



## NEWS RELEASE

October 28, 2010

### COALSPUR COMMENCES TRADING ON TSX

**PERTH, Western Australia: Coalspur Mines Limited (“Coalspur” or “Company”) (ASX: CPL, TSX: CPT)** is pleased to announce that its ordinary shares have now commenced trading on the main board of the Toronto Stock Exchange (“TSX”) under the symbol “CPT”.

Managing Director and CEO, Mr. Gene Wusaty, said today “Our TSX listing is expected to generate significant interest in the Company. With our Canadian based projects and Canadian executive team we expect this level of interest to grow as the Company’s profile increases in the North American investment community, particularly with the results from the Vista Pre-Feasibility expected to be released shortly.”

The Company will maintain its existing listing on the Australian Securities Exchange (“ASX”) as its primary listing. Existing shareholders will be able to trade their shares on the TSX, but before doing so, will need to transfer their shares to the relevant share registry and establish an account with an appropriate stockbroker. Further details on such procedures are available on the Company’s website at [www.coalspur.com](http://www.coalspur.com) or from the Company’s share registrar.

Attached is the Company’s Annual Information Form (“AIF”) for the year ended June 30, 2010 which was prepared in conjunction with the Company’s TSX listing. The Company has also filed a technical report on its Vista Coal Project titled “Resource Estimate for the Vista Coal Property” (“**Technical Report**”) that is compliant with National Instrument 43-101 – “Standards of Disclosure for Mineral Projects” (“**NI 43-101**”). The AIF, Technical Report and other Company filings are available for review on the Canadian System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at [sedar.com](http://sedar.com).

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Coalspur Mines Limited ABN 73 003 041 594

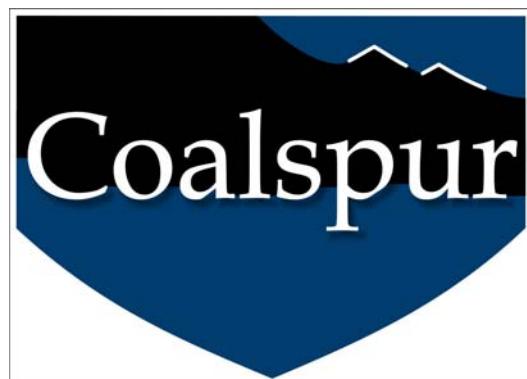
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*This news release contains 'forward-looking information' that is based on the Company's expectations, estimates and projections as of the date on which the statements were made. This forward-looking information includes, among other things, statements with respect to the Company's business strategy, plans, development, objectives, performance, outlook, growth, cash flow, projections, targets and expectations, mineral reserves and resources, pre-feasibility and other studies, results of exploration and related expenses. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as 'expect', 'outlook', 'anticipate', 'project', 'target', 'likely', 'believe', 'estimate', 'intend', 'may', 'would', 'could', 'should', 'scheduled', 'will', 'plan', 'forecast', "evolve" and similar expressions. Persons reading this news release are cautioned that such statements are only predictions, and that the Company's actual future results or performance may be materially different.*

*Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Forward-looking information is developed based on assumptions about such risks, uncertainties and other factors set out herein, including but not limited to the risk factors set out in the Company's Annual Information Form. This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information.*

*The Company disclaims any intent or obligation to update or revise any forward-looking statements whether as a result of new information, estimates or options, future events or results or otherwise, unless required to do so by law.*



## **COALSPUR MINES LIMITED**

### **ANNUAL INFORMATION FORM**

**For the Year Ended June 30, 2010  
Dated as of October 27, 2010**

## TABLE OF CONTENTS

<b>ITEM 1: PRELIMINARY NOTES.....</b>	<b>1</b>
Date of Information .....	1
Cautionary Statement on Forward-Looking Information .....	1
Currency and Exchange Rates.....	2
<b>ITEM 2: CORPORATE STRUCTURE .....</b>	<b>2</b>
Name and Incorporation.....	2
Intercorporate Relationships.....	3
<b>ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS .....</b>	<b>3</b>
Three Year History .....	3
Significant Acquisitions .....	6
<b>ITEM 4: DESCRIPTION OF THE BUSINESS .....</b>	<b>6</b>
Company Overview.....	6
Project Overview .....	6
Bankruptcy and Similar Proceedings .....	6
Risk Factors.....	6
Mineral Properties .....	13
<b>ITEM 5: DIVIDENDS.....</b>	<b>23</b>
<b>ITEM 6: DESCRIPTION OF CAPITAL STRUCTURE.....</b>	<b>23</b>
<b>ITEM 7: MARKET FOR SECURITIES.....</b>	<b>24</b>
Shares .....	24
Listed Options .....	24
Unlisted Options.....	25
<b>ITEM 8: ESCROWED SECURITIES.....</b>	<b>25</b>
<b>ITEM 9: DIRECTORS AND OFFICERS.....</b>	<b>25</b>
<b>ITEM 10: PROMOTERS.....</b>	<b>29</b>
<b>ITEM 11: LEGAL PROCEEDINGS, REGULATORY ACTIONS AND PENALTIES/SANCTIONS .....</b>	<b>29</b>
<b>ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....</b>	<b>30</b>
<b>ITEM 13: TRANSFER AGENTS AND REGISTRARS .....</b>	<b>30</b>
<b>ITEM 14: MATERIAL CONTRACTS .....</b>	<b>30</b>
<b>ITEM 15: INTEREST OF EXPERTS .....</b>	<b>30</b>
<b>ITEM 16: ADDITIONAL INFORMATION.....</b>	<b>31</b>

## **ITEM 1: PRELIMINARY NOTES**

### **Date of Information**

The date of the information in this Annual Information Form (“**AIF**”) is as of June 30, 2010 unless otherwise stated.

### **Cautionary Statement on Forward-Looking Information**

This AIF contains forward-looking statements concerning Coalspur Mines Limited’s (“**Coalspur**” or the “**Company**”) plans for its mineral projects, its exploration activities, and other matters. These statements relate to analyses and other information that is based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Actual results could differ materially from the conclusions, forecasts and projections contained in these forward-looking statements.

Statements concerning Mineral Resource Estimates may also be deemed to constitute “forward-looking statements” to the extent that they involve estimates of the mineralization that will be encountered if a given property is developed. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”, “is expected”, “anticipates”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential” or variations thereof or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to materially differ from those reflected in the forward-looking statements, including, without limitation:

- inherent uncertainties and risks associated with mineral exploration;
- uncertainties related to the availability of future financing necessary to undertake activities on Coalspur’s properties;
- risks associated with Coalspur having no history of earnings or production revenue;
- uncertainties related to the possible recalculation of, or reduction in, the Company’s mineral resources and any reserves;
- uncertainties related to the outcome of studies to be undertaken by Coalspur;
- uncertainties relating to fluctuations in coal price;
- the risk that Coalspur’s title to its properties could be challenged;
- risks related to Coalspur’s ability to attract and retain qualified personnel;
- uncertainties related to general economic conditions;
- uncertainties related to global financial conditions;
- risks related to the integration of businesses and assets acquired by Coalspur;
- uncertainties related to the competitiveness of the industry;
- risks associated with Coalspur being subject to government regulation, including changes in regulation;
- risks associated with Coalspur being subject to environmental laws and regulations, including a change in regulation;
- risks associated with Coalspur’s need for governmental licenses, permits and approvals;
- uninsured risks and hazards;
- risks associated with fluctuations in foreign exchange rates;

- risks related to default by joint venture parties, contractors and agents;
- inherent risks associated with litigation;
- risks associated with potential conflicts of interest;
- risks related to effecting service of process on directors resident in foreign countries;
- uncertainties related to Coalspur's limited operating history;
- risks related to Coalspur's lack of a dividend history;
- risks relating to short term investments; and
- uncertainties related to fluctuations in Coalspur's share price.

This list is not exhaustive of the factors that may affect any of Coalspur's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of Coalspur or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in this AIF under the heading "Description of the Business - Risk Factors" and elsewhere.

Coalspur's forward-looking statements are based on the beliefs, expectations and opinions of management as of the date hereof and which Coalspur believes are reasonable in the circumstances, but no assurance can be given that these expectations will prove to be correct. Coalspur disclaims any intention or obligation to update or revise forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, undue reliance should not be placed on forward-looking statements.

### **Currency and Exchange Rates**

Dollar amounts set forth in this AIF, except as otherwise indicated, are stated in Australian dollars. Australian dollars are indicated as "A\$", Canadian dollars are indicated as "C\$" and United States dollars are indicated as "US\$". The following table sets forth for each period indicated the period-end exchange rates and the average exchange rates for Canadian and United States dollars. These rates are the closing Interbank rates for the purchase of one Australian dollar with Canadian or United States dollars for the period indicated.

	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>June 30, 2008</b>
<b>A\$/C\$ exchange rate:</b>			
Year end.....	0.8993	0.9303	0.9722
Average.....	0.9013	0.8633	0.9054
<b>A\$/US\$ exchange rate:</b>			
Year end.....	0.8479	0.8048	0.9615
Average.....	0.8860	0.7480	0.8965

### **ITEM 2: CORPORATE STRUCTURE**

#### **Name and Incorporation**

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

The Company's ordinary shares (the "Shares") are listed on the Australian Securities Exchange (the "ASX") under the symbol "CPL". The Shares commenced trading on the ASX on August 27, 1987. The Shares are listed and

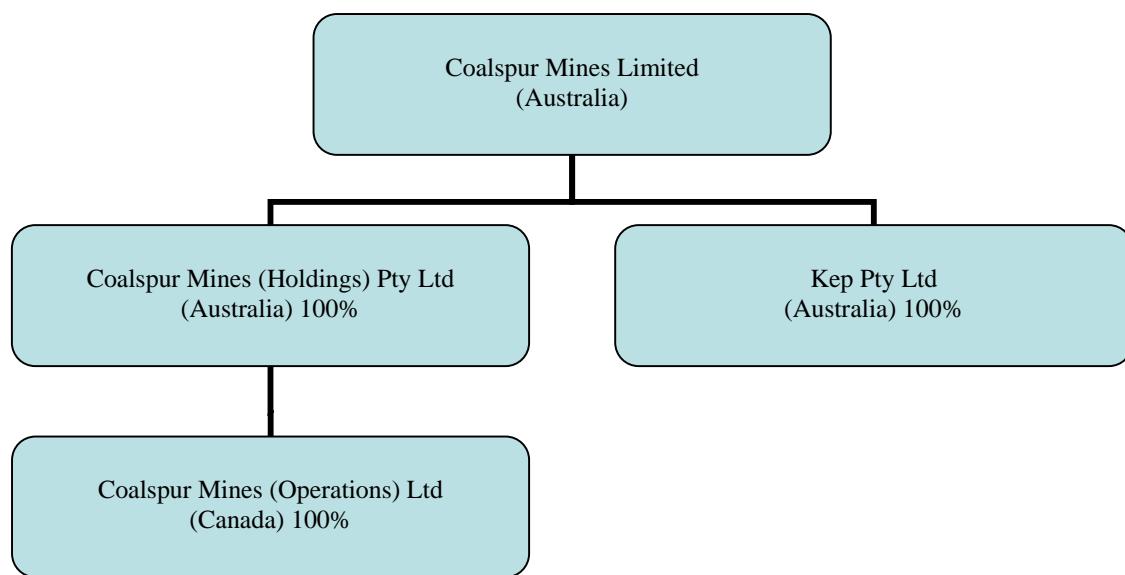
posted for trading on the Toronto Stock Exchange (the “**TSX**”) under the symbol “**CPT**”. The Shares commenced trading on the TSX on October 27, 2010.

Coalspur’s registered and head office is located at Level 9, BGC Centre, 28 The Esplanade, Perth, Western Australia 6000, telephone: +61 8 9322 6322; facsimile: +61 8 9322 6558; email: info@coalspur.com; website: www.coalspur.com.

In this AIF, the terms “Company” or “Coalspur” refer to Coalspur Mines Limited and all its subsidiaries together unless the context otherwise clearly requires.

### **Intercorporate Relationships**

The following chart describes the inter-corporate relationships amongst Coalspur and Coalspur’s subsidiaries as at June 30, 2010. The percentage of ownership is listed for each entity.



### **ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS**

#### **Three Year History**

The following is a summary of key developments in Coalspur’s business over the past three years:

##### ***June 30, 2007 – June 30, 2008***

- During the year ended June 30, 2008 the Company continued exploration activities on its Lake Way East Project located in Western Australia, Australia. The Lake Way East Project was considered prospective for gold, nickel and uranium.
- On November 2, 2007, following shareholder approval, the Company issued the following securities pursuant to an agreement to acquire the Lake Way East Project:
  - 5,000,000 performance shares, convertible into 5,000,000 Shares on the identification of a mineral resource of at least 1,000t of uranium ( $U_3O_8$ ) on the Lake Way East Project that could be reported in accordance with the JORC Code; and

- 2,500,000 performance shares, convertible into 2,500,000 Shares upon completion of a successful feasibility study on the Lake Way East Project.
- During the year ended June 30, 2008 the Company also assessed a number of new business development opportunities, both domestic and international, in the resources sector.

***June 30, 2008 – June 30, 2009***

- Following shareholder approval at a General Meeting held on September 30, 2009, the Company changed its name from “Xenolith Gold Limited” to “Xenolith Resources Limited”.
- On February 19, 2009, the Company acquired 100% of Coalspur Mines (Holdings) Pty Ltd (“**Coalspur Holdings**”) and its 100% owned subsidiary Coalspur Mines (Operations) Ltd (“**Coalspur Operations**”) which held the rights to acquire 100% of the Vista Coal Project (formerly the Hinton Coal Project) comprising five contiguous coal leases located in Alberta, Canada. The transaction was approved by shareholders at a General Meeting held on January 19, 2009. In consideration for the acquisition of Coalspur Holdings, the Company issued the following securities:
  - 25,000,000 Shares;
  - 25,000,000 A Class performance shares, convertible into 25,000,000 Shares upon the independent delineation and estimation of 100Mt of coal resources that can be reported in accordance with the JORC Code;
  - 25,000,000 B Class performance shares , convertible into 25,000,000 Shares upon the independent delineation and estimation of 250Mt of coal resources that can be reported in accordance with the JORC Code;
  - 25,000,000 C Class performance shares, convertible into 25,000,000 Shares upon the independent delineation and estimation of 400Mt of coal resources that can be reported in accordance with the JORC Code;
  - 25,000,000 D Class performance shares, convertible into 25,000,000 Shares upon completion of a successful feasibility study on the Project; and
  - 25,000,000 E Class performance shares, convertible into 25,000,000 Shares upon first production of 1,000,000 tonnes of saleable coal from the Project.
- On February 19, 2009, the Company paid C\$2,000,000 to Consolidated Tanager Ltd (“**Tanager**”) (the vendor of the Project) upon settlement of the agreement to acquire 100% of the Project. Further milestone payments of C\$6,000,000 (upon completion of a successful feasibility study on the Project) and C\$10,000,000 (upon reaching a production rate of 90,000t of saleable coal from the Project) are required to be paid by the Company to Tanager to earn its 100% interest in the Project;
- On February 19, 2009, Mr. Anastasios Arima was appointed as Executive Director of the Company.
- On February 19, 2009, the Company issued 60,000,000 Shares at \$0.03 each to raise aggregate gross proceeds of \$1,800,000. One option was issued along with every three Shares for no additional consideration. Each option entitled the holder to acquire one Share at an exercise price of \$0.08 until June 30, 2011.
- On June 3, 2009, the Company issued 50,000,000 Shares upon the conversion of:

- 25,000,000 A Class performance shares after achieving an independent estimation of 100Mt of coal resources that can be reported in accordance with the JORC Code; and
- 25,000,000 B Class performance shares after achieving an independent estimation of 250Mt of coal resources that can be reported in accordance with the JORC Code.

***June 30, 2009 – June 30, 2010***

- On August 14, 2009, the Company issued 20,000,000 Shares at \$0.11 each to sophisticated investors to raise aggregate gross proceeds of \$2,200,000. This placement was ratified by shareholders at a General Meeting held on September 30, 2009.
- On August 17, 2009, Mr. Eugene Wusaty, a highly respected Canadian coal industry executive, was appointed Managing Director and Chief Executive Officer of the Company.
- On August 24, 2009, the Company commenced a scoping study on the Project.
- Following shareholder approval at a General Meeting held on September 30, 2009 the Company changed its name from “Xenolith Resources Limited” to “Coalspur Mines Limited”.
- In November 2009, the Company appointed Mr. Denis Lehoux as Vice President, Operations and Mr. Dermot Lane as Vice President, Development.
- On December 7, 2009, the Company announced the acquisition of additional coal leases covering 16,247 hectares adjacent to its existing projects in Alberta.
- On January 15, 2010, the Company completed a placement of 25,000,000 Shares at \$0.32 each to raise aggregate gross proceeds of \$8,000,000. The placement was approved by shareholders at a General Meeting held on January 12, 2010.
- On February 10, 2010, the Company announced the completion of a positive scoping study on the economic viability of the Project.
- On June 11, 2010, the Company issued 45,000,000 Shares at \$0.50 each to Highland Park Group, which would become a strategic investor in the Company, to raise aggregate gross proceeds of \$22,500,000. One option was issued along with every two Shares for no additional consideration. Each option entitled the holder to acquire one Share at an exercise price of \$0.08 until June 30, 2011.
- On June 11, 2010, the Company entered into an agreement (the “**Option Agreement**”) to acquire six new coal leases contiguous to the Project for an upfront option fee of C\$6,500,000 with a further C\$83,500,000 payment on or before November 15, 2010.

***Recent Events***

- On October 14, 2010 the Company closed a private placement of 55 million Shares at A\$0.80 per Share and on October 12, 2010 closed a private placement of convertible notes. The convertible notes will automatically convert at A\$0.80 each into 45 million Shares upon Coalspur shareholder approval. BMO Capital Markets and JP Morgan acted as joint lead agents for the private placement of Shares. The private placements raised aggregate proceeds of A\$80 million before costs.
- On October 13, 2010, the Company exercised its option under the Option Agreement and on October 25, 2010, the Company closed the transaction and acquired the six new coal leases contiguous to the Project.
- On October 27, 2010, the Company’s Shares were listed on the TSX.

## **Significant Acquisitions**

No significant acquisitions that would require disclosure pursuant to Part 8 of NI 51-102 were completed by Coalspur during the year ended June 30, 2010.

## **ITEM 4: DESCRIPTION OF THE BUSINESS**

### **Company Overview**

Coalspur is an emerging coal exploration and development company which owns the Vista Coal Project (the “**Project**”), a large scale, open pit potential, thermal project located in the heart of the Coal Branch Region near Hinton, Alberta, which is located in close proximity to existing under-utilized transportation infrastructure.

As at June 30, 2010, Coalspur had eight full time employees.

### **Project Overview**

On October 27, 2010 the Company filed a technical report on the Project titled “Resource Estimate for the Vista Coal Property” (the “**Technical Report**”) that is compliant with National Instrument 43-101 – “Standards of Disclosure for Mineral Projects” (“**NI 43-101**”). The Technical Report is dated September 20, 2010 and was prepared by Robert F. Engler, B.Sc., P.Geol. and Robert J. Morris, M.Sc., P.Geol., of Moose Mountain Technical Services (“**MMTS**”), each an independent “qualified person” as defined in NI 43-101. For a complete description of assumptions, qualifications and procedures associated with the information in the Technical Report, reference should be made to the full text of the Technical Report, which is available for review on SEDAR at [sedar.com](http://sedar.com).

See “Mineral Properties” below for information regarding the Project and the Technical Report.

### **Bankruptcy and Similar Proceedings**

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

### **Risk Factors**

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

#### ***Mineral exploration is speculative and uncertain and involves a high degree of risk***

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 the Company may be affected by numerous factors that are beyond the control of the Company 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 the Company not receiving an adequate return on investment capital.

All of the properties in which the Company has an interest, including the Project, are without any mineral reserves. 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.

The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. The Company believes that those consultants and others are competent and that they have carried out their work in accordance with internationally recognized industry standards. However, if the work conducted by those consultants or others is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays or increased costs in developing its properties.

There can be no assurance that the Company's mineral exploration activities will be successful. If such commercial viability is never attained, the Company may seek to transfer its property interests or otherwise realize value or may even be required to abandon its business and fail as a "going concern".

***Coalspur's activities will require further capital***

The exploration and any development of Coalspur's properties will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and any development of Coalspur's properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Coalspur. If Coalspur obtains debt financing, it will be exposed to the risk of leverage and its activities could become subject to restrictive loan and lease covenants and undertakings. If Coalspur obtains equity financing, existing shareholders may suffer dilution. There can be no assurance that Coalspur would be successful in overcoming these risks or any other problems encountered in connection with such financings.

***Coalspur has no history of earnings and no production revenues***

Coalspur has no history of earnings and has not commenced commercial production on any of its properties. The Company has experienced losses from operations and expects to continue to incur losses for the foreseeable future. There can be no assurance that the Company will be profitable in the future. The Company's operating expenses and capital expenditures are likely to increase in future years as needed consultants, personnel and equipment associated with advancing exploration, and, if permitted, development and, potentially, commercial production of its properties, are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties, government regulatory processes and other factors, many of which are beyond the Company's control. The Company expects to continue to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources. There can be no assurance that the Company will generate any revenues or achieve profitability.

***Coalspur's mineral resources and any future mineral reserves are estimates and may be recalculated and reduced***

Coalspur's mineral resources (and any future mineral reserves) are estimates, and no assurance can be given that the estimated resources and/or reserves are accurate or that the indicated level of mineral will be produced. 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 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.

***Results of studies are uncertain***

Subject to the results of the exploration and testing programs to be undertaken, the Company intends to progressively undertake a number of studies with respect to the Project.

These studies will be completed within certain parameters designed to determine the technical and economic feasibility of the Project within certain limits. There can be no guarantee that any of the studies will confirm the technical and economic viability of the Project or the results of other studies undertaken by the Company (e.g. the results of a feasibility study may materially differ to the results of a scoping study).

Further, even if a study determines the economics of the Project, there can be no guarantee that the Project will be successfully brought into production. In addition, the ability of the Company to complete a study may be dependent on the Company's ability to raise further funds to complete the study if required.

***Coalspur may be adversely affected by fluctuations in coal price***

The price of coal fluctuates widely and is affected by numerous factors beyond the control of Coalspur, such as industrial and retail supply and demand, 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 economic. Future serious price declines in the market value of coal could cause development of, and any commercial production from, the Project 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. 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 future reserve estimates, if any, of Coalspur and its 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.

The Company currently does not engage in any hedging or derivative transactions to manage commodity price risk. As the Company's operations change, the Directors will review this policy periodically going forward. There can be no assurance that fluctuations in commodity prices will not have a material adverse effect upon the Company's financial performance and results of operations.

***Coalspur's title to its properties could be challenged***

There can be no assurances that Coalspur's interest in its properties is free from defects. The Company has investigated its rights as set forth in this AIF 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 the Company. There can be no assurances that the Company's rights and title interests will not be challenged or impugned by third parties.

All of the leases in which the Company has or may earn an interest will be subject to applications for renewal or grant (as the case may be). The renewal or grant of the term of each lease is usually at the discretion of the relevant

government authority. If a lease is not renewed or granted, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that area.

***Coalspur depends on key management personnel and may not be able to attract and retain qualified personnel***

Coalspur is dependent on a number of key management personnel, including the services of certain key employees. Coalspur's ability to manage its exploration, appraisal and potential development and mining activities will depend in large part on the ability to retain current personnel and attract and retain new personnel, including management, technical and a skilled workforce. The loss of the services of one or more key management personnel could have a material adverse effect on Coalspur's ability to manage and expand the business.

It may be particularly difficult for the Company to attract and retain suitably qualified and experienced people, given the current high demand in the industry and modest size of the Company, compared with other industry participants.

***General economic conditions may adversely affect Coalspur's growth and profitability***

The events in global financial markets recently have had a profound impact on the global economy. Many industries, including the mineral resource industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect Coalspur's growth.

***Global financial conditions have been subject to increased volatility and may impact Coalspur's ability to finance its activities***

Current global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by the broad lack of investor confidence and by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of Coalspur to obtain equity or debt financing in the future and, if obtained, on terms favourable to Coalspur. If these increased levels of volatility and market turmoil continue, Coalspur's activities could be adversely impacted and the trading price of Coalspur's Shares could be adversely affected.

***Coalspur may enter into various coal contracts***

In order to secure additional debt funding, the Company may be required to enter into various forward contracts for the physical delivery of some or all of its expected coal from the Project. These contracts are designed to provide protection against the fluctuations in the price of coal. If Coalspur fails to meet its obligations in terms of product quantity, quality or timing of supply, the Company faces a risk that it will have to purchase the physical coal shortfall on-market to meet its obligations under the forward contracts. This could have a material adverse effect upon the Company's financial performance and results of operations, especially if the price of coal has increased.

If Coalspur is able to determine through future exploration and studies that the Project is capable of economic development and Coalspur decides to proceed with the development of the Project, Coalspur will need to enter into off-take agreements for the product of mining operations. Coalspur may have difficulty in finding off-take partners who are prepared to enter into long term off-take agreements with a party that does not have a proven production profile. Long term off-take agreements may be required in order for Coalspur to obtain financing for the development of the Project. If Coalspur is not able to negotiate such long term agreements then the development of the Project may be delayed or prevented.

If Coalspur enters into any take-or-pay contracts for the off-take of its expected coal from the Project, these contracts may provide Coalspur with market prices subject to escalating floor and ceiling prices while allowing

Coalspur to benefit from some upside should the spot price for coal out-perform the ceiling prices. However, Coalspur faces a risk of non-performance on these contracts as well as potential penalties if it fails to meet its obligations in terms of product quantity, quality or timing of supply. In addition, if Coalspur fails to meet its obligations in terms of product quantity, quality or timing of supply, the Company faces a risk that it will have to purchase the physical coal shortfall on-market to meet its obligations under the take-or-pay contracts. This could have a material adverse effect upon the Company's financial performance and results of operations, especially if the price of coal has increased.

***Coalspur may acquire businesses and assets which are not successfully integrated***

Coalspur undertakes evaluations of opportunities to acquire additional properties and businesses. Any acquisitions may change the scale of Coalspur's business and may expose Coalspur to new geographic, political, operating, financial and geological risks. Coalspur's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, acquire them on acceptable terms, and integrate their operations successfully. Any acquisitions would be accompanied by risks, such as a significant decline in the relevant mineral price after Coalspur commits to complete an acquisition on certain terms; the quality of the mineral deposit acquired proving to be lower than expected; the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of Coalspur's ongoing business; the inability of management to realize anticipated synergies and maximize the financial and strategic position of Coalspur; the failure to maintain uniform standards, controls, procedures and policies; the impairment of relationships with employees and contractors as a result of any integration of new management personnel, and the potential unknown liabilities associated with acquired assets and businesses. There can be no assurance that any assets or business acquired will prove to be beneficial or that Coalspur will be able to integrate the required businesses successfully, which could slow Coalspur's rate of expansion and Coalspur's business and financial condition could suffer.

Coalspur may need additional capital to finance acquisitions (whether completed or not) which may require the payment of monies (as a deposit and/or exclusivity fee) after only limited due diligence and prior to the completion of comprehensive due diligence. There can be no guarantee that any proposed acquisition will be completed or be successful. If the proposed acquisition is not completed, monies already advanced may not be recoverable, which may have a material adverse effect on the Company. If Coalspur obtains debt financing, it will be exposed to the risk of leverage and its operations could become subject to restrictive loan and lease covenants and undertakings. If Coalspur obtains equity financing, existing shareholders may suffer dilution. There can be no assurance that Coalspur would be successful in overcoming these risks or any other problems encountered in connection with such financings.

***The mineral resource industry is competitive***

The mineral resource industry is competitive in all of its phases. The Company competes with other companies, some of which have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. The Company 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 the Company can compete effectively with these companies.

***Coalspur's activities are subject to government regulation***

Coalspur's activities are subject to various laws governing exploration, taxes, labour standards and occupational health, 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 thereunder, 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.

***Coalspur's activities are subject to environmental laws and regulations***

The industry has become subject to increasing environmental responsibility and liability. The potential for liability is an ever present risk.

***Coalspur relies on licenses, permits and approvals from various governmental authorities***

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.

***Coalspur has 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, 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.

***Coalspur may be adversely affected by fluctuations in foreign exchange rates***

International prices of various commodities are denominated in United States Dollars and a portion of the Company's capital expenditure and ongoing expenditure is denominated in United States Dollars or Canadian Dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States Dollar, the Canadian Dollar and the Australian Dollar as determined in international markets. The Company currently does not engage in any hedging or derivative transactions to manage foreign exchange risk. As the Company's operations change, its directors will review this policy periodically going forward. There can be no assurance that fluctuations in foreign exchange rates will not have a material adverse effect upon the Company's financial performance and results of operations.

### ***Coalspur's joint venture parties, contractors and agents***

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is, or may become a party; or insolvency or other managerial failure by any of the contractors used by the Company in any of its activities; or insolvency or managerial failure by any of the other service providers used by the Company for any activity.

### ***Coalspur may be subject to litigation***

Coalspur may be involved in disputes with other parties in the future, which may result in litigation. If Coalspur is unable to resolve these disputes favourably, it may have a material adverse impact on Coalspur's financial condition.

### ***Coalspur's directors and officers may have conflicts of interest***

Certain of the directors and officers of Coalspur also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict.

### ***Effecting service of process***

The majority of Coalspur's current directors reside outside of Canada and the assets of these persons are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon the directors, officers and experts named in this AIF. It may also not be possible to enforce against Coalspur, its directors and officers, and certain experts named herein, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

### ***Coalspur has a limited operating history***

The Company has limited operating history on which it can base an evaluation of its prospects.

The prospects of the Company must be considered in the light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly in the mineral exploration sector, which has a high level of inherent uncertainty.

### ***Coalspur does not have a dividend history***

No dividends on the Shares have been paid by Coalspur to date. Coalspur anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of Coalspur's board of directors' after taking into account many factors, including Coalspur's financial condition and current and anticipated cash needs.

### ***Short term investment risks***

The Company may from time to time invest excess cash balances in short term commercial paper or similar securities. Recent market conditions affecting certain types of short term investments of some North American and European issuers have resulted in restricted liquidity for these investments. Although the Company has not invested and does not intend to invest excess cash balances in securities issued by these affected issuers, there can be no guarantee that further market disruptions affecting various short term investments will not have a negative effect on the liquidity of similar investments made by the Company.

### ***Securities investment risks***

Shareholders should be aware that there are risks associated with any securities investment. The prices at which the Company's Shares trade may be above or below the issue price, and may fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for mining and exploration companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices and volumes will be sustained. These factors may materially affect the market price of the Shares, regardless of the Company's operational performance.

## Mineral Properties

### *The Project*

The information regarding the Project in this section of the AIF has been extracted from the Technical Report prepared by Moose Mountain Technical Services (MMTS). For a complete description of assumptions, qualifications and procedures associated with the information in the Technical Report, reference should be made to the full text of the Technical Report, which is available for review on SEDAR at [sedar.com](http://sedar.com).

### Project Description and Location

The Project is comprised of the Hinton East, Hinton West, McLeod River North and Z Block properties which are located in the Hinton area of west central Alberta. The coal leases are located south of Highway 16, the CNR rail line and the Athabasca River, all of which run parallel to each other in the area. It is approximately 4km east of the town of Hinton, 60km southwest of the town of Edson and 40km northeast of the Jasper Park boundary on Highway 16. Its approximate centre is 5,915,000 North and 476,000 East and consists of several sections of land extending over 22.3km eastward to the McLeod River.

The Project consists of seventeen contiguous leases. Coalspur holds fourteen tenured coal leases and three coal leases under application. The total area of the combined leases is approximately 8,788 hectares. Alberta Crown Coal Leases are granted for a term of 15 years and are renewable for additional terms on application.

Leases 1308120620, 1308120622, 1308120624, 1308020345, 1308020346, and 1308020348 constitute the Hinton East property while 1308020347, 1308020349, 80368501, 80368502 and 80368503 constitute the Hinton West property.

#### Hinton East and West Coal Tenures

Lease Number	Status	Area
1308120620	Coal lease	896 ha
1308120622	Coal lease	1,072 ha
1308120624	Coal lease	1,120 ha
1308020345	Coal lease	384 ha
1308020346	Coal lease	256 ha
1308020347	Coal lease	176 ha
1308020348	Coal lease	256 ha
1308020349	Coal lease	464 ha

**Total = 8 leases, 4,624ha**

#### Hinton West Coal Lease Applications

Lease Number	Status	Area
80368501	Application	146 ha
80368502	Application	97.5 ha
80368503	Application	113 ha

**Total = 3 lease applications, 356.5ha**

### McLeod River North

Lease Number	Expiry Date	Area
1307070587	July 20, 2022	768 ha
1307070588	July 20, 2022	992 ha
1308050904	May 8, 2023	64 ha
1308050905	May 8, 2023	112 ha
1399080001	August 28, 2014	1104ha

**Total = 5 leases, 3,040 ha**

### Z Block

Lease Number	Expiry Date	Area
1307060429	June 16, 2022	768 ha

**Total (leases and lease applications) = 17 leases, 8,788.5ha**

Coalspur purchased the Hinton East and Hinton West coal leases from Tanager on February 19, 2009.

Coalspur completed the purchase of the McLeod River North and Z Block coal leases from Mancal Coal Inc. (“Mancal”) on October 25, 2010.

Certain types of exploration activity require a Land Use Permit, issued by the Alberta Government, prior to conducting the work on a mineral property. The current or future operations of Coalspur, including exploration, development and commencement of production activities on the Project require such permits. Other permits governed by laws and regulations pertaining to development, mining, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters, may be required as the project progresses.

At this time there are no environmental liabilities identified at the Project.

### Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Project is located near the town of Hinton in west central Alberta. Primary road access to the general area is via the Yellowhead Highway (Highway 16), which is an all-weather divided paved major highway which connects Hinton with Edson, Alberta 70km to the east, with Edmonton, Alberta 276km to the east. The Athabasca River flows parallel to and north of the highway and the town of Hinton. Highway 40 runs north from Highway 16 approximately 7km southwest of Hinton and connects to Grande Cache 183km to the northwest.

Canadian National Railway (“CN”) main rail line runs parallel the Athabasca River and Highway 16, approximately 12km north of the Project. The railway provides direct access for coal delivery to the Port of Vancouver and to the Ridley Island Terminal at Prince Rupert.

Paved landing strips are available at both Hinton and Edson for light jet aircraft.

The Project is directly accessible driving southeast from Hinton along the McPherson Creek logging road which is owned and maintained by West Fraser Mills Ltd. This all weather gravel road bisects the Z Block north to south and runs parallel down the center of the McLeod River North property to the McLeod River.

The Project is 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 1,440m, and the average elevation of the valley floors is approximately 1,195m.

The Project is covered with second growth pine with mixes of white spruce and poplar on the hillsides and ridges while alders, willows and black spruce occur in low lying areas. The region is part of the West Fraser Forest Management Area and has been commercially logged in the past.

The climate of the region may be classified as continental sub-humid. Daily temperatures range from a mean maximum of 9°C to a mean minimum of minus 2.5°C, with a mean daily temperature of 3°C. Extreme temperatures range from a maximum of 35°C to a minimum of minus 42°C. The average annual number of days with frost is 280. The mean total precipitation in the region is approximately 500mm, which includes the rainfall equivalent of a mean snowfall of 119cm. The average annual number of days with measurable precipitation is 133.

Surface rights are held by the Alberta Government and logging and timber management are granted to West Fraser Mills Ltd under a Forest Management Area agreement. Shell Oil has three active natural gas wells on the Project and associated pipeline infrastructure. There are no private landholders on the Project.

## History

The previous exploration and development of the Project was carried out by two separate companies: Tanager and Mancal.

### *Consolidated Tanager Ltd.*

From 1963 to 1964, Imperial Oil Ltd. drilled 60 test holes in the area. However, these holes were not properly surveyed, the geophysical logs were of poor quality and most of the original data is poorly documented.

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

In 1981, Esso Minerals Canada (“**Esso**”) signed an agreement with Associated Porcupine whereby Esso would earn an interest in the property.

In 1981, Esso drilled nine rotary holes (2,782.2m) and one corehole (400m) on the Hinton East property. All drillholes were geophysically logged and sampling and analyses were carried out on the core. New aerial photography was also undertaken to construct high quality topographic maps of the area.

In 1982, 44 rotary holes (6,126.7m) and 10 coreholes (1,222.4m) were drilled and geophysically logged on Hinton East. Three of the coreholes were also geotechnically logged.

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

The Alberta government reclassified the 922 hectares of Hinton West into Category II in 1984. Exploration in 1984 concentrated on Hinton West and consisted of nine rotary drillholes (1,272.4m). The holes were geophysically logged and drill cuttings were analyzed.

The 1985 exploration program consisted of four coreholes (469.6m) and four rotary holes (567m). All holes were geophysically logged and the coreholes were geotechnically logged. The coal core was sampled and analyzed in detail.

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

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

Tanager obtained the property from Associated Porcupine sometime between 1985 and 1989. In 1989, Tanager hired LAS Energy Associates Ltd. (LAS) to do a thorough evaluation of the Hinton Property in order to determine the optimum development strategy for the property.

Coalspur purchased the Hinton East and Hinton West coal leases from Tanager on February 19, 2009.

#### *Mancal Coal Ltd.*

Manalta Coal Ltd. (“**Manalta**”) acquired the current McLeod River North and Z Block leases in 1971 and began a major coal exploration drilling program on the McLeod River North Property in 1981 and 1982. A total of 148 rotary drillholes including 45 till holes, and 17 rotary coreholes were completed during this period along nine cross sectional access lines spaced between 800m to 1100m apart. The drilling program was designed to intersect the two major mineable coal zones (Val d’Or and McPherson) on the property and quantify resource estimates to a high degree of accuracy.

The coreholes were analyzed on individual coal seam plies to forecast in situ coal quality. Subsequent washability studies were undertaken to determine clean coal quality and product yield expectations. In 1981 Manalta extracted two 600 tonne bulk samples from the Val d’Or and McPherson zones for detailed washability studies and plant design purposes.

This work and subsequent mining, civil engineering and environmental studies were compiled and submitted as formal Mine Development Application to the Government of Alberta in 1982. The Alberta Government issued a Mine Development Permit in early 1983.

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

All of the 1980/1981 and subsequent 1992 drilling was geophysically logged. HQ diameter core samples were obtained by continuous wire line methods with good to excellent recovery in the main coal sections. All of the sampling and analytical procedures were sound.

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

Manalta became an income trust in 1997 which included all of its operating assets. Some of the non-operating assets did not become part of the Manalta Income Trust and were retained by Mancal and its predecessor companies.

On October 25, 2010 Coalspur completed the purchase of the McLeod River North and Z Block coal leases from Mancal.

#### **Geological Setting**

The Project is 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-Tertiary Saunders Group is over 3600m 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.

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 cycloths, 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. The fifth cyclothem is the Coalspur Formation. The thickest coal beds are associated with

alluvial deposits in the upper part. The Coalspur Formation is up to 600m thick and includes seven major seams, which range up to 22m in thickness. This formation contains the vast majority of 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, Alberta, where a coal-bearing interval about 140m thick contains up to six seams of high volatile bituminous coal, with individual seams up to 5m thick.

#### *Coalspur Formation*

The coal bearing upper part of Coalspur Formation consists of approximately 300 meters of interbedded sandstones, siltstones and carbonaceous to bentonitic mudstones and several thick continuous coal zones. True bentonites 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 275m below the lowermost coal zone. Thick cross bedded sandstones of the Tertiary Paskapoo Formation conformably overlie the Coalspur Formation throughout the region.

Six persistent and correlatable Coalspur 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 35 m. The most significant zones present on the Project are the Val d'Or, McLeod and McPherson.

#### *Structural Geology*

The Coalspur Formation on the 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 thrust, 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 degrees northwest/southeast. The beds dip gently northeast from 6 degrees in the western part of the property up to 15 degrees 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 5m to 30m in thickness. Consequently, all stratigraphic and structural conclusions are based entirely on drillhole data.

#### **Exploration**

Exploration on the Project has consisted of two separate campaigns conducted by Esso and Manalta.

##### *Hinton East and West*

Associated Porcupine carried out initial exploration between 1971 and 1974. Their programs consisted of geological mapping, prospecting of the cuttings from seismic boreholes, an induced polarization survey, shallow backhoe trenching, 15 drillholes, downhole geophysical logging and minor sampling. Density, gamma ray and neutron logs were run on all holes. Coal samples were taken from two holes.

Exploration by Esso on the Hinton property was carried out continuously between 1981 and 1985. Their work consisted of geologic mapping, aerial photography producing topographic maps, drilling, downhole geophysical logging, sampling and subsequent analytical work. All the Esso drillholes were logged with a full suite of geophysical logs, including gamma ray, caliper, long-spaced density, bed resolution density, focused beam electric,

and sonic. In total, Esso drilled 94 drillholes on the property for a total of 14,145.3m. There were 182 corehole samples taken.

#### *McLeod River North and Z Block*

Manalta initiated a major exploration program on the McLeod River North property in 1980 and continued through calendar 1981. The program was designed to define the surface mineable coal resources of the Val d'Or and McPherson zones within 100m of surface. A closely spaced drilling pattern was laid out on nine cross sectional drill access lines spaced between 800m and 1100m apart along strike of the coal bearing zone. A total of 148 rotary drillholes, including 45 till holes, and 17 continuous wire line HQ coreholes were completed and geophysically logged.

In addition two large 600 tonne bulk samples were extracted from the site in 1981 for pilot scale washability testing.

Manalta completed a 17 hole drilling program on the Z Block lease area in 1992 to define the surface mineable resource potential. Eight of these holes were cored to provide quality samples.

All of the geophysical logs and core sample data from both of these programs has been reviewed and compiled by MMTS.

#### **Mineralization**

There are six continuous coal zones recognized with in upper 300m of the Coalspur Formation identified in descending order as the Val d'Or, Arbour, McLeod, McPherson, Silkstone and Mynheer. Of these, only the Val d'Or, McLeod and McPherson maintain a persistent mineable thickness throughout the lease areas and constitute the majority of the mineable resource volume. The Arbour is only locally present in the West Block and the Silkstone and Mynheer usually are too deep and thin to be considered.

The Val d'Or Zone consists of seven correlatable sub-seam plies numbered in ascending order from V1 through V7. Some of these plies are divided into lower and upper units by thin partings. The individual plies maintain relatively constant thickness over the strike length of the properties; while most of the variation takes place in the interbedded rock parting material. The average zone thickness is 31.75m; of which 15.40m is coal. The zone thickness increases from 20m along the east boundary at the McLeod River to over 60m in the West Block. This is almost entirely due to increases in the Interply sandstone sequence in the upper part of the zone, as the total coal thickness remains relatively constant.

The McLeod zone consists of three correlatable plies, labeled L1 to L3 in ascending order. These plies are typically high ash coal. The zone has an average thickness of 4.65m of which 3.70m are coal.

The McPherson zone consists of four plies, identified as P1 through P4 in ascending order. The McPherson plies are the most consistent in terms of thickness and continuity. The average zone thickness is 6.98m of which 5.99m is coal.

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

1. Minimum mineable seam thickness is 0.5m; rock partings 0.3m or greater are considered removable.
2. A coal zone is considered mineable if it has a cumulative thickness of 1.0m or more (as an example, an upper ply of coal 0.4m thick, a rock parting 0.3m thick, and a lower coal ply 0.4m thick).

## **Drilling**

### *Hinton East and West*

In 1972, Associated Porcupine drilled seven rotary drillholes on their Hinton East block, totalling 594m. In 1974, they drilled eight diamond holes on their Hinton West block, totalling 661m. In total, Associated Porcupine drilled fifteen holes for a total of 1,255 metres.

In total, Esso drilled 12,053.3 metres in seventy-nine rotary holes and 2,092.0 metres in fifteen coreholes for a total of 14,145.3 metres in ninety-four drillholes.

In early 2010, Coalspur drilled ten core holes, five on Hinton West and five on Hinton East. The drilling was designed to verify the geology and to collect samples for further coal quality testing.

### *McLeod River North and Z Block*

Manalta conducted their exploration drilling program on the McLeod River North property in 1980/1981 during the winter months due to soft ground that required frozen conditions for off road access.

The drilling was undertaken with two to five drill rigs. These were typically Mayhew 1000 and Failing 1250/1500 type rotary drills mounted on trucks or Nodwell tracked vehicles. These types of drills normally have a maximum drilling depth limitation of 120m.

The coring was conducted with a Cyclone TH100 truck mounted drill rig equipped with 3 metre Chistensen triple tube core barrel. This allowed for continuous retrieval of 6.99cm diametre core inside a plastic liner. The reported core recovery ranged from 85% to 100% with an average value of 95%.

All holes were geophysically logged upon completion; using the following suite of logs:

- Gamma ray
- Single point resistance
- Focused beam resistivity
- Density
- Neutron
- Caliper

The 1992 Z Block exploration program used the same equipment.

In total, Manalta drilled 7,677.0 metres in one hundred forty-eight rotary holes and 937 metres in seventeen coreholes on the McLeod River North property for a total of 8,614.0 metres in one hundred sixty-five drillholes. On the Z Block property they drilled 803 metres in nine rotary holes and 701.5 metres in eight coreholes for a total of 1,504.5 metres in seventeen holes.

## **Sampling and Analysis**

MMTS was not involved in any sampling or coal quality work on the property that was done by Esso and Manalta, though all of this work was completed under the direct supervision of an experienced geologist.

The Manalta sampling protocol for cores collected in the 1980, 1981 and 1992 was developed by Manalta to isolate individual coal and rock parting plies within each of the three main coal zones for Proximate Analysis and Float/Sink Testing. The plies could then be recombined into logical mining units and washability performance could be modeled.

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

- Surveying of drillhole locations.
- Systematic sampling of coal by collecting the entire coal interval.
- Systematic core logging and down hole geophysics completed to better define coal locations.
- Sealing coal samples in plastic bags and shipping them to a certified lab for analysis.
- Storing analysis certificates for future inspection.

Continuous seven centimetre diameter core intervals were collected in three meter intervals in PVC liners. Once filled, the core tubes were capped, labelled and set in snow to freeze. Down hole geophysics was completed on all holes. Coal core tubes were then sent to Birtley Laboratories in Calgary. The core tubes remained frozen until they were sampled in individual plies. The cores were correlated to the geophysical log record for each hole to determine recovery and identify any lost core sections. Generally, all coal plies greater than 0.2m were sampled. Parting material less than 0.2 m thick was included with the adjacent coal samples as it was deemed non removable for surface mining. Partings greater than 0.5m thick were not sampled as they were considered removable. Coal ply samples with less than 90% recovery were rejected from the analytical program.

Birtley Coal and Minerals Testing conducted Proximate Analysis for Moisture, Ash, Calorific Value, Equilibrium Moisture and Specific Gravity on each of the individual ply samples. Manalta combined these individual ply assays into logical mining units. The samples were crushed and screened at 9.5mm x 0.5mm, and 0.5mm x 0 size fractions. The 9.5mm x 0.5mm fractions were washed at 1.4, 1.5, 1.6 and 1.8 Specific Gravity and Proximate Analysis was performed on each Sink and Float fraction. The 0.5mm x 0 was not processed.

Core recovery was generally excellent to good, ranging from 80% to 100% and averaging 95%.

Work conducted by Associated Porcupine and Esso in the Hinton East and West properties used the same wireline coring system. Continuous seven centimetre diameter core intervals were collected inside PVC plastic core liners in three metre intervals. The liner ends were sealed and the sequenced core was sent to Calgary for logging and sampling. The cores were correlated to the geophysical log record for each hole to determine recovery and identify any lost core sections. Generally, all coal plies greater than 0.3m were sampled. Parting material less than 1.0m thick was included with the adjacent coal samples as it was deemed non-removable for surface mining. Partings greater than 1.0m thick were not sampled as they were considered removable. In total, 135 plies were sampled from 11 coreholes in the 1981-83 program and an additional 47 plies were sampled from four coreholes in the 1985 program.

Birtley Coal and Minerals Testing conducted Proximate Analysis for Moisture, Ash, Volatile Matter and Sulphur on each of the 182 individual ply samples. The samples were tumbled and screened at 19mm x 6mm, 6mm x 0.5mm, and 0.5mm x 0 size fractions. The 19mm x 6mm and 6mm x 0.5mm fractions were washed at 1.4, 1.5, 1.6 and 1.7 Specific Gravity and Proximate Analysis was performed on each Sink and Float fraction.

While it is not possible to physically verify both these processes, in the author of the Technical Report's opinion, the sampling protocols were both sound and the reported results appear reasonable based on knowledge of nearby similar coal mining operations.

### **Sample Preparation, Analysis and Security**

MMTS was not involved in any of the historic sampling on the properties. All of the previous exploration sampling completed on the properties has been under the direct supervision of an experienced geologist. MMTS performed verification work which is summarized under the heading "Data Verification".

### **Data Verification**

MMTS completed numerous levels of verification, including:

- Checking of all 291 drillholes and core hole geophysical logs

- Checking sample intervals, individual ply analysis and composite assays
- Checking drillhole collar coordinates to eliminate any obvious errors in location

MMTS entered all drillhole data into Lithology and Coal Quality database files which were in turn uploaded into MineSight software to create a 3D resource model. MMTS believes that the database and model are accurate and presents no major threats to the resource estimate.

### **Mineral Resource Estimate**

Resources have been estimated for the Project for those areas that potentially could be mined by open pit methods. Resources that could be mined using underground methods were not analyzed in the Technical Report.

The geological modeling portion of the project includes a review of the available data, formatting and treatment of data to support model development, an update of the geological interpretation, and the construction of the 3D resource model. Interpretation and modeling has focused on the Coalspur Formation.

The tables below summarize the pit delineated resources for the Project of immediate interest to the Company. The coal, as defined, is within a pit with 45 degree walls and a strip ratio of less than 20:1BCM/tonne (a pit delineated resource with an incremental strip ratio of 20 bank cubic metres of waste to one tonne of in place coal). With an incremental strip ratio, each block of coal within the pit must have twenty blocks of waste, or less, above it.

The overall strip ratio for the Project is 7.03:1. This is divided into the Hinton East property with an overall strip ratio of 7.73:1 (BCM waste: tonnes coal), the Hinton West property with an overall strip ratio of 8.38:1, and the McLeod River and Z Block properties with an overall strip ratio of 6.03:1.

#### **Summary of Measured Mineral Resources, Geology Type: “Moderate”, Low Sulphur, High Volatile Bituminous C Rank Thermal Coal**

Resource Category	In Situ (kTonnes)
<b>Measured</b>	533,300

#### **Summary of Indicated Mineral Resources, Low Sulphur, High Volatile Bituminous C Rank Thermal Coal**

Resource Category	In Situ (kTonnes)
<b>Indicated</b>	279,300

#### **Summary of Inferred Mineral Resources, Low Sulphur, High Volatile Bituminous C Rank Thermal Coal**

Resource Category	In Situ (kTonnes)
<b>Inferred</b>	93,100

#### *Model Extent*

The resources in the above tables represent the combination of two separate models, one covering the Hinton East and Hinton West properties and the other, the McLeod River and Z Block properties.

Combined, the strike length of the modeled area is approximately 22.3km while the width is approximately 12.5km. The Hinton East and West model area is approximately 7,630 hectares (10.9km x 7.0km), with its longest edge striking at an azimuth of 304 degrees. Hinton East represents the eastern portion of the model area, approximately 5km x 4km, while Hinton West represents the western portion of the model area, approximately 3.3km x 1.6km. The McLeod River and Z Block model has a strike length of approximately 16km while the width is approximately 4km. The two models overlap each other through the Hinton East and Z Block.

### *Model Geometry*

Model geometry follows the simple north, northeast dipping Coalspur Formation. Block dimensions are 25m along strike, 25m in the dip direction, and 10m in elevation.

The Hinton East and Hinton West model measures 436 blocks (10,900 metres) in length and 280 blocks (7,000 metres) across and examines resources between 790 and 1,460 metres in elevation (67 blocks). The model has a -56° rotation (west of north). The McLeod River and Z Block model measures 500 blocks (12,500 metres) in length and 752 blocks (18,800 metres) across and examines resources between 600 and 1,460 metres in elevation (86 blocks). The model also has a -56° rotation.

### *Topography*

For both models, a digital elevation model for the project area was obtained from the Alberta Government, 1:20 000 DEM, which included an elevation datum on a 100m grid with accuracy within 5m, surface feature break lines, and general infrastructure. The drillhole data was 'draped' to the digital data and the drillhole collar elevations were adjusted to fit the topography.

### *Overburden (till) Surface*

The base of overburden surface defines the extent of glacial-fluvial cover over in situ materials. No coal seams are modeled above the base of overburden surface. The depth of overburden was reported in the drillhole logs. An interpolation, using inverse distance to the second power with a 9,500m search, and a maximum of three points, was completed. The overburden thickness was then subtracted from the topography surface to make the base of overburden surface.

### *Geological Data*

The geological database for the model was developed from previous exploration records by MMTS and includes 109 drillholes with a total of 15,400.3m for the Hinton East and West model. Of these, 23 are core holes for a total of 2,753.0m. For the McLeod River and Z Block model the database includes 182 drillholes with a total of 10,118.5m, where 25 are core holes for a total of 1,638.5m. No trench or outcrop data has been used for modeling. The geologic structure follows earlier work by Esso on the Hinton East and West blocks and Manalta on the McLeod River and Z Block. The interpretation considers bedding to core angles logged in drill core where available.

Coal seam thicknesses from exploration drillholes are measured along the length of the hole (from geophysical logs) and because the angle of intersection between the hole and the seam is often less than perpendicular, these intersections represent an 'apparent' rather than 'true' thickness of the seam. Adjustment from apparent to true seam thickness is, therefore, a critical step in the modeling of in place coal resources. The resource model is based on true seam thickness, as defined mathematically through the relationship between drillhole geometry and interpreted bedding geometry. In the McLeod River and Z Block model, the true thickness interpolation used a 5,000m x 5,000m search and an inverse distance power of 2.5. In the Hinton East and Hinton West model, the true thickness interpolation used a 4,000m x 4,000m search and an inverse distance power of 1.5.

### *Mineable Thickness*

On the basis of the current interpretation, both the Hinton East and West properties and the McLeod River and Z Block properties are classified as a moderate, potentially surface mineable deposit. Sample analysis shows the coals to be of low sulphur, high volatile bituminous C rank thermal coal.

### *Bulk Density*

The SG values used to determine coal tonnage were determined by Esso for the Hinton East and Hinton West properties using a formula based on the ash of the coal ( $SG = 1.26 + (1.75 - 1.30)/50 \times \text{ash \%}$ ). This formula was

used for four of the seams. The ash content of the other seams was deemed to be too high to apply the formula, so an overall SG of 1.60 was used.

### **Scoping Study**

On February 10, 2010, the Company announced the completion of a positive scoping study supporting the economic viability of the Hinton East and Hinton West properties acquired from Tanager that form part of the Project.

### **Exploration and Development**

The Company is currently undertaking a further drilling program on the Project to improve the level of resource assurance and to improve the level of coal quality assurance.

The drilling program will include 46 rotary holes, 20 core holes and a bulk sample. It is located close to sub-crop along the trend of the Val D'Or and McPherson seams which gently dip to the northeast.

The initial core drilling will take approximately one month to complete and lab and washability testing results are expected to be available by year end. The bulk sample will concentrate on the thickest and uppermost Val D'Or seam and will be carried out using large diameter (15cm) core drilling.

### **ITEM 5: DIVIDENDS**

The Company has not declared or paid any dividends on its Shares since the date of its incorporation. The Company intends to retain its earnings, if any, to finance the growth and development of its businesses and does not expect to pay dividends or to make any other distributions in the near future.

### **ITEM 6: DESCRIPTION OF CAPITAL STRUCTURE**

The Company's authorized share capital consists of an unlimited number of Shares and Performance Shares without par value. As of the date of this AIF, the Company had 435,073,242 Shares issued and outstanding (362,499,962 as of June 30, 2010), an aggregate of 57,500,000 performance shares outstanding (57,500,000 as of June 30, 2010), an aggregate of 66,942,024 listed options outstanding (69,515,304 as of June 30, 2010), and an aggregate of 54,800,000 unlisted options outstanding (20,700,000 Shares as of June 30, 2010). The performance shares, listed options and unlisted options are convertible into an equivalent number of Shares. As of the date of this AIF the Company also had convertible notes outstanding that automatically convert at A\$0.80 each into 45,000,000 Shares upon Coalspur shareholder approval.

The following is a summary of the rights attaching to Shares. For a full statement of the rights attaching to Shares, reference should be had to the Constitution of the Company, which is available under the Company's profile on SEDAR at [sedar.com](http://sedar.com).

The holders of Shares are entitled to:

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

The Performance Shares are unlisted and are convertible into Shares for no additional consideration on the occurrence of certain specified milestone events. The Performance Shares convert automatically into Shares upon a change of control of the Company.

## ITEM 7: MARKET FOR SECURITIES

### Shares

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

The following sets out the monthly high and low closing prices and trading volume of the Shares of the Company from July 1, 2009 to June 30, 2010, as reported by the ASX.

#### SHARES (CPL)

Month	High (A\$)	Low (A\$)	Volume Traded
July 2009	0.14	0.105	11,234,640
August	0.265	0.13	48,364,339
September	0.485	0.205	33,492,298
October	0.465	0.385	16,174,819
November	0.38	0.30	11,350,944
December	0.34	0.27	10,220,093
January 2010	0.36	0.32	8,796,077
February	0.41	0.32	17,620,290
March	0.535	0.40	21,988,250
April	0.90	0.51	31,645,672
May	0.855	0.60	30,247,484
June	0.97	0.69	21,232,559

### Listed Options

Certain Share purchase options of Coalspur are listed and posted for trading on the ASX under the symbol “CPL” (“Listed Options”). The following table sets out the monthly high and low closing prices and trading volume of the Listed Options of the Company from July 1, 2009 to June 30, 2010.

#### LISTED OPTIONS (CPLO)

Month	High (A\$)	Low (A\$)	Volume Traded
July 2009	0.07	0.05	1,792,131
August	0.18	0.075	11,821,214
September	0.40	0.135	4,941,206
October	0.36	0.27	2,756,352
November	0.30	0.23	907,214
December	0.27	0.20	351,637
January 2010	0.30	0.21	578,300
February	0.31	0.24	971,608

Month	High (A\$)	Low (A\$)	Volume Traded
March	0.435	0.31	1,748,280
April	0.76	0.40	2,879,211
May	0.74	0.50	1,378,006
June	0.90	0.60	1,513,606

### Unlisted Options

Certain Share purchase options of Coalspur are outstanding but not listed or quoted on a marketplace (“**Unlisted Options**”). The following table sets out the Unlisted Options that were issued during the financial year ended June 30, 2010.

#### UNLISTED OPTIONS

Date	Unlisted Options Issued	Exercise Price (A\$/Share)	Expiry Date
September 30, 2009	2,750,000	0.10	December 31, 2013
September 30, 2009	2,750,000	0.15	June 30, 2014
September 30, 2009	2,750,000	0.20	December 31, 2014
September 30, 2009	2,750,000	0.25	June 30, 2015
September 30, 2009	600,000	0.50	March 31, 2011
November 24, 2009	1,800,000	0.40	December 31, 2013
November 24, 2009	1,800,000	0.50	June 30, 2014
November 24, 2009	1,800,000	0.60	December 31, 2014
February 10, 2010	400,000	0.35	February 10, 2013
March 24, 2010	350,000	0.50	June 30, 2014
March 24, 2010	350,000	0.60	December 31, 2014
March 24, 2010	350,000	0.70	June 30, 2015
May 14, 2010	750,000	0.85	June 30, 2014
May 14, 2010	750,000	0.95	December 31, 2014
May 14, 2010	750,000	1.05	June 30, 2015

### ITEM 8: ESCROWED SECURITIES

At the date of this AIF, 65,107,672 Shares are subject to a voluntary escrow period that ends on the earlier of a takeover bid being made or announced in respect of Coalspur or February 19, 2011.

### ITEM 9: DIRECTORS AND OFFICERS

The following table sets out information about the directors and executive officers of Coalspur.

Name and Residence	Current Office with Coalspur	Principal Occupation for Five Preceding Years	Director of Coalspur Since <sup>(1)</sup>
IAN MIDDLEMAS <sup>(2)</sup> Perth, Australia	Non-Executive Chairman	Director of the following public energy and mineral exploration and development companies, in addition to the Company:  Mantra Resources Limited (September 2005 – present),	March 9, 2007

Name and Residence	Current Office with Coalspur	Principal Occupation for Five Preceding Years	Director of Coalspur Since <sup>(1)</sup>
EUGENE WUSATY Calgary, Canada	Managing Director and Chief Executive Officer	Pacific Ore Limited (April 2010 – present), Wildhorse Energy Limited (January 2010 – present), Equatorial Resources Limited (November 2009 – present), WCP Resources Limited (September 2009 – present), Agua Resources Limited (September 2008 – August 2010), Global Petroleum Limited (April 2007 – present), Sovereign Metals Limited (July 2006 – present), Pacific Energy Limited (June 2006 – present), Sierra Mining Limited (January 2006 – present), Odyssey Energy Limited (September 2005 – present), Indo Mines Limited (December 2006 – June 2010), Neon Energy Limited (November 1995 – June 2010), QED Occtech Limited (July 2001 – February 2010), Fusion Resources Limited (May 2002 – March 2009), Mavuzi Resources Limited (January 2007 – March 2008), Syngas Limited (May 2007 – February 2008), Berkeley Resources Limited (July 2003 – November 2006) and Leyshon Resources Limited (November 2001 – April 2006).	August 17, 2009
ANASTASIOS ARIMA Perth, Australia	Executive Director	Managing Director & Chief Executive Officer, Coalspur (August 2009 – present), Chief Operating Officer, SouthGobi Energy Resources Ltd. (May 2007 – August 2009), President, Coal Division, Ivanhoe Mines Ltd. (August 2006 – May 2007), Vice President of Operations & Chief Operating Officer, Grande Cache Coal Corp. (2004 – September 2005).	February 19, 2009
COLIN HENRI STEYN <sup>(2)</sup> London, United Kingdom	Non-Executive Director	Executive Director of the Company (February 19, 2009 – present), Analyst, Capital Investment Partners Pty Ltd (January 2007 – May 2009).	October 21, 2010
MARK PEARCE <sup>(2)</sup> Perth, Australia	Director and Chief Financial Officer	Non-Executive Director, Mantra Resources Limited (March 2008 – present), Non-Executive Director, Mirabella Nickel Limited (October 2009 – present), President & Chief Executive Officer, LionOre Mining International Ltd. (November 1999 – July 2007).  Director and/or Company Secretary of the following public energy and mineral exploration and development companies, in addition to the Company:  Pacific Ore Limited (April 2010 – present), Equatorial Resources Limited (November 2009 – present), WCP Resources Limited (September 2009 – present), Agua Resources Limited (September 2008 – October 2010), Sovereign Metals Limited (July 2006 – present), Odyssey Energy Limited (September 2005 – present), Mantra Resources Limited (September 2005 – February 2010), QED Occtech Limited (November 2004 – February 2010), Fusion Resources Limited (May 2002 – February 2009), Mavuzi Resources Limited (January 2007 – June 2008), Syngas Limited (May 2007 – January 2008), Berkeley Resources Limited (July 2003 – April 2006), Leyshon Resources Limited (November 2001 – April 2006) and Neon Energy Limited (February 2002 – July 2006).	March 9, 2007

Notes:

(1) Other than the Managing Director, each director's term of office expires at the later of the third annual general meeting of shareholders of Coalspur or three years after that director's last election or appointment. One-third of the directors must retire at each annual general

meeting. Retiring directors are eligible for re-election. The Managing Director's contract of employment with Coalspur has a rolling annual term and can be terminated by Coalspur by giving 3 months notice.

- (2) Member of the Audit Committee.

As of June 30, 2010, the number of Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers of Coalspur as a group was approximately 93,516,425, representing approximately 21.5% of the issued and outstanding Shares.

#### ***Corporate Cease Trade Orders and Bankruptcies***

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

Other than as disclosed below, no director or executive officer of Coalspur or, to the knowledge of Coalspur, any shareholder holding a sufficient number of securities of Coalspur to affect materially the control of Coalspur:

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

Mr. Pearce was a non-executive director of Monitor Energy Limited (then called Mustang Group Limited) ("MEL"), a company listed on the ASX. MEL acquired a health and personal well-being company called The Metabolism Centre Pty Ltd. Pursuant to the terms of the acquisition agreement, Mr. Pearce resigned as a director of MEL and new management and directors were appointed in September 2003. In January 2004, MEL was suspended from official quotation on the ASX and placed into voluntary administration. In April 2004, MEL entered into a Deed of Company Arrangement with its creditors. In July 2004 MEL was released from external administration and in September 2004 MEL was re-instated to official quotation on the ASX.

Mr. Pearce also was a non-executive director of Leisure and Gaming Corporation Ltd. ("LGC"). LGC established an online gaming business in January 2000 with a view to undertaking an initial public offering and listing on the ASX. Following LGC's establishment, substantial legislative restrictions were imposed on the industry. The ASX listing application was withdrawn in 2001 and LGC was eventually liquidated in 2003.

Mr. Middlemas was a non-executive director of View Resources Limited (then called Smartworld Corporation Limited) ("VRL"), an ASX-listed company, from February 2000 to August 2001. In September 2001, VRL was suspended from official quotation on the ASX and was placed into voluntary administration. In January 2002, VRL entered into a Deed of Company Arrangement with its creditors and, following the restructuring of its business from a technology focus to exploration, VRL was re-admitted to official quotation on the ASX in April 2002.

#### ***Conflicts of Interest***

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or have significant shareholdings in other reporting companies and, to the extent that such other

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

#### ***Committees of the Board of Directors***

The board of directors has established an Audit Committee (the “**Committee**”). Two of the three members of the Committee are “independent” directors, within the meaning of National Instrument 52-110 (“**NI 52-110**”).

#### ***Composition of the Audit Committee***

The Committee is made up of Messrs Middlemas, Pearce and Steyn. All members of the Committee are considered financially literate as defined in NI 52-110. Messrs Middlemas and Steyn are considered independent as defined in NI 52-110. Mr. Pearce is not considered independent as defined in NI 52-110 due to his position as Chief Financial Officer of the Company. The Company is currently in the process of seeking to find a suitable independent director to add to the Company's board of directors and the Committee.

#### ***Audit Committee Charter***

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

#### ***Reliance on Certain Exemptions***

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

#### ***Audit Committee Oversight***

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

#### ***Pre-Approval Policies and Procedures***

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

#### ***External Auditor Service Fees***

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

	<b>2010</b>	<b>2009</b>
<i>Fees paid to Deloitte Touche Tohmatsu:</i>		
Audit Fees <sup>(1)</sup> .....	36,000	-
All Other Fees .....	-	-
<i>Fees paid to PKF Chartered Accountants:</i>		
Audit Fees <sup>(1)</sup> .....	-	20,968
All Other Fees .....	-	-

Notes:

(1) Includes services provided in connection with an audit or review of the financial statements of the Company or its subsidiaries.

#### ***Audit Committee Members' Experience and Education***

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

#### ***Mr. Ian Middlemas B.Com, CA – Non-Executive Chairman***

Mr. Middlemas is a Chartered Accountant, a member of the Securities Institute of Australia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a director with a number of publicly listed companies in the resources sector.

#### ***Mr. Colin Steyn B.Com, MBA – Non-Executive Director***

Mr Steyn has over 30 years experience in the resources sector with particular expertise in the development of mining operations in southern Africa. Mr Steyn was previously President and CEO of LionOre Mining International (“**LionOre**”) from 1999 to 2007. He was one of the original founders of LionOre and was instrumental in the growth and development of LionOre into a major international mining house. During his time as CEO, LionOre grew from a market capitalisation of US\$100 million to over US\$6 billion.

From 1996 to 2000, he was a director of Centachrome, a worldwide metals marketing organisation. For five years prior to 1996, Mr Steyn was Executive Director in charge of Metallurgical Operations in Zimbabwe for Rio Tinto; where he started his career in 1979.

#### ***Mr. Mark Pearce B.Bus, CA, FCIS, FFin – Director and Chief Financial Officer***

Mr. Pearce is a Chartered Accountant and is currently a director of several listed companies that operate in the resources sector. He has had considerable experience in the formation and development of listed small cap resource companies and has worked for several large international Chartered Accounting firms. Mr. Pearce is also a Fellow of the Institute of Chartered Secretaries and a member of the Financial Services Institute of Australasia.

#### **ITEM 10: PROMOTERS**

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

#### **ITEM 11: LEGAL PROCEEDINGS, REGULATORY ACTIONS AND PENALTIES/SANCTIONS**

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

## **ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Apollo Group Pty Ltd, a company associated with Mr. Mark Pearce, a non-executive director of Coalspur, was paid A\$204,000 (2009: A\$178,000) (2008: A\$144,000) for the provision of serviced office facilities and administrative, company secretarial and accounting services during the most recently completed financial year. The amount is based on a monthly retainer due and payable in arrears, with no fixed term. Apollo Group Pty Ltd was also paid \$50,000 (2009: nil) (2008: nil) for additional consulting services provided to the Company.

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

## **ITEM 13: TRANSFER AGENTS AND REGISTRARS**

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

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

## **ITEM 14: MATERIAL CONTRACTS**

The one material contract of the Company that the Company has entered into within the last financial year, or before the last financial year if still in effect, is an Option to Purchase agreement dated February 19, 2009 between a subsidiary of the Company and Tanager with respect to the acquisition of five coal leases contiguous to the Project.

## **ITEM 15: INTEREST OF EXPERTS**

Information of a scientific or technical nature in this AIF is based primarily upon the Technical Report prepared by Mr. Robert F. Engler and Mr. Robert J. Morris, each a Member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta and a principal of Moose Mountain Technical Services. Each of Mr. Robert F. Engler and Mr. Robert J. Morris has sufficient experience to qualify as a "Qualified Person" under NI 43-101. Mr. Robert F. Engler and Mr. Robert J. Morris have verified the scientific and technical information disclosed in this AIF, including sampling, analytical and test data underlying the information and opinions contained in this AIF.

Mr. Robert F. Engler and Mr. Robert J. Morris consent to the inclusion of information from the Technical Report in this AIF. Each of Mr. Robert F. Engler and Mr. Robert J. Morris have no direct or indirect interest in Coalspur's property or of any associate or affiliate of Coalspur. As at the date hereof, none of Mr. Robert F. Engler, Mr. Robert J. Morris, Moose Mountain Technical Services, or any associate or affiliate of Mr. Robert F. Engler, Mr. Robert J. Morris or Moose Mountain Technical Services, owns, or has the right to acquire, more than one percent of the outstanding securities of Coalspur.

**ITEM 16: ADDITIONAL INFORMATION**

Additional financial information is provided in Coalspur's audited consolidated financial statements and related Management's Discussion and Analysis for its year ended June 30, 2009. Copies of the above and other disclosure documents may be examined and/or obtained through the Internet by accessing Coalspur's website at [www.coalspur.com](http://www.coalspur.com) or by accessing the SEDAR website at [sedar.com](http://sedar.com).

## Schedule A

### COALSPUR MINES LIMITED AUDIT COMMITTEE CHARTER

**Adopted: 26 October 2010**

#### 1. ROLE

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

#### 2. ADMINISTRATION OF THE COMMITTEE

##### 2.1. Membership

- 2.1.1. The members of the Committee shall be appointed by the Board for one-year terms and may serve consecutive terms.
- 2.1.2. The Committee shall be composed of not less than three (3) members. If a member of the Committee retires, is removed or resigns from the Board, that member shall cease to be a member of the Committee.
- 2.1.3. Each member of the Committee shall:
  - (a) be a member of the Board;
  - (b) unless otherwise determined by the Board, in accordance with Canadian National Instrument 52-110 - *Audit Committees* (“**NI 52-110**”), be independent within the meaning of NI 52-110; and
  - (c) unless otherwise determined by the Board in accordance with NI 52-110, have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the accounting issues that can reasonably be expected to be raised by the Company’s financial statements.

##### 2.2. Chairman

- 2.2.1. The members of the Committee shall appoint a person from among its members to act as the chairman of the Committee (the “**Chairman**”). The Chairman shall be approved for a one-year term.
- 2.2.2. The Chairman is responsible for:
  - (a) ensuring the Committee adequately addresses each of its functions and responsibilities, on an on-going basis;
  - (b) ensuring the Board and, if appropriate, the Chief Executive Officer and the Chief Financial Officer are aware of concerns of the Committee;

- (c) liaise with the chairperson of the Board to coordinate the raising of Committee matters with the Board;
- (d) communicate with the Board to keep it apprised of all major developments involving audit and financial reporting matters;
- (e) chair and manage meetings of the Committee;
- (f) set and assess periodically the frequency of Committee meetings; and
- (g) on an on-going basis, evaluate the Committee's objectives, duties and the effectiveness of its performance.

#### 2.3. Meetings

- 2.3.1. Unless otherwise set forth herein, Committee meeting shall be governed by the same rules as set out in the Company's Constitution as they apply to the meetings of the Board.
- 2.3.2. The Committee shall meet as frequently as required, but not less than four times per year.
- 2.3.3. The Chairman, in consultation with management, shall appoint a secretary to the Committee (the "Secretary").
- 2.3.4. The Secretary must call a meeting of the Committee if requested to do so by any member of the Committee.
- 2.3.5. The agenda for Committee meetings will be determined by the Chairman in consultation with management and members of the Committee.
- 2.3.6. The Secretary shall forward a notice of each meeting of the Committee to each Committee member as many days as possible and not less than 3 days prior to the date of the meeting.
- 2.3.7. Minutes and resolutions of meetings of the Committee shall be maintained by the Secretary and distributed to all Committee members and the Chairman following the approval of such minutes and resolutions by the Chairman.
- 2.3.8. Committee minutes may be made available to any member of the Board following a request to the Chairman, providing no conflict of interest exists.

#### 2.4. Attendance at Meetings

- 2.4.1. A quorum will comprise any two (2) Committee members.
- 2.4.2. Each member shall have one vote and the Chairman shall not have a second or casting vote.
- 2.4.3. The Chief Executive Officer, Chief Financial Officer, the Company Secretary, representative(s) of the external auditors, members of management or other parties deemed necessary by the Committee to provide information may attend meetings by invitation.

### 3. RESPONSIBILITIES

#### 3.1. The Committee shall:

## **Financial Reporting**

- 3.1.1. periodically assess and review the effectiveness of the Company's financial reporting and internal control policies;
- 3.1.2. ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements;
- 3.1.3. periodically assess the procedures referred to in subsection 3.1.2 above;
- 3.1.4. monitor and review the Company's compliance with legal and regulatory requirements;
- 3.1.5. review, prior to public disclosure, the Company's annual and interim financial statements, MD&A and earnings press releases, taking into account:
  - (a) critical accounting policies and practices and any changes therein;
  - (b) decisions requiring a major element of judgment;
  - (c) the extent to which the financial statements are affected by any unusual transactions;
  - (d) the clarity of disclosures;
  - (e) significant adjustments resulting from the audit;
  - (f) the going concern assumption;
  - (g) compliance with accounting standards; and
  - (h) compliance with stock exchange and other legal requirements;
- 3.1.6. review and approve any financial reporting required to be made to any lenders or strategic investors;
- 3.1.7. review the consistency of the Company's accounting policies both on a year-to-year basis and across the Company and its subsidiaries and the impact of changes in the accounting standards and legislation on the Company's accounting policies, and where the Committee deems it necessary, adopt changes to the Company's accounting policies in response thereto;
- 3.1.8. obtain reasonable assurance, from discussions with and reports from management and external auditors, that the Company's accounting systems are reliable and that the prescribed internal controls are operating effectively and that the Committee is fully apprised of all unrecorded audit adjustments and the rationale for any judgement calls made in relation to the Company's financial statements;
- 3.1.9. ensure the Company's external reporting complies with the Company's accounting policies, the *Corporations Act 2001* (Cth), International Financial Reporting Standards and all other applicable policies and rules and securities laws;
- 3.1.10. discuss any significant matters arising from the audit, management judgments and accounting estimates with management and internal auditors (if any), and external auditors;
- 3.1.11. review with management and the external auditor and, as considered appropriate by the Committee, with outside legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of

the Company, and the manner in which any such litigation, claim or contingency has been disclosed in the Company's financial statements and disclosure documents;

- 3.1.12. obtain reasonable assurance from management about the process for ensuring the reliability of public disclosure documents that contain audited and unaudited financial information;
- 3.1.13. review the contents of any prospectus or similar document, including the financial statements contained therein, and after such review and where deemed appropriate, shall recommend to the Board the approval of any financial statements contained therein that have not previously been approved;
- 3.1.14. monitor the policies of the Company in respect of compliance with corporate, environmental, mineral and resource, trade practices and other relevant laws and regulations;
- 3.1.15. provide the Board with advice and recommendations regarding the appropriate material and disclosures to be included in the corporate governance section of the Company's annual report which relates to the Company's audit policies and practices;
- 3.1.16. review and recommend to the Board the appointments of the Chief Financial Officer and any other key financial members of management;
- 3.1.17. recommend to the Board the policies and practices for the payment, monitoring and review of the expenses of the Board and officers of the Company who report directly to the Board;
- 3.1.18. ensure that the Company complies with all legal requirements relating to the declaration and payment of dividends;

#### **External Auditor**

- 3.1.19. recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company based on criteria relevant to the business of the Company, including experience in the industry in which the Company operates, references, cost and any other matter deemed relevant by the Committee, and the following mandatory criteria:
  - (a) the external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period;
  - (b) the external auditor of the Company must have arrangements in place for the rotation of the audit engagement partner on a regular basis; and
  - (c) the auditor partner, or his representative, must be available to attend at the annual general meetings of the Company to answer questions from shareholders through the chairman of the meeting;
- 3.1.20. recommend to the Board the compensation of the external auditor;
- 3.1.21. oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;

- 3.1.22. ensure that the external auditor is independent and objective and that the Committee receives from the external auditor a formal written statement describing any and all relationships between the external auditor and the Company;
- 3.1.23. engage in a dialogue with the external auditor with respect to any disclosed relationships or services that could impact the objectivity and independence of the external auditor and may take, or recommend that the Board take, appropriate action to ensure the independence of the external auditor;
- 3.1.24. ensure that the external auditor is satisfied that the accounting estimates and judgments made by management, and management's selection of accounting principles, reflect an appropriate application of International Financial Reporting Standards;
- 3.1.25. develop a relationship with the external auditor that allows for full, frank and timely discussion of all material issues;
- 3.1.26. meet on a regular basis with the external auditor, without management present;
- 3.1.27. confirm with the external auditor the external auditor's judgment of the acceptability and quality of the Company's accounting principles as applied in the Company's financial reporting, including without limitation, disclosure, degree of aggressiveness or conservatism in the accounting principles and underlying estimates, and other significant decisions made by management in preparing the Company's financial reporting and disclosure materials;
- 3.1.28. either (i) pre-approve all services to be provided to the Company or its subsidiaries by the external auditor (however the Committee may delegate authority to pre-approve non-audit services to one or more members of the Committee however, pre-approval of any non-audit services must be presented by any member to whom authority has been delegated to the full Committee at its first scheduled meeting after such approval); or (ii) adopt specific policies and procedures for the engagement of non-audit services provided that: (1) the policies and procedures are detailed as to the particular service; (2) the Committee is informed of each non-audit service; and (3) the procedures do not include delegation of the Committee's responsibilities to management;
- 3.1.29. review the planning and results of the external audit, including:
  - (a) the external auditor's engagement letter;
  - (b) the scope of the audit, including materiality, locations to be visited, audit reports required, areas of audit risk, timetable, deadlines;
  - (c) the post-audit management letter;
  - (d) the form and content of the audit report; and
  - (e) any other related audit engagements;
- 3.1.30. ensure that the external auditor has direct access to the Committee and unrestricted access to the Company's information;
- 3.1.31. assess management's response to, and action on, the external auditor's post-audit reporting letter;
- 3.1.32. assess the external auditor's performance on an annual basis and report to the Board;
- 3.1.33. direct the external auditors' examinations to additional particular areas, where appropriate;

- 3.1.34. where appropriate, request that the external auditors to undertake special examinations;
- 3.1.35. review control weaknesses identified by the external auditors, together with management's response;
- 3.1.36. review and approve the Company's hiring policies regarding current and former partners and employees of the present and former external auditor;

### **Reporting**

- 3.1.37. report to the Board, at the first Board meeting subsequent to each Committee meeting, regarding the proceedings of each Committee meeting, the outcomes of the Committee's reviews and recommendations and any other relevant issues;
- 3.1.38. on an annual basis, report to the Board of the Company on all matters relevant to the performance of its role and the discharge of its duties during the period, having regard to corporate governance guidelines and best practice recommendations established by the Australian Securities Exchange (the "ASX") and the Toronto Stock Exchange (the "TSX") addressing all matters relevant to the committee's role and responsibilities, including:
  - (a) whether external reporting is consistent with the Committee members' information and knowledge and is adequate for shareholder needs;
  - (b) the management processes supporting external reporting;
  - (c) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
  - (d) recommendations for the appointment or removal of an auditor;
  - (e) the performance and independence of the external auditors and whether the audit committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
  - (f) the performance and objectivity of the internal audit function; and
  - (g) the results of its review of risk management and internal compliance and control systems;

### **Independent Experts**

- 3.1.39. if the Committee determines that it is appropriate to do so, appoint (to a maximum cumulative cost to the Company of \$20,000 per annum) and terminate the appointment of any independent experts to enable it to carry out its responsibilities

### **Whistle Blowing**

- 3.1.40. establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- 3.1.41. establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

## **Risk Management**

- 3.1.42. provide the Board with advice and recommendations regarding the establishment and implementation of:
  - (a) a risk management system; and
  - (b) a risk profile for the Company that describes the material risks (including financial and non-financial risks) which the Company faces;
- 3.1.43. provide the Board with advice and recommendations regarding the roles and respective accountabilities of the Board, the Committee, management and the internal audit function (if any) in respect of the Company's risk management system;
- 3.1.44. periodically assess and review the effectiveness of the Company's procedures for the identification, assessment, reporting and management of risks including the areas of crisis management, capital expenditure, taxation strategy, funding, commodity and foreign exchange and interest rate exposure, insurance coverage, fraud and information systems technology;
- 3.1.45. ensure that adequate procedures are in place to achieve the Company's objectives as to the effectiveness and efficiency of operations and to safeguard the Company's assets;
- 3.1.46. regularly review and update the Company's risk profile;

## **Internal Audit**

- 3.1.47. periodically assess, review the need for an internal audit function on a regular basis;
- 3.1.48. if the Committee determines that it is appropriate to do so, it shall establish an internal audit function whose purpose is to analyse the effectiveness of:
  - (a) the Company's risk management and internal compliance and control system; and
  - (b) the implementation of the Company's risk management and internal compliance and control system;
- 3.1.49. if the Company has an internal audit function, the Committee shall:
  - (a) review the results and effectiveness of the internal audit programs;
  - (b) recommend the scope of the internal audit for Board approval;
  - (c) review and approve the appointment and dismissal of senior internal audit executives;
  - (d) ensure the internal audit function is independent of the external auditor;
  - (e) ensure that the internal audit function has all necessary access to management and the right to seek information and explanations;
  - (f) receive summaries of significant reports to management prepared by internal audit, the management response and the recommendations of internal audit;
  - (g) ensure no management or other restrictions are placed on the internal auditors; and
  - (h) ensure that appropriate resources are made available to the internal auditors; and

## **General**

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

## **4. REVIEW OF COMMITTEE PERFORMANCE**

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

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

4.3. Committee members are not entitled to receive additional remuneration for their services in connection with the Committee. The Board will review the remuneration of the Committee in June 2008.

## **5. AUTHORITY OF THE COMMITTEE**

5.1. The Committee has the authority to:

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

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

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

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

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

## **6. CONFLICT**

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