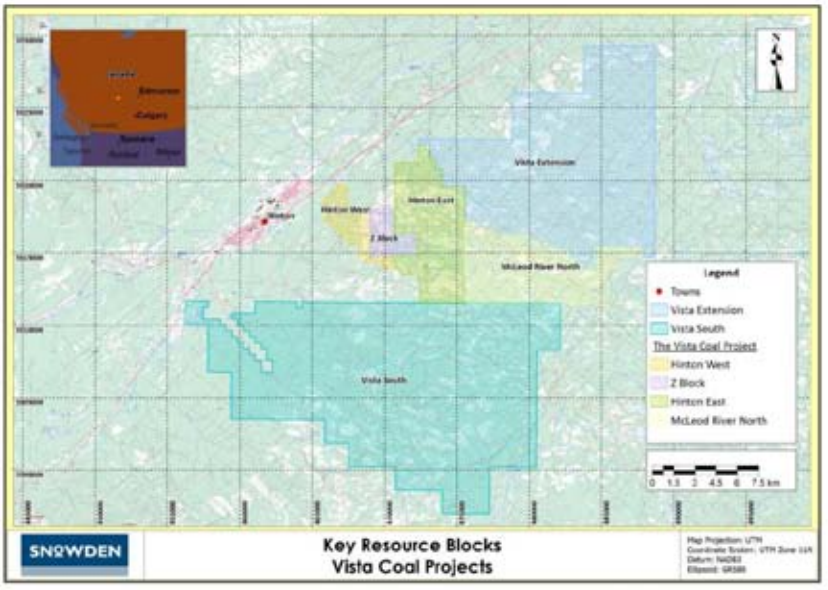
The first geological investigations in the region of the Coalspur Coal Projects were undertaken by the Geological Survey of Canada. Rutherford (1923, 1924) carried out reconnaissance mapping of the Embarrass, McLeod and Athabasca Rivers. Later, Lang (1944) and Irish (1945) published more detailed maps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

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

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

Figure 3-1 shows the location of Coalspur projects in Alberta. The Vista South property is to the south of the Vista Coal Project (not valuated in this study) and the Vista Extension property is shown to the northeast of the Vista Coal Project.

Figure 3-1: Location of Coalspur Projects in Alberta



3.1 Vista Extension

3.1.1 Nexen Inc.

Canadian Occidental Petroleum Ltd. (the predecessor of Nexen Inc.) and Irving Industries (Irving Wire Products Division) Ltd., in a 50/50 partnership, agreed to have Halferdahl drill two core holes in 1978 on what they called the Corral Creek Property, and prepare a report. Subsequently, in 1981, they contracted Canadian Island Creek Coal Ltd. (Red

Deer) to drill a proposed 11-hole, including two diamond core holes, programme to further delineate the resources. The programme encountered extremely difficult drilling conditions, changed drilling contractors between each hole, and did not achieve its objectives. It was ultimately successful in drilling only two holes and taking two cores in four locations. None of the cores were used for quality modelling in the current exercise. These holes are the only six drilled with the specific intent of exploring the Coal Resources within this lease area. There are other wells that penetrate the coal strata but continue onto the gas-bearing horizons below.

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

3.2 Vista South

3.2.1 Denison Mines Limited

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

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

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

3.2.2 Coalspur Mines Limited

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

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

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

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

3.3 Leases and land tenure

The coal leases are located south of Highway 16, the CNR rail line and the Athabasca River, all of which run parallel (SW-NE) to each other in the area along the northwestern margin of the Vista Coal Projects. The projects lies approximately 4 km east of the town of Hinton, 60 km southwest of the town of Edson and 40 km northeast of the Jasper Park boundary on Highway 16. The projects are centred on approximately 5,914,735 North and 475,550 East (UTM11N, NAD83) and consist of several tracts of land extending over 22 km eastward from Hinton in the west to the McLeod River in the east. The projects extend some 30 km in a N-S domain. The total area covered by the projects amounts to approximately 490 km^2.

Coalspur currently holds 55 individual coal lease agreements and three applications in the Hinton area[2,3]. Within this, the Vista Coal Project consists of 22 contiguous leases comprising the Hinton West, Z Block, Hinton East, Vista South, Vista Extension and McLeod River North coal resource blocks. All of these leases are held directly, or in escrow, by Coalspur. The locations of these properties are shown in Figure 3-2.

Surface rights are held by the Alberta Government, and logging and timber management are granted to West Fraser Timber Co. Limited under a Forest Management Area agreement. Tourmaline Oil Corporation has three natural gas wells (two of which are active) in the Mine Permit area including associated pipeline infrastructure. As per Coalspur's news release dated December 9, 2013[4], Tourmaline and Coalspur have made an agreement on developing their respective mineral interests and Tourmaline's wells pose no undue impediment to Coalspur's mine project. There are no private land owners on the properties.

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

Snowden is not aware of any permits or licenses required to complete the recommended work program. Based on the site visit, there are no outstanding environmental liabilities or commitments on the Coalspur Coal Properties.

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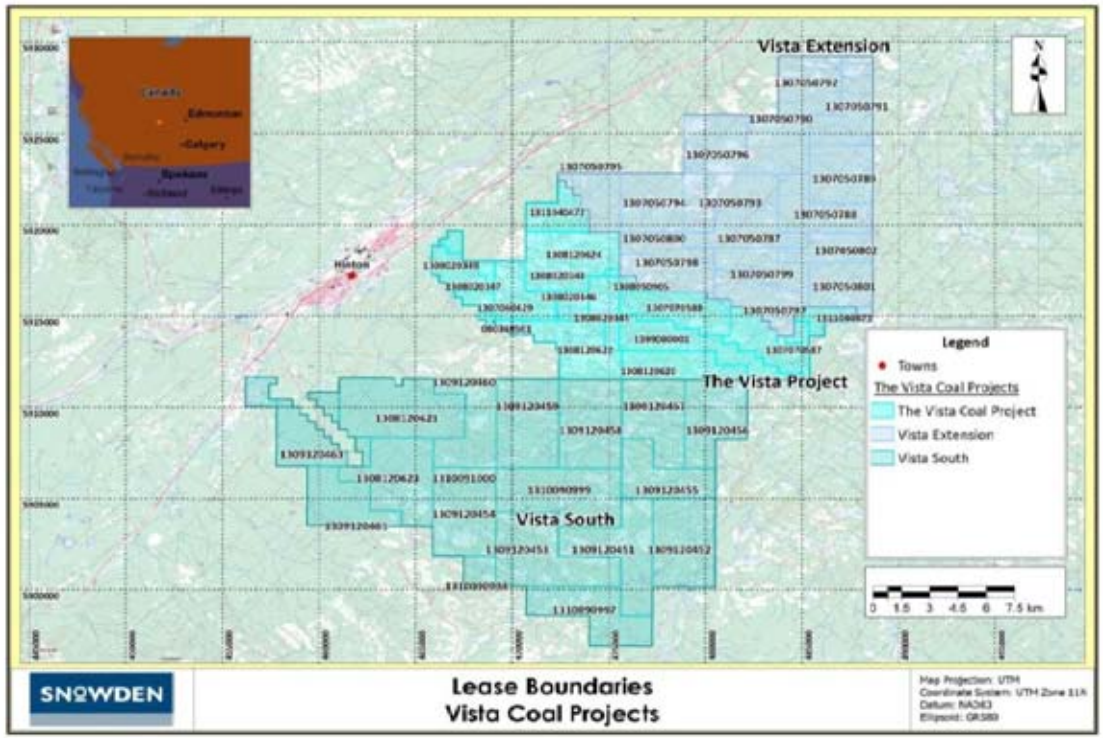
2 *Information sourced from the Alberta Government's online interactive map (https://gis.energy.gov.ab.ca/Geoview/Viewer.aspx?Viewer=StandaloneCoalSLExt)*

3 *This information is current as at the Effective Date of this Technical Report, sourced from the Government of Alberta Energy website, www.energy.gov.ab.ca*

4 *Coalspur News Release; December 9, 2013; "Coalspur Reaches Agreement with Tourmaline Oil Corp Ahead of Alberta Energy Regulator Hearing".*

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Figure 3-2: Coalspur leases



4 Geological Setting and Mineralisation

4.1 Geological Setting

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

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

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

4.2 Regional Geology

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

Strata of the Saunders Group were deposited mainly within lacustrine and alluvial environments. The Brazeau and Coalspur Formations were deposited as a series of five cyclotherms, each consisting of a lower part that comprises mainly channel sandstones and an upper part, consisting mostly of mudstones with coaly shales and/or coal beds, and lacustrine rythmites (Jerzykiewicz and Sweet, 1988). The fifth cyclothem is the Coalspur Formation (Jerzykiewicz, 1985). The thickest coal beds are associated with alluvial deposits in the upper part. The Coalspur Formation is up to 600 m thick and includes seven major seams, which range up to 22 m in thickness (Engler, 1983; Jerzykiewicz and McLean, 1980). This formation contains the vast majority of identified Coal Resources in the outer foothills.

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

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4.3 Local Geology

4.3.1 Coalspur Formation

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

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

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

4.3.2 Structural Geology

Vista Extension

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

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

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

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

Vista South

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

- The Southwest Limb, trending northwest/southeast at steep dip angles ranging from 45° to 65° northeast.
- The Nose Area, extending across the syncline structure from the southwest limb to the northeast limb. A relatively flat bottom syncline structure plunging gently between 8° and 10° southeast.

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

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

4.4 Mineralisation

4.4.1 Vista Extension

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

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

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

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

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

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

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4.4.2 Vista South

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

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

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

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

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

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

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

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

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

4.5 Coal Resources

In August 2014 Coalspur verified the September 2012 Coal Resource estimate for the Vista South and Vista Extension projects. A combined resource block model based on Multiple Indicator Kriging ("MIK") used geological and coal structure interpretations provided by Coalspur.

The Coal Resource has been classified and reported in accordance with the NI43-101 code and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012 edition). The Coal Resources are as shown in Table 4-1.

Table 4-1: Vista South and Vista Extension Coal Resources

Description	Measured (Mt)	Indicated (Mt)	*Measured + Indicated (Mt)*	Inferred (Mt)
Vista Extension	6.5	167.2	**173.7**	969.3
Vista South	210.6	259.7	**470.3**	604.6
Total Exploration	**217.1**	**426.9**	**644.0**	**1,573.9**

Small discrepancies may occur due to the effects of rounding

Snowden considers the resource modeling process to be appropriate and the estimate of resources to accurately reflect the data upon which the estimate was based.

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5 Risk Analysis

The Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis by Snowden is presented below.

Strengths (Vista Extension)

- Large area of mineralization
- Shallow dipping, underground mine, longwall potential
- Possibly easier to license
- Infrastructure from Vista Coal project

Weaknesses (Vista Extension)

- Higher cost mining (based on average underground mining costs)
- Interference issues with local gas well drilling

Opportunities (Vista Extension)

- Increase resource size.

Threats (Vista Extension)

- Limited underground longwall operating experience in Alberta
- Potential opposition by aboriginal and O&G companies

Strengths (Vista South)

- Large resource
- Open pittable
- Infrastructure from Vista Coal project

Weaknesses (Vista South)

- Limited history of marketing this coal

Opportunities (Vista South)

- Increase resource size

Threats (Vista South)

- Potential opposition by aboriginal and O&G companies

6 Mineral Asset Valuation

6.1 Introduction

Snowden has based its valuation of the coal assets on information known to it as at the date of this report but is based on the Valuation Date of 1 December 2014. The values assigned to these mineral assets are in United States (US$).

6.2 The VALMIN Code

Mineral assets are defined in the VALMIN Code as "all property including, but not limited to real property, mining and exploration tenements held or acquired in connection with the exploration, the development of and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements".

The VALMIN Code defines the value, that is fair market value, of a mineral asset as the estimated amount of money or the cash equivalent of some other consideration for which the Coal Resource should change hands on the valuation date between a willing buyer and a willing seller in an arms-length transaction, wherein each party has acted knowledgeably, prudently and without compulsion.

The VALMIN Code notes that the value of a Coal Resource usually consists of two components, the underlying or Technical Value and the Market component which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero. When the Technical and Market components of value are added together the resulting value is referred to as the Market Value.

The value of Coal Resources is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions and sentiment, commodity prices, exchange rates, political and country risk change. Other factors that can influence the valuation of a specific asset include the size of the company's interest, whether it has sound management and the professional competence of the asset's management. All these issues can influence the market's perception of a mineral asset over and above its technical value.

6.3 Valuation Considerations

It is Snowden's opinion that no single valuation approach should be used in isolation as each approach has its own strengths and weaknesses. Where practicable, Snowden undertakes valuations using a combination of valuation techniques in order to form an opinion.

6.3.1 Coal projects in the exploration stage

When valuing an exploration or mining property, the Expert is attempting to arrive at a value that reflects the potential of the property to yield a mineable Coal Reserve and which is, at the same time, in line with what the property will be judged to be worth when assessed by the market.

The most commonly employed methods of exploration asset valuation are:

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- multiple of exploration expenditure method (exploration based) also known as the premium or discount on costs method or the appraised value method;
- joint venture terms method (expenditure based);
- geoscience rating methods such as the Kilburn method (potential based); and
- comparable market value method (real estate based).

In Snowden's opinion, a valuations expert charged with the preparation of a tenement valuation must give consideration to a range of technical issues as well as make a judgement about the 'market'. Key technical issues that need to be taken into account include:

- geological setting of the property
- the relative size of the landholding
- results of exploration activities on the tenement
- evidence of mineralisation on adjacent properties
- proximity to existing production facilities of the property.

In addition to these technical issues the Expert has to take particular note of the market's demand for the type of property being valued.

It is Snowden's opinion that the market may pay a premium over the technical value for high quality coal assets (i.e. assets that hold defined resources that are likely to be mined profitably in the short-term or projects that are believed to have the potential to develop into mining operations in the short term even though no resources have been defined). On the other hand exploration tenements that have no defined attributes apart from interesting geology or a 'good address' may well trade at a discount to technical value. Deciding upon the level of discount or premium is entirely a matter of the Expert's professional judgement. This judgement must of course take account of the commodity potential of the tenement, the proximity of an asset to an established processing facility and the size of the land holding.

6.3.2 Coal projects with Coal Resource and/or Reserves

Where Mineral Resources and/or Ore Reserves have been defined, Snowden's approach is to excise them from the mineral property and to value them separately on a value per resource tonne / metal unit basis or on the basis of a discounted cash flow ("DCF"). The value of the exploration potential of the remainder of the property can then be assessed. Where appropriate, discounts are applied to the estimated contained metal to represent uncertainty in the information.

In Snowden's opinion, an Expert charged with the preparation of a development or production project valuation must give consideration to a range of technical issues as well as make a judgement about the 'market'. Key technical issues that need to be taken into account include:

- confidence in the Coal Resource / Coal Reserve estimate
- metallurgical characteristics
- difficulty and cost of extraction
- economies of scale
- proximity of and access to supporting infrastructure.

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Discounted cash flow analysis

A DCF analysis determines the Technical Value of a project by approximating the value if it were developed under the prevailing economic conditions.

Once a Coal Resource has been assessed for mining by considering revenues and operating costs, the economically viable component of the resource becomes the Ore Reserve. When this is scheduled for mining, and the capital costs and tax regime are considered, the net present value ("NPV") of the project is established by discounting future annual cash flows using an appropriate discount rate.

The resulting 'classical' NPV has several recognised deficiencies linked to the fact that the approach assumes a static approach to investment decision making, however the NPV represents a fundamental approach to valuing a proposed or on-going mining operation and is widely used within the mining industry.

Comparable market transaction value

When the economic viability of a resource has not been determined by studies, then a comparable market transaction value approach can be applied. The comparable market transaction value approach for resources is a similar process to that for exploration property however a dollar value per resource tonne / metal in the ground is determined.

As no two mineral assets are the same, the Expert must be cognisant of the quality of the assets in the comparable transactions, with specific reference to:

- the grade of the resource
- the metallurgical qualities of the resource
- the proximity to infrastructure such as an existing mill, roads, rail, power, water, skilled work force, equipment, etc.
- likely operating and capital costs
- the amount of pre-strip (for open pits) or development (for underground mines) necessary
- the likely ore to waste ratio (for open pits)
- the size of the tenement covering the mineral asset
- the overall confidence in the resource.

6.3.3 Exploration potential (Kilburn Method)

Snowden's view is that the Kilburn method provides the most appropriate approach to the technical valuation of the exploration potential of mineral properties on which there are no defined resources.

Each tenement is assessed and ranked based on aspects which enhance or downgrade the estimated intrinsic value of each property. The intrinsic value is the base acquisition cost ("BAC") which is the average cost incurred to acquire a base unit area of mineral tenement (the application cost) and to meet all annual rent and statutory expenditure commitments for a period of 12 months. Different practitioners use slightly differing approaches to calculate the BAC.

The Kilburn method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors. The multipliers are then applied serially to the BAC of each tenement with the values being multiplied together to establish the overall technical value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value.

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6.4 Valuation

6.4.1 Recent Comparable Transactions

Snowden has identified 8 offers for sale of coal deposits as shown in Table 6-3. These include:

- 234 million tonnes of undrilled, non-resource coal in Alaska
- 79 million tonnes of JORC compliant coal in Queensland
- 1.5 million tonnes of undrilled, non-resource coal in Colombia
- 3.5 million tonnes in a non-operating mine in Ukraine
- 1.1 million tonnes of coal in a mine in Kentucky
- 18 million tonnes of JORC compliant coal in Australia
- 107 million tonnes of coal sold along strike from Coalspur in Alberta

Clearly the transaction of most interest is the sale of coal resources adjacent to the Coalspur exploration properties. This sale was an option agreement for stock and cash which, if consummated will be worth at least $4 million for the 106.7 million tonnes of coal. The coal comprises the MacLeod, McPherson and Val D'Or seams. Its value will be greater than the Vista Extension block because the coal is exploitable by open pit rather than underground methods.

The price per tonne values for each of the projects shown on Table 6-3 was adjusted to account for the location of the coal (location factor) to account for infrastructure advantages or disadvantages and further adjusted to account for how well the resource/reserve is understood. The conditioned value shown in the final column is calculated by multiplying the price per tonne values by these factors. The average, weighted value per tonne for these transactions is $0.06 per tonne.

Snowden notes that these projects represent a very wide range of values, as can be expected, for different stage projects and involving companies of different sizes and grades. Snowden considers that the very large Coalspur resources should be valued closer to the value of the only property that has actually been sold and which is very close to the Coalspur resources. Snowden considers the valuation should be based on the following transaction values shown in Table 6.1.

Table 6-1 Proposed transaction values

Low Quality coal Inferred Resource	US$/Mt	Mod Quality coal Indicated Resource	US$/Mt	High Quality coal Measured Resource	US$/Mt
Preferred value	$5,000	Preferred value	$12,500	Preferred value	$15,000
Upper value t	$7,500	Upper value	$15,000	Upper value	$20,000
Lower value	$2,500	Lower value	$10,000	Lower value	$10,000

On this basis, the Vista South property with a stated resource of 1,075 million tonnes and the Vista Extension property with a stated resource of 1,143 million tonnes of coal are shown below:

Table 6-2 Comparable Transaction Values

Resources	US$M	US$M	US$M
Vista Extension	4.16	9.91	7.04
Vista South	6.21	12.64	9.42
Total	**10.37**	**22.54**	**16.46**

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Table 6-3: Comparable properties offered for sale (December 1, 2014)

Location	Tonnes	Type	%ash	%S	Fixed C	Kcal/kg (raw)	Ask Price US$M	$/t	location factor	reserve factor	Conditioned value
Canyon Creek, Alaska,	234,119,782	resource	6 – 40%	0.20%		3,872	0.07	0.0003	0.5	0.4	0.00
Gayndah, Australia	79,000,000	JORC	42%		39%	6,200	5.0	0.06	0.9	0.8	0.05
Unknown, Colombia	1,500,000		1.80%	2.40%	90%		5.0	3.33	0.6	0.6	1.20
ALmaz mine, Ukraine	3,500,000	mine	22%	1.30%		5,700	4.0	1.14	0.4	0.4	0.18
FMC Energy, Kentucky	1,134,301	mine					1.5	1.32	0.7	0.8	0.74
Ashford, Australia	18,000,000	JORC	8%	0.40%			26.0	1.44	0.9	0.8	1.04
Can. Rare Earth, Alberta	106,700,000	NI43-101	~50%	0.20%			3.5	0.03	0.8	0.7	0.02
Average								0.81			0.36
Weighted average								0.09			0.06

6.5 Kilburn valuation

Snowden has also valued the Coalspur exploration properties on the basis of a modified Kilburn methodology.

This methodology is based on the application of site specific parameters to the Base Acquisition Cost ("BAC"). It is assumed in this valuation of exploration properties (typically without a resource) that the acquisition and holding costs of a lease for one year provides a reasonable and importantly, consistent starting point. Presumably when a lease is staked for the first time the tenement has been judged to be worth at least the acquisition and holding cost.

The annual holding cost of the Coalspur exploration claims is US$2.60/ha and the Vista South property is 23,946 ha in size and the Vista Extension property is 13,753 ha in size. Using the factor of 288 for Vista Extension and 432 for Vista South as determined by the Kilburn methodology, the value of the two properties is their size in hectares (ha) multiplied by the Kilburn factor multiplied by $2.60/ha.

Table 6-4 Kilburn property factors

Lease	Area (ha)	BAC	Off property		On property		Anomaly		Geology	
Vista Extension	13,753	$35,758	4	4.5	3.5	4	4	5	3	3.5
Vista South	239,46	$62,260	4	4.5	3	3.5	4	5	3	3.5

Using this methodology, the value of the Coalspur exploration properties estimated using the Kilburn valuation method is shown on Table 6-5.

Table 6-5: Kilburn valuation

Project	Low (US$M)	High (US$M)	Preferred Value (US$M)
Vista Extension	6.01	11.26	8.64
Vista South	8.97	17.16	13.06
Total	**14.97**	**28.42**	**21.70**

6.6 Summary of valuation results

Snowden has valued Coalspur's Coal Resources by applying the following methodologies

- Comparable Transactions of Canadian and US coal deposits based on US$/t coal in situ (Coal Resources).
- Kilburn Geoscience rating method for exploration potential of coal project areas in Canada and the US.

A summary of the valuation results for Coalspur coal resources is provided in Table 6-6 below.

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Table 6-6: Summary of Fair Market Value results as at Dec. 1, 2014

Resources	Method	Low (US$M)	High (US$M)	Preferred Value (US$M)
Vista Extension	Comparable transaction	4.16	9.91	7.04
Vista South	Comparable transaction	6.21	12.64	9.42
Vista Extension	Kilburn	6.01	11.26	8.64
Vista South	Kilburn	8.97	17.16	13.06
Total	Comparable transaction	10.37	22.54	16.46
Total	Kilburn	14.98	28.42	21.70

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JORC Code 2012	The Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves (The JORC Code 2012 Edition). The Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia
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8 Glossary of terms

Term	Description
Abbreviations	Cu – copper, EL – Exploration Licence, , EPM – Exploration Permit for Minerals, Ga – giga (10^9) years ago, g/t – grams per tonne, kg – kilogram, km – kilometre, km^2 – square kilometres, kt – kilotonnes, m – metre, M – million, mm – millimetre, Mtpa – million tonnes per annum, Ma – million years ago, , PFS – Pre-feasibility study, ppm – parts per million,.
Accuracy	Statistical term for the correctness of a value
Alteration	A change in mineralogical composition of a rock commonly brought about by reactions with hydrothermal solutions or by pressure changes.
Amphibolite	A metamorphic rock composed predominantly of amphibole and plagioclase.
Anomalous	A departure from the expected norm. In mineral exploration this term is generally applied to either geochemical or geophysical values higher or lower than the norm.
Artisan	Skilled to semi skilled manual worker
Bedrock	Solid rock that underlies soil or other unconsolidated material.
Biotite	A dark coloured mica mineral.
Cumulative Frequency	Statistical analysis of the frequency of occurrence of values of a phenomenon less than a reference value
DCF	Discounted Cash Flow, DCF analysis is a method of valuing a project, company, or asset using the concepts of the time value of money
Diamond Drilling	Method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit.
Dip	The angle at which rock stratum or structure is inclined from the horizon.
Domain	Geological and resource term for a distinct geological or mineralisation unit
Dyke	A tabular intrusion of igneous rock that cuts across the planar structure of the surrounding rock.
Fault	A fracture in rocks along which rocks on one side have been moved relative to the rocks on the other.
Felsic	Light coloured rock containing an abundance of any of the following: feldspars, felspathoids and silica.
Fire Assay	Laboratory assay method which involves smelting a sample with lead oxide.
Footwall	The underlying side of a fault, ore body or mine workings.
Geochemical Exploration	Used in this report to describe a prospecting technique which measures the content of certain metals in soils and rocks and defines anomalies for further testing.
Geophysical Exploration	The exploration of an area in which physical properties (e.g. resistivity, gravity, conductivity, magnetic properties) unique to the rocks in the area are quantitatively measured by one or more geophysical methods.
Grade	The relative quantity or percentage of mineral content. Gold grade is commonly expressed in the terms: g/t - grams per tonne, ppb – parts per billion, ppm – parts per million.
Granite (Granitic)	A medium to coarse-grained felsic intrusive rock which contains 10-50% quartz.
Granodiorite	A coarse grained igneous rock containing quartz, plagioclase (sodium - calcium feldspar) and potassium feldspar, with biotite, hornblende or pyroxene.

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Term	Description
Hanging Wall	The overlying side of a fault, ore body or mine workings.
Hydrothermal	A term applied to magmatic emanations rich in water and to the alteration products and mineral deposits produced by them.
Igneous	A rock that has solidified from molten material or magma.
Indicated Mineral Resource	'An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.' (JORC, 2012)
Inferred Mineral Resource	'An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes which may be limited or of uncertain quality and reliability.' (JORC, 2012)
Intrusion	A body of igneous rock that invades older rocks.
JORC	Joint Ore Reserves Committee (of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia).
JORC Code	Joint Ore Reserves Committee Code, 2012
Kriging	geostatistical technique to interpolate the value (grade) of a random field as a function of its geographic location
Lithology	A term pertaining to the general characteristics of rocks. It generally relates to descriptions based on hand sized specimens and outcrops rather than microscopic or chemical features.
Mafic (Composition)	Igneous rocks composed dominantly of iron and magnesium minerals.
MAIG	A post-nominal that signifies the holder is Member of the Australian Institute of Geoscientists ("AIG"). Under the JORC reporting code, a 'competent person' must be at a minimum a member of the AIG or the AusIMM.
Malachite	A copper carbonate mineral found in oxidised zone of copper deposits.
MAusIMM	A post-nominal that signifies the holder is Member of the Australian Institute of Mining and Metallurgy ("AusIMM"). Under the JORC reporting code, a 'competent person' must be at a minimum a member of the AIG or the AusIMM.

Term	Description
Measured Mineral Resource	A 'Measured Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are spaces closely enough to confirm geological and grade continuity.
Metamorphism (Metamorphic)	The process by which changes are brought about in earth's crust by the agencies of heat, pressure and chemically active fluids.
Metasediment	Metamorphosed sedimentary rock.
Mineral Resource	Defined in the 2012 JORC Code as a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such a form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. . Mineral Resources are subdivided, in order of increasing confidence, into Inferred, Indicated and Measured categories. The words 'ore' and 'reserves' must not be used in describing Mineral Resources as the terms imply technical feasibility and economic viability and are only appropriate when all relevant Modifying factors have been considered
Mineralisation	Geological term for potentially economic minerals
NPV	Net Present Value is the sum of the present values (PVs) of the individual (annual) cash flows
Ore Reserve	A technical term which is controlled in its use by the 2012 JORC Code. An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could be reasonably justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.
Oxide Zone	Near surface material affected by weathering and leaching of minerals.
Pit	Circular surface excavation, usually unsupported
Plunge	The inclination of a linear geological structure from the Horizon.
Proterozoic	Geological time classification system in which rosk are between 570 and 2500 million years old.
Pyrite	A common iron mineral composed of iron and sulphur.

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Term	Description
QA/QC (for sampling and assaying)	There are two components to a QA/QC system – quality assurance and quality control. Quality assurance (QA) refers to the protocols and procedures, which ensure that sampling and assaying is completed to the required quality. Quality control (QC), however, is the use of control samples and statistical analysis to ensure that the assay results are reliable.

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Annexure 2 – Scheme Implementation Agreement

This Agreement is made this day of 2015

Parties

Coalspur Mines Limited ACN 003 041 594 of Level 1, 28 Ord Street, West Perth, WA 6005 (**Coalspur**)

and

KC Euroholdings S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 40, avenue Monterey, L-2163 Luxembourg, registered with the Luxembourg Register of Commerce and Companies under number B 189548 and having a share capital of USD20,900 (**KCE**)

and

Cline Resource and Development Company of 430 Harper Park Drive, Beckley, West Virginia 25801 (**Cline**)

Recitals

A. KCE and Coalspur have agreed that KCE will acquire all of the issued and outstanding Coalspur Shares at a price of $0.023 per Coalspur Share pursuant to the Scheme, subject to the approval of the holders of the Coalspur Shares and the Court.

B. Coalspur intends to propose the Scheme and issue the Scheme Booklet.

C. KCE and Coalspur have agreed to do the things required by this agreement in order to enable the Scheme to be proposed, approved and implemented.

D. Cline has agreed to guarantee the performance of the obligations of KCE under this agreement.

The Parties agree as set out in the operative part of this agreement, in consideration of, among other things, the mutual promises contained in this agreement.

Agreed Terms

1. Defined Terms and Interpretation

1.1 Defined terms

In this agreement:

Accounting Standard has the meaning given to that term in section 9 of the Corporations Act.

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ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as appropriate.

Borrowdale means Borrowdale Park S.A.

Borrowdale Facility means all Financial Indebtedness of the members of the Coalspur Group to Borrowdale, and all rights Borrowdale has against any person in connection with that indebtedness.

Business Day means a day that is not a Saturday, Sunday, bank holiday or public holiday in Western Australia, Australia or British Columbia, Canada.

Canadian National Railway Agreement means the CN Confidential Transportation Agreement No. 523969-AA made as of 25 March 2013 between Canadian National Railway Company and Coalspur Mines (Operations) Ltd.

Canadian Securities Regulatory Authorities means the securities regulatory authorities of the following provinces of Canada: British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland.

Cancellation Consideration means the aggregate consideration to be provided to holders of Coalspur Options, being CAD $14,103.70 comprised of the amounts set out opposite each tranche of Coalspur Options as described in the following table:

Exercise Price	Number of options	Number of option holders	Issue Date	Expiry Date	Cancellation Consideration
CAD $0.30	2,780,739	10	5 March 2014 and 30 May 2014	13 February 2019	CAD $0.005 per option
A$1.05	700,000	1	16 July 2010	30 June 2015	CAD $50 per option holder
A$1.05	750,000	1	14 May 2010	30 June 2015	CAD $50 per option holder
A$0.70	350,000	1	24 March 2010	30 June 2015	CAD $50 per option holder
A$0.25	2,750,000	1	30 September 2009	30 June 2015	CAD $50 per option holder

CHESS means the Clearing House Electronic Sub-register System operated by ASX.

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Claim means any obligation, debt, cause of action, liability, claim, proceeding, suit or demand of any nature howsoever arising and whether present or future, fixed or unascertained, actual or contingent, whether at law, in equity, under statute or otherwise.

Cline Representations and Warranties means the representations and warranties of Cline set out in Schedule 4.

Coal Leases means collectively, the various leases by virtue of which the holder thereof is entitled to mine, recover, remove or dispose of coal, issued by any Regulatory Authority in connection with the business or activities of any member of the Coalspur Group, including without limitation those specified in Part 1 of Schedule 6, together with any renewals, extensions, modifications, substitutions, amalgamations, successions, conversions, demise to lease, renaming or variation of any of those mineral claims.

Coalspur Board means the board of directors of Coalspur.

Coalspur Costs has the meaning given to that term in clause 12.2(b)(i).

Coalspur Diligence Materials the information fully and fairly disclosed by Coalspur to KCE and its Representatives in the Coalspur data room hosted by Merrill DataSite on behalf of Coalspur and any additional information that has been fully and fairly disclosed in writing by Coalspur in response to a request by KCE.

Coalspur Director means a director of Coalspur.

Coalspur Financial Statements means the audited consolidated balance sheets, audited consolidated statements of operations, comprehensive income (loss) and deficit and audited consolidated statements of cash flows of Coalspur for the financial year ended December 31, 2013 and the unaudited consolidated financial statements of Coalspur for the nine month period ended September 30, 2014.

Coalspur Group means Coalspur and its Related Entities.

Coalspur Indemnified Parties means each member of the Coalspur Group and their respective directors, officers and employees.

Coalspur Information means all information contained in the Scheme Booklet, but does not include KCE Information or the Independent Expert's report that is included in or accompanies the Scheme Booklet.

Coalspur Option means an option to acquire a Coalspur Share

Coalspur Performance Rights means a performance right exchangeable for, or exercisable or convertible into, a Coalspur Share.

Coalspur Prescribed Occurrence means other than:

(a) as required by this agreement or the Scheme;

(b) matters which have been fully and fairly disclosed in:

(i) Coalspur Diligence Materials; or

(ii) documents released by Coalspur on ASX and SEDAR; or

(c) as agreed to in writing by KCE,

the occurrence of any of the following between the date of this agreement and 8.00am on the Second Court Date:

(d) Coalspur converting all or any of the Coalspur Shares into a larger or smaller number of shares;

(e) any member of the Coalspur Group resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;

(f) any member of the Coalspur Group:

(i) entering into a buy-back agreement; or

(ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;

(g) any member of the Coalspur Group declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members;

(h) a member of the Coalspur Group issuing securities, including without limitation Coalspur Shares, or granting an option (over Coalspur Shares, or agreeing to make such an issue or grant such an option other than to Coalspur or to a direct or indirect wholly- owned subsidiary of Coalspur or pursuant to the exercise on an option disclosed to ASX prior to the date of this agreement), including pursuant to a dividend reinvestment or other share plan;

(i) a member of the Coalspur Group issuing or agreeing to issue securities convertible into shares, including pursuant to a dividend reinvestment or other share plan;

(j) a member of the Coalspur Group making any change to its constitution or constating documents, as applicable;

(k) a member of the Coalspur Group disposing, or agreeing to dispose, of the whole, or a part, of its assets (including, without limitation, the Coal Leases, the Mining and Environmental Approvals and its other coal assets), business or property;

(l) a member of the Coalspur Group:

(i) acquiring, leasing or disposing of;

(ii) agreeing to acquire, lease or dispose of; or

(iii) irrevocably offering, proposing, announcing a bid or tendering for,

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any business, assets, entity or undertaking, the value of which exceeds $150,000 (individually or in aggregate);

(m) a member of the Coalspur Group terminating, varying or consenting to the termination or variation of, or waiving or releasing any material right under, any Coal Lease, Mining and Environmental Approval, or any other material agreement, deed or other arrangement or understanding;

(n) a member of the Coalspur Group creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a part, of its business or property other than a lien which arises by operation of law or legislation securing an obligation that is not yet due in the ordinary course of business;

(o) an Insolvency Event occurring in relation to any member of the Coalspur Group; or

(p) a member of the Coalspur Group:

(i) entering into any contract or commitment (including in respect of Financial Indebtedness) requiring payments by any member of the Coalspur Group, as applicable, in excess of $150,000 (individually or in aggregate) other than any payment required by law, or which is otherwise material to the Coalspur Group;

(ii) waiving any third party default where the financial impact on the Coalspur Group will be in excess of $150,000 (individually or in aggregate);

(iii) otherwise waiving, releasing, granting or transferring any rights with a value of more than $150,000 (individually or in aggregate);

(iv) other than pursuant to commitments that existed prior to the date of this agreement and which have been fully and fairly disclosed to KCE, a member of the Coalspur Group providing financial accommodation other than to members of the Coalspur Group (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of $150,000 (individually or in aggregate);

(v) a member of the Coalspur Group being deregistered as a company or otherwise dissolved except in the case of a member of the Coalspur Group with less than $150,000 (individually or in aggregate) in net assets as at the date of this agreement; or

(vi) a member of the Coalspur Group changing any accounting policy applied by them to report their financial position other than any change in policy required by a change in Accounting Standards.

Coalspur Registry means the manager from time-to-time of the Register.

Coalspur Reimbursement Fee Amount means $150,000.00.

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Coalspur Representations and Warranties means the representations and warranties of Coalspur set out in Schedule 4.

Coalspur Share means a fully paid ordinary share issued in the capital of Coalspur.

Coalspur Shareholder means at the relevant time each person who is registered in the Register as the holder of Coalspur Shares.

Coalspur Warrant means a warrant to acquire a Coalspur Share.

Communications has the meaning given to that term in clause 3.4(c).

Competing Proposal means any proposal or offer received by Coalspur from a third party (other than KCE or its Related Entities) to evaluate or enter into any transaction that is similar to the Transaction or under which (other than as required or contemplated by the Scheme):

(a) a person would acquire a relevant interest or voting power in 50.1% or more of Coalspur Shares or of the securities of any of member of the Coalspur Group;

(b) a person would enter into, buy, dispose of, terminate or otherwise deal with any cash settled equity swap or other synthetic, economic or derivative transaction connected with or relating to 50.1% or more of Coalspur Shares or of the securities of any member of the Coalspur Group;

(c) a person would directly or indirectly acquire or obtain an interest (including an economic interest) in all or a substantial part or material part of the business conducted by, or property of, Coalspur or any member of the Coalspur Group;

(d) a person would acquire Control of Coalspur or any member of the Coalspur Group;

(e) a person may otherwise acquire, or merge with, Coalspur or any member of the Coalspur Group (including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of securities, strategic alliance, dual listed company structure or joint venture); or

(f) Coalspur will issue, on a fully diluted basis, 50.1% or more of its capital as consideration for the assets or share capital or another person,

or which is conditional upon Coalspur failing to proceed with the Scheme or terminating this agreement, or any proposal by Coalspur to implement any material reorganisation of capital or dissolution. The variation of a proposal or offer constitutes a proposal or offer for the purposes of this definition.

Competition Act means the *Competition Act* (Canada), as amended from time to time and the regulations thereunder.

Conditions Precedent means the conditions precedent set out in clause 3.1.

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Confidentiality Agreement means the confidentiality agreement dated 3 September 2014 between Cline and Coalspur.

Control has the meaning given to that term in section 50AA of the Corporations Act.

Corporations Act means the Corporations Act 2001 (Cth).

Counterproposal has the meaning given to that term in clause 11.6(c).

Court means the Federal Court of Australia, unless otherwise agreed by the parties.

Deed Poll means the deed poll substantially in the form of Schedule 50 (or in such other form as agreed between Coalspur and KCE in writing).

Effective means, when used in relation to a Scheme, the order of the Court made under section 411(4)(b) in relation to the Scheme coming into effect pursuant to section 411(10) of the Corporations Act.

Effective Date means the date on which the Scheme becomes Effective.

EIG means EIG Energy Fund XV-A, L.P., EIG Energy Fund XV, L.P., EIG Energy Fund XV-B, L.P., EIG Energy Fund XV (Cayman), L.P. and EIG Management Company, LLC.

EIG Facility means all Financial Indebtedness of the members of the Coalspur Group to EIG (including all of the Coalspur Warrants on issue), and all rights EIG has against any person in connection with that indebtedness.

EIG Amended and Restated Liquidity Notes Letter means the letter (known as the 'Liquidity Notes Letter') from EIG to one or more members of the Coalspur Group dated 23 June 2014, as amended and restated on or about 30 July 2014, 30 September 2014, 13 November 2014, 4 December 2014 (by email from Ken Lee to Robert Gough), 15 January 2015 (by email from Ken Lee to Robert Gough), 10 February 2015 (by email from Ken Lee to Robert Gough) and on or about the date of this agreement.

Environmental Laws means all applicable laws whether foreign or domestic, including applicable common law, relating to the protection of the environment and employee and public health and safety, and for the regulation of contaminants, pollutants, waste, toxic and hazardous substances.

Exchanges means, collectively, the ASX and TSX.

Exclusivity Period means the period commencing on the date of this agreement and ending on the earlier of the date this agreement is terminated, the Implementation Date or the Sunset Date.

Explanatory Statement means the statement pursuant to section 412 of the Corporations Act, which will be registered by ASIC in relation to the Scheme, copies of which will be included in the Scheme Booklet.

Financial Advisor means any advisor or advisors retained by Coalspur or KCE, as applicable, in relation to the Scheme or a Competing Proposal from time to time.

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Financial Indebtedness means any debt or other monetary liability (whether actual or contingent) in respect of moneys borrowed or raised or any financial accommodation.

First Court Date means the first day on which an application made to the Court for an order under section 411(4)(a) of the Corporations Act convening the Scheme Meeting is heard.

GST means a goods and services tax or similar value added tax levied or imposed under the GST Law.

GST Law has the meaning given to it in the A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Implementation Date means the fifth Business Day after the Record Date, or such other date agreed to in writing by the parties.

Independent Expert means a person to be appointed by Coalspur pursuant to clause 6.1(d) as an independent expert to prepare a report to be provided to the Coalspur Board and Coalspur Shareholders stating whether, in the expert's opinion, the Scheme is in the best interests of Coalspur Shareholders.

Insolvency Event means, in relation to any entity:

(a) the person is or becomes unable to pay its debts as and when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act, or would be presumed to be insolvent if that Act applied;

(b) the person suspends or threatens to suspend payment of its debts generally;

(c) the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or the making of any order, or the passing of any resolution, for the winding up, liquidation or bankruptcy of the party other than where the application or order (as the case may be) is set aside within 14 days;

(d) the appointment of a provisional liquidator, liquidator, receiver or a receiver and manager or other insolvency official (whether under Australian law or foreign law) to the person or to the whole or a substantial part of the property or assets of the person;

(e) the appointment of an administrator to the person;

(f) the entry by a person into any compromise or arrangement with creditors; or

(g) the person ceases or threatens to cease to carry on business.

KCE Board means the board of directors of KCE.

KCE Costs has the meaning given to that term in clause 12.1(b)(i).

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KCE Group means KCE and its Related Entities.

KCE Indemnified Parties means each member of the KCE Group and their respective directors, officers and employees.

KCE Information means the information about KCE described in, and provided to Coalspur by KCE under, clause 6.3(a).

KCE Reimbursement Fee Amount means $150,000.00.

KCE Representations and Warranties means the representations and warranties of KCE set out in Schedule 4.

KERP Payments means the key employee retention plan payments (K.E.R.P) referred to in Appendix A of the EIG Amended and Restated Liquidity Notes Letter.

Listing Rules means the official listing rules of ASX.

Mining and Environmental Approvals means all present and future permits, certificates, authorisations, approvals, orders, consents, instructions, registrations, directions, decisions, decrees, conditions, notifications, demands, filings, licenses or permits whether or not having the force of law, issued by any Regulatory Authority in connection with the business or activities of any member of the Coalspur Group, including without limitation in relation to Environmental Laws and those specified in Part 2 of Schedule 6 (as amended, varied or replaced from time to time).

Notice of Meeting means the notice convening the Scheme Meeting together with the proxy forms for that meeting.

Option Cancellation Deeds has the meaning given to that term in clause 3.1(p).

Record Date means 7.00pm (Sydney time) on the fifth Business Day following the Effective Date, or such other date (after the Effective Date) as Coalspur and KCE may agree in writing or as ordered by the Court or as may be required by the ASX or TSX.

Register means the share register of Coalspur kept pursuant to the Corporations Act.

Regulator's Draft means the draft of the Scheme Booklet in a form acceptable to KCE and Coalspur, which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act.

Regulatory Approval has the meaning given to that term in clause 3.1(a).

Regulatory Authority includes, in any jurisdiction:

(a) a government or governmental, semi-governmental, administrative, fiscal or judicial entity or authority;

(b) a minister, department, office, commission, delegate, instrumentality, tribunal, agency, board, authority or organisation of any government;

(c) any regulatory organisation established under statute; and

(d) in particular, ASX, ASIC, TSX, the Canadian Securities Regulatory Authorities and the Government of Alberta.

Regulatory Review Period means the period from the date on which the Regulator's Draft is submitted to ASIC to the date on which ASIC provides a letter indicating whether or not it proposes to appear to make submissions, or will intervene to oppose the Scheme, when the application made to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme is heard.

Related Entity means, in relation to a party, any entity that is related to that party within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in the Accounting Standards) that is Controlled by that party.

Representatives means, in relation to an entity:

(a) each of the entity's Related Entities; and

(b) each of its and its Related Entities' directors, officers, employees, contractors, advisers (including legal, financial and other expert advisers) and agents, but excluding the Independent Expert.

Required Consultation Period means the shorter of:

(a) five Business Days after both parties becoming aware that clause 3.8(a)(i), 3.8(a)(ii) or 3.8(a)(iii) as the case may be, is triggered; and

(b) the period commencing at the time both parties become aware that clause 3.8(a)(i), 3.8(a)(ii) or 3.8(a)(iii), as the case may be, is triggered and ending at 8.00am on the Second Court Date.

Ridley Terminals Agreements means:

(a) the terminal services agreement dated 26 October 2011; and

(b) the terminal services agreement dated 28 March 2012, as amended and restated on 31 August 2012,

each between Ridley Terminals Inc. and Coalspur Mines (Operations) Ltd.

RG 60 means Regulatory Guide 60 issued by ASIC on 23 September 2011 (as amended).

Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between Coalspur and the Scheme Participants, the form of which is contained in Schedule 30, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by KCE and Coalspur.

Scheme Booklet means the information to be despatched to all Coalspur Shareholders and approved by the Court in connection with the Scheme, including the Scheme, the

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Explanatory Statement in respect of the Scheme, an independent expert's report prepared by the Independent Expert and the Notice of Meeting.

Scheme Consideration means the consideration to be provided to Scheme Participants under the terms of the Scheme, being $0.023 in respect of each Coalspur Share held by a Scheme Participant on the Record Date, the aggregate Scheme Consideration for each Scheme Participant being rounded to the nearest whole cent.

Scheme Meeting means the meeting of Coalspur Shareholders convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act and includes any adjournment of that meeting.

Scheme Participant means each person who is a Coalspur Shareholder as at the Record Date (other than KCE).

Second Court Date means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned or appealed application is heard.

SEDAR means the computer system established under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* for the transmission, receipt, acceptance, review and dissemination of documents filed in electronic format in Canada.

STIP Payments means the short term incentive plan payments for calendar year 2014 (S.T.I.P.), as approved by the Coalspur Board and referred to in Section 2(b) of the EIG Amended and Restated Liquidity Notes Letter.

Subsidiaries has the meaning given to that term in section 9 of the Corporations Act.

Sunset Date means 30 June 2015, or such later date as agreed to in writing between the parties.

Superior Offer means a bona fide Competing Proposal (which was not obtained in breach of clause 11) that the Coalspur Board, acting reasonably and in good faith, and after taking advice from its legal advisors practising in the area of corporate law and Financial Advisors, determines:

(a) is reasonably capable of being valued and completed on a timely basis, taking into account all aspects of the Competing Proposal and the person making it, including without limitation having regard to legal, regulatory and financial matters and any conditions precedent; and

(b) would, if completed in accordance with its terms, be more favourable to Coalspur and Coalspur Shareholders than the Scheme, after taking into account all of the terms and conditions of, and the identity, reputation and standing of the person making, the Competing Proposal.

Takes effect or **taking effect** means, in relation to the Scheme, on and from the first time when an office copy of the Court order approving the Scheme pursuant to section 411(4)(b)

of the Corporations Act is lodged with ASIC pursuant to section 411(10) of the Corporations Act.

Third Party Bidder has the meaning given to that term in clause 11.4(b)(i).

Timetable means the indicative timetable for the implementation of the Transaction, as set out in Schedule 1, or as otherwise agreed by KCE and Coalspur, acting reasonably.

Transaction means the acquisition by KCE of all of the Coalspur Shares by means of the Scheme in accordance with the terms of this agreement.

Trust Account means an Australian dollar denominated trust account nominated by Coalspur, details of which Coalspur must notify to KCE and Cline at least 5 Business Days before the Implementation Date.

TSX means the Toronto Stock Exchange.

TSX Rules means the TSX Company Manual.

1.2 Interpretation

In this agreement, except where the context otherwise requires:

(a) the singular includes the plural and vice versa, and a gender includes other genders;

(b) another grammatical form of a defined word or expression has a corresponding meaning;

(c) a reference to a clause, paragraph, or schedule is to a clause or paragraph of, or schedule to, this agreement, and a reference to this agreement includes any schedule;

(d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;

(e) a reference to A$, dollar or $ is to Australian currency, unless another currency is expressly specified;

(f) a reference to time is to Perth, Western Australia time, unless otherwise noted;

(g) a reference to a party is to a party to this agreement, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;

(h) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;

(i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

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(j) a word or expression defined in the Corporations Act and not otherwise defined in this agreement has the meaning given to it in the Corporations Act;

(k) the meaning of general words is not limited by specific examples introduced by "including", "for example" or similar expressions;

(l) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;

(m) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;

(n) any statement made by a party on the basis of its awareness or knowledge, including for the purposes of the representations and warranties set forth in Schedule 4, is made on the basis that the party has, in order to establish that the statement is true and not misleading in any respect:

(i) made all reasonable enquiries of the officers, managers, employees and other persons who could reasonably be expected to have information relevant to the matters to which the statement relates; and

(ii) where those enquiries would have prompted a reasonable person to make further enquiries, made those further enquiries,

and that, as a result of those further enquiries, the party has no reason to doubt that the statement is true and not misleading in any respect;

(o) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this agreement or any part of it; and

(p) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

1.3 Headings

Headings are for ease of reference only and do not affect interpretation.

2. Agreement to propose Scheme

2.1 Proposal of Scheme

(a) Coalspur agrees to propose and implement the Scheme upon and subject to the terms of this agreement.

(b) KCE agrees with Coalspur to assist Coalspur to propose and give effect to the Scheme on and subject to the terms of this agreement.

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2.2 Compliance with obligations

Coalspur's obligations under this agreement to propose the Scheme are subject to its compliance with Coalspur's respective obligations, functions, powers and duties under Coalspur's constitution, at law and under the Listing Rules and TSX Rules.

3. Conditions Precedent

3.1 Conditions Precedent to implementation of the Scheme

The Scheme, the obligations of Coalspur under clause 6.1 and the obligations of KCE under clause 6.3 are subject to the satisfaction of the following Conditions Precedent (unless waived by a party in accordance with clause 3.2):

(a) **Regulatory Approvals**: before 8.00am on the Second Court Date:

(i) **ASIC**: ASIC issues or provides such consents, approvals, modifications or exemptions, or does such other acts which the parties agree are reasonably necessary or desirable to implement the Scheme;

(ii) **ASX and TSX**: ASX and TSX issue or provide such consents or approvals or does such other acts which the parties agree are reasonably necessary to implement the Scheme; and

(iii) all other regulatory approvals required to implement the Scheme being granted or obtained and those regulatory approvals not being withdrawn, cancelled, revoked or varied in a manner that is materially adverse to the parties,

(together, **Regulatory Approvals**);

(b) **Shareholder approval**: before 8.00am on the Second Court Date, Coalspur Shareholders approve the Scheme at the Scheme Meeting by the requisite majorities under the Corporations Act;

(c) **Coalspur Board Recommendation**: the Coalspur Board unanimously recommending that Coalspur Shareholders vote in favour of the Scheme, in the absence of a Superior Offer and in the absence of the Independent Expert finding that the Scheme is not in the best interests of Coalspur Shareholders and including that recommendation in the Scheme Booklet and no Coalspur Director withdrawing or varying that recommendation or otherwise making any public statement or taking any action which would suggest that the Scheme is not so recommended before 8.00am on the Second Court Date;

(d) **Restraining orders**: as at 8.00am on the Second Court Date, no temporary restraining order, preliminary or permanent injunction or other order or decision has been issued or made by any court of competent jurisdiction or any Regulatory Authority and there is no other legal restraint or prohibition preventing the consummation of any aspect of the Transaction on the Implementation Date;

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(e) **Court Approval**: the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;

(f) **Independent Expert's report**: the Independent Expert providing a report to Coalspur that concludes that the Scheme is in the best interests of Coalspur Shareholders and the Independent Expert not withdrawing or adversely modifying that conclusion before 8.00am on the Second Court Date;

(g) **EIG**: KCE entering into an agreement in writing with EIG for the acquisition by KCE of EIG's rights and interests under the EIG Facility (including the acquisition of all of the Coalspur Warrants on issue) and the transactions contemplated by that agreement completing before 8.00am on the Second Court Date;

(h) **Borrowdale**: KCE entering into an agreement in writing with Borrowdale for the acquisition by KCE of Borrowdale's rights and interests under the Borrowdale Facility and the transactions contemplated by that agreement completing before 8.00am on the Second Court Date;

(i) **Ridley Terminals**: before 8.00am on the Second Court Date, either:

(i) Coalspur Mines (Operations) Ltd. has entered into a written agreement with Ridley Terminals Inc. to amend the Ridley Terminals Agreements; or

(ii) the Ridley Terminals Agreements are terminated and a member of the Coalspur Group acceptable to KCE (in KCE's absolute discretion) has entered into one or more written agreements with Ridley Terminals, Inc. in substitution of the Ridley Terminals Agreements,

such amendment, or termination and replacement agreements, taking effect on or before the Effective Date and being on terms acceptable to KCE (in KCE's absolute discretion);

(j) **Canadian National Railway**: before 8.00am on the Second Court Date, either:

(i) Coalspur Mines (Operations) Ltd. has entered into a written agreement with Canadian National Railway to amend the Canadian National Railway Agreement; or

(ii) the Canadian National Railway Agreement is terminated and a member of the Coalspur Group acceptable to KCE (in KCE's absolute discretion) has entered into one or more written agreements with Canadian National Railway in substitution of the Canadian National Railway Agreement,

such amendment, or termination and replacement agreement, taking effect on or before the Effective Date and being on terms acceptable to KCE (in KCE's absolute discretion);

(k) **Coal Leases and Mining and Environmental Approvals**: before 8.00am on the Second Court Date, the relevant Coalspur Group entities have properly made all notifications to applicable Regulatory Authorities required in connection with the

Transaction under or in respect of the Coal Leases and Mining and Environmental Approvals, and those notifications have not been withdrawn;

(l) **No Coalspur Prescribed Occurrence**: no Coalspur Prescribed Occurrence occurs between the date of this agreement and 8.00am on the Second Court Date;

(m) **Coalspur Representations and Warranties**: the Coalspur Representations and Warranties given by Coalspur under Schedule 4 are true and correct in all material respects as at the date of this Agreement and as at 8.00am on the Second Court Date;

(n) **No KCE Insolvency Event**: no Insolvency Event occurring in relation to the KCE between the date of this agreement and 8.00am on the Second Court Date;

(o) **KCE and Cline Representations and Warranties**: the KCE Representations and Warranties given by KCE and Cline Representations and Warranties given by Cline under Schedule 4 are true and correct in all material respects as at the date of this Agreement and as at 8.00am on the Second Court Date;

(p) **Cancellation of Coalspur Options**: before 8.00am on the Second Court Date:

(i) each Coalspur Option has been cancelled in consideration for the payment by Coalspur to the holder of the Coalspur Option of the Cancellation Consideration; or

(ii) each person who is a holder of Coalspur Options has entered into a deed with Coalspur (in a form acceptable to KCE, acting reasonably) (**Option Cancellation Deeds**) to have his or her Coalspur Options cancelled, with effect on or before the Record Date, in consideration for the payment by Coalspur to the person of the Cancellation Consideration, and such cancellation is subject only to the Scheme becoming Effective; and

(q) **Extension of Mining and Environmental Approvals**: KCE has obtained assurances to the satisfaction of KCE from the Alberta Energy Regulator regarding its processes for extending the term of the Mining and Environmental Approvals and the probability of obtaining extensions for the Mining and Environmental Approvals.

3.2 Waiver of Conditions Precedent

(a) The Conditions Precedent in clauses 3.1(a), 3.1(b), 3.1(d) and 3.1(e) are for the benefit of Coalspur and KCE, and cannot be waived.

(b) The Conditions Precedent in clauses 3.1(c), 3.1(g), 3.1(h), 3.1(i), 3.1(j), 3.1(k), 3.1(l), 3.1(m), 3.1(p) and 3.1(q) are for the sole benefit, and any breach or non-fulfilment of those Conditions Precedent may only be waived with the written consent, of KCE.

(c) The Conditions Precedent in clauses 3.1(n) and 3.1(o) are for the sole benefit, and any breach or non-fulfilment of those Conditions Precedent may only be waived with the written consent, of Coalspur.

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(d) The Condition Precedent in clause 3.1(f) is for the benefit of each party, and any breach or non-fulfilment of that Condition Precedent may only be waived with the written consent of each of the parties.

(e) A party entitled to waive the breach or non-fulfilment of a Condition Precedent pursuant to this clause 3.2 may do so in its absolute discretion.

(f) Waiver of a breach or non-fulfilment in respect of one Condition Precedent does not constitute:

(i) a waiver of breach or non-fulfilment of any other Condition Precedent resulting from the same event; or

(ii) a waiver of breach or non-fulfilment of that Condition Precedent resulting from any other event.

3.3 Reasonable endeavours to satisfy Conditions Precedent

To the extent it is within its power to do so, each of Coalspur and KCE will use its reasonable endeavours to procure that:

(a) each of the Conditions Precedent is satisfied as soon as practicable after the date of this agreement and continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and

(b) there is no occurrence within the control of Coalspur or KCE (as the context requires) or their Related Entities that would prevent the Conditions Precedent being satisfied, except to the extent such occurrence is required by law.

3.4 Pre implementation steps

Without limiting the generality of clause 3.3:

(a) **Regulatory Approvals**: each party must promptly apply for all relevant Regulatory Approvals and take all steps it is responsible for as part of the Regulatory Approval process, including responding to requests for information at the earliest practicable time.

(b) **Filing Fees:** All filing fees required in connection with the notification of the transactions contemplated by this agreement shall be borne by KCE.

(c) **Consultation**: each party must consult with the other in advance in relation to all communications (whether written or oral, and whether direct or via agents or advisers) with any Regulatory Authority relating to any Regulatory Approval (**Communications**) including:

(i) providing the other party with drafts of any material written Communications to be sent to a Regulatory Authority and making such amendments thereto as the other party reasonably requires; and

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(ii) providing copies of any material written Communications sent to or received from Regulatory Authority to the other party promptly upon despatch or receipt (as the case may be),

in each case to the extent it is reasonable to do so and such Communications do not contain commercially sensitive information of the first party;

(d) **Participation**: each party will have the right to be represented and make submissions at any proposed meeting with any Regulatory Authority relating to any Regulatory Approval; and

(e) **Alberta Energy Regulator**: Coalspur will use its reasonable endeavours to assist KCE in obtaining assurances from the Alberta Energy Regulator regarding extending the term of the Mining and Environmental Approvals at the end of their term.

3.5 Assistance of Representatives

Each party must procure that its Representatives work (including by attending meetings and by providing information) in good faith and in a timely and co-operative fashion with the other party, and the other party's Representatives, to satisfy the Conditions Precedent.

3.6 Notice of failure to satisfy Condition Precedent

(a) A party must promptly give the other notice of a failure to satisfy a Condition Precedent or of any event that will prevent a Condition Precedent being satisfied.

(b) Coalspur or KCE (as the case may be) must give written notice to the other party as soon as reasonably practicable (and in any event before 5.00pm on the day before the Second Court Date) as to whether or not it waives the breach or non-fulfilment of any Condition Precedent resulting from the occurrence of that event, specifying the Condition Precedent in question.

3.7 Certificates in relation to Conditions Precedent

Each party must:

(a) give the Court on the Second Court Date a certificate confirming (in respect of matters within its knowledge) whether or not the Conditions Precedent have been satisfied or waived; and

(b) give the other party a draft of its certificate by 5.00pm on the Business Day prior to the Second Court Date.

3.8 Conditions Precedent not met

(a) If:

(i) there is a breach or non-fulfilment of a Condition Precedent which is not waived in accordance with this agreement;

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(ii) there is an act, failure to act, event or occurrence which will prevent a Condition Precedent being satisfied by the date specified in clause 3.1 for its satisfaction (and the breach or non-fulfilment of the Condition Precedent which would otherwise occur has not already been waived in accordance with this agreement), or

(iii) if it becomes probable that the Scheme will not become Effective by the Sunset Date,

either Coalspur or KCE may serve notice on the other of them and then Coalspur and KCE must consult in good faith with a view to:

(iv) consider and if agreed, determine whether the Scheme or a transaction that results in KCE having beneficial ownership of all of the Coalspur Shares may proceed by way of alternative means or methods;

(v) consider and if agreed, extend the time or date for satisfaction of the relevant Condition Precedent or the Sunset Date; and/or

(vi) consider and if agreed, change the date of application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed to in writing by Coalspur and KCE (being a date no later than five Business Days before the Sunset Date).

(b) If Coalspur and KCE are unable to reach agreement under clause 3.8(a) within the Required Consultation Period, either Coalspur or KCE may, provided that Condition Precedent is for the benefit of that party, terminate this agreement by notice in writing to the other without incurring any liability to the other party because of that termination (other than under clause 12 if applicable), unless the relevant occurrence or the breach or non-fulfilment of the Condition Precedent arises out of a breach of clauses 3.3 or 3.4 by the terminating party.

(c) Subject to any rights or obligations arising under or pursuant to clauses that are expressed to survive termination (including by virtue of clause 9.4), on termination of this agreement, no party shall have any rights against or obligations to any other party under this agreement except for those rights and obligations which accrued prior to termination.

(d) If the condition in clause 3.1(b) is not satisfied only because of a failure to obtain the majority required by section 411(4)(a)(ii)(A) of the Corporations Act, then either party may by written notice within 3 Business Days after the date of the conclusion of the Scheme Meeting require the approval of the Court to be sought, pursuant to the Court's discretion in that section, provided the party has in good faith formed the view that the prospect of the Court exercising its discretion in that way is reasonable.

(e) If the Court refuses to make an order approving the Scheme satisfying clause 3.1(e), at KCE's request Coalspur must appeal the Court's decision to the fullest extent possible (except to the extent that the parties agree otherwise, or an

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independent Senior Counsel indicates that, in his or her view, an appeal would have negligible prospects of success before the Sunset Date). Coalspur may bring an appeal even if not requested by KCE. If any such appeal is undertaken at the request of KCE, KCE will bear Coalspur's costs of the appeal (including costs of the independent Senior Counsel) unless the parties otherwise agree. If any such appeal is undertaken by Coalspur, without the prior request from KCE, Coalspur will bear KCE's costs of the appeal unless the parties otherwise agree.

4. Transaction Steps

4.1 Scheme

(a) Coalspur must propose the Scheme to Coalspur Shareholders.

(b) If the Scheme becomes Effective, then on the Implementation Date:

(i) all of the Coalspur Shares held by Scheme Participants on the Record Date will be transferred to KCE;

(ii) in exchange, each Scheme Participant will be entitled to receive the Scheme Consideration for each Coalspur Share held by them at the Record Date; and

(iii) Coalspur will pay the Cancellation Consideration to each holder of Coalspur Options that has agreed to the cancellation of his or her Coalspur Options and cancel their Coalspur Options in accordance with the Option Cancellation Deeds.

4.2 No Amendment to the Scheme Without Consent

Coalspur must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of KCE.

4.3 Consideration

(a) Subject to the Scheme becoming Effective, KCE undertakes and warrants to Coalspur (in its own right and on behalf of each Scheme Participant) that in consideration of the transfer to KCE of each Coalspur Share held by a Scheme Participant under the terms of the Scheme, KCE will:

(i) pay the aggregate of the Scheme Consideration in accordance with the Scheme and Deed Poll; and

(ii) accept the transfer to it of the Coalspur Shares under the terms of the Scheme.

(b) Coalspur acknowledges that the undertaking by KCE in clause 4.3(a) is given to Coalspur in its capacity as agent for each Scheme Participant.

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4.4 Timetable

The parties must use their commercially reasonable endeavours to implement the Transaction and perform their respective obligations substantially in accordance with the Timetable.

5. Cline Guarantee

5.1 Guarantee

Cline irrevocably and unconditionally guarantees to Coalspur (in its own right and as trustee on behalf of the Scheme Participants and each of the Coalspur Indemnified Parties), on demand, the full, complete and punctual performance and observance by KCE of all of KCE's obligations and liabilities under this agreement and the Deed Poll.

5.2 Extent of guarantee

The liability of Cline under this clause 5, is not affected by anything that, but for this clause 5, might operate to release or exonerate Cline in whole or in part from its obligations including any of the following, whether with or without the consent of Cline:

(a) the grant to KCE, Cline or any other person of any time, waiver or other indulgence, or the discharge or release of KCE, Cline or any other person from any liability or obligation;

(b) Coalspur exercising or refraining from exercising its rights under any rights, powers or remedies against KCE, Cline or any other person; and

(c) any legal limitation, disability, incapacity or other circumstances related to KCE, Cline or any other person.

5.3 Principal and independent obligation

This clause 5 is a principal obligation and is not to be treated as ancillary or collateral to any other right or obligation and extends to cover each of this agreement and the Deed Poll as amended, varied, supplemented, renewed or replaced (whether with or without the consent of Cline).

5.4 Continuing guarantee

This clause 5 is a continuing obligation of Cline and:

(a) extends to cover the obligations of KCE to pay the Scheme Consideration;

(b) extends to cover the breach of any of the representations and warranties in clause 8.1 of this agreement; and

(c) continues despite implementation of the Scheme under this agreement, and remains in full force and effect for so long as KCE has any liability or obligation to

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a Coalspur Indemnified Party under this agreement or the Deed Poll as and until all of those liabilities or obligations have been fully discharged.

6. Implementation

6.1 Coalspur's obligations

Coalspur must execute all documents and do all acts and things within its power as may be necessary or desirable for the implementation and performance of the Scheme on a basis consistent with this agreement and substantially in accordance with the Timetable (and must consult with KCE on a regular basis about its progress in that regard), and in particular Coalspur must:

(a) **promote merits of Transaction**: participate in, and ensure the Coalspur Board participates in, efforts reasonably requested by KCE to promote the merits of the Transaction, including meeting with key members of Coalspur at the reasonable request of KCE;

(b) **prepare Scheme Booklet**: prepare the Scheme Booklet in respect of the Scheme in accordance with clause 6.4 and all applicable laws and in particular with the Corporations Act, RG 60 and the Listing Rules;

(c) **directors' recommendation**: include in the Scheme Booklet a statement by the Coalspur Board:

(i) unanimously recommending that Coalspur Shareholders vote in favour of the Scheme in the absence of any Superior Offer unless there has been a change of recommendation permitted under this agreement; and

(ii) that each Coalspur Board member will (in the absence of a Superior Offer) vote, or procure the voting of any Coalspur Shares (as applicable) held by or on behalf of a Coalspur Board Member at the time of the Scheme Meeting in favour of the Scheme at the Scheme Meeting;

(d) **commission Independent Expert's report**: promptly appoint the Independent Expert and provide all assistance and information reasonably requested by them in connection with the preparation of the Independent Expert's report for inclusion in the Scheme Booklet (including any updates to such report) and any other materials to be prepared by them for inclusion in the Scheme Booklet (including any updates thereto);

(e) **amend Scheme Booklet**: implement such changes to those parts of the Scheme Booklet relating to KCE which are provided to Coalspur by KCE in accordance with clause 6.3(a) as reasonably requested by KCE prior to finalising the Regulator's Draft;

(f) **consultation with KCE**: as soon as practicable after the date of this agreement:

(i) provide to KCE a draft of the Scheme Booklet and the Independent Expert's Report for the purpose of enabling KCE to review and comment

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on those draft documents. In relation to the Independent Expert's Report, KCE's review is to be limited to a factual accuracy review;

(ii) take the comments made by KCE into account in good faith when producing revised drafts of the Scheme Booklet; and

(iii) provide KCE with revised drafts of the Scheme Booklet within a reasonable time before the Regulator's Draft is finalised and to enable KCE to review the Regulator's Draft at least two Business Days before its submission;

(g) **Coalspur Board approval of Regulator's Draft**: as soon as practicable after finalisation of an advanced draft of the Regulator's Draft suitable for review by ASIC, procure that a meeting of the Coalspur Board is convened to consider approving the Regulator's Draft as being in a form appropriate for provision to ASIC for review;

(h) **liaise with ASIC**: as soon as reasonably practicable after the date of this agreement but no later than 14 days before the First Court Date, provide a copy of the Regulator's Draft to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act;

(i) **keep KCE informed**: during the Regulatory Review Period:

(i) promptly provide to KCE and include in revised drafts of the Scheme Booklet any new information in relation to the Coalspur Group not included in the Regulator's Draft which is required by the Corporations Act or RG 60 to be included in the Scheme Booklet; and

(ii) promptly inform and consult with KCE in relation to any matters raised by ASIC in connection with the Scheme Booklet or the Scheme including in relation to any presentation and/or the making of any submission in writing or at any proposed meeting with ASIC, and co-operate with KCE to resolve any such matters (which will include allowing KCE to participate in Coalspur's meetings and discussions with ASIC);

(j) **approval of Scheme Booklet**: as soon as practicable after the end of the Regulatory Review Period, procure that a meeting of the Coalspur Board is convened to consider approving the Scheme Booklet for despatch to Coalspur Shareholders, subject to approval of the Court;

(k) **Court direction and advice**: promptly after, and provided that the approvals in clauses 6.1(j) and 6.3(e) have been obtained, apply to the Court for orders under section 411(1) of the Corporations Act directing Coalspur to convene the Scheme Meeting to consider the Scheme and take all reasonable steps necessary to comply with the orders of the Court;

(l) **registration of Scheme Booklet and provision of copy to KCE**: request ASIC to register the Explanatory Statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act and,

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promptly after such registration, provide a copy of the registered Scheme Booklet to KCE;

(m) **section 411(17)(b) Statement**: apply to ASIC for the production of:

(i) an indication of intent letter that it does not intend to appear before the Court at the hearing on the First Court Date; and

(ii) a statement pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;

(n) **Scheme Meeting**: promptly convene the Scheme Meeting in accordance with any orders which are made by the Court pursuant to section 411(1) of the Corporations Act;

(o) **waiver in relation to cancellation of options:** to the extent ASX requires Coalspur to obtain a waiver from Listing Rule 6.23.2 to enable the Coalspur Options to be cancelled in consideration for the Cancellation Consideration, Coalspur shall submit a waiver application to ASX as soon as practicable after the date of this agreement and will use its reasonable endeavours to procure that ASX grants such waiver prior to 8.00am on the Second Court Date;

(p) **Court documents**: promptly prepare, consult with KCE in relation to the content of, the documents required for the purpose of each Court hearing held, including for the purposes of sections 411(1) and 411(4)(b) and, if applicable, 411(6) of the Corporations Act in relation to the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) and consider in good faith, for the purpose of amending drafts of those documents, reasonable comments from KCE and its Representatives on those documents;

(q) **Court approval**: as soon as practicable after Coalspur Shareholders approve the Scheme at the Scheme Meeting, apply (and to the extent necessary, re-apply) to the Court for an order approving the Scheme under section 411(4) and, if applicable, 411(6) of the Corporations Act substantially in accordance with the Timetable;

(r) **lodge copy of Court orders**: if the Court makes orders under section 411(4) and, if applicable, 411(6) of the Corporations Act approving the Scheme, lodge with ASIC an office copy of the order of the Court approving the Scheme under section 411(10) of the Corporations Act on the day such office copy is received or such later date as agreed in writing by KCE;

(s) **registration**: if the Court makes orders under section 411(4) of the Corporations Act approving the Scheme:

(i) use its reasonable endeavours to ensure that the ASX and TSX suspend trading in Coalspur Shares with effect from close of trading on the Effective Date;

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(ii) close the Register as at the Record Date to determine the identity of the Scheme Participants and their entitlements to the Scheme Consideration;

(iii) provide to KCE all information about the Scheme Participants that KCE reasonably requires in order for KCE to provide the Scheme Consideration to the Scheme Participants in accordance with the Scheme;

(iv) execute proper instruments of transfer of the Coalspur Shares and effect and register the transfer of the Coalspur Shares in accordance with the Scheme;

(v) register all transfers of Coalspur Shares to KCE on the Implementation Date; and

(vi) do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court;

(t) **Coalspur Performance Rights**: subject to the Scheme becoming Effective, on the date that the Scheme becomes Effective, issue to each person who is at that time the holder of a Coalspur Performance Right one Coalspur Share per Coalspur Performance Right held in full and final satisfaction of such Coalspur Performance Right held and ensure that each such person is registered as the holder of the relevant Coalspur Shares in the Register by no later than the Record Date;

(u) **access to information**: provide to KCE and its Representatives reasonable access to employees, officers and other facilities and properties of the Coalspur Group and to the books and records of the Coalspur Group, for the purpose of implementing the Transaction;

(v) **compliance with laws**: do everything reasonably within its power to ensure that the Transaction is effected in accordance with all laws and regulations applicable in relation to the Transaction (including, without limitation, doing everything reasonably within its powers to ensure the Transaction complies with all applicable securities laws or is otherwise exempt therefrom);

(w) **Competition Act**: without limiting clause 6.1(v), ensuring that as at the Implementation Date, the Canadian assets and revenues of it and its affiliates as calculated in accordance with clause 1(p) of Schedule 4 do not exceed the respective thresholds set out in that clause;

(x) **listing**: use its reasonable endeavours to ensure that the Coalspur Shares continue to be quoted on ASX and TSX until completion of the Transaction and not do anything to cause Coalspur Shares to cease being quoted on the ASX or TSX or to become permanently suspended from quotation or listing prior to completion of the Transaction, unless KCE has agreed in writing;

(y) **delivery of due diligence**: make available promptly to KCE the Coalspur Diligence Materials; and

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(z) **Coalspur Prescribed Occurrence**: between the date of this agreement and 8.00am on the Second Court Date, ensure that no Coalspur Prescribed Occurrence occurs.

6.2 Coalspur Registry details

For the purpose of clause 6.1(s), Coalspur must give all necessary directions to the Coalspur Registry to ensure that any information that KCE reasonably requests in relation to the Register, including any CHESS sub-register and any issuer sponsored sub-register, is promptly provided to KCE and, where requested by KCE, Coalspur must procure that such information is made available in such electronic form as is reasonably requested by KCE.

6.3 KCE's obligations

KCE must execute all documents and do all acts and things within its power as may be necessary or desirable for the implementation and performance of the Scheme on a basis consistent with this agreement and substantially in accordance with the Timetable, and in particular KCE must:

(a) **KCE Information**: prepare and provide to Coalspur all information in relation to KCE that is required to be included in the Scheme Booklet to comply with applicable laws relevant to that information (**KCE Information**), consult with Coalspur in relation to the content of that information and consider in good faith, for the purpose of amending those drafts, comments from Coalspur and its Representatives on that information;

(b) **assist Independent Expert**: subject to the Independent Expert entering into arrangements with Coalspur, including in relation to confidentiality, in a form reasonably acceptable to KCE, provide any assistance and information reasonably requested by the Independent Expert to enable it to prepare its report to be sent together with the Scheme Booklet;

(c) **review drafts of Scheme Booklet**: as soon as practicable after delivery, review drafts of the Scheme Booklet prepared by Coalspur and provide comments on those drafts in good faith;

(d) **approval of Regulator's Draft**: as soon as practicable after finalisation of an advanced draft of the Regulator's Draft suitable for review by ASIC, procure that a meeting of the KCE Board is convened to consider approving those sections of the Regulator's Draft that relate to the KCE Information as being in a form appropriate for provision to ASIC for review;

(e) **approval of Scheme Booklet**: as soon as practicable after the end of the Regulatory Review Period, procure that a meeting of the KCE Board is convened to consider approving those sections of the Scheme Booklet that relate to the KCE Group appropriate for despatch to Coalspur Shareholders, subject to the approval of the Court;

(f) **compliance with laws**: do everything reasonably within its power to ensure that the Transaction is effected in accordance with all laws and regulations applicable

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in relation to the Transaction (including, without limitation, doing everything reasonably within its powers to ensure the Transaction complies with all applicable securities laws or is otherwise exempt therefrom);

(g) **Competition Act**: without limiting clause 6.3(f), ensuring that as at the Implementation Date, the Canadian assets and revenues of it and its affiliates as calculated in accordance with clause 2(j) of Schedule 4 do not exceed the respective thresholds set out in that clause;

(h) **KCE Scheme Consideration**: if the Scheme becomes Effective, provide the Scheme Consideration in the manner and amount contemplated by clause 4 and the terms of the Scheme and the Deed Poll;

(i) **KCE Insolvency Event**: ensure that no Insolvency Event occurs in relation to the KCE between the date of this agreement and 8.00am on the Second Court Date; and

(j) **Deed Poll**: before the hearing on the First Court Date, execute the Deed Poll.

6.4 Scheme Booklet

(a) Coalspur must consult with KCE as to the content of the Scheme Booklet (other than KCE Information).

(b) KCE must consult with Coalspur as to the content of KCE Information.

(c) The parties agree that:

(i) the efficient preparation of the Scheme Booklet is in the interests of the parties and Coalspur Shareholders; and

(ii) they will use all reasonable endeavours and utilise all necessary resources (including management resources and the resources of external advisers) to produce the Scheme Booklet as soon as reasonably practicable and in substantial accordance with the Timetable.

(d) KCE's obligations under clauses 6.3(c), 6.3(d) and 6.3(e) relate only to the factual accuracy of KCE Information and KCE takes no responsibility for information in the Scheme Booklet other than KCE Information. To that end, the Scheme Booklet will include a statement to the effect that:

(i) Coalspur has provided, and is responsible for, the Coalspur Information in the Scheme Booklet, and that KCE and its directors, officers and advisors do not assume any responsibility for the accuracy or completeness of the Coalspur Information;

(ii) KCE has provided, and is responsible for, the KCE Information in the Scheme Booklet, and that Coalspur and its directors, officers and advisors do not assume any responsibility for the accuracy or completeness of the KCE Information; and

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(iii) the Independent Expert has provided, and is responsible for, the Independent Expert's Report, and that neither Coalspur, KCE, nor their respective directors, officers or advisors assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

(e) Coalspur must undertake appropriate due diligence and verification processes for the purposes of complying with clause 6.1(j) and will make such verification material available to KCE on request by it.

(f) KCE must undertake appropriate due diligence and verification processes for the purposes of complying with clause 6.3(e).

(g) The parties must promptly inform the other if they have any reason to believe that any information in the Scheme Booklet is or has become misleading or deceptive in any material respect (whether by omission or otherwise) whether because of KCE Information or otherwise.

(h) If there is a dispute as to the content of any part of the Scheme Booklet (including KCE Information), the parties must consult in good faith and use their reasonable endeavours to resolve the dispute within two Business Days. If the parties fail to agree on the form or content of the Scheme Booklet:

(i) Coalspur will have the final decision on the form or content of any Coalspur Information; and

(ii) KCE will have the final decision on the form or content of any KCE Information.

Even if there is a dispute as to the form or content of the Scheme Booklet and the parties use this procedure, the parties will continue to perform their obligations under this agreement.

6.5 Good faith co-operation

Each party must procure that its Representatives work (including by attending meetings and by providing information) in good faith and in a timely and co-operative fashion with the other parties to implement the Scheme and to prepare all documents required relating to the Scheme.

6.6 Directors' Recommendation

(a) Subject to clause 6.6(b), the Coalspur Board must:

(i) unanimously recommend that the Scheme is in the best interests of Coalspur Shareholders and not subsequently change, withdraw or modify that recommendation in the absence of a Superior Offer;

(ii) unanimously recommend that Coalspur Shareholders vote in favour of all resolutions to be proposed at the Scheme Meeting in relation to the Scheme and approve the Scheme, and not subsequently change,

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withdraw or modify that recommendation in the absence of a Superior Offer;

(iii) include in all public statements made after execution of this agreement and relating to the Scheme or the Transaction a statement to the effect of clauses 6.6(a)(i) and 6.6(a)(ii); and

(iv) not make any public statement or take any other action that contradicts or qualifies the recommendation of the Scheme by the Coalspur Directors in the absence of a Superior Offer,

and the Scheme Booklet must state that each Coalspur Director who holds Coalspur Shares, or on whose behalf Coalspur Shares are held, intends to vote in favour of the Scheme in the absence of a Superior Offer.

(b) The Coalspur Board collectively, and the members of the Coalspur Board individually, must not, change, withdraw or modify his or her recommendation unless:

(i) the Independent Expert fails to provide a report to Coalspur that concludes that the Scheme is in the best interests of Coalspur Shareholders; or

(ii) a majority of the Coalspur Directors have:

(A) made the determination contemplated by clause 11.7(b) in respect of a Superior Offer after KCE's rights under clause 11.6(c) have been exhausted and after evaluation of any Counterproposal in accordance with clause 11.6(c); and

(B) publicly recommended that the Superior Offer is in the best interests of Coalspur Shareholders.

6.7 Court refuses to make orders

If the Court refuses to make any orders pursuant to section 411(1) of the Corporations Act convening the Scheme Meeting to consider or approve the Scheme, Coalspur must appeal the Court's decision to the fullest extent possible (with costs to be borne equally by KCE and Coalspur) except where:

(a) the parties agree otherwise; or

(b) Coalspur and KCE are each advised by their legal counsel that an appeal would have no reasonable prospect of success.

6.8 Appointment of Directors

Coalspur must, as soon as practicable:

(a) on the Implementation Date, ensure that all directors on the Coalspur Board resign and release Coalspur from any Claims they may have against Coalspur; and

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(b) on the Implementation Date, take all actions to ensure that subject to clause 6.8(a), all directors on the boards of each Coalspur Group member resign and release Coalspur and the applicable each Coalspur Group member and, subject to the receipt of appropriate consents to act, to cause the appointment of nominees of KCE to those boards.

6.9 Employees

(a) In the event that KCE agrees to terminate on the Effective Date, or to cause Coalspur to terminate on the Effective Date, each of the current employees of Coalspur (other than those employees who enter into retention agreements or arrangements), KCE confirms that it will honour, or to cause Coalspur to honour, all of the existing employment arrangements and agreements with such employees, including, without limitation, by paying to the individuals party to or subject to such arrangements and agreements, in each case, such amounts as are payable in respect of severance, change of control and other amounts owing to such individuals upon termination in accordance with such arrangements or agreements without consideration of the remaining term of any such agreement.

(b) KCE acknowledges and agrees to Coalspur paying to its employees:

(i) part of the STIP Payments in February 2015;

(ii) the remaining STIP Payments on completion of the assignment of all of EIG's rights and interests under the EIG Facility to KCE; and

(iii) the KERP Payments on the Effective Date,

as approved by the Coalspur Board and in accordance with the terms of the EIG Amended and Restated Liquidity Notes Letter.

7. Conduct of Business

7.1 Conduct of business by Coalspur

(a) From the date of this agreement until the Implementation Date, in consultation with the KCE, Coalspur must conduct its business, and must cause its Subsidiaries to conduct their respective businesses, in the ordinary course of business consistent with past practice, including making all reasonable efforts to:

(i) maintain its business and assets;

(ii) subject to clause 8.7(c), maintain the insurance (or reinsurance) policies of the Coalspur Group;

(iii) other than as a result of retirement, redundancy, non-renewal of contracts or resignation in the ordinary course, make no changes to, and keep available the services of, its directors, officers and key employees for the operations of the Coalspur Group;

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(iv) maintain and preserve their relationships with Government Agencies, customers, suppliers, licensors, licensees and others having business dealings with a member of the Coalspur Group (including, using reasonable endeavours to obtain consents from Third Parties to any change of control provisions which KCE reasonably requests in contracts or arrangements to which a member of the Coalspur Group is a party); and

(v) not enter into any lines of business or other activities in which members of the Coalspur Group are not engaged as of the date of this agreement,

except:

(vi) as may be required or contemplated by this agreement or to the Scheme; or

(vii) as may be undertaken with the prior approval of KCE, such approval not to be unreasonably withheld or delayed.

(b) Notwithstanding clause 7.1(a), Coalspur must not, and must ensure that its Subsidiaries do not:

(i) except for making the STIP Payments and KERP Payments in accordance with clause 6.9(b), increase the remuneration of or pay any bonus or issue any securities or options to, or otherwise vary the employment agreements with, any of its directors or any employees with an existing annual total fixed remuneration greater than $50,000;

(ii) accelerate the rights of any of its directors or employees to benefits of any kind;

(iii) pay a director or employee a termination payment, other than as provided for in an existing employment contract in place as at the date of this agreement and a copy of which has previously been disclosed to KCE;

(iv) enter into or amend in any material respect any long term supply agreement with a term of more than 12 months other than any proposed such agreements or amendments which have been disclosed in writing to KCE prior to the date of this agreement;

(v) give or agree to give a financial benefit to a related party of Coalspur other than in accordance with the exceptions set out in Chapter 2E of the Corporations Act;

(vi) amend in any material respect any arrangement with its Financial Advisors in respect of the transactions contemplated by this agreement;

(vii) enter into any new financing arrangements in excess of $150,000 in aggregate;

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(viii) except pursuant to an agreement with an adviser that was entered into prior to the date hereof and which has been disclosed in writing to KCE prior to the date of this agreement, pay any fee to any adviser where such fee is contingent on completion of the Transaction;

(ix) take any action that would be reasonably expected to give rise to a Coalspur Prescribed Occurrence;

(x) modify the rules of any option plan in respect of, or the terms of issue of, the Coalspur Options;

(xi) take any action:

(A) in respect of its information technology systems which would have a material adverse impact on those systems; or

(B) in respect of its distribution and logistics arrangements which would have a material adverse impact on those arrangements;

(xii) satisfy or settle any material Claim, dispute, liability or obligation, except such as have been included in the Coalspur Financial Statements or which constitutes a Claim between Coalspur and the Coalspur Group;

(xiii) grant any waiver, exercise any option or relinquish any material contractual rights; or

(xiv) enter into any interest rate, currency or commodity swaps, hedges, caps, collars, forward sales or other similar financial instruments; or

(xv) agree to do any of the matters set out above,

except:

(xvi) with the prior written consent of KCE; or

(xvii) as required by law or under this agreement or the Scheme.

7.2 Transaction implementation and access to information

(a) From the date of this agreement until the Implementation Date:

(i) Coalspur must:

(A) provide KCE with reasonable access to such officers, documents, records and other information which KCE or its Related Entities reasonably require for the purposes of:

(1) understanding the Coalspur Group's financial position, prospects and affairs including its cash flow and working capital position;

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(2) implementation of the Scheme; and

(3) preparing for carrying on the business of the Coalspur Group following implementation of the Scheme; and

(B) without limiting clause 7.2(a)(i)(A), provide KCE with:

(1) monthly management reports; and

(2) details of any material agreements that are proposed to be entered into during that period.

(b) The rights and obligations of the parties under this clause 7.2 are subject to the terms of the Confidentiality Agreement.

(c) Nothing in this clause 7.2 requires Coalspur or KCE to act at the direction of the other. The business of each party and their Subsidiaries will continue to operate independently of the other until the Implementation Date.

8. Representations, Warranties and Undertakings

8.1 KCE and Cline representations and warranties

(a) KCE represents and warrants to Coalspur each of the KCE Representations and Warranties.

(b) Cline represents and warrants to Coalspur (in its own its own right and as trustee on behalf of the Scheme Participants and each of the Coalspur Indemnified Parties) each of the Cline Representations and Warranties.

8.2 Coalspur's representations and warranties

Coalspur represents and warrants to KCE each of the Coalspur Representations and Warranties.

8.3 Qualifications on Coalspur Warranties

The Coalspur Representations and Warranties under clause 8.2 and Schedule 4 are subject to matters that have been fully and fairly disclosed prior to the parties' entry into this agreement in:

(a) the Coalspur Diligence Materials; and

(b) documents released by Coalspur on ASX and SEDAR.

8.4 Survival of representations

Each representation and warranty referred to in clauses 8.1 and 8.2 will survive termination of this agreement and completion of the Transaction.

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8.5 Timing of representation and warranties

Each representation and warranty made or given under clauses 8.1 or 8.2 is given:

(a) at the date of this agreement; and

(b) at 8.00am on the Second Court Date; or

where expressed to be given at a particular time, at that time.

8.6 Reliance

Each party acknowledges that the other has entered into this agreement in reliance on the representations and warranties given by the party in this clause 8.

8.7 Liability of directors and officers

(a) Each party agrees that it will release its rights against, and will not make any claim against, any past or present director, officer or employee of the other in relation to information provided to it or in relation to its entry into this agreement, except where the person has not acted in good faith or has engaged in wilful misconduct. In this clause 8.7(a), a reference to any past or present director, officer or employee of the other refers to any past or present director, officer or employee of the KCE Group or the Coalspur Group.

(b) Each party holds the releases in clause 8.7(a) in respect of its directors, officers and employees as trustee for its past and present directors, officers and employees.

(c) KCE agrees that Coalspur may by no later than the Implementation Date arrange for new or amend existing directors and officers insurance policies for each of its directors and officers so as to provide run off cover in accordance with the terms of the insurance policy for a seven year period from the end of the term of the insurance policy and pay all premiums required so as to ensure that the insurance cover is provided under the insurance policy on those terms until that date. Coalspur agrees to consult in good faith with KCE regarding the cost of the insurance cover referred to in this clause in advance of taking out such insurance cover.

(d) KCE must procure that each member of the Coalspur Group preserve the indemnities and other rights under the deeds of indemnity, access and insurance made by them in favour of their respective directors and officers from time to time, and in particular, must not take any action which would prejudice or adversely affect any directors' and officers' run- off insurance cover taken out prior to the Implementation Date.

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9. Termination Rights

9.1 Termination events

Without limiting any other provision of this agreement:

(a) either party (**terminating party**) may terminate this agreement by notice in writing to the other party given at any time prior to the commencement of the Court hearing on the Second Court Date:

(i) if the Sunset Date has passed before the Scheme has become Effective;

(ii) if each of the following has occurred:

(A) the other party (**defaulting party**) is in breach of a material provision of this agreement (including, without limitation, a representation or warranty in clauses 1 or 2 of Schedule 4) other than as a result of a breach by the terminating party of its obligations under this agreement;

(B) the terminating party has given notice to the defaulting party setting out the relevant circumstances of the breach and stating an intention to terminate the agreement; and

(C) if the defaulting party's breach is capable of remedy, the relevant circumstances have continued to exist five Business Days (or any shorter period ending at 8.00am on the Second Court Date) from the time the notice in clause 9.1(a)(ii)(B) is given;

(iii) if the Court fails to make order in accordance with section 411(1) of the Corporations Act to convene the Scheme Meeting and either all appeals from such failure are unsuccessful or the parties, in accordance with clause 6.7, determine not to initiate an appeal;

(iv) provided that the terminating party has complied with its obligations under clauses 3.8(d) and 3.8(e), if the required majorities of Coalspur Shareholders do not approve the Scheme at the Scheme Meeting;

(v) if a Court or other Regulatory Authority has issued an order, decree or ruling or taken other action that permanently restrains or prohibits the Transaction and that order, decree, ruling or other action has become final and cannot be appealed; or

(vi) in accordance with clause 3.8(b); or

(b) KCE may terminate this agreement by notice in writing to Coalspur given at any time prior to the commencement of the Court hearing on the Second Court Date:

(i) a Coalspur Director fails to recommend that Coalspur Shareholders vote in favour of the Scheme or withdraws his or her recommendation that Coalspur Shareholders vote in favour of the Scheme or otherwise makes a public statement or takes any action indicating that he or she no longer supports the Scheme or that they support a Competing Transaction;

(ii) a Coalspur Prescribed Occurrence occurs prior to the commencement of the Court hearing on the Second Court Date;

(iii) the Coalspur Board recommends a Competing Proposal; or

(iv) a Competing Proposal is announced, made, or becomes open for acceptance and, pursuant to that Competing Proposal, the bidder for Coalspur acquires voting power (within the meaning of section 610 of the Corporations Act) of 50% or more of Coalspur and that Competing Proposal is (or has become) free from any defeating conditions.

(c) Coalspur may terminate this agreement by notice in writing to KCE given at any time prior to the commencement of the Court hearing on the Second Court Date if:

(i) at any time prior to the date of the Scheme Meeting, a majority of the Coalspur Directors have changed, withdrawn or modified their recommendation in accordance with clause 6.6(b)(ii);

(ii) in order to permit the Coalspur Board to recommend a Superior Offer, provided that Coalspur has first complied with clause 11.6 in relation to the Competing Proposal constituting such Superior Offer; or

(iii) an Insolvency Event occurs in relation to the KCE prior to the commencement of the Court hearing on the Second Court Date.

9.2 Notice of breach

Each party must give notice to the other as soon as practicable after it becomes aware of a breach by it of this agreement (including in respect of any representation or warranty).

9.3 Termination right

(a) Any right to terminate this agreement under clauses 9.1(a), 9.1(b) or 9.1(c) that arises before the Second Court Date ceases at the commencement of the court hearing on the Second Court Date.

(b) Subject to clause 9.3(a), any right to terminate this agreement ceases when the Scheme becomes Effective.

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9.4 Effect of termination

(a) If a party terminates this agreement, each party will be released from all further obligations under this agreement other than under clauses 1, 3.8(c), 8, 9, 10, 12, 13, and 14.

(b) Termination of this agreement does not affect any accrued rights or remedies of a party (including in respect of any past breach of this agreement by the other party).

10. Public Announcements

10.1 Announcement of transaction

Immediately after the execution of this agreement, Coalspur must issue a public announcement, substantially in the form set out in Schedule 2, or as otherwise agreed by KCE and Coalspur, acting reasonably. The announcement must include a unanimous recommendation by the Coalspur Board to Coalspur Shareholders that, in the absence of a Superior Offer and in the absence of the Independent Expert finding that the Scheme is not in the best interests of Coalspur Shareholders, Coalspur Shareholders vote in favour of the Scheme and that all the members of the Coalspur Board will vote (or will procure the voting of) all Coalspur Shares held by or on behalf of a member of the Coalspur Board in favour of the Scheme.

10.2 Public announcements

(a) Subject to clause 10.2(b), no public announcement or disclosure in relation to the Transaction or any subject matter thereof, or any other transaction the subject of this agreement or the Scheme may be made other than in a form approved by each party (acting reasonably), but each party must use all reasonable efforts to provide such approval as soon as practicable.

(b) Where a party is required by law and/or the Listing Rules, the listing rules of the TSX or pursuant to Canadian securities laws to make any announcement or make any disclosure in relation to the Transaction or any other transaction the subject of this agreement or the Scheme, it may do so only after it has given as much notice (if any) as possible to, and has consulted (to the fullest extent reasonable in the circumstances) with the other party prior to making the relevant disclosure.

10.3 Statements on termination

The parties must act in good faith and use all reasonable endeavours to issue agreed statements in respect of any termination of this agreement and, to that end but without limitation, clause 10.2 applies to any such statements or disclosures.

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11. Exclusivity

11.1 No-shop

During the Exclusivity Period, Coalspur must ensure that none of it, its Subsidiaries or any of its or their Representatives directly or indirectly:

(a) solicits, invites, facilitates, encourages or initiates any enquiries, negotiations, discussions or proposals;

(b) subject to clause 11.7, enter into any agreement, arrangement or understanding (whether or not in writing and whether or not legally binding); or

(c) subject to clause 11.7, communicates any intention to do any of the things in clause 11.1(b),

in relation to, or which may reasonably be expected to lead to, a Competing Proposal.

11.2 No-talk

During the Exclusivity Period, but subject to clause 11.7, Coalspur must ensure that none of it, its Subsidiaries or any of its or their Representatives directly or indirectly:

(a) initiates, negotiates or enters into or participates in negotiations or discussions with any person; or

(b) has any intention to do any of these things,

in relation to, or which may reasonably be expected to lead to:

(i) a Competing Proposal, even if that person's Competing Proposal was not directly or indirectly solicited, encouraged or initiated by Coalspur or any of its Representatives or the person has publicly announced the Competing Proposal; or

(ii) the Transaction not completing.

11.3 Due diligence information

During the Exclusivity Period, subject to clause 11.7, Coalspur must ensure that none of it, its Subsidiaries or any of its or their Representatives:

(a) solicits, invites, or initiates, any party other than KCE to undertake due diligence investigations on the Coalspur Group or their respective businesses and operations; or

(b) makes available to any person (other than KCE or its Representatives) or permits any such person to receive any non-public information in relation to the Coalspur Group or their respective businesses and operations.

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11.4 Notification of approaches

(a) During the Exclusivity Period, Coalspur must promptly, notify KCE in writing if it, its Subsidiaries, or any of its or their Representatives becomes aware of:

(i) any approach, inquiry or proposal made to, and any attempt or any intention on the part of any person to initiate or continue any negotiations or discussions with Coalspur or any of its Representatives with respect to, or that could reasonably be expected to lead to, any Competing Proposal, whether unsolicited or otherwise;

(ii) any proposal whether written or otherwise made to Coalspur, its Representatives or any of its Subsidiaries or their Representatives, in connection with, or in respect of any exploration or consummation of, a Competing Proposal or a proposed or potential Competing Proposal, whether unsolicited or otherwise;

(iii) any request for information relating to Coalspur or any member of the Coalspur Group or any of their businesses or operations or any request for access to the books or records of Coalspur or any member of the Coalspur Group, which Coalspur has reasonable grounds to suspect may relate to a current or future Competing Proposal;

(iv) any action by Coalspur or any of its Representatives, or any intention of Coalspur or any of its Representatives to take any action, in reliance on clause 11.7; or

(v) any breach of this clause 11.4.

(b) A notice given under this clause 11.4 must be accompanied by all material details of the relevant event, including:

(i) the identity of the person or persons taking any action referred to in clause 11.4(a)(i) or 11.4(a)(ii) or on whose behalf any such action was taken or any person to whom Coalspur intends to provide information under clause 11.4(a)(iii) (**Third Party Bidder**);

(ii) the terms and conditions of any Competing Proposal or any proposed Competing Proposal (to the extent known); and

(iii) the circumstances in which any information is provided to the Third Party Bidder.

11.5 Access to information

(a) Where, in reliance on clause 11.7, and subject to applicable law, the Coalspur Group or any member of the Coalspur Group or any of their Representatives proposes to provide any information relating to the Coalspur Group to any Third Party Bidder in connection with or for the purposes of a current or future Competing Proposal, it must, to the extent that KCE has not previously been

provided with the information, provide KCE with a complete copy of that information at the same time as it is provided to the Third Party Bidder.

(b) Nothing in this clause 11 prevents Coalspur or any of their Representatives from:

(i) providing information to its Representatives;

(ii) providing information required to be provided by law (including Canadian securities laws), a Court or any Regulatory Authority; or

(iii) making presentations to brokers, portfolio investors and analysts in the ordinary and usual course of business.

11.6 Coalspur's response to Third Party Bidder and KCE's right to respond

(a) If Coalspur is permitted by virtue of clause 11.7 to engage in activity that would otherwise breach clause 11.2, Coalspur must enter into a confidentiality agreement with the Third Party Bidder which is on terms no less onerous to the Third Party Bidder than the Confidentiality Agreement is to KCE.

(b) Without prejudice to KCE's rights under this clause 11, if at any time during the Exclusivity Period any Coalspur Director wishes to approve or recommend entry into any agreement, commitment, arrangement or understanding relating to a Competing Proposal (other than a confidentiality agreement contemplated by clause 11.6(a)), Coalspur must ensure that he or she does not do so:

(i) unless the Competing Proposal is bona fide and, assuming that the Competing Proposal is implemented, it would mean a person (other than KCE) would directly or indirectly acquire 100% of the Coalspur Group; and

(ii) until each of the following has occurred:

(A) the Coalspur Directors have made the determination contemplated by clause 11.7(b) in respect of that Competing Proposal;

(B) Coalspur has given KCE notice in writing of its intention to enter into an agreement, commitment, arrangement or understanding relating to that Competing Proposal, subject to KCE's rights under clause 11.6(c). Such notice must include or be accompanied by the information referred to in clause 11.4, unless that information has previously been notified to KCE pursuant to clause 11.4;

(C) KCE's rights under clause 11.6(c) have been exhausted;

(D) the Coalspur Directors have made the determination contemplated by clause 11.7(b) in respect of that Competing Proposal after KCE's rights under clause 11.6(c) have been

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exhausted and after evaluation of any Counterproposal in accordance with clause 11.6(c); and

(E) that Competing Proposal has been publicly announced by that person.

(c) If Coalspur gives notice to KCE under clause 11.6(b)(ii)(B), KCE will have the right, but not the obligation, at any time during the period of 5 Business Days following receipt of the notice, to:

(i) offer to amend the terms of the Scheme;

(ii) make a takeover bid for Coalspur; or

(iii) propose any other form of transaction,

(each a **Counterproposal**), and if it does so then Coalspur and the Coalspur Directors must review the Counterproposal in good faith. If the Counterproposal would provide at least an equivalent outcome for Coalspur Shareholders in all material respects compared to the Competing Proposal (having regard to the matters noted in clause 11.7(b)), then:

(iv) if the Counterproposal contemplates an amendment to the Scheme – the parties must enter into an amended agreement in relation to the Scheme reflecting the Counterproposal; or

(v) if the Counterproposal contemplates any other form of transaction – Coalspur must announce promptly to the market that the Coalspur Directors unanimously recommend the Counterproposal, and the parties must pursue implementation of the Counterproposal in good faith.

(d) Where at any time before the Scheme Meeting, a Counterproposal is received in accordance with clause 11.6(c) then, subject to applicable laws, at KCE's request, Coalspur will:

(i) apply to the Court for an order adjourning the Scheme Meeting to a date acceptable to KCE, acting reasonably, which (where the Counterproposal involves a revision to the terms of the Scheme) must not be later than 10 Business Days after the scheduled date of the Scheme Meeting; and

(ii) if KCE and Coalspur amend the terms of this agreement pursuant to clause 11.6(c)(iv) or the Coalspur Directors unanimously recommend the Counterproposal under clause 11.6(c)(v) the parties must ensure that the details of such amended agreement or recommended Counterproposal are communicated to the Coalspur Shareholders as soon as practicable and in any event before the resumption of the adjourned Scheme Meeting.

(e) For the purposes of this clause 11.6, each successive modification of any third party expression of interest, offer or proposal in relation to a Competing Proposal will constitute a new Competing Proposal.

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11.7 Fiduciary and other carve-out

The restrictions in clauses 11.2 and 11.3 do not apply to the extent that they restrict Coalspur or the Coalspur Directors from taking or refusing to take any action with respect to a Competing Proposal (in relation to which there has been no contravention of this clause 11) provided:

(a) the Competing Proposal is bona fide and is made in writing by or on behalf of a person that each of the Coalspur Directors consider is of reputable commercial standing; and

(b) the Coalspur Directors have resolved in good faith and acting reasonably that:

(i) the Competing Proposal is a Superior Offer, and

(ii) after having received advice from its external legal adviser practising in the area of corporate law, taking such action (where such action would otherwise be prevented by this agreement) or failure to take such action (where such action would otherwise be required by this agreement) would more likely than not to constitute a breach of the Coalspur Directors' fiduciary duties or statutory obligations.

11.8 Legal advice

Coalspur represents and warrants that:

(a) prior to entering into this agreement it has received legal advice on this agreement and the operation of this clause 11; and

(b) it and the Coalspur Board consider this clause 11 to be fair and reasonable and that it is appropriate to agree to the terms in this clause 11 in order to secure the significant benefits to it, and Coalspur Shareholders, resulting from the Transaction.

12. Reimbursement Fees

12.1 KCE

(a) **KCE Declaration**

KCE represents and warrants to Coalspur that it would not have entered into this agreement without the benefit of this clause 12.1 and it would not have entered into and continued the negotiations and conducted due diligence into Coalspur leading up to this agreement unless KCE had a reasonable expectation that Coalspur would agree to enter into a clause of this kind.

(b) **Acknowledgments**

(i) Coalspur acknowledges that KCE has incurred:

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(A) significant external advisory costs;

(B) out of pocket expenses including air fares and hotel accommodation;

(C) commitment fees and other financing costs; and

(D) reasonable opportunity costs incurred by KCE in pursuing the Transaction or in not pursuing other alternative acquisitions or strategic initiatives,

in relation to the Transaction and will incur further costs if the Transaction is not successful (**KCE Costs**).

(ii) Coalspur represents and warrants that:

(A) prior to entering into this agreement it has received legal advice on this agreement and the operation of this clause 12.1;

(B) it has clear documentary evidence supporting the Coalspur Board's detailed consideration of this agreement and this clause 12.1 in particular; and

(C) it and the Coalspur Board considers this clause to be fair and reasonable and that it is appropriate to agree to the terms in this clause 12.1 in order to secure the significant benefits to it, and Coalspur Shareholders, resulting from the Transaction.

(c) **Agreement on KCE Costs**

The parties acknowledge that the amount of the KCE Costs is inherently unascertainable and that, even after termination of this agreement, the KCE Costs will not be able to be accurately ascertained. As a genuine and reasonable pre-estimate of the costs that KCE will suffer if the Transaction does not proceed, the parties agree that, for the purposes of this clause 12.1, the KCE Costs will be equal to the amount of the Coalspur Reimbursement Fee Amount (it being acknowledged by the parties that the KCE Costs would most likely be significantly in excess of this amount).

(d) **Reimbursement of KCE Costs**

(i) Coalspur agrees to pay to KCE the Coalspur Reimbursement Fee Amount if at any time after execution of this agreement, any of the following events occur:

(A) any Coalspur Director fails to recommend, or recommends against, qualifies their support of or withdraws its recommendation or approval of, the Transaction other than as a result of the Independent Expert opining that the Scheme is not in the best interests of Coalspur Shareholders (other than

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where the Independent Expert forms that opinion as a result of a Competing Proposal having been announced or made public);

(B) any Coalspur Director recommends or promotes a Competing Proposal, including for greater certainty, making any determination under clause 11.6(b);

(C) the Court fails (taking into account all appeals) to approve the Scheme for the purposes of section 411(4)(b) of the Corporations Act as a result of a material non-compliance by Coalspur with any of its obligations under this agreement;

(D) the Effective Date of the Scheme has not occurred prior to the Sunset Date as a consequence solely of:

(1) non-compliance by Coalspur with any of its obligations under this agreement; or

(2) without limiting clause12.1(d)(i)(D)(1), the Scheme Meeting not being held in a reasonably expeditious manner due to Coalspur delaying the Scheme Meeting as a result of a Competing Proposal;

(E) a Competing Proposal is announced before the date of the Scheme Meeting, the Scheme is not approved by the Coalspur Shareholders at the Scheme Meeting and, as contemplated by the Competing Proposal, a third party acquires voting power (within the meaning of section 610 of the Corporations Act) of 50% or more of Coalspur within twelve months of the Competing Proposal being announced; or

(F) KCE terminates this agreement under clause 9.1(a)(ii).

(ii) The payment of the Coalspur Reimbursement Fee Amount to KCE provided for in this clause 12.1(d) must be made within five Business Days of receipt by Coalspur of a written demand for payment from KCE. The demand may only be made after the occurrence of an event referred to in clause 12.1(d)(i).

(iii) Coalspur can only ever be liable to pay the Coalspur Reimbursement Fee once.

12.2 Coalspur

(a) **Coalspur Declaration**

Coalspur represents and warrants to KCE that it would not have entered into this agreement without the benefit of this clause 12.2 and it would not have entered into and continued the negotiations and conducted due diligence into KCE leading up to this agreement unless Coalspur had a reasonable expectation that KCE would agree to enter into a clause of this kind.

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(b) **Acknowledgments**

(i) KCE acknowledges that Coalspur has incurred:

(A) significant external advisory costs;

(B) out of pocket expenses including air fares and hotel accommodation; and

(C) reasonable opportunity costs incurred by Coalspur in pursuing the Transaction or in not pursuing other alternative strategic initiatives,

in relation to the Transaction and will incur further costs if the Transaction is not successful (**Coalspur Costs**).

(ii) KCE represents and warrants that:

(A) it has received legal advice on this agreement and the operation of this clause 12.2;

(B) it has clear documentary evidence supporting the KCE Board's detailed consideration of this agreement and this clause 12.2 in particular; and

(C) it and the KCE Board considers this clause to be fair and reasonable and that it is appropriate to agree to the terms in this clause 12.2 in order to secure the significant benefits to it, and KCE shareholders, resulting from the Transaction.

(c) **Agreement on Coalspur Costs**

The parties acknowledge that the amount of the Coalspur Costs is inherently unascertainable and that, even after termination of this agreement, the Coalspur Costs will not be able to be accurately ascertained. As a genuine and reasonable pre-estimate of the costs that Coalspur will suffer if the Transaction does not proceed, the parties agree that, for the purposes of this clause 12.2, the Coalspur Costs will be equal to the amount of the KCE Reimbursement Fee Amount (it being acknowledged by the parties that the Coalspur Costs would most likely be significantly in excess of this amount).

(d) **Reimbursement of Coalspur Costs**

(i) KCE agrees to pay to Coalspur the KCE Reimbursement Fee Amount if at any time after execution of this agreement, any of the following events occur:

(A) the Court fails (taking into account all appeals) to approve the Scheme for the purposes of section 411(4)(b) of the Corporations Act as a result of a material non-compliance by KCE with any of its obligations under this agreement;

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(B) the Effective Date of the Scheme has not occurred prior to the Sunset Date as a consequence of non-compliance by KCE with any of its obligations under this agreement; or

(C) Coalspur terminates this agreement under clause 9.1(a)(ii).

(ii) The payment of the KCE Reimbursement Fee Amount to Coalspur provided for in this clause 12.2(d) must be made within five Business Days of receipt of a written demand for payment by Coalspur. The demand may only be made after the occurrence of an event referred to in clause 12.2(d)(i) and termination of this agreement.

(iii) KCE can only ever be liable to pay the KCE Reimbursement Fee Amount once.

12.3 Circumstances in which Reimbursement Fees are not payable

(a) **No amounts payable**

Notwithstanding the occurrence of any event in clause 12.1(d), no Coalspur Reimbursement Fee is payable once the Scheme becomes Effective.

(b) **Compliance with law**

(i) If a court or the Takeovers Panel determines that any part of the Coalspur Reimbursement Fee:

(A) constitutes or would, if performed, constitute:

(1) a breach of the fiduciary or statutory duties of the Coalspur Board, as appropriate; or

(2) unacceptable circumstances within the meaning of the Corporations Act; or

(B) is unenforceable or would, if paid, be unlawful for any reason,

then Coalspur will not be obliged to pay such part of the Coalspur Reimbursement Fee and, if such fee has already been paid, then KCE must within 5 Business Days after receiving written demand from Coalspur refund that part of the Coalspur Reimbursement Fee.

(ii) If in Takeovers Panel proceedings described in clause 12.3(b)(i), the Takeovers Panel indicates to a party that in the absence of a written undertaking pursuant to section 201A of the Australian Securities and Investments Commission Act 2001 (Cth) it is minded to make a declaration of unacceptable circumstances, each of the parties (as the case may be) may give that undertaking on their own behalf and must give reasonable consideration to giving that undertaking if requested by the other parties. Where such undertakings are given, this clause 12 will operate in a manner consistent with the terms of such undertakings.

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12.4 Claims against Coalspur

(a) Notwithstanding any other clause in this agreement, the maximum aggregate amount which Coalspur is required to pay in relation to any breach(es) by Coalspur of this agreement is the Coalspur Reimbursement Fee Amount.

(b) For greater certainty, each party agrees that, upon termination of this agreement under circumstances where KCE is entitled to the Coalspur Reimbursement Fee Amount, and such fee is paid in full, KCE shall be precluded from any other remedy against Coalspur at law or in equity or otherwise (including, without limitation, an order for specific performance), and shall not seek to obtain any recovery, judgment or damages of any kind, including consequential, indirect or punitive damages, against Coalspur or any of its Subsidiaries or any of the respective directors, officers, employees, partners, managers, members, shareholders or affiliates or their respective representatives in connection with this agreement or the transactions contemplated hereby.

12.5 Claims against KCE or Cline

(a) Notwithstanding any other clause in this agreement, the maximum aggregate amount which KCE and Cline (in aggregate) are required to pay in relation to any breach(es) of this agreement by either of them is the KCE Reimbursement Fee Amount.

(b) For greater certainty, each party agrees that, upon termination of this agreement under circumstances where Coalspur is entitled to the KCE Reimbursement Fee Amount, and such fee is paid in full, Coalspur shall be precluded from any other remedy against KCE or Cline at law or in equity or otherwise (including, without limitation, an order for specific performance), and shall not seek to obtain any recovery, judgment or damages of any kind, including consequential, indirect or punitive damages, against KCE or Cline or any of their respective Subsidiaries or any of the respective directors, officers, employees, partners, managers, members, shareholders or affiliates or their respective representatives in connection with this agreement or the transactions contemplated hereby.

12.6 Limitation of Damages

In no event shall any party to this Agreement be liable for any consequential, indirect, punitive or exemplary damages in connection with a breach of this Agreement or any of the transactions contemplated herein.

13. Notices

13.1 Service of notices

A notice, demand, consent, approval or communication under this agreement (**Notice**) must be:

(a) in writing and in English; and

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(b) hand delivered or sent by facsimile to the recipient's address below:

Name:	Coalspur Mines Limited
Address:	600 – 543 Granville Street Vancouver, BC V6C 1X8 Canada
Fax no:	+1 604 697 4499
For the attention of:	Chief Executive Officer
Name:	KC Euroholdings S.à r.l.
Address:	3801 PGA Boulevard, Suite 903 Palm Beach Gardens Florida 33410 United States of America
Fax no:	+1 561 626 4938
For the attention of:	Paul Vining
Name:	Cline Resource and Development Company
Address:	3801 PGA Boulevard, Suite 903 Palm Beach Gardens Florida 33410 United States of America
Fax no:	+1 561 626 4938
For the attention of:	Timothy Elliott

(c) in the case of Notices to KCE or Cline, with a copy (being necessary but not sufficient without also complying with clause 13.1(b)) to:

Address:	Bailey & Glasser, LLP 209 Capitol Street, Charleston West Virginia 25301 United States of America
Fax no:	+1 304 342 1110
For the attention of:	Brian Glasser

13.2 Effective on receipt

A Notice given in accordance with clause 13.1 takes effect when received (by the last of the recipients specified in clause 13.1, if there are multiple such recipients) (or at a later time specified in it), and is taken to be received:

(a) if hand delivered, on delivery; or

(b) if sent by facsimile, when the sender's facsimile system generates a message confirming successful transmission of the entire Notice unless, within eight hours after the transmission, the recipient informs the sender that it has not received the entire Notice,

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but if the delivery or transmission under clause 13.2(a) or 13.2(b) is after 5.00pm in the place of receipt, or is on a Saturday, Sunday or bank or public holiday in the place of receipt, the Notice is taken to be received at 9.00am (local time) on the next day that is not a Saturday, Sunday or bank or public holiday in the place of receipt.

14. General

14.1 Alterations

This agreement may be altered only in writing signed by each party.

14.2 Approvals and consents

Except where this agreement expressly states otherwise, a party may, in its discretion, give conditionally or unconditionally or withhold any approval or consent under this agreement.

14.3 Assignment

A party may only assign, novate or otherwise transfer this agreement or a right or obligation under this agreement with the prior written consent of the other party.

14.4 Entire agreement

This agreement and the Confidentiality Agreement contain the entire agreement between the parties as at the date of this agreement with respect to their subject matter and supersede all prior agreements and understandings between the parties in connection with them.

14.5 Costs and stamp duty

(a) Except as otherwise provided in this agreement, each party must pay its own costs of negotiating, preparing, executing and performing this agreement and the Scheme Booklet and the proposed, attempted or actual implementation of this agreement and the Scheme.

(b) Any stamp duty payable on the transfer of Coalspur Shares to KCE under the Scheme must be paid by KCE.

14.6 GST

(a) Unless expressly included, the consideration for any supply under or in connection with this agreement does not include GST.

(b) To the extent that any supply made by a party to another party (**Recipient**) under or in connection with this agreement is a taxable supply and a tax invoice has been provided to the Recipient, the Recipient must pay, in addition to the consideration to be provided under this agreement for that supply (unless it expressly includes GST) an amount equal to the amount of that consideration (or its GST exclusive market value) multiplied by the rate at which GST is imposed in respect of the supply.

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(c) The amount of GST payable in accordance with this clause 14.6 will be paid at the same time and in the same manner as the consideration otherwise payable for the supply is provided.

14.7 Counterparts

This agreement may be executed in counterparts. All executed counterparts constitute one document.

14.8 Merger

The rights and obligations of the parties under this agreement will not merge on completion of any transaction contemplated by this agreement.

14.9 Severability

A term or part of a term of this agreement that is illegal or unenforceable may be severed from this agreement and the remaining terms or part of a term of this agreement continue in force.

14.10 Waiver

A party does not waive a right, power or remedy if it fails to exercise or delays in exercising the right, power or remedy. A single or partial exercise by a party of a right, power or remedy does not prevent another or further exercise of that or another right, power or remedy. A waiver of a right, power or remedy must be in writing and signed by the party giving the waiver.

14.11 Relationship

Except where this agreement expressly states otherwise, this agreement does not create a relationship of employment, trust, agency or partnership between the parties.

14.12 Representation or reliance

Each party acknowledges that:

(a) no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this agreement, except for representations or inducements expressly set out in this agreement;

(b) it does not enter into this agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this agreement; and

(c) clauses 14.12(a) and 14.12(b) above do not prejudice any rights a party may have in relation to information which had been filed by the other party with ASIC or ASX or on SEDAR.

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14.13 Governing law and jurisdiction

This agreement is governed by the law of Western Australia and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

14.14 Specific performance

The parties acknowledge that monetary damages alone would not be adequate compensation for a breach by any party of an obligation under this agreement and that specific performance of that obligation is an appropriate remedy.

14.15 Effect of agreement

(a) This agreement supersedes any previous understandings or agreements between the parties concerning the subject matter of this agreement.

(b) Despite clause 14.15(a), the Confidentiality Agreement continues to apply to the parties in accordance with its terms.

14.16 Mutual further assurances

Each party must do all things necessary or expedient to be done by it in connection with the matters referred to in this agreement.

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Schedule 1 - Timetable

Event	**Target Date (Australia)**
Signing of Scheme Implementation Agreement	Wednesday, 25 February 2015
Announcement of Scheme Implementation Agreement	Wednesday, 25 February 2015
Draft Scheme Booklet lodged with ASIC	Thursday, 26 February 2015
First Court Hearing	Wednesday, 18 March 2015
Dispatch of Scheme Booklet to Coalspur shareholders	Monday, 23 March 2015
Scheme Meeting	Wednesday, 22 April 2015
Second Court Hearing	Tuesday, 28 April 2015
Effective Date	Wednesday, 29 April 2015
Record Date	Wednesday, 6 May 2015
Implementation Date	Wednesday, 13 May 2015

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Schedule 2 – Coalspur Announcement

NOT INCLUDED IN SCHEME BOOKLET

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Schedule 3 - Scheme

SEE ANNEXURE 3 OF THE SCHEME BOOKLET

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Schedule 4 - Representations and Warranties

1. Coalspur representations and warranties

Coalspur represents and warrants to KCE that:

(a) **incorporation**: it is a body corporate validly existing under the laws of its place of incorporation and each member of the Coalspur Group is a corporation validly existing under the laws of its place of incorporation;

(b) **corporate power**: it has the corporate power to enter into and perform or cause to be performed its obligations under this agreement and to carry out the transactions contemplated by this agreement;

(c) **corporate authorisations**: it has taken all necessary corporate action to authorise the entry into of this agreement and the Scheme and, subject to Coalspur Shareholders approving the Scheme, has taken all necessary corporate action to authorise the performance of this agreement and the Scheme and to carry out the transactions contemplated by this agreement and the Scheme;

(d) **binding obligations**: subject to laws generally affecting creditors' rights and principles of equity, this agreement is valid and binding upon it;

(e) **issued securities**: the issued Coalspur securities and rights to be issued Coalspur securities as of the date of this agreement are:

(i) 641,544,455 Coalspur Shares;

(ii) 7,330,739 Coalspur Options;

(iii) 9,965,082 Coalspur Performance Rights; and

(iv) 120,000,000 Coalspur Warrants, which are all held by EIG,

and Coalspur has not issued, or agreed to issue, any other securities or instruments which are still in force and may convert into Coalspur Shares or any other securities in Coalspur; all issued and outstanding Coalspur Shares have been duly authorized and are validly issued and outstanding as fully paid, free of pre-emptive rights; there are no outstanding bonds, debentures or other evidences of indebtedness of Coalspur or any other member of the Coalspur Group having the right to vote with the Coalspur Shareholders on any matter; there are no outstanding contractual obligations of Coalspur or any other member of the Coalspur Group to repurchase, redeem or otherwise acquire any outstanding Coalspur Shares or with respect to the voting or disposition of any outstanding Coalspur Shares; and none of Coalspur or any of the Coalspur Group is party to any shareholder, pooling, voting trust or similar agreement relating to its issued and outstanding securities;

(f) **Coalspur Performance Rights**: each Coalspur Performance Right on issue, once exercised, will entitle the holder to receive one Coalspur Share;

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(g) **no default**: this agreement does not conflict with or result in the breach of or default under any provision of Coalspur's constitution, any material term or provision of any material agreement, or any writ, order or injunction, judgement, law, rule, regulation or instrument to which Coalspur or any member of the Coalspur Group is party or subject to;

(h) **books and records**: the corporate records and minute books of Coalspur and each member of the Coalspur Group have been maintained in accordance with all applicable laws and are complete and accurate, except where such incompleteness or inaccuracy would not omit material information required to be included;

(i) **Coal leases:** a member of the Coalspur Group possesses a valid lease in respect of the Coal Leases. The Coal Leases have been issued by the relevant Canadian Regulatory Authority and are in full legal force and effect. No member of the Coalspur Group has received any notice of proceedings relating to the revocation or material modification of any Coal Leases.

(j) **disclosure**: Coalspur is not in breach of its continuous disclosure obligations under the Corporations Act, the Listing Rules and is not relying on the carve-out in Listing Rule 3.1A to withhold any information from disclosure or under any Canadian law (including any rules and regulations of the TSX or any Regulatory Authority or government agency) and has filed in a timely manner all such documents, information and statements required under such laws, rules and regulations, and, at the time of filing, no such documents contained a misstatement of a material fact or omitted to state a material fact except where corrected by a subsequently filed document. Coalspur has not been the subject of a continuous disclosure review by ASIC or any Canadian Securities Regulatory Authority within the last 24 months;

(k) **all information**: the information and statements contained in this agreement are true and correct in all material respects and together with the Coalspur Diligence Materials and Coalspur public disclosures, has been prepared in good faith, constitute full, true and plain disclosure of all material facts relating to Coalspur and the Coalspur Group on a consolidated basis, contain no misrepresentations and do not omit a material fact which is necessary to make the information and statements contained therein not misleading in light of the circumstances in which they were made;

(l) **Coalspur Information**:

(i) the Coalspur Information:

(A) will be prepared and included in the Scheme Booklet in good faith and on the understanding that KCE and its directors will rely on that information for the purpose of considering and approving the KCE Information in the Scheme Booklet;

(B) will comply in all material respects with the requirements of the Corporations, the Listing Rules and relevant ASX Regulatory

Guides and the terms of this agreement as they apply to such information;

(C) will be true an correct and will not be misleading or deceptive in any material respect (whether by omission or otherwise) as at the date of the Scheme Booklet;

(ii) Coalspur will (but in respect of the KCE Information, subject to KCE complying with its obligations under clause 2(g) of this Schedule 4) update the Scheme Booklet as soon as reasonably practicable with all such further or new information which may arise after the date of the Scheme Booklet until the Scheme Meeting which is either necessary to ensure that the Scheme Booklet is not misleading or deceptive in any material respect (whether by omission or otherwise) or which is otherwise material for disclosure to Coalspur Shareholders or that is required to be disclosed to Coalspur Shareholders under any applicable law;

(iii) all information provided by or on behalf of Coalspur to the Independent Expert to enable the Independent Expert's Report to be prepared and included in the Scheme Booklet will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing the Independent Expert's Report for inclusion in the Scheme Booklet;

(m) **no Competing Proposal**: as at the date of this agreement, it is not involved in or aware of any negotiations or discussions, approach or attempt to initiate any negotiations or discussions, or intention to make such an approach or attempt to initiate any negotiations or discussions in respect of any expression or interest, offer, proposal or discussion in relation to a Competing Proposal, whether direct or indirect, solicited or unsolicited and in writing or otherwise;

(n) **solvency**: no member of the Coalspur Group is affected by an Insolvency Event;

(o) **regulatory action**: no regulatory action of any nature has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this agreement; and

(p) **Competition Act:** Coalspur together with its affiliates (as defined in the Competition Act) does not have assets in Canada that exceed CAD $250 million and has no annual gross revenues from sales in, from and into Canada, in either case, as determined pursuant to section 109 of the Competition Act.

2. KCE representations and warranties

KCE represents and warrants to Coalspur that:

(a) **incorporation**: it is a body corporate validly existing under the laws of its place of incorporation;

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(b) **corporate power**: it has the corporate power to enter into and perform or cause to be performed its obligations under this agreement and to carry out the transactions contemplated by this agreement;

(c) **corporate authorisations**: it has, or will have at the time performance is required in accordance with the terms of the agreement, taken all necessary corporate action to authorise the entry into of this agreement and the Scheme and has taken all necessary corporate action to authorise the performance of this agreement and the Scheme and to carry out the transactions contemplated by this agreement and the Scheme;

(d) **binding obligations**: (subject to laws generally affecting creditors' rights and principles or equity) this agreement is valid and binding upon it;

(e) **no default**: this agreement does not conflict with or result in the breach of or default under any provision of KCE's constitution, any material term or provision of any material agreement or any writ, order or injunction, judgement, law, rule, regulation or instrument to which KCE is party or subject or of which it is bound;

(f) **sufficient funds**: KCE has funding arrangements in place such that sufficient funds will be ready and available to satisfy its obligations under the Scheme and Deed Poll;

(g) **KCE Information**:

(i) the KCE Information:

(A) will be prepared and provided to Coalspur in good faith and on the understanding that Coalspur and its directors will rely on that information for the purpose of preparing the Scheme Booklet and proposing the Scheme;

(B) will comply in all material respects with the requirements of the Corporations Act, the Listing Rules and relevant ASX Regulatory Guides and the terms of this agreement as they apply to such information;

(C) will be true an correct and will not be misleading or deceptive in any material respect (whether by omission or otherwise) as at the date of the Scheme Booklet;

(ii) KCE will provide to Coalspur all such further or new material information which may arise after the date of the Scheme Booklet until the Scheme Meeting which is necessary to ensure that the KCE Information, in the form and context in which that information appears in the version of the Scheme Booklet despatched to Coalspur Shareholders, is not misleading or deceptive in any material respect (whether by omission or otherwise);

(h) **solvency**: KCE is not affected by an Insolvency Event;

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(i) **regulatory action**: no regulatory action of any nature has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this agreement; and

(j) **Competition Act**: KCE together with its affiliates (as defined in the Competition Act) does not have assets in Canada that exceed CAD $150 million or annual gross revenues from sales in, from or into Canada that exceed CAD $400 million, in either case, as determined pursuant to section 109 of the Competition Act.

3. Cline representations and warranties

Cline represents and warrants to Coalspur that:

(a) **incorporation**: it is a body corporate validly existing under the laws of its place of incorporation;

(b) **corporate power**: it has the corporate power to enter into and perform or cause to be performed its obligations under this agreement and to carry out the transactions contemplated by this agreement;

(c) **corporate authorisations**: it has, or will have at the time performance is required in accordance with the terms of the agreement, taken all necessary corporate action to authorise the entry into of this agreement and has taken all necessary corporate action to authorise the performance of this agreement and to carry out the transactions contemplated by this agreement;

(d) **binding obligations**: (subject to laws generally affecting creditors' rights and principles or equity) this agreement is valid and binding upon it;

(e) **no default**: this agreement does not conflict with or result in the breach of or default under any provision of Cline's constitution, any material term or provision of any material agreement or any writ, order or injunction, judgement, law, rule, regulation or instrument to which Cline is party or subject or of which it is bound;

(f) **sufficient funds**: Cline has funding arrangements in place such that sufficient funds will be ready and available to satisfy KCE's obligations under the Scheme and Deed Poll.

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Schedule 5 - Deed Poll

SEE ANNEXURE 4 OF THE SCHEME BOOKLET

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Schedule 6- Coal Leases and Mining and Environmental Approvals

Part 1: Coal Leases

Vista Coal Project

Lease No.	Lands
1308020345	5-23-051: 7;18S
1308020346	5-24-051: 12
1308020347	5-24-051: 8L16;9N,L7,L8
1308020348	5-24-051: 13S;14S
1308020349	5-24-051: 16SW,L1,L2,L7,L11-L13;17N,SE,L6;20SW,L1,L2
1311040471	5-22-051: 5NW;7SE;8S;9SW
1311040472	5-24-051: 25S;NW,L9,L10,L15;26;36SW,L2,L12
1308050904	5-22-051: 6L2-L5
1308050905	5-23-051: 16L4;17SW,L1,L2
1311050576	5-22-051: 6NE,L1,L6-L8
1311050581	5-23-051: 6E
1311050582	5-23-051: 18L9,L10
1307060429	5-24-051: 10;11;15
1307070587	5-23-050: 25L16;35NE,L14;36N,L1,L5-L8 5-23-051: 1S,NW,L9,L10,L15;2NE,L1,L6-L8; 11SE;12L3,L4
1307070588	5-23-051: 2NW;3NE,L13,L14;4L16;8N,SE,L5,L6;9
1399080001	5-23-050: 34N;35S,L11-L13;36L2-L4 5-23-051: 2L2-L5;3S,L11,L12;4S,NW,L9,L10,L15;5;8L3,L4
1308120620	5-23-050: 31-33;34S
1308120622	5-23-051: 6W 5-24-050: 35;36 5-24-051: 1;2N,L6-L8
1308120624	5-23-051: 18NW,L15,L16;19 5-24-051: 13N;14N;23;24

Vista South Project

Lease No.	Lands
1310090997	5-23-049: 18 5-24-049: 13;22-24
1310090998	5-24-049: 29
1310090999	5-24-050: 1;2;3N,4N;9-12
1310091000	5-24-050: 7N;8N
1310091001	5-25-050: 29L3,L4
1309120451	5-23-049: 19;30;31 5-23-050: 6 5-24-049: 35;36
1309120452	5-23-049: 28;29;32;33 5-23-050: 4;5
1309120453	5-24-049: 25-28;33;34 5-24-050: 3S;4S
1309120454	5-24-049: 31;32 5-24-050: 5;6;7S;8S
1309120455	5-23-050: 7-9; 18
1309120456	5-23-050; 16;21;22;27;28
1309120457	5-23-050: 17;19L1,L3-L5,L8,L12,,L13,L16;20;29;30 5-23-050: 19L2P, L6P, L7P, L9P, L10P, L11P, L14P, L15P PORTION(S) LYING OUTSIDE FORESTRY RESEARCH INSTALLATION.
1309120458	5-24-050: 13;14;23-26
1309120459	5-24-050: 15;16;21;22;27;28
1309120460	5-24-050: 17;18;20;29;30N
1309120461	5-25-050: 2S;3;4;9;10S
1309120462	5-25-050: 15NE,L1,L8
1309120463	5-25-050: 15L4,L5;16S,NW,L9,L10,L15;17;20S,NW,L9,L10, L15;21L3-L5;30W,L1,L2,L7,L10,L15,L16
1309120464	5-25-50: 21L9,L15,L16;28SE,L3,L5,L6
1308120621	5-24-050: 19;30S 5-25-050: 22N,SE,L3, L5, L6; 23-25;26S,NW, L9, L10, L15;27
1308120623	5-25-050: 1;2N;10N;11-14

Athabasca River Project

Lease No.	Lands
1311120568	5-24-052: 17-19 5-25-052: 12;13;24
1311120570	5-25-052: 9-11;14-16
1311120572	5-25-052: 21-23;27;28

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Lease No.	Lands
1311120573	5-26-052: 13;14; 15E;22-24
1311120574	5-26-052: 25-27;34-36

Vista Extension Project

Lease No.	Lands
1307050787	5-22-051: 19N 5-23-051: 22N; 23N; 24N; 25; 26
1307050788	5-22-051: 28-31
1307050789	5-22-051: 32; 33; 5-22-052: 4; 5
1307050790	5-22-052: 6; 7; 5-23-052: 1; 12
1307050791	5-22-052: 8; 9; 16; 21
1307050792	5-22-051: 17-20
1307050793	5-23-051: 27; 34-36
1307050794	5-24-051: 16SW, L1, L2, L7, L11-L13; 17N, SE, L6; 20SW, L1, L2
1307050795	5-23-051: 30; 31 5-24-051: 25L16; 36NE, L1, L7, L8, L11, L13, L14
1307050796	5-23-052: 2; 3; 10; 11
1307050797	5-22-051: 6NW; 7N, SW 5-23-051: 1L16; 11NE, L13, L14; 12N, SE, L5, L6; 13SW, L1, L2; 14S, L9-L12
1307050798	5-23-051: 10L16; 15; 16N, SE, L3, L5, L6; 17N, L7, L8, 20L1-L4
1307050799	5-22-051: 18 5-23-051: 13N, L7, L8; 14L13-L16; 23S; 24S
1307050800	5-23-051: 20N, L5-L8; 21; 22S
1307050801	5-22-051: 8N; 9N; 16; 17
1307050802	5-22-051: 19S, 20, 21
1308060419	5-22-050: 33N
1308060420	5-22-051: 9SE

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Part 2: Mining and Environmental Approvals

	Coal Conservation Act (s. 10 (1) (b), 13, 15 (1) and 21) and Coal Conservation Rules (s. 5)	
1.	Coal Processing Plant Approval	Coal Processing Plant Approval No. C 2011-3A issued May 8, 2014.
2.	Coal Mine Permit (to extend or otherwise substantially modify a previously permitted exploratory or experimental project, mine site or mine)	Coal Mine Permit No. C 2011-5A issued May 8, 2014.
3.	Licence to commence mining operations at a mine site	Coal Mine License No. C 2014-5 issued May 8, 2014 for Pit 1.
4.	Licence for waste rock dumps	Coal Mine License No. C 2014-4 issued May 8, 2014 for the South Dump, Coal Mine License No. C 2014-6 issued May 8, 2014 for the Subcrop Dump, and Coal Mine License No. C 2014-7 issued May 8, 2014 for the North Dump.
	Environmental Protection and Enhancement Act (s. 58, 59, 60, 188; 5 (b) of Schedule of Activities), Code of Practice for Exploration Operations (s. 3(2), Waste Control Regulation, Section 3(d) of the Activities Designation Regulation	
5.	Approval of the construction, operation and reclamation of a mine, quarry or pit	Approval No. 301345-00-00 issued August 22, 2014.
	Water Act (s. 36; 1 (1) b); Code of Practice for Pipeline and Telecommunication Lines Crossing a Waterbody; Code of Practice for Watercourse Crossings	
6.	Approval of the construction, operation, and maintenance of works and license to divert groundwater and surface water	Approval No. 00311969-00-00 issued August 22, 2014 and License No. 00311965-00-00 issued August 22, 2014.
	Mines and Minerals Act (s. 64)	
7.	Mineral Surface Lease (applicable to coal rights that are the property of the Crown in right of Alberta)	Mineral Surface Lease MSL 130948 issued October 10, 2014.
	Historical Resources Act (s. 30, s. 34, s. 37 (2))	
8.	Excavation Permit to carry out any operation or activity that may result in the alteration, damage or destruction of Alberta's historic resource sites.	Alberta Mitigative Permit 2011-105 and Mitigative Palaeontological Excavation Permit held by Lifeways of Canada Limited (historical resource contractor).
9.	Clearance Letter	File 4560-13-0002-003.
	Hydro and Electric Energy Act (s 18(1))	
10.	Order approving connection of a facility to a power plant, transmission line or electric distribution system	Permit and License No. U 2014-36 for the Vista substation, Permit and License No. U 2014-37 for the transmission line and Permit and License No. U 2014-38 for interconnection into the grid, all dated January 30, 2014.
	Public Lands Act (s.20)	
11.	Mineral Surface Lease	MSL 130948 issued October 10, 2014.
12.	Coal Exploration Program/Letters of	Letter of Authority issued January 7, 2010; Letter of

	Authority	Authority 100004 issued June 16, 2010; Letter of Authority 100005 issued August 10, 2010; Letter of Authority 120003 issued July 9, 2012; Letter of Authority 140002 issued July 11, 2014.
	Other	
13.	Alberta Energy Approval	2014 ABAER 004

Executed as an agreement.

Executed by **Coalspur Mines Limited ACN 003 041 594** in accordance with section 127 of the *Corporations Act*:

[*Mark Rodda]*

Signature of Director

Name of Director in full

[*Simon Robertson]*

Signature of Secretary/other Director

Name of Secretary/other Director in full

Executed by **KC Euroholdings S.à r.l.**:

[*Robert Keith Varney]*

Signature of Class A Manager

Name of Class A Manager in full

[*Onno Bouwmeister][Sean Murray]*

Signature of Class B Manager

Name of Class B Manager in full

Executed by **Cline Resource and Development Company**:

[*Chris Cline*]

Signature of Authorised Representative

Name of Authorised Representative in full

Signature of Authorised Representative

Name of Authorised Representative in full

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Annexure 3 – Scheme

Scheme of Arrangement made under section 411 of the Corporations Act 2001 (Cth)

Parties **Coalspur Mines Limited ACN 003 041 594** of Level 1, 28 Ord Street, West Perth, WA 6005 (**Coalspur**)

Each Scheme Participant

1. Definitions & Interpretation

1.1 Definitions

In this Scheme, except where the context otherwise requires:

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as appropriate.

Business Day has the meaning given in the ASX Listing Rules.

Canadian Securities Regulatory Authorities means the securities regulatory authorities of the following provinces of Canada: British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland.

Cline means Cline Resource and Development Company, a West Virginia corporation.

Coalspur Option means an option to acquire a Coalspur Share.

Coalspur Performance Rights means a performance right exchangeable for, or exercisable or convertible into, a Coalspur Share.

Coalspur Share means a fully paid ordinary share issued in the capital of Coalspur.

Coalspur Shareholder means at the relevant time each person who is registered in the Register as the holder of Coalspur Shares.

Coalspur Warrant means a warrant to acquire a Coalspur Share.

Conditions Precedent means the conditions precedent set out in clause 3.1 of the Implementation Agreement.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia, unless otherwise agreed by Coalspur and KCE.

Deed Poll means the deed poll by KCE and Cline in the form of Schedule 5 of the Implementation Agreement.

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Effective means, when used in relation to a Scheme, the order of the Court made under section 411(4)(b) in relation to the Scheme taking effect pursuant to section 411(10) of the Corporations Act.

Effective Date means the date on which the Scheme becomes Effective.

Electronic Payment Election means, in respect of a Scheme Participant, an election made before the Record Date by the Scheme Participant (in accordance with the requirements of Coalspur's share registry) to receive dividend payments from Coalspur by electronic funds transfer to a bank account nominated by the Scheme Participant.

Implementation Agreement means the Scheme Implementation Agreement dated on or about 25 February 2015 between KCE, Cline and Coalspur, as amended or varied from time to time.

Implementation Date means the fifth Business Day after the Record Date, or such other date agreed to in writing by Coalspur, KCE and Cline.

KCE means KC Euroholdings S.à r.l. of 40, avenue Monterey, L-2163, Luxembourg, Luxembourg.

Listing Rules means the official listing rules of ASX.

Record Date means 7.00pm (Sydney time) on the fifth Business Day following the Effective Date, or such other date (after the Effective Date) as Coalspur and KCE may agree in writing or as ordered by the Court or as may be required by the ASX or TSX.

Register means the share register of Coalspur kept pursuant to the Corporations Act.

Registered Address means, in relation to a Scheme Participant, the address of that Scheme Participant as shown in the Register as at the Record Date.

Regulatory Authority includes:

(a) a government or governmental, semi-governmental, administrative, fiscal or judicial entity or authority;

(b) a minister, department, office, commission, delegate, instrumentality, tribunal, agency, board, authority or organisation of any government;

(c) any regulatory organisation established under statute; and

(d) in particular, ASX, ASIC, TSX, the Canadian Securities Regulatory Authorities and the Government of Alberta.

Scheme means this scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Coalspur and the Scheme Participants as set out in this document together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by KCE and Coalspur.

Scheme Consideration means $0.023 in respect of each Scheme Share, the aggregate Scheme Consideration for each Scheme Participant being rounded to the nearest whole cent.

Scheme Meeting means the meeting of Coalspur Shareholders convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act and includes any adjournment of that meeting.

Scheme Participant means each person who is a Coalspur Shareholder as at the Record Date (other than KCE).

Scheme Shares means each Coalspur Share on issue as at the Record Date, other than Coalspur Shares held by KCE.

Scheme Transfer means one or more proper instruments of transfer in respect of the Scheme Shares for the purpose of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned or appealed application is heard.

Sunset Date means 30 June 2015, or such later date as agreed to in writing between KCE, Cline and Coalspur.

Takes effect or **taking effect** means, in relation to the Scheme, on and from the first time when an office copy of the Court order approving the Scheme pursuant to section 411(4)(b) of the Corporations Act is lodged with ASIC pursuant to section 411(10) of the Corporations Act.

Trust Account means an Australian dollar denominated trust account nominated by Coalspur, details of which Coalspur must notify to KCE and Cline at least five Business Days before the Implementation Date.

TSX means the Toronto Stock Exchange.

1.2 Interpretation

In this Scheme:

(a) the singular includes the plural and vice versa, and a gender includes other genders;

(b) another grammatical form of a defined word or expression has a corresponding meaning;

(c) a reference to a clause, paragraph, or schedule is to a clause or paragraph of, or schedule to, this agreement, and a reference to this agreement includes any schedule;

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(d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;

(e) a reference to A$, dollar or $ is to Australian currency;

(f) a reference to time is to Perth, Western Australia time, unless otherwise noted;

(g) a reference to a party is to a party to this agreement, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;

(h) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;

(i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

(j) a word or expression defined in the Corporations Act and not otherwise defined in this agreement has the meaning given to it in the Corporations Act;

(k) the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;

(l) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;

(m) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this agreement or any part of it; and

(n) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

1.3 Headings

Headings are for ease of reference only and do not affect interpretation.

2. Preliminary matters

(a) Coalspur is a public company registered in Western Australia, Australia and is admitted to the official list of ASX and TSX.

(b) As at the date of the Implementation Agreement, there are:

(i) 641,544,455 Coalspur Shares on issue;

(ii) 7,330,739 Coalspur Options on issue;

(iii) 9,965,082 Coalspur Performance Rights on issue; and

(iv) 120,000,000 Coalspur Warrants on issue.

(c) KCE is a Luxembourg registered company.

(d) Cline is a West Virginia limited liability company.

(e) If the Scheme becomes Effective:

(i) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, will be transferred to KCE and Coalspur will enter the name of KCE in the Register in respect of the Scheme Shares; and

(ii) in consideration of the transfer of the Scheme Shares to KCE, KCE will (and Cline unconditionally and irrevocably guarantees the obligation of KCE to) provide the Scheme Consideration to Scheme Participants in accordance with the provisions of this Scheme and the Deed Poll.

(f) Coalspur, KCE and Cline have agreed, by executing the Implementation Agreement, to implement this Scheme.

(g) KCE and Cline have agreed, by executing the Deed Poll, to provide or procure the provision of the Scheme Consideration to the Scheme Participants.

3. Conditions

3.1 Conditions to this Scheme

This Scheme is conditional on, and will have no force or effect until, the satisfaction or waiver of the following conditions:

(a) all of the Conditions Precedent being satisfied or waived (other than those Conditions Precedent that cannot be waived) in accordance with the terms of the Implementation Agreement, other than the Condition Precedent set out at clause 3.1(e) of the Implementation Agreement;

(b) neither the Implementation Agreement nor the Deed Poll having been terminated as at 8.00am on the Second Court Date;

(c) the Court having approved this Scheme, with or without any modification or condition, pursuant to section 411(4)(b) of the Corporations Act, and if applicable, KCE and Coalspur having accepted in writing any alteration or condition ordered by the Court under section 411(6) of the Corporations Act; and

(d) the order of the Court approving the Scheme under section 411(4)(b) (and if applicable, section 411(6)) of the Corporations Act coming into effect pursuant to section 411(10) of the Corporations Act.

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3.2 Certification in relation to Conditions

(a) Coalspur will provide to the Court on the Second Court Date certificates respectively signed by KCE and Coalspur (or such other evidence as the Court requests) stating whether or not the Conditions Precedent (other than the Condition Precedent set out at clause 3.1(e) of the Implementation Agreement) have been satisfied or waived as at 8.00am on the Second Court Date.

(b) The certificates provided by KCE and Coalspur shall be conclusive evidence that the relevant conditions have been satisfied or waived (as applicable).

4. Scheme

4.1 Effective Date

Subject to clause 4.2, this Scheme takes effect on the Effective Date.

4.2 Sunset Date

This Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the Sunset Date.

4.3 Termination

Without limiting any rights under the Implementation Agreement, if the Implementation Agreement is terminated in accordance with its terms before this Scheme becomes Effective, each of Coalspur, KCE and Cline are released from:

(a) any further obligation to take steps to implement this Scheme; and

(b) any liability with respect to this Scheme.

5. Implementation

5.1 Lodgement with ASIC

If the conditions listed in clause 3.1 (other than the condition in clause 3.1(d)) are satisfied or waived, Coalspur must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court orders approving this Scheme as soon as practicable after such office copy is received, and in any event by no later than 5.00pm on the Business Day after the date on which the Court makes those orders (or such other Business Day as Coalspur and KCE agree in writing).

5.2 Satisfaction of Coalspur Performance Rights

Coalspur must:

(a) on the Effective Date, issue to each person who is at that time the holder of a Coalspur Performance Right the number of Coalspur Shares to which the person is

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entitled to receive under the terms of their Coalspur Performance Rights as a result of any vesting of their Coalspur Performance Rights in connection with the Scheme, in full and final satisfaction of such Coalspur Performance Rights; and

(b) by no later than the Record Date, ensure that each such person is registered as the holder of the relevant Coalspur Shares in the Register.

5.3 Cancellation of Coalspur Options

If Coalspur has entered into any Option Cancellation Deeds (as defined in clause 3.1(p)(ii) of the Implementation Agreement), Coalspur must cancel the Coalspur Options the subject of those Option Cancellation Deeds on or before the Record Date.

5.4 Transfer of Coalspur Shares

On the Implementation Date:

(a) subject to the provision of the aggregate of the Scheme Consideration in the manner contemplated by clause 6.1, all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares, will be transferred to KCE without the need for any further act by any Scheme Participant (other than acts performed by Coalspur as attorney and agent for the Scheme Participants under this Scheme), by:

(i) Coalspur delivering to KCE a duly completed and executed Scheme Transfer (executed by Coalspur as transferor as the attorney and agent of each Scheme Participant under clause 9.4); and

(ii) KCE duly executing the Scheme Transfer (as transferee) and delivering it to Coalspur for registration; and

(b) immediately after receipt of the Scheme Transfer under clause 5.4(a)(ii), Coalspur must enter, or procure the entry of, the name and address of KCE in the Register as the holder of all of the Scheme Shares.

5.5 Beneficial entitlement to Scheme Shares

Subject to the provision of the aggregate of the Scheme Consideration in the manner contemplated by clause 6.1, on and from the Implementation Date, KCE will be beneficially entitled to the Scheme Shares transferred to it under the Scheme, pending registration by Coalspur of KCE in the Register as the holder of the Scheme Shares.

6. Scheme Consideration

6.1 Scheme Consideration payment obligation

(a) KCE will (and Cline unconditionally and irrevocably guarantees the obligation of KCE to), by no later than 5:00pm on the Business Day prior to the Implementation Date, deposit (or procure the deposit) in cleared funds of an amount equal to the aggregate of the Scheme Consideration into the Trust Account.

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(b) The amount deposited into the Trust Account under clause 6.1(a) is to be held on trust by Coalspur for the Scheme Participants for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with clause 6.2 (except that any interest on the amount will be for the account of KCE). Coalspur must not pay or apply those funds for any other purpose.

6.2 Payment of Scheme Participants

Subject to clauses 6.1 and 6.3, Coalspur will pay or procure the payment, from the Trust Account, to each Scheme Participant the Scheme Consideration attributable to that Scheme Participant within five Business Days after the Implementation Date by:

(a) where the Scheme Participant has made an Electronic Payment Election, making a payment of the relevant amount by electronic means in accordance with that election; or

(b) otherwise, despatching or procuring the despatch to the Scheme Participant of a cheque in the name of the Scheme Participant for the relevant amount, by pre-paid ordinary post (or, if the Registered Address of the Scheme Participant is outside Australia, by pre-paid airmail post) in an envelope addressed to the Registered Address as at the Record Date.

6.3 Joint holders

In the case of Scheme Shares held in joint names:

(a) any cheque referred to in clause 6.2 will be made payable to the joint holders; and

(b) any cheque or other document required to be sent to the Scheme Participant in connection with the Scheme will be forwarded to the holder whose name appears first in the Register as at the Record Date.

6.4 Unclaimed moneys

(a) In the event that Coalspur believes that a Scheme Participant is not known at the Scheme Participant's address on the Register, Coalspur may credit the amount payable to the relevant Scheme Participant to a separate bank account of Coalspur to be held on trust by Coalspur for the Scheme Participant until the Scheme Participant claims the amount or the amount is dealt with in accordance with applicable unclaimed money legislation.

(b) Coalspur must hold the amount on trust for the relevant Scheme Participant, but any benefit accruing from the amount will be to the benefit of KCE. An amount credited to the account is to be treated as having been paid to the Scheme Participant when credited to the account. Coalspur must maintain records of the amounts paid, the persons who are entitled to the amount and any transfer of the amounts.

(c) Coalspur may cancel a cheque issued under this clause 6 if the cheque:

(i) is returned to Coalspur or its agents as undeliverable; or

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(ii) has not been presented for payment within six months after the Implementation Date.

(d) During the period of one year commencing on the Implementation Date, on request from a Scheme Participant a cheque that was previously cancelled under clause 6.4(c) must be reissued.

6.5 Orders of a court or Regulatory Authority

If written notice is given to KCE, Coalspur (or Coalspur's share registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority:

(a) that requires provision to a third party of all or part of the Scheme Consideration, which would otherwise be provided to a particular Scheme Participant in accordance with this clause 6, then Coalspur shall be entitled to procure that all or part of that Scheme Consideration (as the case may be) is provided in accordance with that order or direction; or

(b) that prevents all or part of the Scheme Consideration being provided to any particular Scheme Participant in accordance with this clause 6, or the provision of such Scheme Consideration is otherwise prohibited by applicable law, Coalspur shall be entitled (at its sole discretion) to:

(i) pay such amount of the Scheme Consideration as that Scheme Shareholder would otherwise be entitled to receive, to a trustee or nominee for that trustee or nominee to retain; or

(ii) retain for its own benefit such amount of the Scheme Consideration, as that Scheme Shareholder would otherwise be entitled to receive,

until such time as full payment in accordance with clause 6 is permitted by that order or direction or otherwise by law, or the funds the Scheme Shareholder would otherwise be entitled to receive are dealt with in accordance with applicable unclaimed money legislation.

For the avoidance of doubt, if the relevant order, direction or law prevents the provision of only part of the Scheme Consideration which would otherwise be provided to a Scheme Participant, Coalspur will provide the maximum possible portion of the Scheme Consideration to the Scheme Participant without giving rise to a breach of that order, direction or law, and this clause 6.5 shall only apply only in respect of the remaining portion.

6.6 Withholding and other taxes

If Coalspur receives professional advice that any withholding or other tax is required by law to be withheld from any payment under this clause 6, Coalspur must withhold the relevant amount before making the payment to the Scheme Participant (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this Scheme). Coalspur must procure that any amount so withheld is paid to the relevant taxation authorities within the time permitted by law, and that a receipt or other

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appropriate evidence of such payment is promptly provided to the relevant Scheme Participant.

7. Dealing in Coalspur Shares

7.1 Determination of Scheme Participants

(a) For the purposes of establishing the identity of the Scheme Participants, dealings in Coalspur Shares will only be recognised if:

(i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as holder of the relevant Coalspur Shares on or before the Record Date; and

(ii) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before the Record Date at the place where the Register is kept.

(b) Coalspur must register any transmission application or transfer received in accordance with clause 7.1(a) by the Record Date.

(c) If the Scheme becomes Effective:

(i) no dealing in Coalspur Shares, whenever effected, will be recognised or given effect to by Coalspur if it is received after the Record Date or is received before the Record Date but not in registrable form; and

(ii) any purported dealing in Coalspur Shares after the Record Date or agreement to deal after the Record Date in Coalspur Shares will be void and of no effect.

7.2 Maintenance of the Register

In order to determine entitlements to the Scheme Consideration, Coalspur will maintain, or procure the maintenance of, the Register in accordance with this clause 7until the Scheme Consideration has been provided to the Scheme Participants and the Register in this form will solely determine entitlements to the Scheme Consideration.

7.3 Effect of holding statements

From the Record Date, all holding statements for Scheme Shares will cease to have effect as documents of title in respect of those Coalspur Shares and, as from that date, each entry current at that date on the Register (other than entries in respect of KCE) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Coalspur Shares relating to that entry.

7.4 Information to KCE

Coalspur will at least four Business Days before the Implementation Date give to KCE and Cline or procure that KCE and Cline be given details of the name, address and the number

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of Coalspur Shares held by each Scheme Participant, as shown in the Register at the Record Date, in whatever form KCE and Cline reasonably require.

8. Quotation of Coalspur Shares

(a) Coalspur will apply to ASX and TSX to suspend trading in Coalspur Shares with effect from the close of trading on the Effective Date.

(b) Coalspur will apply:

(i) for termination of the official quotation of Coalspur Shares on ASX; and

(ii) to have itself removed from the official list of ASX; and

(iii) to delist Coalspur Shares from TSX,

in the case of (i) and (ii) with effect on and from the close of trading on the trading day immediately following the date on which the name and address of KCE are entered into in the Register as the holder of all of the Scheme Shares, and in the case of (iii) as soon as practicable following the Effective Date.

9. General

9.1 Amendments to Scheme

Coalspur may by its counsel or solicitors consent on behalf of all persons concerned, including Scheme Participants, to any modification of or addition to this Scheme or to any condition, which the Court may think fit to approve or impose and to which KCE has consented.

9.2 Effect of Scheme

This Scheme binds Coalspur and all of the Scheme Participants (including those who did not attend the Scheme Meeting or who did not vote at that meeting or who voted against this Scheme at that meeting) and, to the extent permitted by law, overrides the constitution of Coalspur to the extent of any inconsistency.

9.3 Scheme Participants

(a) Each Scheme Participant:

(i) agrees to the transfer of its Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to KCE in accordance with the terms of this Scheme;

(ii) agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme;

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(iii) consents to Coalspur, KCE and Cline doing all things and executing all deeds, instruments, transfer or other documents as may be necessary, incidental or expedient to the implementation and performance of this Scheme; and

(iv) acknowledges that this Scheme binds all Scheme Participants.

(b) Each Scheme Participant is deemed to have warranted to KCE and appointed and authorised Coalspur as their agent to warrant to KCE that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, as at the time of the transfer of them to KCE, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and from any restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to KCE under the Scheme. Coalspur undertakes in favour of each Scheme Participant that it will provide such warranty to KCE on behalf of the Scheme Participant.

(c) To the extent permitted by law, the Scheme Shares transferred to KCE under this Scheme (including any rights and entitlements attaching to those shares) will vest in KCE free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise.

9.4 Appointment of agent and attorney

Upon the Scheme becoming Effective, each Scheme Participant, without the need for any further act, is deemed to have irrevocably appointed Coalspur as its agent and attorney for the purpose of:

(a) executing any document or form or doing any other act necessary, incidental or expedient to give effect to the terms of this Scheme, including without limitation, the execution of the Scheme Transfer,

(b) enforcing the Deed Poll against KCE or Cline,

and Coalspur accepts such appointment. Coalspur, as agent and attorney of each Scheme Participant, may delegate its functions, authorities or powers under this clause 9.4 to all or any of its directors and officers (jointly, severally or jointly and severally).

9.5 Appointment of KCE as sole proxy

Upon the Scheme becoming Effective until Coalspur registers KCE as the holder of all of the Scheme Shares in the Register, each Scheme Participant:

(a) irrevocably appoints KCE as attorney and agent (and directs KCE in each capacity) to appoint any director, officer, secretary or agent nominated by KCE as it sole proxy and, where applicable, corporate representative, to attend shareholders' meetings of Coalspur, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders resolutions;

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(b) undertakes not to otherwise attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 9.5(a));

(c) must take all other actions in the capacity of the registered holder of Scheme Shares as KCE directs; and

(d) acknowledges and agrees that in exercising the power conferred in clause 9.5(a), KCE and any director, officer, secretary or agent nominated by KCE under that clause may act in the best interests of KCE as the intended registered holder of the Scheme Shares.

9.6 Costs and stamp duty

(a) Subject to clause 9.6(b), Coalspur will pay all the costs of the Scheme.

(b) KCE will (and Cline will procure that Cline will) pay all stamp duty in respect of the transfer of the Scheme Shares under the Scheme.

9.7 Further assurances

(a) Each Scheme Participant consents to Coalspur doing all things necessary, incidental or expedient to give full effect to the implementation of this Scheme and the transactions contemplated by it.

(b) Coalspur will execute all documents and do all things (on its own behalf and on behalf of each Scheme Participant) necessary or expedient to give full effect to the implementation of this Scheme and the transactions contemplated by it.

9.8 Notices

(a) Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Coalspur, it will be deemed to be received on the date (if any) on which it is actually received at Coalspur and on no other date.

(b) The accidental omission to give notice of the Scheme Meeting to any Coalspur Shareholder, or the non-receipt of such notice by any Coalspur Shareholder, will not, unless ordered by the Court, invalidate this Scheme or the proceedings at the Scheme Meeting.

9.9 Governing Law

(a) This Scheme is governed by the law in force in Western Australia.

(b) Each party submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Western Australia, and any court that may hear appeals from any of those courts, for any proceedings in connection with this document, and waives any right it might have to claim that those courts are an inconvenient forum.

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9.10 Limitation of liability

Neither Coalspur, KCE, Cline nor any of their respective directors or officers will be liable for anything done or for anything omitted to be done in performance of this Scheme in good faith.

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Annexure 4 – Deed Poll

This deed poll is made this 14th day of March 2015

Parties **KC Euroholdings S.à r.l.** of 40, avenue Monterey, L-2163, Luxembourg, Luxembourg (**KCE**)

Cline Resource and Development Company of 430 Harper Park Drive, Suite A, Beckley, West Virginia 25801 (**Cline**)

In favour of **Each Scheme Participant**

Recitals

A. Coalspur, KCE and Cline have entered into the Implementation Agreement.

B. In the Implementation Agreement, KCE and Cline agreed to enter into this deed poll.

C. KCE and Cline are entering into this deed poll for the purpose of covenanting in favour of Scheme Participants to perform their respective obligations in connection with the Scheme, in accordance with the terms of the Implementation Agreement and attributed to them under the Scheme.

This deed poll provides

1. Definitions and interpretation

1.1 Definitions

In this deed poll:

(a) **Implementation Agreement** means the Scheme Implementation Agreement entered into between Coalspur, KCE and Cline dated on or about 25 February 2015, as amended or varied from time to time;

(b) **Scheme** means the scheme of arrangement under Part 5.1 of the Corporations Act between Coalspur and Scheme Participants, under which Scheme Participants will receive the Scheme Consideration, in the form attached as Schedule 3 to the Implementation Agreement, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by KCE and Coalspur; and

(c) unless the context otherwise requires, terms defined in the Implementation Agreement or the Scheme have the same meaning when used in this deed poll.

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1.2 Interpretation

Clauses 1.2 and 1.3 of the Implementation Agreement apply to the interpretation of this deed poll, except that references to "this agreement" are to be read as references to "this deed poll".

1.3 Nature of deed poll

KCE and Cline acknowledge that:

(a) this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms, even though the Scheme Participant is not party to it; and

(b) under the Scheme, upon the Scheme becoming Effective, each Scheme Participant irrevocably appoints Coalspur as its agent and attorney to enforce this deed poll against KCE and Cline on behalf of that Scheme Participant, and Coalspur may delegate its functions, authorities or powers as agent and attorney to all or any of its directors and officers (jointly, severally, or jointly and severally).

2. Conditions precedent

2.1 Conditions precedent to obligations of the Scheme

The obligations of KCE and Cline under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of KCE and Cline under this deed poll to Scheme Participants will automatically terminate and the terms of this deed poll will be of no force or effect if:

(a) the Implementation Agreement is terminated in accordance with its terms; or

(b) the Scheme is not Effective by the Sunset Date.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

(a) KCE and Cline are released from their obligations to further perform this deed poll, except those obligations under clause 7.6; and

(b) each Scheme Participant retains the rights they have against KCE and Cline in respect of any breach of this deed poll which occurs before it is terminated.

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3. Scheme obligations

3.1 Undertaking to pay Scheme Consideration

Subject to clause 2, KCE:

(a) offers to acquire all the Scheme Shares pursuant to the Scheme; and

(b) in consideration of the transfer of each Scheme Share to KCE, undertakes in favour of each Scheme Participant (and Cline undertakes in favour of each Scheme Participant to unconditionally and irrevocably guarantee the obligation of KCE) to:

(i) deposit (or procure the deposit) in cleared funds of an amount equal to the aggregate of the Scheme Consideration into the Trust Account; and

(ii) undertake all other actions attributed to it under the Scheme,

all in accordance with the terms of the Scheme and the Implementation Agreement.

4. Warranties

Each of KCE and Cline represents and warrants in favour of each Scheme Participant that:

(a) it is a corporation validly existing under the laws of its place of registration;

(b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;

(c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;

(d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and

(e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution or any material term or provision of any agreement, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5. Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

(a) KCE and Cline have each fully performed their obligations under this deed poll; or

(b) the earlier termination of this deed poll under clause 2.

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6. General

6.1 Notices

Any notice or other communication to KCE or Cline in respect of this deed poll must be in legible writing and in English and:

(a) must be addressed as shown below (as applicable):

KC Euroholdings S.à r.l.

Attention: Paul Vining

Address: 3801 PGA Boulevard, Suite 903
Palm Beach Gardens
Florida 33410
United States of America

Facsimile: +1 561 626 4938

Cline Resource and Development Company

Attention: Timothy Elliott

Address: 3801 PGA Boulevard, Suite 903
Palm Beach Gardens
Florida 33410
United States of America

Facsimile: +1 561 626 4938

and in either case, with a copy to:

Attention: Brian Glasser

Address: Bailey & Glasser, LLP
209 Capitol Street, Charleston
West Virginia 25301
United States of America

Facsimile: +1 304 342 1110

must be signed by the person making the communication or by a person duly authorised by that person; and

(b) must be delivered or posted by prepaid post to the address of KCE or Cline (as the case may be) in accordance with clause 6.1(a) or sent by facsimile to the facsimile number of KCE or Cline (as the case may be) specified above.

6.2 Effective on receipt

A notice given in accordance with clause 6.1 takes effect when received (or at a later time specified in it), and is taken to be received:

(a) if hand delivered, on delivery;

(b) if sent by prepaid post, on the tenth day after posting; or

(c) if sent by facsimile, when the sender's facsimile system generates a message confirming successful transmission of the entire Notice unless, within eight hours after the transmission, the recipient informs the sender that it has not received the entire Notice,

but if the hand delivery or transmission is after 5.00pm in the place of receipt, or the hand delivery, tenth day after posting or transmission is or is on a Saturday, Sunday or bank or public holiday in the place of receipt, the notice is taken to be received at 9.00am (local time) on the next day that is not a Saturday, Sunday or bank or public holiday in the place of receipt.

7. General

7.1 Governing law and jurisdiction

This deed poll is governed by the law of Western Australia and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

7.2 Waiver

A party does not waive a right, power or remedy if it fails to exercise or delays in exercising the right, power or remedy. A single or partial exercise by a party of a right, power or remedy does not prevent another or further exercise of that or another right, power or remedy. A waiver of a right, power or remedy must be in writing and signed by the party giving the waiver.

7.3 Alterations

This deed poll may not be altered unless:

(a) if before the First Court Date, the variation is agreed to by Coalspur; or

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(b) if on or after the First Court Date, the variation is agreed to by Coalspur and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event KCE and Cline will enter into a further deed poll in favour of Scheme Participants giving effect to the variation.

7.4 Cumulative rights

The rights, powers and remedies of KCE, Cline and Scheme Participants under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.5 Assignment

The rights created by this deed poll are personal to each Scheme Participant and may only be assigned with the prior written consent of KCE and Cline.

7.6 Stamp duty

KCE must (and Cline must procure that KCE will) pay any stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under or pursuant to this deed poll.

7.7 Further assurances

KCE and Cline must promptly do all things necessary or expedient to be done by it in connection with the matters referred to in this deed poll and to implement the Scheme.

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SIGNING PAGE

Executed as a deed poll.

Executed by and on behalf of **KC Euroholdings S.à r.l.**

[*Robert Keith Varney*] ←

Signature of Class A Manager

Name of Class A Manager (print)

[*Wilhelmus Jongman*] ←

Signature of Class B Manager

Name of Class B Manager (print)

Executed by and on behalf of **Cline Resource and Development Company**

[*Robert Keith Varney*] ←

Signature of Authorised Representative

Name of Authorised Representative (print)

←

Signature of Authorised Representative

Name of Authorised Representative (print)

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Annexure 5 – Notice of Scheme Meeting

COALSPUR MINES LIMITED
A B N 7 3 0 0 3 0 4 1 5 9 4

NOTICE OF SCHEME MEETING

By an order of the Federal Court of Australia (**Court**) made on 17 March 2015 pursuant to section 411(1) of the Corporations Act 2001 (Cth) (**Corporations Act**), a meeting of the holders of ordinary shares in Coalspur Mines Limited ABN 73 003 041 594 (**Coalspur**) will be held at the The Celtic Club, 48 Ord Street, West Perth, Western Australia on Wednesday, 22 April 2015 at 10:00a.m (WST) (**Scheme Meeting**).

The Court has also directed that Mr Mark Rodda act as chairman of the Scheme Meeting or failing him Mr Marc Wilshaw, and has directed the chairman to report the result of the Scheme Meeting to the Court.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Scheme Meeting are those who are Australian Coalspur Shareholders of Coalspur and Canadian Registered Coalspur Shareholders on **Monday, 20 April 2015** at 5.00 pm (WST).

PURPOSE OF MEETING

The purpose of the Scheme Meeting is to consider and, if thought fit, to approve (with or without modification) a scheme of arrangement proposed to be made between Coalspur and its shareholders (**Scheme**).

To enable you to make an informed voting decision, important information on the Scheme is set out in the booklet accompanying this Notice (**Scheme Booklet**). The Scheme Booklet, Explanatory Memorandum and Proxy Form attached to this Notice each form part of this Notice and contain important information on matters to be considered at the Scheme Meeting. Terms and abbreviations used in this Notice are defined in the Scheme Booklet.

AGENDA

15. Resolution 1 – Approval of the Scheme

To consider and, if thought fit to pass, with or without amendment, the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

"That pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Coalspur and the holders of its ordinary shares as contained in and more particularly described in the Scheme Booklet of which the Notice forms part, is approved, and the Directors of Coalspur are authorised to agree to such alterations or conditions as are thought fit by the Court, and subject to approval by the Court, to implement the Scheme with any such alterations or conditions."

Dated 17 March 2015

BY ORDER OF THE BOARD

Simon Robertson

Company Secretary

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COALSPUR MINES LIMITED

A B N 7 3 0 0 3 0 4 1 5 9 4

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Coalspur Shareholders in connection with the business to be conducted at the Scheme Meeting to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Wednesday], 22 April 2015 at 10:00am (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Coalspur Shareholders in deciding whether or not to pass the resolution in the Notice. Terms and abbreviations used in this Explanatory Memorandum are defined in the Scheme Booklet.

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Required Voting Majority

In order for the Scheme to become effective, this resolution must be passed at the meeting by:

(a) unless the Court orders otherwise, a majority of the number of Coalspur Shareholders present and voting (whether in person or by proxy, attorney or, in the case of corporate shareholders, a corporate representative) at the meeting; and

(b) at least 75% of the votes cast on the resolution.

The Court has a discretion under section 411(4)(a)(ii)(A) of the Corporations Act to approve the Scheme if it is approved by at least 75% of the votes cast on the resolution but not by a majority in number of Coalspur Shareholders (other than excluded shareholders) present and voting at the meeting.

Voting at the Scheme Meeting will be by poll rather than by a show of hands.

3. Court Approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) is subject to approval of the Court. If the resolution proposed at the Scheme Meeting is approved by the requisite majority, and the relevant conditions of the Scheme (other than approval by the Court) are satisfied, or waived, by the time required under the Scheme, Coalspur intends to apply to the Court for the necessary orders to give effect to the Scheme.

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4. Entitlement to Vote

The Coalspur Board has determined, and the Court has ordered, that a person's entitlement to vote at the Scheme Meeting will be the entitlement of that person as set out in the Register as at 5:00 pm (WST) on 20 April 2015. This includes Australian Coalspur Shareholders and Canadian Registered Coalspur Shareholders as at 5:00 pm (WST) on 20 April 2015 who are entitled to vote at the Scheme Meeting.

If you are a Canadian Non-Registered Coalspur Shareholder please see section 6.2 below.

As the Scheme does not affect the Coalspur Shares held by, or by any person on behalf of or for the benefit of KCE, KCE is not entitled to vote any Coalspur Shares held at the Scheme Meeting.

5. How to Vote – Australian Coalspur Shareholders

5.1 How to Vote

Australian Coalspur Shareholders entitled to vote at the Scheme Meeting can vote:

(a) by attending the Scheme Meeting and voting in person;

(b) by appointing an attorney to attend the Scheme Meeting and vote on their behalf, or, in the case of corporate shareholders, a corporate representative to attend the Scheme Meeting and vote on its behalf; or

(c) by appointing a proxy to attend the Scheme Meeting and vote on their behalf, using the Proxy Form accompanying this Notice.

A personalised Proxy Form accompanies this Notice. The Proxy Form contains full details of how to appoint persons and how to sign and lodge the voting form, including how you may register your proxy instructions electronically at the Australian Registrar's website at www.computershare.com/au.

To be valid, Proxy Forms or electronic voting instructions must be received by the Australian Registrar, by 10:00am (WST) on 20 April 2015.

5.2 Voting in person

Coalspur Shareholders are asked to arrive at the venue 30 minutes prior to the time designated for the Scheme Meeting to allow for registration for the Scheme Meeting. Please bring your meeting registration forms with you to facilitate admission to the Scheme Meeting. The meeting registration form for the Scheme Meeting is the Proxy Form included with the Scheme Booklet of which this Notice forms part.

5.3 Voting by attorney or corporate representative

Australian Coalspur Shareholders who have appointed an attorney or corporate representative to attend and vote at the Scheme Meeting should ensure that their attorney or corporate representative arrives at the venue 30 minutes prior to the time designated for the Scheme Meeting to allow for registration for the Scheme Meeting.

A person attending as an attorney should bring the original power of attorney or a certified copy, unless you have already provided a certified copy of the power of attorney to Coalspur. Powers of

attorney must be received no later than 10:00am (WST) on 20 April 2015 (or if the Scheme Meeting is adjourned or postponed, at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting).

A person attending as a representative of a corporate shareholder must present satisfactory evidence of his or her appointment to attend on behalf of that shareholder, in accordance with section 250D of the Corporations Act, unless previously lodged with the Australian Registrar.

5.4 Voting by proxy

An Australian Coalspur Shareholder entitled to attend and vote at the Scheme Meeting is entitled to appoint not more than two proxies. Each proxy will have the right to vote on the resolution to be put to the Scheme Meeting and also to speak at the Scheme Meeting. The appointment of a proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed, and if the appointment does not specify the proportion or number of the Australian Coalspur Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes. A proxy need not be a Coalspur Shareholder.

If a proxy is not directed how to vote any item of business, the proxy may vote or abstain from voting, as that person thinks fit. If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the shareholder's behalf on the poll, and the Coalspur Shares the subject of the proxy appointment will not be counted in computing the required majority.

Australian Coalspur Shareholders who return their Proxy Form with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the Scheme Meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the Scheme Meeting, the chairman of the Scheme Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the Scheme Meeting, the Company Secretary of Coalspur or any Coalspur Director which do not contain a direction will be used to support the resolution to approve the Scheme.

Completed Proxy Forms must be

(a) sent to the Australian Registrar by:

(i) mail to (using the reply paid envelope included with this Scheme Booklet):

Computershare Investor Services Pty Ltd
GPO Box 1282 Melbourne
VICTORIA 3000 MELBOURNE

(ii) fax to 1800 783 447 from within Australia or +61 3 9473 2555 from overseas; or

(b) sent to Coalspur's registered office at Level 1, 28 Ord Street, Perth, Western Australia,

in each case so that they are received by no later than 10:00am (WST) on 20 April 2015. Proxy Forms received after this time will be invalid.

The Proxy Form must be signed by the Australian Coalspur Shareholder or the Australian Coalspur Shareholder's attorney. If an attorney signs a Proxy Form on your behalf, a certified copy of the power of attorney under which the Proxy Form was signed must be received by the Australian

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Registrar at the same time as the Proxy Form, unless you have already provided a certified copy of the power of attorney to Coalspur. Proxies given by corporations must be executed in accordance with the Corporations Act.

If you complete and return a Proxy Form, you may still attend the Scheme Meeting in person, revoke the proxy and vote at the Scheme Meeting. Proxy Forms may also be revoked by contacting the Australian Registrar or submitting a new Proxy Form prior to 10:00am (WST) on 20 April 2015.

6. How to Vote –Canadian Coalspur Shareholders

Most Canadian Coalspur Shareholders are Canadian Non-Registered Coalspur Shareholders because the Coalspur Shares they own beneficially, are not registered in their names but instead are registered in the name of the brokerage firm, bank or trust company through which they purchased their Coalspur Shares. In addition to reading this Section, Canadian Coalspur Shareholders should refer to Annexure 6, "Important Information for Canadian Shareholders".

Pursuant to the provisions of NI 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* (**NI 54-101**), these securityholder materials are being sent to both Canadian Registered Coalspur Shareholders and Canadian Non-Registered Coalspur Shareholders.

6.1 Voting Process – Canadian Registered Coalspur Shareholders

Enclosed with this Scheme Booklet is a Proxy Form for use at the Scheme Meeting. A Canadian Registered Coalspur Shareholder has the right to appoint any other person or company (who need not be a Coalspur Shareholder) to represent such Canadian Registered Coalspur Shareholder at the Scheme Meeting by inserting such person's full name in the blank space provided in the Proxy Form, or by completing another proper form of proxy. If you leave the space on the Proxy Form blank, the chairman of the Scheme Meeting, who is named on the Proxy Form, is appointed to act as your proxy holder.

A Canadian Registered Coalspur Shareholder appointing a proxy holder may indicate the manner in which the appointed proxy holder is to vote regarding any specific item by checking the space opposite the item on the Proxy Form. If the Canadian Registered Coalspur Shareholder giving the proxy wishes to confer a discretionary authority regarding any item of business, then the space opposite the item should be left blank. The Coalspur Shares represented by the proxy submitted by a Canadian Registered Coalspur Shareholder will be voted or withheld from voting in accordance with the instructions, if any, given in the Proxy Form and, if the Canadian Registered Coalspur Shareholder specifies a choice with respect to the Scheme Resolution, the securities will be voted accordingly.

A Canadian Registered Coalspur Shareholder registered on the Company's Canadian Register at 2:00am (PST) / 5:00pm (WST) on 20 April 2015 may vote in person at the Scheme Meeting, or by proxy by completing and signing the Proxy Form and returning it in the envelope provided to the Canadian Registrar at

Attention: Proxy Department
Computershare Investor Services Inc.
8th Floor
100 University Avenue
Toronto, Ontario M5J 2Y1

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The deadline for delivering duly completed and executed Proxy Forms to the Canadian Registrar is by 7:00]pm (PST) on 19 April 2015 / 10:00am (WST) on 20 April 2015 or 48 hours before any adjourned or postponed Scheme Meeting.

A Canadian Registered Coalspur Shareholder who has returned a proxy has the power to revoke it in accordance with the provisions of the Corporations Act (Australia), which provides that every proxy may be revoked by written notice signed by the Canadian Registered Coalspur Shareholder or by the Canadian Registered Coalspur Shareholder's attorney authorised in writing and delivered to the registered office of Coalspur prior to 7:00pm (PST) on 19 April 2015 / 10:00am (WST) on 20 April 2015. A revocation of a proxy does not affect any matter on which a vote has been taken before the revocation.

The persons named in the Proxy Form will vote the Coalspur Shares in respect of which they are appointed in accordance with the direction of the Canadian Registered Coalspur Shareholder appointing them. The Proxy Form confers discretionary authority on the persons named in the proxy with respect to amendments or variations to matters identified in the Notice of Scheme Meeting in Annexure 5 of the Scheme Booklet and with respect to other matters which may properly come before the Scheme Meeting. At the time of printing of the Scheme Booklet, management knows of no such amendments, variations or other matters to come before the Scheme Meeting. However, if any such amendments, variations or other matters which are not now known to management should properly come before the Scheme Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

If you have not on the Proxy Form indicated how you wish to vote on the Scheme Resolution and the chairman of the Scheme Meeting has been appointed as your proxy holder, your Coalspur Shares will be voted in favour of the Scheme Resolution.

(a) **Voting by corporate representative**

To vote in person at the Scheme Meeting, a Canadian Registered Coalspur Shareholder or proxy, which is a body corporate, may appoint an individual to act as its representative.

Unless otherwise specified in the appointment, a representative acting in accordance with his or her authority, until it is revoked by the body corporate Canadian Registered Coalspur Shareholder, is entitled to exercise the same powers on behalf of that body corporate as that body corporate could exercise at a meeting or in voting on a resolution.

A certificate with or without the seal of the body corporate Canadian Registered Coalspur Shareholder, signed by two directors of that body corporate or signed by one director and one secretary, or any other document as the chairman of the Scheme Meeting in his sole discretion considers sufficient, will be evidence of the appointment, or of the revocation of the appointment, as the case may be, of a representative.

(b) **Voting by attorney**

A Canadian Registered Coalspur Shareholder may appoint a person (whether a Coalspur Shareholder or not) as its attorney to attend and vote at the Scheme Meeting.

An instrument appointing an attorney must be in writing executed under the hand of the appointer or the appointer's attorney duly authorised in writing, or if the appointer is a corporation, under its common seal (if any) or the hand of its duly authorised attorney or executed in a manner permitted by the Corporations Act. The instrument may contain directions as to the manner in which the attorney is to vote on a particular resolution(s) and subject to the Corporations Act, may otherwise be in any form as the Directors may prescribe or accept. A fax of

a written power of attorney is valid provided it has been provided to Coalspur on the fax numbers in Section 4.3(b) of the Scheme Booklet by no later than 7:00pm (PST) on 19 April 2015 / 10:00am (WST) on 20 April 2015 or 48 hours before any adjourned or postponed Scheme Meeting. Such fax will be deemed to have been served on Coalspur upon the receipt of a transmission report confirming successful transmission of that fax.

6.2 Canadian Non-Registered Coalspur Shareholders

Coalspur Shares owned by a Canadian Non-Registered Coalspur Shareholder are registered either:

(i) in the name of an intermediary (**Intermediary**) that the Canadian Non-Registered Coalspur Shareholder deals with in respect of the Coalspur Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or

(ii) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant.

Each Intermediary has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Canadian Non-Registered Coalspur Shareholders in order to ensure that their Coalspur Shares are voted at the Scheme Meeting. The form of proxy or voting instruction form supplied to a Canadian Non-Registered Coalspur Shareholder by an Intermediary is similar to the Proxy Form provided to Canadian Registered Coalspur Shareholders. However, its purpose is limited to instructing the applicable Intermediary how to vote on behalf of the Canadian Non-Registered Coalspur Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications (**Broadridge**). Broadridge typically mails a scannable voting instruction form instead of the form of proxy. The Canadian Non-Registered Coalspur Shareholder is asked to complete the voting instruction form and return it to Broadridge by mail or facsimile. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Coalspur Shares to be represented at the applicable meeting. A Canadian Non-Registered Coalspur Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Coalspur Shares directly at the Scheme Meeting, as the voting instruction form must be returned as directed by Broadridge well in advance of the Scheme Meeting in order to have the Coalspur Shares voted.

In accordance with applicable securities law requirements, Coalspur has distributed copies of the Scheme Booklet and related materials to the clearing agencies and Intermediaries for distribution to Canadian Non-Registered Coalspur Shareholders. Intermediaries will be responsible for sending these materials to Canadian Non-Registered Coalspur Shareholders.

Intermediaries may also provide Canadian Non-Registered Coalspur Shareholders with a Proxy Form which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Coalspur Shares beneficially owned by the Canadian Non-Registered Coalspur Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the Proxy Form, this Proxy Form is not required to be signed by the Canadian Non-Registered Coalspur Shareholder when submitting the proxy. In this case, the Canadian Non-Registered Coalspur Shareholder who wishes to submit a proxy should carefully follow the instructions of their Intermediary, including those regarding when and where the completed proxy or voting instruction form is to be delivered.

In either case, the purpose of these procedures is to enable Canadian Non-Registered Coalspur Shareholders to direct the voting of the Coalspur Shares that they beneficially own. If a Canadian

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Non-Registered Coalspur Shareholder who receives one of the forms described above wishes to attend and vote in person at the Scheme Meeting (or have another person attend and vote in person on behalf of the Canadian Non-Registered Coalspur Shareholder), the Canadian Non-Registered Coalspur Shareholder should strike out the names of the persons listed in the Proxy Form or the voting instruction form, as applicable and insert the Canadian Non-Registered Coalspur Shareholder or such other person's name in the blank space provided.

Canadian Non-Registered Coalspur Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.

If you are a Canadian Non-Registered Coalspur Shareholder, your Intermediary must receive your voting instructions in sufficient time to act on them. If you provide voting instructions but subsequently wish to change them, you can revoke your prior voting instructions by providing new instructions on a voting instruction form or Proxy Form with a later date than your previous instructions, provided that your Intermediary receives your new voting instructions with sufficient time to act on them. To be effective, the Canadian Registrar must receive proxy voting instructions from your Intermediary by no later than 7:00pm (PST) on 19 April 2015 / 10:00am (WST) on 20 April 2015 or if the Scheme Meeting is adjourned or postponed, at least 48 hours before the reconvened Scheme Meeting.

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Annexure 6 – Important Information for Canadian Shareholders

Capitalized term used and not otherwise defined in this Annexure have the meaning set out in the body of the Scheme Booklet or its Glossary (Section 12). The Scheme Booklet is dated 17 March 2015. Unless otherwise indicated, information in the Scheme Booklet is given as of 17 March 2015.

Coalspur is a reporting issuer in Canada. Accordingly, pursuant to the requirements of National Instrument 51-102 – Continuous Disclosure Obligations and National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer of the Canadian Securities Administrators, the following disclosure is required to be included with the Scheme Booklet.

Purpose of Solicitation

The Scheme Booklet is furnished in connection with the solicitation of proxies by the management of Coalspur for use at the Scheme Meeting, which will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia, on 22 April 2015 at 10.00am for the purposes set forth in the Notice of Scheme Meeting attached as Annexure 5 to the Scheme Booklet.

The purpose of the Scheme Booklet is to explain the terms of the Scheme and the manner in which it will be implemented (if approved). The Scheme Booklet provides all information required to be given to Coalspur Shareholders or that is otherwise material to the decision of Coalspur Shareholders as to whether or not to vote in favour of the Scheme Resolution at the Scheme Meeting. This Annexure provides additional information required by Canadian Securities Regulatory Authorities or that is otherwise of importance to Canadian Coalspur Shareholders.

Solicitation of proxies will be primarily by mail but may also be by telephone, facsimile or in person by Directors, officers and employees of Coalspur, who will not be additionally compensated therefor. Brokers, nominees or other persons holding Coalspur Shares in their names for others shall be reimbursed for their reasonable charges and expenses in forwarding proxies and proxy material to the beneficial owners of such Coalspur Shares. The costs of soliciting proxies will be borne by Coalspur. For further details on the costs of solicitation and advisers employed in this solicitation, see Section 11.8 of the Scheme Booklet, "Experts and fees".

These Scheme Meeting materials are being sent to both Australian Coalspur Shareholders, Canadian Registered Coalspur Shareholders and Canadian Non-Registered Coalspur Shareholders.

Voting Process – Canadian Registered Coalspur Shareholders

Enclosed herewith is a Proxy Form for use at the Scheme Meeting. A Canadian Registered Coalspur Shareholder has the right to appoint any other person or company (who need not be a Coalspur Shareholder) to represent such Canadian Registered Coalspur Shareholder at the Scheme Meeting by inserting such person's full name in the blank space provided in the Proxy Form, or by completing another proper form of proxy. If you leave the space on the Proxy Form blank, the chairman of the Scheme Meeting, who is named on the Proxy Form, is appointed to act as your proxy holder.

A Canadian Registered Coalspur Shareholder appointing a proxy holder may indicate the manner in which the appointed proxy holder is to vote regarding any specific item by checking the space opposite the item on the Proxy Form. If the Canadian Registered Coalspur Shareholder giving the proxy wishes to confer a discretionary authority regarding any item of business, then the space opposite the item should be left blank. The Coalspur Shares represented by the proxy submitted by a Canadian Registered Coalspur Shareholder will be voted or withheld from voting in accordance with the instructions, if any, given in the Proxy Form and, if the Canadian Registered Coalspur Shareholder specifies a choice with respect to the Scheme Resolution, the securities will be voted accordingly.

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Canadian Registered Coalspur Shareholders registered on Coalspur's Canadian share register at 2.00am (PST) / 5.00pm (WST) on 20 April 2015 may vote in person at the Scheme Meeting, or by proxy by completing and signing the Proxy Form and returning it in the envelope provided to Computershare Investor Services Inc., attention Proxy Department, at 8th floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

The deadline for delivering duly completed and executed Proxy Forms to the Canadian Registrar is 7.00pm (PST) on 19 April 2015 / 10.00am (WST) on 20 April 2015 or 48 hours before any adjourned or postponed Scheme Meeting.

A Canadian Registered Coalspur Shareholder who has returned a proxy has the power to revoke it in accordance with the provisions of the Corporations Act (Australia), which provides that every proxy may be revoked by written notice signed by the Canadian Registered Coalspur Shareholder or by the Canadian Registered Coalspur Shareholder's attorney authorised in writing and delivered either to the registered office of Coalspur or the Canadian Registrar at any time up to and including 7.00pm (PST) on 19 April 2015 / 10.00am (WST) on 20 April 2015. A revocation of a proxy does not affect any matter on which a vote has been taken before the revocation.

The persons named in the Proxy Form will vote the Coalspur Shares in respect of which they are appointed in accordance with the direction of the Canadian Registered Coalspur Shareholders appointing them. In the absence of such direction, the relevant Coalspur Shares will be voted in favour of all the Scheme Resolution described in the Scheme Booklet. The Proxy Form confers discretionary authority on the persons named in the proxy with respect to amendments or variations to matters identified in the Notice of Scheme Meeting in Annexure 5 and with respect to other matters which may properly come before the Scheme Meeting. At the time of printing of the Scheme Booklet, management knows of no such amendments, variations or other matters to come before the Scheme Meeting. However, if any such amendments, variations or other matters which are not now known to management should properly come before the Scheme Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

Voting Process – Canadian Non-Registered Coalspur Shareholders

Only Australian Coalspur Shareholders or Canadian Registered Coalspur Shareholders, or the persons they appoint as their proxies, are permitted to vote at the Scheme Meeting. Most Canadian Coalspur Shareholders are "non-registered" Shareholders (**Canadian Non-Registered Coalspur Shareholders**) because the Coalspur Shares they own are held beneficially and are not registered in their names, but instead are registered in the name of the brokerage firm, bank or trust company through which they purchased their Coalspur Shares.

Coalspur Shares beneficially owned by a Canadian Non-Registered Coalspur Shareholder are registered either:

(i) in the name of an intermediary (**Intermediary**) that the Canadian Non-Registered Coalspur Shareholder deals with in respect of the Coalspur Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or

(ii) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant.

In accordance with applicable securities law requirements, Coalspur has distributed copies of the Scheme Meeting materials and Proxy Form to the clearing agencies and Intermediaries for distribution to Canadian Non-Registered Coalspur Shareholders.

Intermediaries are required to forward the Scheme Meeting materials to Canadian Non-Registered Coalspur Shareholders. Intermediaries often use service companies to forward Scheme Meeting materials

to Canadian Non-Registered Coalspur Shareholders. Generally, Canadian Non-Registered Coalspur Shareholders who have not waived the right to receive the Scheme Meeting materials will either:

(iii) be given a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Canadian Non-Registered Coalspur Shareholder and returned to the Intermediary or its service company, will constitute voting instructions (often called a "voting instruction form") which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form; or

(iv) be given a Proxy Form which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Coalspur Shares beneficially owned by the Canadian Non-Registered Coalspur Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the Proxy Form, this Proxy Form is not required to be signed by the Canadian Non-Registered Coalspur Shareholder when submitting the proxy.

In either case, a Canadian Non-Registered Coalspur Shareholder who wishes to submit a proxy or a voting instruction form should carefully follow the instructions of their Intermediary, including those regarding when and where the completed proxy or voting instruction form is to be delivered.

The purpose of these procedures is to enable Canadian Non-Registered Coalspur Shareholders to direct the voting of the Coalspur Shares that they beneficially own. If a Canadian Non-Registered Coalspur Shareholder who receives one of the forms described above wishes to vote at the Scheme Meeting (or have another person attend and vote on behalf of the Canadian Non-Registered Coalspur Shareholder), the Canadian Non-Registered Coalspur Shareholder should strike out the names of the persons listed in the Proxy Form or the voting instructions form, as applicable, and insert the Canadian Non-Registered Coalspur Shareholder or such other person's name in the blank space provided. In either case, Canadian Non-Registered Coalspur Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.

If you are a Canadian Non-Registered Coalspur Shareholder, your Intermediary must receive your voting instructions in sufficient time to act on them. If you provide voting instructions but subsequently wish to change them, you can revoke your prior voting instructions by providing new instructions on a voting instruction form or proxy form with a later date than your previous instructions, provided that your intermediary receives your new voting instructions with sufficient time to act on them. To be effective, the transfer agent must receive proxy voting instructions from your Intermediary by no later than 7.00pm (PST) on 19 April 2015 / 10.00am (WST) on 20 April 2015 or at least 48 hours before any adjourned or postponed Scheme Meeting.

Voting Shares and Record Date

The directors of Coalspur have fixed 5.00pm (WST) / 2.00 am (PST) on 20 March 2015 as the date for determining the Canadian Coalspur Shareholders registered on Coalspur's Canadian share register entitled to receive the notice of and attend and vote at the Scheme Meeting. As at the date of the Scheme Booklet, 641,544,455 Coalspur Shares were issued and outstanding. The Coalspur Shares are the only securities of Coalspur entitled to be voted at the Scheme Meeting and, subject to certain exclusions of votes described in the Notice of Scheme Meeting, each Coalspur Share entitles its holder to one vote at the Scheme Meeting.

The Scheme Resolution must be approved by the Requisite Majority, being:

(v) unless the Court orders otherwise, a majority in number (more than 50%) of Coalspur Shareholders present and voting on the Scheme Resolution (in person or by proxy, corporate representative or attorney); and

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(vi) at least 75% of the total number of votes which are cast on the Scheme Resolution.

Principal Holders of Shares

As of the date of this Scheme Booklet, to the knowledge of the directors and executive officers of Coalspur, no person or company beneficially owns, controls or directs, directly or indirectly, Coalspur Shares carrying 10% or more of the voting rights attached to any class of voting securities of Coalspur (the Coalspur Shares are the only class of voting securities of Coalspur), except as follows:

Name	Total Number of Coalspur Shares Owned, Controlled or Directed (000s)	Percentage of Shares
Borrowdale Park S.A.	130,903,302	20.4%

Interest of Certain Persons or Companies in Matters to be Acted Upon

No person who has been a director or executive officer of Coalspur at any time since the beginning of Coalspur's last financial year, nor any associate or affiliate of the foregoing persons, has a material interest, direct or indirect, in the Scheme Resolution to be voted upon at the Scheme Meeting other than the following persons, by way of direct or indirect ownership of Coalspur Shares:

- Mr David Murray
- Mr Mark Rodda
- Ms Gillian Winckler
- Mr Peter Breese
- Mr Ted Mayers
- Mr Colin Steyn
- Mr Denis Turcotte
- Mr Colin Gilligan
- Mr Robert Gough
- Mr Richard Tremblay

Interest of Informed Persons in Material Transactions

In 2012, Coalspur entered into a C$70 million Facility Agreement with Borrowdale Park S.A., which is associated with Messrs Colin Steyn and William Smart. Under the Borrowdale Previous Facility, Coalspur provided Borrowdale 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 C$10 million drawn on the facility. In addition to obtaining shareholder approval for the issue of security and options on April 26, 2012, Coalspur initiated a committee of independent directors to evaluate the transaction on behalf of the Board of Directors. Messer's Steyn and Smart abstained from discussion and voting on issues related to the facility. Coalspur's first draw of C$20 million on the Facility Agreement took place on May 16, 2012, the second draw of C$10 million took place on September 14, 2012 and the third draw of C$10 million took place on March 18, 2013.

Coalspur had a balance owing of C$40 million on its C$70 million Borrowdale Previous Facility at June 30, 2013. In July 2013 Coalspur made an initial draw of US$37 million under the EIG Facility. Part of this initial drawdown of the EIG facility was used to repay C$10 million of the C$40 million outstanding under the Borrowdale Previous Facility. The remaining C$30 million of the Borrowdale Previous Facility was restructured into the current Borrowdale Facility.

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

See Section 6.6 of the Scheme Booklet for further information on the Borrowdale Facility.

Other than as disclosed, there were no transactions and there are no proposed transactions that have materially affected or would materially affect Coalspur or any of its subsidiaries in which any informed person of Coalspur, or any proposed director of Coalspur or any associate or affiliate of any informed person or proposed director of Coalspur has any material interest (direct or indirect).

Auditors

Coalspur's auditor is Deloitte Touche Tohmatsu. Deloitte was first appointed as auditor of Coalspur on November 30, 2009.

Additional Information

Financial information regarding Coalspur is provided in Coalspur's comparative financial statements for its most recently completed financial year and the related management's discussion and analysis. Coalspur will provide to any person, upon request to the Company Secretary, a copy of Coalspur's Annual Report for the financial year ended December 31, 2013 which includes the financial statements of Coalspur for the most recently completed financial year and the audit opinion issued thereon and the related management's discussion and analysis.

Copies of the above documents will be provided free of charge to Coalspur Shareholders. Coalspur may require the payment of a reasonable charge by any person or company who is not a Coalspur Shareholder and who requests a copy of such document. Additional information relating to Coalspur can be found at www.asx.com.au or at www.sedar.com.

Enquiries

Coalspur Shareholders can contact Ms Xenia Kritsos, Joint Company Secretary, at +1 604 697 4470 or Mr Simon Robertson, Joint Company Secretary, at +61 8 6555 2945 if they have any queries in respect of the matters set out in this Scheme Booklet.

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Corporate Directory

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Ms Gill Winckler
Mr Denis Turcotte
Mr David Murray

Company Secretary

Ms Xenia Kritsos
Mr Simon Robertson

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ASX Code: CPL
TSX Code: CPT

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