



COALSPUR MINES LIMITED

**FINANCIAL REPORT FOR THE YEAR
ENDED DECEMBER 31, 2013**

ABN 73 003 041 594

CORPORATE DIRECTORY

DIRECTORS:

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

COMPANY SECRETARIES:

Canada:

Ms. Xenia Kritsos

Australia:

Mr. Simon Robertson

PRINCIPAL OFFICES:

Canada:

Suite 600
543 Granville Street
Vancouver BC V6C 1X8
CANADA

Telephone: +1 604 697 4470
Facsimile: +1 604 697 4499

Australia (Registered Office):

Level 1
28 Ord Street
Perth WA 6005
AUSTRALIA

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

STOCK EXCHANGE LISTINGS:

Canada:

TSX Code: CPT – fully paid ordinary shares

Australia:

ASX Code: CPL – fully paid ordinary shares

WEBSITE:

www.coalspur.com

SOLICITORS:

Canada:

McCarthy Tétrault
LLP

Australia:

Hardy Bowen
Lawyers

AUDITOR:

Deloitte Touche
Tohmatsu

SHARE REGISTRIES:

Canada:

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

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

Australia:

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

Telephone:
1300 557 010

International:
+61 8 9323 2000
Facsimile:
+61 8 9323 2033

Table of Contents

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013	4
Remuneration Report (Audited)	30
Auditor's Independence Declaration	46
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013	49
Consolidated Statement of Comprehensive Income	49
Consolidated Statement of Financial Position	50
Consolidated Statement of Changes in Equity	51
Consolidated Statement of Cash Flows	54
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	55
DIRECTORS' DECLARATION	108
INDEPENDENT AUDITOR'S REPORT	109

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

INTRODUCTION

The following Directors' Report and Management's Discussion and Analysis ("Directors' Report and MD&A") should be read in conjunction with the audited Annual Financial Statements for the year ended December 31, 2013 ("Financial Statements"). The effective date of this report is March 12, 2014. Coalspur Mines Limited and its subsidiaries ("Coalspur" or "Company", or "Group") recently changed its financial year end date from June 30 to December 31 to align with its Canadian subsidiary as it develops the Vista coal project. Accordingly, the current period referred to in this Directors' Report and MD&A is the year from January 1, 2013 to December 31, 2013, and the comparatives are for the preceding six month period from July 1, 2012 to December 31, 2012.

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

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

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

DIRECTORS

The Directors of Coalspur Mines Limited present their report on the Consolidated Entity consisting of Coalspur Mines Limited and the entities it controlled at the end of, or during, the year ended December 31, 2013.

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

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

All Directors held their office during the period from January 1, 2013 until the date of this report.

Qualifications, Experience and Special Responsibilities of Directors**Mr. Colin Steyn, B.Comm, MBA***Chairman (non-executive)*

Mr. Steyn has over 30 years of experience in the resources sector with particular expertise in the development of mining operations in Southern Africa. Mr. Steyn was appointed a Director of the Company on October 21, 2010. Mr. Steyn was previously President and CEO of LionOre Mining International 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.

Mr. Steyn is a member of the Audit Committee.

Mr. Steyn was appointed Chairman on September 6, 2011 and has been a Director of the Company since October 21, 2010. Mr. Steyn currently holds a directorship in Asanko Gold Inc. (October 2012 – present) and was a director of Mantra Resources Limited (March 2008 – June 2011) and Mirabela Nickel Limited (October 2009 – January 2014). Other than the above, Mr. Steyn does not currently hold any directorships of other listed companies, nor has he done in the past three years.

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

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

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

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

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013**Mr. Denis Turcotte, P. Eng***Director (non-executive)*

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

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

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

Mr. Peter Breese, PMD*Director (non-executive)*

Mr. Breese has over 25 years operational experience in the global mining industry, having worked predominantly across Southern Africa (Ghana, South Africa, Botswana, Tanzania and Zimbabwe) and Australia in the gold, uranium, nickel, platinum and chrome sectors. He has held a number of senior management positions in TSX and ASX publicly listed companies, and holds a PMD from Harvard Business School.

Mr. Breese is a member of the Remuneration and Nominations Committee.

Mr. Breese was appointed a Director of the Company on September 6, 2011. Mr. Breese is currently a director and the CEO of Asanko Gold Inc. (October 2012 – present), and was a director and CEO of Mantra Resources Limited (January 2010 - June 2011). Other than the above, Mr. Breese does not currently hold any directorships of other listed companies, nor has he done in the past three years.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013**Mr. David Murray, BSc.***Director (non-executive)*

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

Mr. Murray is a member of the Remuneration and Nominations Committee.

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

Mr. Ted Mayers, CPA, CA*Director (non-executive)*

Mr. Mayers has extensive experience in financial management within the mining sector, and has held a number of senior financial positions with publicly listed mining companies, most recently as Chief Financial Officer of Lundin Mining. Mr. Mayers is a CPA, CA, with a Masters of Business Administration degree from the University of Western Ontario.

Mr. Mayers is Chairman of the Audit Committee.

Mr. Mayers was appointed a Director of the Company on October 13, 2011. Mr. Mayers was a director of Mantra Resources Limited (September 2010 – June 2011). Other than the above, Mr. Mayers does not currently hold any directorships of other listed companies, nor has he done in the past three years.

Mr. Mark Rodda, BA, LLB*Director (non-executive)*

Mr. Rodda is a lawyer with private practice, in-house legal, and corporate consultancy experience with considerable practical experience in the management of mergers and acquisitions, divestments, joint ventures, corporate and project financing transactions and corporate restructuring initiatives. He is currently a partner of Napier Capital, a boutique corporate services and advisory firm. Until it was acquired by Norilsk Nickel in 2007, he was General Counsel and Corporate Secretary for LionOre Mining, a Company with operations in Australia and Africa and listings on the TSX, LSE and ASX. Mr. Rodda holds a BA and LLB.

Mr. Rodda is a member of the Audit Committee.

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

Mr. William Smart, B.Comm*Alternate Director (non-executive)*

Mr. William (Bill) Smart has over 40 years experience in the mining industry across the nickel, platinum and chrome sectors, including 26 years working for the Anglo American Group in Zimbabwe. He has held a number of senior executive positions in the industry, including Vice President, Corporate Planning of LionOre Mining, until it was acquired by Norilsk Nickel in 2007; Managing Director of Bindura Nickel, Managing Director of Zimbabwe Alloys; as well as CEO of both Zimasco and Mimosa Mining Companies. Mr. Smart holds a B.Com, Hons.

Mr. Smart was appointed an Alternate Director on October 13, 2011. Mr. Smart serves as an alternate director to Mr. Steyn and Mr. Breese, and was an alternate director of Mantra Resources Limited (June 2010 – June 2011). Other than the above, Mr. Smart does not currently hold any directorships of other listed companies, nor has he done in the past three years.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013**Ms. Xenia Kritsos, BA, LLB, BCL***Joint Company Secretary*

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

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

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

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

PRINCIPAL ACTIVITIES

During the year ended December 31, 2013, Coalspur's principal activities were related to progressing detailed engineering and construction plans for the Vista project ("Vista"), advancing the regulatory approval process for Phase 1 of Vista and progressing finance solutions for the development of Vista. The Company was engaged in similar activities during the previous six month period ended December 31, 2012.

REVIEW AND RESULTS OF OPERATIONS**Review of Operations for the year ended December 31, 2013**

During the year ended December 31, 2013 Coalspur finalised its Vista development plan, executed a senior secured debt facility for part of the development capital to fund Vista, advanced its regulatory applications for Vista, developed its workforce, and completed clean coal transportation arrangements with established port and rail providers.

In June 2013 Coalspur's Board of Directors approved the Vista development plan with capital of C\$458 million for a six million tonnes per annum ("Mtpa") capacity facility, resulting in a capital efficiency of C\$76 per tonne of annual capacity. The capital has remained the same however due to a decrease of the Canadian dollar as compared to the US dollar, the capital cost has increased to C\$478 million. A competitive process with globally recognised EPC contractors resulted in an optimised project execution strategy and added confidence around development costs and project delivery. The terms agreed with the selected EPC contractor, Forge group's Taggart Global ("Forge"), de-risked the capital budget by locking in approximately 50% (US\$221 million) of total development capital. Subsequent to June 2013 Coalspur and Forge agreed to expand the scope of work provided by Forge increasing the lump sum turn-key contract to approximately 65% (US\$284 million) of development capital.

Since being selected as the EPC for Coalspur, Forge has continued with detailed engineering work under Limited Notice to Proceed ("LNTP") letter agreements which are reviewed monthly. The current LNTP expires at the end of March 2014. The execution of the definitive contract with Forge will only occur once the Company has received its regulatory permits and has certainty for the balance of development funding for Vista.

The Company's financial position remains stable following the establishment of a senior secured debt facility of up to US\$350 million (the "Facility") with EIG Global Energy Partners ("EIG"), and the associated restructuring of its C\$70 million credit facility with Borrowdale Park S.A. ("Borrowdale Park") into a C\$30 million subordinated note in July 2013. The EIG and Borrowdale Park agreements ensure Coalspur retains all off-take and marketing rights, thereby preserving strategic flexibility to secure the balance of its required development capital. In addition, in January 2013, Borrowdale Park and a number of smaller option holders exercised their options to purchase approximately 13.4 million ordinary shares with an exercise price of A\$0.70.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

In July 2013, following shareholder approval on June 27, 2013, the Company issued 120 million warrants to EIG and 14 million warrants to Borrowdale Park, both with an exercise price of A\$0.55, made an initial draw of US\$37.0 million under the Facility, paid EIG a US\$7.0 million facility fee, and repaid C\$10 million of the previous C\$40 million owing to Borrowdale Park. Further draws upon the Facility are contingent on obtaining regulatory approval for Vista Phase 1, and other conditions typical for a facility of this nature.

Coalspur hired a number of individuals during the year to assist with the development and operation of Vista, including Colin Gilligan (Chief Operating Officer), Robert Gough (Chief Financial Officer), Richard Tremblay (Vice President, Operations) and Xenia Kritsos (Vice President, General Counsel and joint Company Secretary). Coalspur's number of full time employees grew from 20 at December 31, 2012 to 29 at December 31, 2013.

The Company finalised its arrangements for transporting clean coal by rail to port, by reaching a definitive agreement with the Canadian National Railway Company ("CN") which outlines key terms for a seven year coal transportation agreement, and by bringing total committed port capacity with Ridley Terminals Inc. ("Ridley Terminals") to 10.7 Mtpa. The capacity at Ridley Terminals commences with 2.5 Mtpa in 2015, and increases to 10.7 Mtpa by 2020.

In December 2013 Coalspur announced that it had entered into separate agreements with each of the Ermineskin Cree Nation ("Ermineskin"), the Whitefish (Goodfish) Lake First Nation ("Whitefish") and Tourmaline Oil Corp. ("Tourmaline"), three of the four parties granted intervener status by the Alberta Energy Regulator ("AER"). Ermineskin, Whitefish and Tourmaline withdrew as interveners in relation to the Vista regulatory process.

On December 9, 2013 the AER opened its hearing relating to Coalspur's applications for approval of Vista and closed the hearing on January 13, 2014.

Subsequent to the year ended December 31, 2013, Coalspur announced an agreement had been reached with the Alexis Nakota Sioux Nation ("Alexis"). Alexis withdrew as an intervener in relation to the regulatory approval of Vista. On February 27, 2014, the AER approved Vista. This places Coalspur in a position to work with the regulators to finalise detailed licenses and permits for Vista over the coming months.

Financing arrangements

During the year, Coalspur secured a Facility with EIG for up to US\$350 million to fund the development of Vista Phase 1, and arranged for its existing \$70 million Borrowdale Park facility to be restructured into a \$30 million subordinated note.

The Facility has a maturity date of July 12, 2021, and carries interest at a rate of 8% per annum in cash plus 3% per annum which can be capitalised or paid in cash. Cash payments will not start until Coalspur

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

is in production. Coalspur made an initial draw of US\$37.0 million under the Facility, a further US\$120 million can be drawn following receipt of necessary regulatory approvals, and other conditions precedent including insurance, environmental management, and agreements with material contractors. Subsequent drawdowns are subject to further funding arrangements for the construction of Vista Phase 1, and other conditions precedent, including a provision for final sizing of the Facility which is contingent upon the Company being able to maintain adequate debt service cover ratios. In the event final sizing of the Facility results in a Facility limit of less than US\$250 million, and Coalspur's financial model indicates a value greater than US\$250 million, Coalspur has the option to cancel the Facility and repay EIG with cash or ordinary shares at market value, however that value shall not be less than A\$0.20 and not greater than A\$0.65 per share. Under this scenario, Coalspur may choose to cancel the Facility if better financing alternatives were available. In the event the Company does not cancel the Facility, it will be subject to make whole provisions should it elect to repay EIG early.

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

Subsequent to the year ended December 31, 2013, Coalspur announced that it had reached an agreement with Borrowdale Park for the provision to Coalspur of a standby funding facility of C\$10 million ("New Facility"), subject to the execution of definitive documents. The New Facility will be drawn upon if and when required. The New Facility has an interest rate of 10.5% per annum and will be repaid from proceeds raised as part of the final overall Vista financing solution. Reasonable arrangement and commitment fees are payable by Coalspur. The New Facility is in addition to the C\$30 million balance owing to Borrowdale Park under the existing Borrowdale Park Note.

Vista Project

In June 2013 the Company updated its Vista development plan to construct and commission a 6 Mtpa capacity thermal coal facility for a total development capital of C\$458 million. The development plan includes a US\$221 million lump sum turn-key contract with Forge, which reduces exposure to currency fluctuations associated with the US\$ Facility. The capital has remained the same however due to a decrease of the Canadian dollar as compared to the US dollar, the capital cost has increased to C\$478 million. Subsequent to June 2013 Coalspur and Forge agreed to expand the scope of work provided by

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

Forge increasing the lump sum turn-key contract with Forge to US\$284 million. The terms agreed with Forge as well as their experience as an EPC contractor in Canada and North America provides a high degree of certainty over costs. Subsequent to year end the parent company of Forge announced that its financiers had withdrawn support for the company. Coalspur is monitoring the Forge situation closely to ensure there is minimal impact on the costs or timing of Vista phase 1 construction as a result of the announcement. Coalspur has a number of contingencies in place in the event Forge is unable to fulfill their commitments as EPC, including alternate contractors and ownership of all intellectual property.

The Company is in the final stages of its regulatory approvals process for Vista with the AER, formerly the Energy Resources Conservation Board, and Alberta's Energy and Sustainable Resource Development department ("ESRD"). In December 2013, Coalspur announced that it had entered into separate agreements with three of the four parties granted intervener status by the AER in October 2013. Ermineskin, Whitefish and Tourmaline withdrew as interveners in relation to the regulatory process for the approval of Coalspur's Vista project.

In January 2014 Coalspur announced an agreement has been reached with the Alexis in relation to the development of Vista. Alexis withdrew as an intervener in relation to the regulatory approval of Vista. On February 27, 2014, the AER approved Vista, placing Coalspur in a position to work with the regulators to finalise detailed licenses and permits over the coming months.

During the year CN received approval from the Canadian Transportation Agency ("CTA") which will allow Coalspur to construct a 6.5km long rail siding providing CN with access to Coalspur's loading site. Construction of the rail siding will begin at the same time construction of Vista commences. CN will ensure the rail siding meets their design and construction specifications. Coalspur and CN also signed a seven-year, definitive rail transportation agreement covering up to 12 Mtpa. As with most western Canadian producers, CN will supply the equipment to carry Coalspur's coal to the port facility.

During the year, Coalspur finalised its port capacity arrangements at Ridley Terminals by allowing an option to acquire 1.0 Mtpa capacity to lapse, and by confirming its intention to proceed with a previously signed agreement. The finalised capacity commences with 2.5 Mtpa in 2015, and increases to 10.7 Mtpa in 2020, which satisfies the majority of Vista's forecast requirements at full production. The Company is subject to minimum throughput payments of \$12.8 million in 2015, increasing to \$54.9 million per year by 2020. Please refer to Note 11 to the Company's December 31, 2013 Financial Statements, and copies of the Company's agreements with Ridley Terminals that are filed on SEDAR for more information.

As a result of various delays in obtaining the necessary regulatory approvals, licenses and permits for the construction and operation of Vista, Coalspur declared Force Majeure due to government inaction as of December 18, 2013 as defined in sections 14.2 of the 2011 Terminal Service Agreement ("TSA") with Ridley Terminals. Specifically, the force majeure event constitutes "acts or refusals to act of any government or government agency in...its sovereign...capacity", in light of the regulatory delays in

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

approving the project. The delays outlined include the inability of Coalspur to meet the declared contract volume of 2.5 million tonnes in 2015 and possibly a portion of the 4.5 million tonnes in 2016. The construction period for Vista is around 21 months. On the assumption that detailed licenses and permits are forthcoming in the first half of 2014, and construction commences shortly thereafter, first coal would be expected sometime in 2016. The force majeure declaration is expected to mitigate 2015 and 2016 payments the Company would have otherwise had to pay.

The Company significantly strengthened its management and technical teams in anticipation of commencing construction on Vista as full time employees grew from 20 at December 31, 2012 to 29 at December 31, 2013. The increased staff level is primarily due to growth at the Hinton office.

Other Projects

Coalspur has a number of other potential projects that provide for future upside, however, the development of Vista is the main priority of the Company.

Vista Extension is located on the northeast boundary of Vista and covers 14,432 hectares. An initial resource estimate on Vista Extension resulted in Measured and Indicated resources of 173.7 Mt (Measured 6.5 Mt, Indicated 167.2 Mt) and inferred resources of 969.3 Mt. The Company acquired Vista Extension for \$13.0 million in 2012. To date, exploration and evaluation expenses on Vista Extension have been nominal. Coalspur has deferred a future drilling program and a pre-feasibility study on this project.

Vista South covers 23,287 hectares and is located approximately 6km southwest of Vista. The Company believes Vista South has the potential to host a significant coal resource, which could provide value by leveraging off the planned infrastructure at Vista, providing for mine expansion or an extension of the project life. During 2012, the Company spent \$1.4 million to complete an exploratory drilling program on Vista South. As the Company's primary focus continues to be Vista there are no plans to evaluate this property until Vista is in production.

For more information on Vista Extension, please refer to the technical report titled "Coalspur Mines Limited: Updated Resource Estimate for the Vista Coal Project" dated September 12, 2012. For further information regarding Vista South, please refer to the technical report titled "Resource Estimate for the Vista South Coal Property" dated June 25, 2012. The technical reports are available for review on SEDAR at sedar.com.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

DISCUSSION OF OPERATIONS

The loss before tax of \$19.0 million for the year ended December 31, 2013 increased from \$6.9 million during the six month period ended December 31, 2012 as 2013 was a full twelve month period versus the comparative period, refer to the Company's December 31, 2013 Financial Statements. The remaining variance is due to increased size and scope of the Company's activities required to secure project funding, obtain regulatory approval, and prepare for mine construction.

Expenditure Analysis	Year ended Dec. 31, 2013	Six months ended Dec. 31, 2012	Year ended June 30, 2012
	\$	\$	\$
Operating expenditures			
Vista	23,369,125	-	-
Less: capitalised development (excluding capitalised finance costs)- Vista	(18,808,004)	-	-
Operating expenditure	4,561,121	-	-
Exploration and evaluation expenses			
Vista	17,946	11,261,152	19,831,761
Less: capitalised development (excluding capitalised finance costs)- Vista	-	(9,454,968)	(6,355,104)
Vista Extension	76,048	70,083	61,686
Vista South	81,504	57,880	1,958,967
Exploration and evaluation expense	175,498	1,934,147	15,497,310
Corporate expense	6,850,512	3,493,480	4,685,600
Administrative expense	4,679,279	1,579,557	2,557,878
Corporate and administrative expense	11,529,791	5,073,037	7,243,478

Operating Expenditures

During the year ended December 31, 2013 Coalspur created an Operating Expense category to more accurately reflect the Company's primary focus that had shifted from exploration and evaluation of its mineral properties to development and construction of Vista. The Company expended \$23.4 million on Vista development during the year ended December 31, 2013, versus \$11.3 million during the six month period ended December 31, 2012. The variance is mainly due to the current period being twelve months versus the comparative period of six months. The value recognised as an expense increased from \$1.9 million for the six month period ended December 31, 2012 to \$4.7 million for the year ended December 31, 2013. The remaining variance is a result of a one-time expense of \$1.0 million in 2013 as the Company allowed its option to acquire an additional 1.0 Mtpa from Ridley Terminals to expire. See Note 11 (c) to the attached Financial Statements for the year ended December 31, 2013 for more information.

Corporate, Administration, and Other Areas

Corporate and administrative expenses for the current period totalled \$11.5 million versus \$5.1 million for the prior period. Most of the variance is due to the longer current period of twelve months versus the six month comparative period. The remaining variance of \$1.3 million is due to fees associated with evaluating additional financing, an increased number of employees, progressing regulatory applications and advancing procurement and construction planning throughout 2013.

Rental income increased in 2013 as Coalspur sub-leased the former Calgary office space starting in May 2013.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

Selected Annual Information Update

<i>(\$000s, except where noted)</i> Canadian Dollars	Year ended	Six month period	Year ended
Prepared in accordance with AIFRS	December 31,	ended	Year ended
	2013	December 31,	June 30, 2012
	2012	2012	
Measured and Indicated Coal Resource (millions of metric tonnes)	1,700	1,700	1,700
Proven and Probable Marketable Coal Reserve (millions of metric tonnes)	313	313	313
Loss for the period	(18,977)	(6,943)	(22,274)
Loss per share (cents per share)	(2.97)	(1.12)	(3.73)
Cash and cash equivalents	10,669	14,868	6,988
Exploration and evaluation assets	13,509	13,509	13,509
Mine development assets	146,752	120,388	109,726
Non-current prepayments	42,800	42,800	46,000
Intangible assets	2,500	3,500	3,500
Other assets	22,465	3,499	5,218
Total assets	240,949	201,001	186,195
Current liabilities	2,757	3,723	2,297
Non-current liabilities	74,212	30,000	20,000
Total liabilities	76,969	33,723	22,297
Total Equity	163,980	167,278	163,898

The loss for the year ended December 31, 2013 was \$12.0 million higher than the loss during the six month period ended December 31, 2012. Approximately \$7 million of the variance is due to the shorter comparative period. Part of the remaining variance is due to a \$2.2 million finance expense resulting from the renegotiated terms of the debt held with Borrowdale Park including stated interest rate, maturity date, method of accruing interest, warrant features, and priority of the obligation. Another portion of the variance is due to the corporate and administrative expense variance of \$1.3 million discussed in the previous section. The remaining variance is a result of a one-time expense of \$1.0 million in 2013 as the Company allowed its option to acquire an additional 1.0 Mtpa from Ridley Terminals to expire.

Mine development assets have increased over the last three years as the Company continues to capitalize all work pertaining to the Vista project. Capitalised development and capitalised finance costs during the year ended December 31, 2013 totalled \$18.8 million and \$7.6 million, respectively.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

Non-current prepayments decreased by \$3.2 million during the six month period ended December 31, 2012 as Coalspur received a refund from Ridley Terminals upon finalising an agreement for 2.2 Mtpa of secured capacity.

Other assets increased by \$19 million during the year ended December 31, 2013. Most of the increase is attributed to the value of the 120 million warrants issued to EIG and the 14 million warrants issued to Borrowdale Park in July 2013. The remaining variance is due to the US\$7 million facility fee paid to EIG for the Facility.

Non-current liabilities have increased from \$20 million at June 30, 2012 to \$77.9 million at December 31, 2013. The increase is due to draws on the Borrowdale Park Note, draws on the Facility finalised with EIG in July 2013, and accrued interest.

Equity has remained fairly steady over the last three periods as the increase to assets was offset by a corresponding increase to Non-current liabilities.

Over the past three periods the Company has pursued its objective of becoming a significant thermal coal producer by evaluating, acquiring, and developing thermal coal resources in the Hinton region. The Company holds over 55,000 hectares of mineral properties, with Measured and Indicated Resources of approximately 1.7 billion tonnes (Measured 903.1 MT, Indicated 797.0 MT). The following transactions and events during the past three periods have had a significant effect on the Company's development:

- October 2011: the Company secured a port allocation agreement with Ridley Terminals for up to 8.5 Mtpa for up to 21 years (the "First Agreement");
- November 2011: Coalspur and CN signed a memorandum of understanding ("MOU") to rail coal from Vista to Ridley Terminals beginning in 2015;
- January 2012: the Company completed a positive Feasibility Study on Vista that defined a mine which could produce 11.2 Mtpa of clean coal for 30 years;
- April 2012: the Company acquired 14,432 hectares of coal leases adjacent to Vista for \$13 million ("Vista Extension");
- April 2012: Coalspur filed the regulatory application necessary to construct, operate, and commission Phase 1 of Vista which will allow for production of up to 5.0 Mtpa;
- July 2012: Ridley Terminals advised that its future expansion plans had been delayed, and agreed to provide 2.2 Mtpa from its current expansion, bringing Coalspur's total capacity allocation at Ridley Terminals to 10.7 Mtpa;
- July 2012: Scoping study on Vista Extension confirmed the potential for an economic and technically feasible underground longwall mine leveraging off Vista infrastructure;
- October 2012: Coalspur released the results of an optimisation study which significantly decreased the capital required to bring Vista into production to \$527 million;
- December 2012: Coalspur adopted December 31 as its financial year end commencing December 31, 2012. The purpose of the change in financial year was to align the Company's financial year end with that of its Canadian subsidiary as it develops Vista;

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

- December 2012: Coalspur received a commitment from EIG to provide a US\$300 million debt facility to fund the majority of the development capital required to achieve first production at Vista;
- March 2013: The Company completed a seven year definitive transportation agreement with CN to haul coal from Vista to Ridley Terminals;
- April 2013: The Company concluded a funding arrangement for up to US\$350 million with EIG for Vista Phase 1 development capital. The previous Borrowdale Park facility was restructured into a subordinated note for C\$30 million;
- June 2013: The Company announced that the board had approved the Vista project that envisaged a 6 Mtpa capacity facility for development capital of C\$458 million;
- October 2013: In mid-October the AER scheduled a regulatory hearing for Vista to be held on November 25, 2013. Later in the month the AER announced that it had adjourned the regulatory hearing from the original date and set up the hearing to be heard in two sessions in December 2013 (Tourmaline Oil Corp.) and January 2014 (three aboriginal interveners); and
- December 2013: The Company entered into separate agreements with Ermineskin, Whitefish, and Tourmaline, each of which withdrew as interveners in relation to Coalspur's applications for approval of Vista.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

QUARTERLY RESULTS

<i>(\$000s, except where noted) Canadian Dollars</i>	31-Dec 2013	30-Sep 2013	30-Jun 2013	31-Mar 2013	31-Dec 2012	30-Sep 2012	30-Jun 2012	31-Mar 2012
Measured and Indicated Coal Resources (millions of tonnes)	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,079
Proven and Probable Marketable Coal Reserves (millions of tonnes)	313	313	313	313	313	313	313	313
Loss for the period	(7,190)	(6,438)	(4,357)	(4,650)	(3,169)	(3,774)	(2,810)	(5,541)
Loss per share (cents per share)	(1.14)	(1.00)	(0.68)	(0.73)	(0.51)	(0.61)	(0.45)	(0.80)
Cash and cash equivalents	10,669	17,076	4,862	14,056	14,868	12,754	6,988	22,220
Exploration and evaluation assets	13,509	13,509	13,509	13,509	13,509	13,509	13,509	509
Mine development assets	146,752	140,384	134,282	128,880	120,388	114,585	109,726	105,314
Non-current prepayments	42,800	42,800	42,800	42,800	42,800	42,800	46,000	32,000
Intangible assets	2,500	2,500	2,500	3,500	3,500	3,500	3,500	-
Other assets	22,465	23,464	3,894	2,921	3,499	4,308	5,218	-
Total assets	240,949	241,386	203,626	208,544	201,001	193,143	186,195	165,102
Available credit	-	-	30,000	30,000	40,000	40,000	50,000	-
Current liabilities	2,757	2,811	4,441	5,017	3,723	2,465	2,297	4,220
Long term liabilities	74,212	71,563	40,000	40,000	30,000	30,000	20,000	-
Total liabilities	76,969	74,374	44,441	45,017	33,723	32,465	22,297	4,220
Net assets	163,960	167,012	159,185	163,527	167,278	160,678	163,898	160,882

Total assets have increased over the last eight quarters as a result of the Company's acquisition of mineral properties, payments to Ridley Terminals to secure port capacity and capitalised development costs on Vista subsequent to a positive feasibility study in January 2012. Net assets have remained steady over the last eight quarters as capital has been provided through debt facilities.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

FINANCIAL CONDITION

At December 31, 2013, the Company had \$10.7 million in cash and cash equivalents. Subsequent to the quarter ended December 31, 2013, Coalspur announced that it had reached an agreement with Borrowdale Park for the provision to Coalspur of a standby funding facility of C\$10 million ("New Facility"), subject to the execution of definitive documents, further details can be viewed in the Significant Events After Balance Date section below.

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

Commitments and planned payments

<i>(\$000s) Canadian Dollars</i>	Total (excluding per year)	Less than 1 year	1-3 years	4-5 years	After 5 years (per year)
Borrowdale Park credit facility principal (note 1)	30,000	-	-	30,000	-
Borrowdale Park facility interest (note 2)	14,244	-	-	14,244	-
EIG credit facility principal (note 3)	38,875	-	-	38,875	-
EIG facility interest (note 4)	10,690	-	2,138	8,552	-
Operating leases	762	208	345	209	-
Mineral and surface leases	955	191	382	382	191
Minimum port payments (note 5)	100,188	-	12,838	87,350	54,020
Payments to First Nations	6,137	1,485	3,052	1,600	800
Commitments Total	201,851	1,884	18,755	181,212	55,011
Mineral lease acquisitions (note 6)	10,000	-	10,000	-	-
Vista development (Note 7)	478,000	100,000	378,000	-	-
Planned payments Total	488,000	100,000	388,000	-	-
Total commitments and planned payments	689,851	101,884	406,755	181,212	55,011

Notes:

- 1) The Company repaid \$10 million principal to Borrowdale Park in July 2013, and plans to repay the remaining \$30 million before the Company achieves 6 Mtpa of saleable coal.
- 2) Interest on the \$30 million Borrowdale Park subordinated note is accrued and capitalised at 10.5% and is expected to be repaid in December 2017.
- 3) The Company borrowed US\$37 million from EIG in July 2013. Principal payments to EIG are planned to commence in 2017.
- 4) Interest is accrued and capitalised at 11% on the EIG facility until Vista commences production, after which interest is payable quarterly. Coalspur used the US\$37 million principal for calculations in this table as further draws and amounts are uncertain.
- 5) The Company has not recognised these commitments as liabilities because it will either utilize the throughput capacity or attempt to sell it to other parties. The contract with Ridley Terminal's begins in 2015 for 2.5 Mt. The minimum throughput payments of \$12.8 million on the 2.5 Mt are considered a contingent liability. The Company has started to engage interested parties with regards to this capacity. If commitments are reached, Coalspur will approach Ridley Terminals for consent to on-sell the excess capacity. In December 2013 Coalspur declared force majeure for the tonnages in 2015 and 2016 as a result of the government delays incurred during the regulatory approval process, see Note 11d for more information.
- 6) The Company holds a beneficial interest in five coal leases that are integral to Vista. In accordance with the terms of the agreement to purchase these leases, initial payments of \$2 million and \$6 million have been made, and title to these leases will transfer to Coalspur upon the payment of an additional \$10 million which must be made by February 19, 2016.
- 7) The Company plans on commencing construction of Vista Phase 1 during 2014 subject to securing regulatory approvals and full development financing. No material commitments will be made with respect to Vista construction until regulatory approval and development funding are obtained.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

Liquidity

The Company's cash balance decreased by \$4.2 million during the year as a result of a US\$7 million facility fee, \$19.3 million capitalized to mine development, \$11.3 million for corporate and administrative costs and \$4.4 million for operating expenditures. These outflows were partially offset by the US\$37 million draw from its Facility with EIG.

Coalspur secured a senior debt commitment for up to US\$350 million from EIG during the year to fund the development of Vista, however further financing is required. The remaining funds can be obtained through strategic investment, equity financing, off-take partnerships and other financing arrangements.

Capital Resources

In the event the Company is unsuccessful in securing additional funding or a strategic investment partner, it forecasts there are sufficient cash and credit resources, to fund key operations for the upcoming year.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 641,394,435 fully paid ordinary shares issued and outstanding. The following table sets out the Company's securities that are currently issued and outstanding:

Type of Security	Number
Outstanding Ordinary Shares	641,394,435
Outstanding Unlisted Performance Share Rights <small>(note 1)</small>	13,910,178
Outstanding Unlisted Options <small>(note 2)</small>	27,695,498
Outstanding Unlisted Warrants <small>(note 3)</small>	134,000,000
Total	817,000,111

Notes

- (1) Unlisted performance share rights ("Performance Rights") are issued pursuant to the Company's Long Term Incentive Plan to attract and retain directors, employees and contractors. During the year, 6,517,588 Performance Rights were issued; 1,495,534 were exercised; and 1,802,999 were cancelled.
- (2) The outstanding Unlisted Options are convertible into Ordinary Shares and are subject to exercise prices ranging from A\$0.20 to A\$1.622 and expiry dates ranging from June 30, 2014 to March 18, 2016. At the date of this MD&A, 24,500,000 Unlisted Options have vested and are exercisable.
- (3) These warrants were issued to EIG (120 million) and Borrowdale Park (14 million) as part of the funding facility approved by shareholders on June 27, 2013. The warrants are exercisable at A\$0.55 and expire on the maturity date of the Facility, or earlier in certain circumstances.

Coalspur's current market capitalisation is approximately \$167 million based on the March 11, 2014 TSX closing price of \$0.26 (approximately \$168 million calculated on a diluted basis including all ordinary shares, share rights, and in-the-money options).

TRANSACTIONS WITH RELATED PARTIES

Borrowdale Park is associated with current directors Messrs Colin Steyn and William Smart. For the year ended December 31, 2013, Coalspur paid \$1.1 million in interest pertaining to the Borrowdale Park credit facility and accrued \$1.6 million pertaining to the restructured \$30 million subordinated debt obligation. See Note 23 to the attached Financial Statements for more information.

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

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The attached financial statements were prepared in accordance with Australian International Financial Reporting Standards ("AIFRS"). A description of the Company's significant accounting policies is provided in Note 1 to the Financial Statements for the year ended December 31, 2013.

FINANCIAL INSTRUMENTS

The Company's principal financial instruments are comprised of short-term deposits, current accounts, receivables, and amounts payable under the EIG Facility, Borrowdale Park Note and to trade vendors. The main risks arising from the Company's financial instruments are credit risk, liquidity risk, and interest rate risk. Realised foreign exchange gains and losses associated with these instruments are recognised in the income statement as other income or other expenses.

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

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

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2013 that materially affect, or are reasonably likely to materially affect, internal control over financial reporting.

DIVIDENDS

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

BUSINESS STRATEGIES AND PROSPECTS

The Group currently has the following business strategies and prospects over the short and medium term:

- secure necessary regulatory approvals and permits to allow construction at Vista to commence;
- finalise plans and discussions with potential investors to secure the remaining funding required to construct Vista Phase 1;
- finalise the EPC contract with Forge and award contracts for the civil earthworks at Vista;
- continue discussions with potential mining contractors to ensure Vista can commence future operations smoothly and deliver volumes as required;
- complete the Vista Phase 2 planning and submit the necessary Vista Phase 2 regulatory applications;
- continue to build a strong team to carry out and deliver the strategies of the Company.

Over the longer term and when coal prices and markets are supportive, the Company will continue exploring its other coal properties and evaluate other potential acquisitions in the Hinton region.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company achieved the following during the past year:

- February 2013: Mr. Richard Tremblay was appointed as Vice President, Operations.
- February 2013: Mr. Colin Gilligan was appointed as Chief Operating Officer.
- March 2013: The Company completed a seven year definitive transportation agreement with CN to haul coal from Vista to Ridley Terminals.
- April 2013: The Company concluded a funding arrangement for up to US\$350 million with EIG. The previously existing Borrowdale Park facility was restructured into a subordinated note.
- June 2013: The Company announced that the board had approved the Vista project.
- August 2013: Mr. Robert Gough was appointed as the Chief Financial Officer.
- September 2013: The Company announced that Ms. Xenia Kritsos was appointed joint Company Secretary of Coalspur as well as Vice President and General Counsel.
- October 2012: The AER scheduled a hearing for Vista for November 25, 2013, which it subsequently adjourned, setting up the hearing to be heard in two sessions in December 2013 (Tourmaline Oil Corp.) and January 2014 (three aboriginal interveners).
- December 2013: The Company entered into separate agreements with each of the Ermineskin, the Whitefish, and Tourmaline who withdrew as interveners in relation to Vista.

SIGNIFICANT EVENTS AFTER BALANCE DATE

The following events occurred after the balance date:

- On January 9, 2014 Coalspur announced that an agreement had been reached with Alexis in relation to the development of Vista. Alexis withdrew as an intervener in relation to the regulatory approval of Vista.
- On January 28, 2014 Coalspur announced that it had reached an agreement with Borrowdale Park for the provision to Coalspur of a standby funding facility of C\$10 million ("New Facility"), subject to the execution of definitive documents. The New Facility will be drawn upon if and when required. The New Facility has an interest rate of 10.5% per annum and will be repaid from proceeds raised as part of the final overall Vista financing solution. Reasonable arrangement and commitment fees are payable by Coalspur. The New Facility is in addition to the C\$30 million balance owing to Borrowdale Park under the existing Borrowdale Park Note.
- On February 19, 2014, 25,000,000 E Class Performance Shares expired as the Company did not produce a total of 1,000,000 tonnes of coal from its leases in the Hinton region.
- On February 27, 2014, the AER approved Vista. Coalspur will now work with the regulators to finalise detailed licenses and permits for Vista over the coming months.
- In February 2014 the Board approved and offered options and performance rights to employees which were accepted by employees and issued on March 5, 2014. Employees also agreed to the cancellation of performance rights in Tranches 3, 4, and 8, the performance conditions of which have become incapable of fulfilment.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board's current intention is that Coalspur will focus on finalising its regulatory approvals and permits and securing funding for Vista to enable the project to be developed as envisaged. Specifically, in the coming year the Company intends to:

- secure regulatory approvals and permits for Vista Phase 1;
- finalise the funding for the first phase of construction at Vista; and
- commence construction of Vista.

These activities are inherently risky and the Board is unable to provide certainty that any or all of these activities will be achievable.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

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

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

DIRECTORS' INTERESTS UPDATE

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

	Interest in Securities at the Date of the Report			
	ORDINARY SHARES	UNLISTED OPTIONS	PERFORMANCE RIGHTS	WARRANTS
Directors				
Colin Steyn ¹	153,840,202	12,000,000	-	14,000,000
Gill Winckler	895,000	-	1,150,000	-
David Murray	25,000	-	50,000	-
Denis Turcotte	925,000	-	50,000	-
Peter Breese	896,334	-	50,000	-
Ted Mayers	375,000	-	50,000	-
Mark Rodda	475,000	-	50,000	-
William Smart ¹	153,840,202	12,000,000	-	14,000,000
Other KMP - Executives				
Colin Gilligan	-	545,737	1,795,737	-
Richard Tremblay	-	335,838	1,085,838	-
Rob Gough	-	545,737	1,695,737	-
Wayne Drier	566,800	251,878	726,878	-
Kim Humphreys	139,674	251,878	933,228	-
David Montpetit	279,283	-	451,850	-
Xenia Kritsos	-	251,878	801,878	-

Notes:

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

SHARE OPTIONS AND PERFORMANCE RIGHTS

The outstanding balance of Unlisted Options and Performance Rights at December 31, 2013 is represented by:

- 1,150,000 Unlisted Options with an exercise price of \$0.50 each and expiring on June 30, 2014;
- 1,450,000 Unlisted Options with an exercise price of \$0.85 each and expiring on June 30, 2014;
- 2,750,000 Unlisted Options with an exercise price of \$0.20 each and expiring on December 31, 2014;
- 1,450,000 Unlisted Options with an exercise price of \$0.95 each and expiring on December 31, 2014;
- 1,150,000 Unlisted Options with an exercise price of \$0.60 each and expiring on December 31, 2014;
- 8,000,000 Unlisted Options with an exercise price of \$1.562 each and expiring on May 8, 2015;
- 2,000,000 Unlisted Options with an exercise price of \$1.622 each and expiring on May 16, 2015;

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

- 2,750,000 Unlisted Options with an exercise price of \$0.25 each and expiring on June 30, 2015;
- 350,000 Unlisted Options with an exercise price of \$0.70 each and expiring on June 30, 2015;
- 1,450,000 Unlisted Options with an exercise price of \$1.05 each and expiring on June 30, 2015;
- 1,000,000 Unlisted Options with an exercise price of \$1.248 each and expiring on September 14, 2015;
- 1,000,000 Unlisted Options with an exercise price of \$1.248 each and expiring on March 18, 2016;
- 120,000,000 warrants with an exercise price of A\$0.55 each and expiring on July 1, 2021;
- 14,000,000 warrants with an exercise price of A\$0.55 each and expiring on July 1, 2021;
- 1,403,511 Performance Rights with no exercise price and expiring on June 30, 2014;
- 2,584,329 Performance Rights with no exercise price and expiring on June 30, 2015;
- 1,475,865 Performance Rights with no exercise price and expiring on December 31, 2015; and
- 2,584,329 Performance Rights with no exercise price and expiring on June 30, 2016.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITOR

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

During the year the premiums paid by the Group were \$172,128 (December 31, 2012: \$122,043) and were in effect to insure against a liability incurred by a person who is or has been a director or officer of the Company.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

REMUNERATION REPORT (AUDITED)

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

Details of Key Management Personnel

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

Directors

Mr. Colin Steyn	Chairman (non-executive)
Ms. Gill Winckler	President and CEO
Mr. Denis Turcotte	Director (non-executive)
Mr. Peter Breese	Director (non-executive)
Mr. David Murray	Director (non-executive)
Mr. Ted Mayers	Director (non-executive)
Mr. Mark Rodda	Director (non-executive)
Mr. William Smart	Alternate Director (non-executive)

Other KMP - Executives

Mr. Colin Gilligan	Chief Operating Officer (appointed February 27, 2013)
Mr. Robert Gough	Chief Financial Officer (appointed August 22, 2013)
Mr. Richard Tremblay	Vice President, Operations (appointed February 4, 2013)
Mr. Wayne Drier	Vice President, Strategy and Development
Ms. Kim Humphreys	Vice President, Human Resources and Administration
Mr. David Montpetit	Vice President, External Affairs and Logistics
Ms. Xenia Kritsos	Vice President and General Counsel (appointed June 26, 2013) and joint Company Secretary (appointed September 17, 2013)
Mr. David Leslie	Vice President, Technical Services (departed the Company on June 30, 2013)
Mr. Dermot Lane	Vice President, Environment and Regulatory (departed the Company on April 30, 2013)
Mr. Jay Bell	Vice President, Finance and acting CFO (departed the Company on October 15, 2013)

All KMP held their office from January 1, 2013 until the date of this report unless otherwise noted.

Remuneration Policy

Coalspur's remuneration policy encompasses the total value (direct cash or otherwise) employees receive as a result of their employment, including all forms of base salary, short and long term incentives, benefits and perquisites. The Board of Directors and the President and CEO believe that ensuring the employees of the Company are competitively paid and have access to competitive benefits is critical to Coalspur's success. With a particular emphasis on linking remuneration and performance

outcomes through the broad based use of short and long term incentive programs, the Board will align employees' success with the success of the Company's shareholders.

Fixed Remuneration

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

Coalspur has established base salary midpoints consistent with the level of a position reflecting the range of work and responsibilities and consistent with the knowledge and experience required to be effective in the role. These base midpoint salaries are benchmarked against similar roles in related organisations periodically to ensure competitiveness. The entire base salary framework is reviewed annually by the Remuneration and Nominations Committee ("RNC") along with Coalspur management and adjusted as required to reflect inflation and other competitive changes.

Actual salaries typically range between 80% and 120% of the base salary midpoint for a role, based on the knowledge and experience of the incumbent, time in role, and overall effectiveness of the individual as assessed by their supervisor through the completion of a formal performance review process conducted not less than once a year. All base salary adjustments require President and CEO approval with the exception of those for the President and CEO's direct reports and the President and CEO which are reviewed and authorised by the RNC.

Performance Based Remuneration – Short-term Incentive

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

STIP targets are developed by management and reviewed and approved by the RNC each calendar year. Every employee's STIP includes a portion related to Corporate performance and a portion related to individual performance. The individual portion is specifically tailored to each employee eligible to receive the STIP and consists of personal goals and objectives to be achieved by each employee during the year. The corporate and individual performance are analysed and reviewed subsequent to each

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

calendar year end to determine the percentage of STIP that will be awarded. For 2013, STIP weightings within levels of the organisation were:

Position	Corporate	Individual	Total
President and CEO	80%	20%	100%
KMP (other than CEO)	60%	40%	100%
Manager/Supervisor	40%	60%	100%
Employee	30%	70%	100%

The Corporate KPI's for the year ended December 31, 2013 were based on (i) Vista capital and schedule, (ii) securing financing for Vista Phase 1; (iii) designing and building out an appropriate organisation structure; and (iv) conducting safe activities on site with a less than three total recordable injury frequency.

The RNC assessed the extent to which the Corporate KPI's were met for the 2013 year in February 2014 and recommended to the Board that 54% of the STIP be granted. This resulted in a forfeiture of 46% of the potential incentive payments attributed to Corporate KPI's. The RNC's view was that the Company had achieved significant results in certain areas, but these achievements had been offset by under-performance in others, as noted below.

The corporate achievements were in the area of safety, Vista capital and the organisation capability, as follows:

- **Safety:** The Company had zero (0) recordable injuries during the year. Activities during the year comprised several drilling programs, clearing the forest area for the 7km rail siding and carrying out extensive surveying activities in preparation for construction.
- **Capital:** The re-engineering of the project and contract and execution strategy resulted in a robust capital number and plan for an optimised 6 Mtpa capacity facility. The capital efficiency of the project was significantly enhanced and at the same time delivery risk was reduced.
- **Organisation capability:** The team structure was finalised and high quality individuals recruited, including the COO, CFO, VP Operations, Project Manager and VP General Counsel and Joint Company Secretary.

The above achievements were offset by the fact that the project schedule has slipped and full financing had not been achieved. The Company had previously envisaged receiving regulatory approval for Vista in March 2013, enabling construction to commence in 2013. Whilst significant progress was made on the regulatory front, final approvals and permits are yet to be received. The impact of this delay on project schedule impacted the ability to secure project funding.

During the year ended December 31, 2013, STIP of \$813,613 was paid to the President and CEO and KMP pertaining to the prior year. The maximum amount of STIP that could be awarded to KMP for 2013 was \$1,502,873, the minimum amount was nil. Subsequent to the year end, the RNC reviewed performance for 2013, and authorised an STIP award for the President and CEO and other KMP totalling \$942,149 which was accrued at year end.

Performance Based Remuneration – Long-term Incentive

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

The Coalspur Employee Performance Rights Plan and Contractor Performance Rights Plan provide for the issuance of unlisted performance share rights ("Performance Rights") and/or unlisted options ("Options"). At its discretion, the Board can determine what form or percentage mix to issue. Upon satisfaction of the relevant performance conditions attached to the Performance Rights, the issue of an Ordinary Share on a one to one basis upon the recommendation of the President and CEO and approval of the Board of Directors will occur. Performance Rights are issued for no consideration, and no amount is payable by recipients upon conversion thereof. If performance conditions are not met by the expiry date the related Performance Rights will lapse.

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

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

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

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

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

Grants of Performance Rights and Options made to eligible participants under the LTIP Program will assist with the Company's strategy to attract and retain key employees and contractors, and will:

- (a) enable the Company to recruit, incentivise and retain KMP and other eligible employees and contractors;
- (b) link the reward of eligible participants with the achievements of strategic goals and the long term performance of the Company;
- (c) align the financial interests of eligible participants of the proposed Plans with those of Shareholders; and
- (d) provide incentives to eligible participants to focus on superior performance that creates shareholder value.

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

Performance Rights currently on issue are:

Tranche	Issued	Performance Conditions	Expiry Date
3	669,375	Performance Rights subject to Vista's initial production	June 30, 2015
4	669,375	Performance Rights subject to Vista's ramp-up production to 4.0 Mtpa	June 30, 2016
6	150,000	Performance Rights subject to the development of an organisational structure for the development of Vista	June 30, 2014
7	1,475,865	Performance Rights subject to employment at Coalspur	December 15, 2015
8	475,065	Performance Rights subject to construction and additional financing	June 30, 2014
9	7,275,000	Performance Rights subject to successful completion of performance tests demonstrating Phase 1 facilities meet performance guarantees under EPC	December 31, 2016
10	3,195,498	Performance Rights subject to clean coal production from Vista over three consecutive months equals or exceeds annualised rate of 6 Mtpa	December 31, 2016

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

The number of Performance Rights issued, exercised, lapsed, and outstanding during the years ended December 31, 2013 and December 31, 2012 were as follows:

	December 31, 2013	December 31, 2012
Outstanding at beginning of period	4,828,979	2,115,195
Issued to directors, employees, and contractors during the period	6,517,588	2,976,104
Exercised upon meeting the Financing milestone (tranche 5)	(1,495,534)	-
Lapsed during the period	(1,802,999)	(262,320)
Outstanding at end of period	<u>8,048,034</u>	<u>4,828,979</u>

The number of Options issued, exercised, lapsed, and outstanding during the years ended December 31, 2013 and December 31, 2012 were as follows:

	December 31, 2013	December 31, 2012
Outstanding at beginning of period	35,925,000	50,925,000
Issued during the period	1,000,000	-
Exercised during the period	(5,625,000)	(13,394,002)
Lapsed during the period	(6,800,000)	(1,605,998)
Outstanding at end of period	<u>24,500,000</u>	<u>35,925,000</u>

Non-Executive Director Remuneration

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

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

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

During the year ended December 31, 2013, the Company granted nil Performance Rights to non-executive directors.

Relationship between Remuneration of KMP and Shareholder Wealth

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

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

Relationship between Remuneration of KMP and Earnings

As discussed above, the Company is currently undertaking development activities, and does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which are currently planned) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

Remuneration of Directors and other KMPs

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

Year ended December 31, 2013	SALARY & FEES \$	STIP AWARD \$	NON- MONE- TARY		POST EMPLOY- MENT BENEFITS \$	SHARE- BASED PAYMENTS \$	PERFORM- ANCE RELATED %	
			BENEFITS \$	OTHER \$				TOTAL \$
Directors								
Colin Steyn	111,971	-	-	-	-	-	111,971	-
Gill Winckler	450,000	270,900	5,162	-	14,266	1,027,768	1,768,096	73.45%
Denis Turcotte	73,155	-	-	-	-	24,093	97,248	24.77%
Peter Breese	67,183	-	-	-	-	57,288	124,471	46.03%
David Murray	67,183	-	-	-	6,159	34,391	107,733	31.92%
Ted Mayers	74,648	-	-	-	-	34,391	109,039	31.54%
Mark Rodda	67,183	-	-	-	6,159	34,391	107,733	31.92%
William Smart	32,347	-	-	-	-	-	32,347	-
Other KMP - Executives								
Colin Gilligan 1	243,750	161,850	2,556	49,404	11,835	115,771	585,166	47.44%
Robert Gough 2	81,250	53,950	1,163	78,099	6,419	39,953	260,834	36.00%
Richard Tremblay 3	217,163	104,932	13,039	40,000	10,377	144,025	529,536	47.01%
Wayne Drier	236,900	102,341	5,350	2,000	9,266	153,744	509,601	50.25%
Kim Humphreys	212,000	105,576	3,125	2,000	8,540	134,615	465,856	51.56%
David Montpetit	197,600	89,513	3,125	2,000	8,120	57,261	357,619	41.04%
Xenia Kritsos 4	104,865	53,087	1,645	-	7,599	26,198	193,394	41.00%
David Leslie 5	222,568	-	1,946	-	2,356	133,232	360,102	37.00%
Dermot Lane 6	64,149	-	1,542	-	2,356	117,080	185,127	63.24%
Jay Bell 7	209,325	-	15,741	-	6,026	111,794	342,886	32.60%
Total	2,733,239	942,149	54,394	173,503	99,479	2,245,995	6,248,758	

Notes:

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

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

Six month period ended December 31, 2012	SALARY & FEES \$	NON- MONE- TARY STIP AWARD \$	BENEFITS \$	OTHER \$	POST EMPLOY- MENT BENEFITS \$	SHARE- BASED PAYMENTS \$	PERFORM- ANCE	
							TOTAL \$	RELATED %
Directors								
Colin Steyn	56,250	-	-	-	-	-	56,250	-
Gill Winckler ¹	225,000	157,500	807	-	3,483	141,909	528,699	56.63%
Denis Turcotte	36,250	-	-	-	-	20,231	56,481	35.82%
Peter Breese	33,750	-	-	-	-	7,677	41,427	18.53%
David Murray	33,750	-	-	-	3,038	35,748	72,536	49.28%
Ted Mayers	37,500	-	-	-	-	35,748	73,248	48.80%
Mark Rodda	33,750	-	-	-	3,038	35,748	72,536	49.28%
William Smart	16,250	-	-	-	-	-	16,250	-
Other KMP - Executives								
David Leslie	100,000	52,500	478	-	-	90,913	243,891	58.80%
Dermot Lane	90,000	31,500	478	-	-	89,580	211,558	57.23%
Wayne Drier	115,000	120,750	5,117	-	-	123,544	364,411	67.04%
Jay Bell	95,000	49,875	5,952	-	-	81,746	232,573	56.59%
Kim Humphreys ²	91,087	37,450	942	-	-	83,374	212,853	56.76%
David Montpetit ³	88,315	77,350	820	-	-	61,634	228,119	60.93%
Total	1,051,902	526,925	14,594	-	9,558	807,852	2,410,831	

Notes:

- STIP awards for executives totalling \$813,613 were authorised by the RNC subsequent to the year end. The amounts pro-rated to represent six months service from July 1, 2012 to December 31, 2012 is \$536,369.
 - All other figures are from July 1, 2012 to December 31, 2012 and do not reflect annual amounts.
1. Ms. Winckler was appointed President and CEO on July 1, 2012.
 2. Ms. Humphreys was appointed Vice President, Human Resources and Administration on September 21, 2012.
 3. Mr. Montpetit was appointed Vice President, External Affairs and Logistics on September 21, 2012.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

Options and Rights Granted to Key Management Personnel

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

Type of Security	Grant Date	Volume Granted	Expiry Date	Exercise Price	Grant Date Fair Value	Vesting Date
Unlisted Options	24-Nov-09	800,000	31-Dec-13	A\$ 0.50	A\$ 0.236	1-Dec-10
Unlisted Options	24-Nov-09	800,000	30-Jun-14	A\$ 0.50	A\$ 0.236	1-Dec-10
Unlisted Options	24-Nov-09	800,000	31-Dec-14	A\$ 0.60	A\$ 0.238	1-Dec-11
Unlisted Options	14-May-10	750,000	30-Jun-14	A\$ 0.85	A\$ 0.676	1-Jun-10
Unlisted Options	14-May-10	750,000	31-Dec-14	A\$ 0.95	A\$ 0.689	1-Jun-11
Unlisted Options	14-May-10	750,000	30-Jun-15	A\$ 1.05	A\$ 0.702	30-Jun-12
Share Rights	10-Jun-11	25,000	30-Jun-13	\$ -	A\$ 1.580	Project Construction Milestone
Share Rights	10-Jun-11	25,000	30-Jun-15	\$ -	A\$ 1.580	Initial Production Milestone
Share Rights	10-Jun-11	25,000	30-Jun-16	\$ -	A\$ 1.580	Ramp-up Production Milestone
Share Rights	12-Jul-11	128,000	30-Jun-13	\$ -	A\$ 1.93	Project Construction Milestone
Share Rights	12-Jul-11	128,000	30-Jun-15	\$ -	A\$ 1.93	Initial Production Milestone
Share Rights	12-Jul-11	128,000	30-Jun-16	\$ -	A\$ 1.93	Ramp-up Production Milestone
Share Rights	13-Jul-11	64,000	30-Jun-13	\$ -	A\$ 1.89	Project Construction Milestone
Share Rights	13-Jul-11	64,000	30-Jun-15	\$ -	A\$ 1.89	Initial Production Milestone
Share Rights	13-Jul-11	64,000	30-Jun-16	\$ -	A\$ 1.89	Ramp-up Production Milestone
Share Rights	14-Jul-11	45,000	30-Jun-13	\$ -	A\$ 1.85	Project Construction Milestone
Share Rights	14-Jul-11	45,000	30-Jun-15	\$ -	A\$ 1.85	Initial Production Milestone
Share Rights	14-Jul-11	45,000	30-Jun-16	\$ -	A\$ 1.85	Ramp-up Production Milestone
Share Rights	31-Jan-12	75,000	30-Jun-13	\$ -	A\$ 1.83	Project Construction Milestone
Share Rights	31-Jan-12	75,000	30-Jun-15	\$ -	A\$ 1.83	Initial Production Milestone
Share Rights	31-Jan-12	75,000	30-Jun-16	\$ -	A\$ 1.83	Ramp-up Production Milestone
Share Rights	4-Jul-12	40,546	30-Jun-13	\$ -	A\$ 0.62	Project Construction Milestone
Share Rights	4-Jul-12	40,546	30-Jun-15	\$ -	A\$ 0.62	Initial Production Milestone
Share Rights	4-Jul-12	40,546	30-Jun-16	\$ -	A\$ 0.62	Ramp-up Production Milestone
Share Rights	30-Nov-12	150,000	30-Jun-14	\$ -	\$ 0.81	Org. structure Milestone
Share Rights	30-Nov-12	275,000	30-Jun-13	\$ -	\$ 0.81	Project Construction Milestone
Share Rights	30-Nov-12	275,000	30-Jun-15	\$ -	\$ 0.81	Initial Production Milestone
Share Rights	30-Nov-12	275,000	30-Jun-16	\$ -	\$ 0.81	Ramp-up Production Milestone
Share Rights	20-Mar-13	350,533	15-Dec-13	\$ -	\$ 0.76	Employment Milestone
Share Rights	7-May-13	263,158	30-Jun-15	\$ -	\$ 0.63	Initial Production Milestone
Share Rights	7-May-13	263,158	30-Jun-16	\$ -	\$ 0.63	Ramp-up Production Milestone
Share Rights	28-Jun-13	342,173	30-Jun-15	\$ -	\$ 0.31	Initial Production Milestone
Share Rights	28-Jun-13	342,173	30-Jun-16	\$ -	\$ 0.31	Ramp-up Production Milestone
Share Rights	28-Jun-13	1,000,000	15-Dec-13	\$ -	\$ 0.29	Employment Milestone
Share Rights	12-Jul-13	135,000	30-Jun-15	\$ -	\$ 0.31	Initial Production Milestone
Share Rights	12-Jul-13	135,000	30-Jun-16	\$ -	\$ 0.31	Ramp-up Production Milestone
Share Rights	25-Jul-13	769,890	30-Jun-14	\$ -	\$ 0.30	Financing and Construction Milestone
Share Rights	10-Oct-13	325,000	30-Jun-15	\$ -	\$ 0.28	Initial Production Milestone
Share Rights	10-Oct-13	325,000	30-Jun-16	\$ -	\$ 0.28	Ramp-up Production Milestone

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

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

2013	OPTIONS/ RIGHTS	GRANT DATE	EXPIRY DATE	EXERCISE PRICE	GRANT			NO. VESTED
					DATE	FAIR VALUE	NO. GRANTED	
Directors								
Gill Winckler	Rights	28-Jun-13	15-Dec-15	-	\$	0.29	1,000,000	-
Other KMP - Executives								
David Leslie	Rights	20-Mar-13	15-Dec-15	-	\$	0.76	55,601	-
David Montpetit	Rights	20-Mar-13	15-Dec-15	-	\$	0.76	105,220	-
Kim Humphreys	Rights	20-Mar-13	15-Dec-15	-	\$	0.76	156,350	-
Jay Bell	Rights	20-Mar-13	15-Dec-15	-	\$	0.76	33,362	-
Richard Tremblay	Rights	07-May-13	30-Jun-15	-	\$	0.63	263,158	-
Richard Tremblay	Rights	07-May-13	30-Jun-16	-	\$	0.63	263,158	-
Colin Gilligan	Rights	28-Jun-13	30-Jun-15	-	\$	0.31	342,173	-
Colin Gilligan	Rights	28-Jun-13	30-Jun-16	-	\$	0.31	342,173	-
Xenia Kritsos	Rights	12-Jul-13	30-Jun-15	-	\$	0.31	135,000	-
Xenia Kritsos	Rights	12-Jul-13	30-Jun-16	-	\$	0.31	135,000	-
Wayne Drier	Rights	25-Jul-13	30-Jun-14	-	\$	0.30	256,630	-
Kim Humphreys	Rights	25-Jul-13	30-Jun-14	-	\$	0.30	256,630	-
David Montpetit	Rights	25-Jul-13	30-Jun-14	-	\$	0.30	256,630	-
Robert Gough	Rights	01-Oct-13	30-Jun-15	-	\$	0.28	325,000	-
Robert Gough	Rights	01-Oct-13	30-Jun-16	-	\$	0.28	325,000	-

There were no Unlisted Options granted during the financial period.

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

Six month period ended December 31, 2012	Granted during the year	Vested during the year	Lapsed during the year	Included in remuneration for the year	Remuneration for the year that consists of share based payments
	\$	\$	\$	\$	\$
Directors					
Gill Winckler	1,255,500	-	-	141,909	26.8%
Peter Breese	81,000	-	-	7,677	18.5%
Other KMP - Executives					
David Leslie	69,473	-	-	90,913	37.3%
Dermot Lane	62,526	-	-	89,580	42.3%
Wayne Drier	191,257	-	201,150	123,544	33.9%
Jay Bell	41,682	-	-	81,746	35.2%
Kim Humphreys	214,722	-	-	83,374	39.2%
David Montpetit	45,157	-	-	61,634	27.0%
Total	1,961,317	-	201,150	680,377	

All other figures are from July 1, 2012 to December 31, 2012 and do not reflect annual amounts

Employment Contracts with KMP

Ms. Winckler, President and Chief Executive Officer, has a contract of employment with Coalspur Mines Limited which commenced on July 1, 2012. The contract specifies the duties and obligations to be fulfilled by the President and Chief Executive Officer. The contract is a permanent contract and may be terminated by the Company in accordance with the termination schedule outlined in the contract. No amount is payable in the event of termination for just cause (which has the meaning commonly ascribed to the phrase "just cause" at common law in Canada). Ms. Winckler receives a fixed remuneration component of \$450,000 per annum and a maximum discretionary bonus of \$450,000 per annum. The actual amount of bonus paid is dependent on the evaluation of Ms. Winckler's achievement of key performance indicators by the RNC and subject to Board approval. Ms. Winckler has been issued 2,550,000 Performance Rights under the LTIP Program to date.

Mr. Gilligan, Chief Operating Officer has a contract of employment with Coalspur Mines (Operations) Ltd. dated April 1, 2013. The contract specifies the duties and obligations to be fulfilled by the Chief Operating Officer. The contract is a permanent full time contract with an indeterminate length dependent on Mr. Gilligan's permitted immigration to Canada. The contract may be terminated by the Company in accordance with the termination schedule outlined in the contract. No amount is payable in the event of termination for just cause (which has the meaning commonly ascribed to the phrase "just cause" at common law in Canada). Mr. Gilligan receives a fixed remuneration component of \$325,000 per annum and a maximum discretionary bonus of \$325,000 per annum. The actual amount of bonus paid is dependent on the evaluation of Mr. Gilligan's achievement of key performance indicators by the RNC and subject to Board approval. Mr. Gilligan has been issued 684,346 Performance Rights under the LTIP Program to date.

Mr. Gough, Chief Financial Officer has a contract of employment with Coalspur Mines (Operations) Ltd. dated October 1, 2013. The contract specifies the duties and obligations to be fulfilled by the Chief Financial Officer. The contract is a 2 year term contract with option to extend based on Mr. Gough's permitted immigration to Canada. The contract may be terminated by the Company in accordance with the termination schedule outlined in the contract. No amount is payable in the event of termination for just cause (which has the meaning commonly ascribed to the phrase "just cause" at common law in Canada). Mr. Gough receives a fixed remuneration component of \$325,000 per annum and a maximum discretionary bonus of \$325,000 per annum. The actual amount of bonus paid is dependent on the evaluation of Mr. Gough's achievement of key performance indicators by the RNC and subject to Board approval. Mr. Gough has been issued 650,000 Performance Rights under the LTIP Program to date.

Mr. Tremblay, Vice President, Operations, has a contract of employment with Coalspur Mines (Operations) Ltd. dated March 18, 2013. The contract specifies the duties and obligations to be fulfilled by the Vice President, Operations. The contract is a permanent full time position and may be terminated by the Company in accordance with the termination clause outlined in the contract. No amount is payable in the event of termination for just cause (which has the meaning commonly ascribed

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

to the phrase “just cause” at common law in Canada). Mr. Tremblay receives a fixed remuneration component of \$275,000 per annum and a maximum discretionary bonus of \$206,250 per annum. The actual amount of bonus paid is dependent on the evaluation of Mr. Tremblay’s achievement of key performance indicators by the RNC and subject to Board approval. Mr. Tremblay has been issued 526,316 Performance Rights under the LTIP Program to date.

Mr. Drier, Vice President, Strategy and Development, has a contract of employment with Coalspur Mines (Operations) Ltd. dated July 29, 2011. The contract specifies the duties and obligations to be fulfilled by the Vice President, Strategy and Development. The contract is a permanent full time contract and may be terminated by the Company in accordance with the termination schedule outlined in the contract. No amount is payable in the event of termination for just cause (which has the meaning commonly ascribed to the phrase “just cause” at common law in Canada). Mr. Drier receives a fixed remuneration component of \$236,900 per annum and a maximum discretionary bonus of \$177,675 per annum. The actual amount of bonus paid is dependent on the evaluation of Mr. Drier’s achievement of key performance indicators by the RNC and subject to Board approval. Mr. Drier has been issued 958,245 Performance Rights under the LTIP Program to date.

Ms. Humphreys, VP Human Resources and Administration, has a contract of employment with Coalspur Mines (Operations) Ltd. dated April 1, 2012. The contract specifies the duties and obligations to be fulfilled by the VP Human Resources and Administration. The contract is a permanent full time contract and may be terminated by the Company in accordance with the termination schedule outlined in the contract. No amount is payable in the event of termination for just cause (which has the meaning commonly ascribed to the phrase “just cause” at common law in Canada). Ms. Humphreys receives a fixed remuneration component of \$212,000 per annum and a maximum discretionary bonus of \$159,000 per annum. The actual amount of bonus paid is dependent on the evaluation of Ms. Humphreys’ achievement of key performance indicators by the RNC and subject to Board approval. Ms. Humphreys has been issued 565,792 Performance Rights under the LTIP Program to date.

Mr. Montpetit, VP External Affairs and Logistics, has a contract of employment with Coalspur Mines (Operations) Ltd. dated June 27, 2011. The contract specifies the duties and obligations to be fulfilled by the VP External Affairs and Logistics. The contract is a permanent full time contract and may be terminated by the Company in accordance to the termination schedule outlined in the contract. No amount is payable in the event of termination for just cause (which has the meaning commonly ascribed to the phrase “just cause” at common law in Canada). Mr. Montpetit receives a fixed remuneration component of \$197,600 per annum and a maximum discretionary bonus of \$148,200 per annum. The actual amount of bonus paid is dependent on the evaluation of Mr. Montpetit’s achievement of key performance indicators by the RNC and subject to Board approval. Mr. Montpetit has been issued 611,883 Performance Rights under the LTIP Program to date.

Ms. Kritsos, VP and General Counsel and joint Secretary, has a contract of employment with Coalspur Mines (Operations) Ltd. dated July 1, 2013. The contract specifies the duties and obligations to be

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

fulfilled by the VP General Counsel and joint secretary. The contract is a permanent full time contract and may be terminated by the Company in accordance with the termination schedule outlined in the contract. No amount is payable in the event of termination for just cause (which has the meaning commonly ascribed to the phrase "just cause" at common law in Canada). Ms. Kritsos receives a fixed remuneration component of \$205,000 per annum and a maximum discretionary bonus of \$153,750 per annum. The actual amount of bonus paid is dependent on the evaluation of Ms. Kritsos' achievement of key performance indicators by the RNC and subject to Board approval. Ms. Kritsos has been issued 270,000 Performance Rights under the LTIP Program to date.

DIRECTORS' MEETINGS

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

	Board Meetings		Audit Committee Meetings		Remuneration and Nomination Committee	
	eligible to		eligible to		eligible to	
	attend	attended	attend	attended	attend	attended
Colin Steyn	11	11	4	4	-	-
Gill Winckler	11	11	-	-	-	-
Denis Turcotte	11	8	-	-	3	3
Peter Breese	11	8	-	-	3	2
David Murray	11	11	-	-	3	3
Ted Mayers	11	11	4	4	-	-
Mark Rodda	11	11	4	4	-	-
William Smart (alternate)	3	3	-	-	1	1

NON-AUDIT SERVICES

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

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended December 31, 2013 has been received and can be found on page 46 of the Directors' Report and MD&A.

Signed in accordance with a resolution of the Directors.

"Gill Winckler"

Gill Winckler
President & Chief Executive Officer

March 12, 2014

The Board of Directors
Coalspur Mines Limited
Level 1, 28 Ord Street
West Perth WA 6005

11 March 2014

Dear Board Members

Coalspur Mines Limited

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

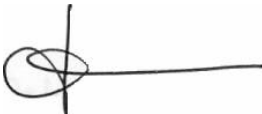
As lead audit partner for the audit of the financial statements of Coalspur Mines Limited for the financial year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles
Partner
Chartered Accountants

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013**Regulatory Disclosures**

For further information regarding Vista and Vista Extension, including a description of Coalspur's quality assurance program, quality control measures, the geology, samples collected and testing procedures in respect of the projects, please refer to the technical report titled "Coalspur Mines Limited: Updated Resource Estimate for the Vista Coal Project" dated September 12, 2012 (refer to ASX announcement dated September 21, 2012). For further information regarding Vista South, including a description of Coalspur's quality assurance program, quality control measures, the geology, samples collected and testing procedures in respect of the project, please refer to the technical report titled "Resource Estimate for the Vista South Coal Property" dated June 25, 2012. The technical reports are available for review on SEDAR at sedar.com.

Competent Person / Qualified Person Statements

The information in this report that relates to mining infrastructure and associated capital costs, is based on information compiled by Mr. Richard Tremblay, who is a Member of the Association of Professional Engineers and Geoscientists of British Columbia. Mr. Tremblay is a full-time employee of Coalspur, and has sufficient experience which is relevant to the style of infrastructure and type of deposit under consideration and to the activity he is undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code 2004"), and a "Qualified Person" under National Instrument 43-101 – "Standards of Disclosure for Mineral Projects" ("NI 43-101"). This information has not been updated to comply with JORC Code 2012 on the basis that it has not materially changed since it was last updated. Mr. Tremblay has approved and consents to the inclusion of such information in this report in the form and context in which it appears.

The information in this Directors' Report that relates to coal quality, coal Resources, coal Reserves and yield estimates to derive marketable coal Reserves, is based on information compiled by Mr. John Innis, who is a Member of the Association of Professional Engineers and Geoscientists of Alberta. Mr. Innis is a full-time employee of Coalspur. Mr. Innis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a "Competent Person" as defined in the JORC Code, and a "Qualified Person" under NI 43-101. Mr. Innis has approved and consents to the inclusion of such information in this report in the form and context in which it appears.

Forward Looking Statements

This report contains forward-looking statements concerning Coalspur, including statements regarding Coalspur's plans for its mineral projects, development plans and timing, development and operating costs, production, regulatory approvals, exploration and development 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

DIRECTORS' REPORT AND MD&A FOR THE YEAR ENDED DECEMBER 31, 2013

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 those referred to in the Company’s Annual Information Form under the heading “Description of the Business - Risk Factors”, and elsewhere. The Company has several material risk factors that could cause actual results to differ materially from the forward-looking information, including, but not limited to; risks associated with funding requirements for Vista development, uncertainties relating to fluctuations in coal price, uncertainties related to the availability of future financing, risks related to Coalspur’s existing credit facilities, risks associated with take or pay commitments with Ridley Terminals, risks associated with the need for governmental licenses, permits and approvals, uncertainties related to aboriginal rights claims and multiple mineral development, and uncertainties related to global economic and financial conditions.

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. The Company has applied several material factors or assumptions to develop the forward-looking statements, which may prove to be incorrect, including, but not limited to: (1) that all required third party approvals will be obtained for the development, construction and production of its properties; (2) that additional financing will be available on reasonable terms; (3) there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment or otherwise; (4) permitting, development and expansion proceeding on a basis consistent with the Company’s current expectations; (5) currency exchange rates being approximately consistent with current levels; (6) certain price assumptions for coal; (7) production forecasts meeting expectations; (8) the accuracy of the Company’s current mineral resource and reserve estimates; (9) labour and materials costs increasing on a basis consistent with the Company’s current expectations; and (10) assumptions made and judgments used in engineering and geological interpretation.

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.

For a more detailed analysis of risks affecting the Company, please see the Risk Factors discussion in the Description of the Business section of the Company’s Annual Information form, available from SEDAR at www.sedar.com

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Canadian dollars)	NOTES	Year ended December 31, 2013	Six month period ended December 31, 2012	Year ended June 30, 2012
CONTINUING OPERATIONS				
Operating expenses		(4,561,121)	-	-
Exploration and evaluation expenses		(175,498)	(1,934,147)	(15,497,310)
Corporate and administrative expenses		(11,529,791)	(5,073,037)	(7,243,478)
Interest income	2	108,463	41,307	543,296
Rental income	2	312,491	31,120	-
Other losses	2	(884,532)	(8,514)	(76,263)
Operating loss		(16,729,988)	(6,943,271)	(22,273,755)
Financing expense	15	(2,246,650)	-	-
LOSS FOR THE PERIOD		(18,976,638)	(6,943,271)	(22,273,755)
LOSS ATTRIBUTABLE TO OWNERS OF COALSPUR MINES LIMITED		(18,976,638)	(6,943,271)	(22,273,755)
OTHER COMPREHENSIVE INCOME				
Exchange differences on translation of foreign operations		-	-	208,380
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		-	-	208,380
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(18,976,638)	(6,943,271)	(22,065,375)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO OWNERS OF COALSPUR MINES LIMITED		(18,976,638)	(6,943,271)	(22,065,375)
Basic and diluted loss per share (cents per share)	19	(2.97)	(1.12)	(3.73)

The accompanying notes form part of these consolidated financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT

(Canadian dollars)	Notes	December 31, 2013	December 31, 2012
ASSETS			
Current Assets			
Cash and cash equivalents	18(b)	10,668,872	14,867,640
Trade and other receivables	6	114,842	517,572
Prepayments	7	1,066,937	1,014,826
Total Current Assets		11,850,651	16,400,038
Non-current Assets			
Property, plant and equipment	8	1,072,698	904,894
Exploration and evaluation assets	9	13,509,295	13,509,295
Mine development assets	10	146,751,942	120,387,691
Prepayments	11	42,800,000	42,800,000
Intangible assets	11	2,500,000	3,500,000
Other assets	12	22,464,605	3,498,640
Total Non-current Assets		229,098,540	184,600,520
TOTAL ASSETS		240,949,191	201,000,558
LIABILITIES			
Current Liabilities			
Trade and other payables	13	2,610,333	3,659,022
Provisions	14	146,964	63,495
Total Current Liabilities		2,757,297	3,722,517
Non-current Liabilities			
Credit facilities	15	69,568,910	30,000,000
Interest payable on credit facilities	15	3,703,008	-
Conversion feature on credit facility	15	940,195	-
Total Non-current Liabilities		74,212,113	30,000,000
TOTAL LIABILITIES		76,969,410	33,722,517
Commitments and contingencies (Notes 30 and 31)			
NET ASSETS		163,979,781	167,278,041
EQUITY			
Contributed equity	16	230,124,519	225,856,621
Share-based payments reserve	17	29,315,920	17,905,440
Foreign currency translation reserve	1(d)	(12,401,553)	(12,401,553)
Accumulated losses		(83,059,105)	(64,082,467)
TOTAL EQUITY		163,979,781	167,278,041

The accompanying notes form part of these consolidated financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

The accompanying notes form part of these consolidated financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Canadian dollars)	Issued Capital	Perform- ance shares	Share- based payments reserve	Foreign currency translation reserve	Accumulated losses	Total attri- butable to owners of the parent
Six month period ended December 31, 2012	\$	\$	\$	\$	\$	\$
Balance at June 30, 2012	216,197,056	797	17,240,933	(12,401,553)	(57,139,196)	163,898,037
Net loss for the period	-	-	-	-	(6,943,271)	(6,943,271)
Other comprehensive income:	<hr/>					
Total comprehensive loss for the period	-	-	-	-	(6,943,271)	(6,943,271)
Transactions with owners, recorded directly in equity:	<hr/>					
Exercise of unlisted options ¹	9,658,768	-	-	-	-	9,658,768
Lapsed Performance shares	797	(797)	-	-	-	-
Share-based payments	-	-	664,507	-	-	664,507
Balance at December 31, 2012	225,856,621	-	17,905,440	(12,401,553)	(64,082,467)	167,278,041

Notes:

¹ Cash Proceeds of \$9,658,768 were received from the exercise of 13,394,002 options with an exercise price of A\$0.70/option. The proceeds and option exercise notices were received as of December 31, 2012. The shares were issued on January 9, 2013 (12,791,336) and January 18, 2013 (602,666).

The accompanying notes form part of these consolidated financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Canadian Dollars)	ORDINARY SHARES	PERFORM- ANCE SHARES	SHARE- BASED PAYMENTS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	ACCUM- ULATED LOSSES	TOTAL ATTRI- BUTABLE TO MEMBERS OF THE PARENT
Year ended June 30, 2012	\$	\$	\$	\$	\$	\$
Balance at July 1, 2011	195,544,433	776	9,578,626	(6,870,060)	(34,865,441)	163,388,334
Net loss for the period	-	-	-	-	(22,273,755)	(22,273,755)
Other comprehensive income:						
Differences on translation of foreign currency	5,471,823	21	268,029	(5,531,493)	-	208,380
Total comprehensive loss for the period	5,471,823	21	268,029	(5,531,493)	(22,273,755)	(27,805,248)
Transactions with owners, recorded directly in equity:						
Issue of ordinary shares	-	-	-	-	-	-
Share issue costs	(33,664)	-	-	-	-	(33,664)
Exercise of unlisted options	13,559,257	-	(691,301)	-	-	12,867,956
Share based payments	-	-	9,740,786	-	-	9,740,786
Exercise of share rights	1,655,207	-	(1,655,207)	-	-	-
Balance at June 30, 2012	216,197,056	797	17,240,933	(12,401,553)	(57,139,196)	163,898,037

The accompanying notes form part of these consolidated financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

CONSOLIDATED STATEMENT OF CASH FLOWS

(Canadian dollars)	NOTES	Year ended December 31, 2013	Six month period ended December 31, 2012	Year ended June 30, 2012
Cash flows used in operating activities				
Payments to suppliers and employees		(14,848,291)	(6,073,723)	(18,385,995)
Interest received		108,463	45,646	558,294
Rental income		312,492	31,120	-
Interest paid		(1,109,589)	(974,315)	(25,114)
Payments for port capacity		(150,000)	-	-
Net cash outflows from operating activities	18	(15,686,925)	(6,971,272)	(17,852,815)
Cash flows used in investing activities				
Payments for plant and equipment		(275,894)	(155,926)	(723,097)
Payments for mine development assets		(19,306,085)	(7,851,900)	(6,355,104)
Refund received/(payments) for port capacity		-	3,200,000	(49,500,000)
Payments for exploration and evaluation assets		(175,498)	-	(19,027,187)
Net cash outflows from investing activities		(19,757,477)	(4,807,826)	(75,605,388)
Cash flows from financing activities				
Proceeds received for issue of ordinary shares		785,313	9,658,769	12,866,743
Proceeds from borrowings		38,874,671	10,000,000	20,000,000
Payments for financing		(8,224,057)	-	(593,261)
Net cash inflows from financing activities		31,435,927	19,658,769	32,273,482
Net increase/(decrease) in cash and cash equivalents		(4,008,475)	7,879,671	(61,184,721)
Net foreign exchange differences		(190,293)	(361)	200,504
Cash and cash equivalents at beginning of period		14,867,640	6,988,330	67,972,547
Cash and cash equivalents at end of period		10,668,872	14,867,640	6,988,330

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Coalspur Mines Limited (“Coalspur” or “Company”) and its consolidated entities (“Consolidated Entity” or “Group”) for the year ended December 31, 2013 are stated to assist in a general understanding of the financial report.

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

The financial report of the Group for the year ended December 31, 2013 was authorised for issue in accordance with a resolution of the Directors on March 11, 2014.

(a) Basis of Preparation

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

The financial report has been prepared on a historical cost basis, except for certain financial assets and liabilities which are measured at fair value.

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

(b) Statement of Compliance

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

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

AASs and Interpretations, including those issued by the IASB where an Australian equivalent has not yet been made by the AASB, that have recently been issued or amended but are not yet effective that have not been adopted for the reporting year ended December 31, 2013, but would be relevant to its operations, are:

Standard/Interpretation	Effective Date (Beginning)	Application Date (Ending)
The following standards have been adopted:		
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	31 December 2013
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint arrangements standards'	1 January 2013	31 December 2013
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	31 December 2013
AASB 13 'Fair Value Measurement' and related AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	31 December 2013
AASB 119 'Employee Benefits (2011)' and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 92011'	1 January 2013	31 December 2013
AASB 127 'Separate Financial Statements (2011)' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	31 December 2013
AASB 128 'Investments in Associates and Joint Ventures (2011)' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	31 December 2013
AASB 1031 'Materiality' (2013)	1 January 2014	31 December 2014
AASB 1048 'Interpretation of Standards' (2013)	Period ending on or after 20 December 2013	31 December 2013
AASB 2010-10 "Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters"	1 January 2013	31 December 2013
AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' [AASB 1,5,7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	1 July 2012	31 December 2013
AASB 2012-2 'Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013	31 December 2013
AASB 2012-4 'Amendments to Australian Accounting Standards - Government Loans' (Amendments to AASB 1' First-time Adoption of Australian Accounting Standards)	1 January 2013	31 December 2013
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	31 December 2013
AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'	1 January 2013	31 December 2013
AASB 2012-10 'Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments' [AASB 1, 5, 7, 8, 10, 11, 12, 12, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011 - 7 and Interpretation 12]	1 January 2013	31 December 2013

Standard/Interpretation	Effective Date (Beginning)	Application Date (Ending)
The following standards have not been adopted:		
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	31 December 2014
AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	1 January 2014	31 December 2014
AASB 2013-1 'Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements'	1 July 2014	31 December 2015
AASB 2013-2 'Amendments to AASB 1038 - Regulatory Capital'	Period ending on or after 31 March 2013	31 December 2013
AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	31 December 2014
AASB 2013-4 'Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	31 December 2014
AASB 2013-5 'Amendments to Australian Accounting Standards - Investment Entities	1 January 2014	31 December 2014
AASB 2013-7 'Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and consolidation and interests of policyholders	1 January 2014	31 December 2014
AASB 2013-8 'Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities'	1 January 2014	31 December 2014
AASB 2013-9 'Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments	Part A - Conceptual Framework Period ending on or after 20 December 2013	31 December 2013
AASB 2013-9 'Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments	Part B - Materiality 1 January 2014 Part C - Financial Instruments 1 January 2014	31 December 2014
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and related AASB 201-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'	1 January 2013	31 December 2013
Interpretation 21 'Levies'	1 January 2014	31 December 2014
AAS CF 2013-1 'Amendments to the Australian Conceptual Framework'	Period ending on or after 20 December 2013	41639

Standard/Interpretation	Effective Date (Beginning)	Application Date (Ending)
The following standards have not been adopted cont'd:		
AASB 9' Financial Instruments' (December 2009) and AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' AASB 2012-6 'Amendments to Australian Accounting Standards -Mandatory Effective Date of AASB 8 and Transition Disclosure' AASB 2013-9 'Amendments to Australian Accounting Standards -Conceptual Framework, Materiality and Financial Instruments'	1 January 2017	31 December 2018
AASB 9' Financial Instruments' (December 2010) and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9' (December 2010) AASB 2012-6 'Amendments to Australian Accounting Standards -Mandatory Effective Date of AASB 8 and Transition Disclosure' AASB 2013-9 'Amendments to Australian Accounting Standards -Conceptual Framework, Materiality and Financial Instruments'	1 January 2017	31 December 2018

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

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at December 31, 2013 and the results of all subsidiaries for the year then ended.

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

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

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

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

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

(d) Foreign Currencies

(i) *Functional and Presentation Currency*

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

(ii) *Transactions and balances*

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

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

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

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

(e) Cash and Cash Equivalents

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

(f) Trade and Other Receivables

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

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

(g) Property, Plant and Equipment

(i) *Cost and Valuation*

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

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

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

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

(ii) *Depreciation of PP&E*

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

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

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

PP&E classifications:	method	31-Dec-13	31-Dec-12
Computer equipment	straight line	2 years	2 years
Office furniture and leasehold improvements	straight line	5 years	5 years

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

are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(h) Exploration and Evaluation Assets

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

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

Exploration and evaluation assets are not depreciated; however they are assessed for indications of impairment on a quarterly basis. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

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

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

(i) Mine Development Assets

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

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

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

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

If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(j) Payables

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

(k) Provisions

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

(l) Revenue Recognition

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

(i) Interest

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

(m) Income Tax

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

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

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

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

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

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

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

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

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

(n) Share Based Payments

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

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

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

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

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

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

(o) Employee Entitlements

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Vacation entitlements and short term employee benefits have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Performance Rights issued under the Company's long term incentive plan are valued according to the Black-Scholes model and recognised over the anticipated vesting period. During the year the Company implemented a Registered Retirement Savings Plan ("RRSP") matching program in which Coalspur will match employee contributions up to a maximum of 5% of the employee's salary.

(p) Loss Per Share

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

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

(q) Goods and Services Tax ("GST")

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

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

(r) Use and Revision of Accounting Estimates

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

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

- Note 9 – Exploration and Evaluation Assets;
- Note 10 – Mine Development Assets; and
- Note 24 – Share-based Payments.

(s) Going Concern Assumption

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realise its assets and discharge its liabilities in the normal course of business. Although the Company presently has sufficient financial resources to undertake its current development

program and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future. The recoverability of the cumulative acquisition costs and capitalised mine development and exploration costs as at December 31, 2013 is dependent on the Company obtaining additional financing in the future. The Company secured a senior secured debt facility of up to US\$350 million with EIG during the year. However, additional funds are required to develop Vista into a producing mine.

The Company's intent is to review all financing options available to fund the remaining capital required to achieve first production at Vista, which would include, but not be limited to, obtaining a strategic investment partner for the Vista Project, entering into an agreement with a contractor to provide mining equipment, issuing additional capital, or acquiring debt financing.

(t) Financial Instruments

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

Cash and cash equivalents

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

Trade receivables and payables

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

Debt

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

Derivative instruments

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

Hedge accounting

The Company has not adopted hedge accounting.

(u) Impairment of Assets

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

In assessing the value in use the Company discounted estimated future cash flows to their present value using a weighted average cost of capital that reflects current market assessments of the time value of money and the risks specific to the asset. No impairment of assets was identified for the year ended December 31, 2013.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. Such reversal is recognised in profit or loss unless the asset is carried at a re-valued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. No reversal of a previously recognized impairment loss was identified for the year ended December 31, 2013.

(v) Issued Capital

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

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

(w) Borrowing Costs

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

(x) Dividends

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

2. REVENUE AND OTHER LOSSES

	Year ended December 31, 2013 \$	Six month period ended December 31, 2012 \$	Year ended June 30, 2012 \$
(a) Revenue			
Interest income	108,463	41,307	543,296
Rental income	312,491	31,120	-
	420,954	72,427	543,296
(b) Other Losses			
Net foreign exchange loss on cash	(190,293)	(8,514)	(76,263)
Net foreign exchange loss on debt	(694,239)	-	-
	(884,532)	(8,514)	(76,263)

3. EXPENSES

	Year ended December 31, 2013 \$	Six month period ended December 31, 2012 \$	Year ended June 30, 2012 \$
(a) Depreciation and Amortisation Included in the Consolidated Statement of Comprehensive Loss			
Depreciation of plant and equipment	108,214	22,812	56,284
(b) Employee Benefits (Including KMP)			
Salaries, wages, severance and payroll taxes	4,735,463	1,852,447	2,611,151
Short Term Incentive Plan payments	1,256,144	580,175	577,556
Registered Retirement Savings Plan	128,200	-	-
Other employee benefits	122,629	71,884	116,729
Share-based payments	426,453	963,607	2,600,586
Total employee benefits	6,668,889	3,468,113	5,906,022

4. INCOME TAX

a. Rate reconciliation

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

	Year ended December 31, 2013	Six month period ended December 31, 2012
	\$	\$
Loss before income taxes	(18,976,638)	(6,943,271)
Statutory tax rate	30%	30%
Expected recovery of income taxes based on Australian statutory rates	(5,692,991)	(2,082,981)
Add (deduct):		
Different effective tax rates in foreign jurisdictions	798,912	186,340
Tax effect of tax losses and temporary differences not recognized	3,560,398	2,158,956
Non-deductible expenses	1,173,611	178,632
True-ups	79,259	-
Other	80,811	(440,947)
Income tax expense	-	-

b. Deferred tax balances

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

	Year ended December 31, 2013	Six month period ended December 31, 2012
	\$	\$
Deferred tax assets	57,227,121	47,008,411
Deferred tax liabilities	(40,666,383)	(33,208,071)
Deferred tax asset (net)	16,560,738	13,800,340
Unrecognized deferred tax asset	(16,560,738)	(13,800,340)
Net deferred tax asset/(liability)	-	-

The movement in deferred income tax assets and liabilities during the period ended December 31, 2012, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Exploration and evaluation assets	Mine development assets	Prepayments	Intangible assets	Other	Total
At 1 July 2012	3,377,324	26,433,238	-	-	1,520,227	31,330,789
Charged/(credited) to the income statement	-	2,347,918	-	-	(470,636.00)	1,877,282
At 31 December 2012	3,377,324	28,781,156	-	-	1,049,591	33,208,071

Deferred tax assets	Tax losses	Resource pools	Property plant & equipment	Share issuance costs	Other	Total
At 1 July 2012	20,298,403	22,667,260	(33,993)	-	22,911	42,954,581
Charged/(credited) to the income statement	2,099,535	1,835,948	101,143	23,805	(6,601)	4,053,830
At 31 December 2012	22,397,938	24,503,208	67,150	23,805	16,310	47,008,411

The movement in deferred income tax assets and liabilities during the year ended December 31, 2013, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

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

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

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company did not recognise income tax assets in respect of tax losses in Canada \$59.1 million that can be carried forward against future taxable income. Losses in Canada expire between 2029 and 2033 with those available in Australia can be carried forward indefinitely.

c. Unrecognised deductible temporary differences

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

	Year ended December 31, 2013	Six month period ended December 31, 2012
	\$	\$
Non-capital loss carryforwards	59,095,047	54,210,955
Capital loss carryforwards	500,000	-
Share issuance costs	6,930,592	95,221
<u>Unrecognized deductible temporary differences</u>	<u>66,525,639</u>	<u>54,306,176</u>

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

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

(e) Tax Consolidation

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

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

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

6. RECEIVABLES

	December 31, 2013	December 31, 2012
	\$	\$
<u>GST receivable</u>	<u>114,842</u>	<u>517,572</u>

7. PREPAYMENTS (Current)

	December 31, 2013	December 31, 2012
	\$	\$
Security deposits	30,987	33,076
Transmission facilities prepayment ¹	993,166	981,750
Prepaid rent	42,784	-
	1,066,937	1,014,826

Notes:

¹ The Company paid a deposit to Fortis Alberta Inc. for transmission facilities in 2012 and 2013.

8. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2013	December 31, 2012
	\$	\$
(a) Plant and Equipment		
At cost	1,324,385	1,048,367
Accumulated depreciation and impairment	(251,687)	(143,473)
Net Carrying amount	1,072,698	904,894
(b) Reconciliation		
Carrying amount at beginning	904,894	771,780
Additions	277,435	155,926
Disposals	(1,417)	-
Depreciation	(108,214)	(22,812)
Carrying amount at end of the period, net of accumulated depreciation and impairment	1,072,698	904,894

	December 31, 2013	December 31, 2012
	\$	\$
9. EXPLORATION AND EVALUATION ASSETS ¹		
Areas of Interest		
Vista South Coal Project	509,295	509,295
Vista Extension	13,000,000	13,000,000
	<u>13,509,295</u>	<u>13,509,295</u>

Notes:

¹ The ultimate recoupment of costs carried for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas. The Group must also comply with any applicable lease and/or contractual requirements (including as disclosed in Note 29).

	December 31, 2013	December 31, 2012
	\$	\$
10. MINE DEVELOPMENT ASSETS		
<u>Vista Project</u>		
Carrying amount at beginning of period	120,387,691	109,726,335
Capitalised development costs	18,808,004	8,423,920
Capitalised finance costs ¹	7,556,247	2,237,436
Carrying amount at end of the period	<u>146,751,942</u>	<u>120,387,691</u>

Notes:

¹ The Company arranged a \$70 million credit facility with Borrowdale Park (Note 23) to advance the development of Vista. In July 2013 the Company achieved financial close of the senior secured debt facility with EIG and made an initial draw of US\$37.0 million under the Facility, paid EIG a US\$7.0 million facility fee, and repaid C\$10 million of the previous C\$40 million owing to Borrowdale Park. The finance costs associated with the assets under development are recorded as other assets (Note 12) and amortised to Mine Development Assets over the life of the credit facility.

11. PREPAYMENTS AND INTANGIBLE ASSETS (NON-CURRENT)

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

Summary of Agreements with Ridley Terminals

Prepayments	(\$ millions)	Note
Deposit paid	\$ 42.8	11(b)
Option fee-other asset	\$ 2.5	11(c)
Option fee-expensed	\$ 1.0	11(c)
Total paid to date	<u>\$ 46.3</u>	

Summary of Minimum Payments with Ridley

Year	Minimum Payment	Contracted Throughput Volume	Note
	(\$ millions)	(Mtpa)	
2013	\$ -	-	11(d)
2014	\$ -	-	
2015	\$ 12.6	2.5	
2016	\$ 22.7	4.5	
2017	\$ 37.4	7.4	
2018	\$ 50.0	9.9	
2019	\$ 51.0	10.1	
2020	\$ 54.0	10.7	
2021	\$ 54.0	10.7	
2022	\$ 54.0	10.7	
2023	\$ 54.0	10.7	
2024	\$ 54.0	10.7	
2025	\$ 54.0	10.7	
2026	\$ 54.0	10.7	
2027	\$ 54.0	10.7	
2028	\$ 54.0	10.7	
Total	\$ 659.7	130.7	

(a) Contract Cancellation / Exercise Date

As of December 31, 2013, the Company's total committed port capacity commences with 2.5 Mtpa in 2015 and ramps up to 10.7 Mtpa by 2020.

(b) Deposits

All throughput capacity is subject to non-refundable deposits of \$4 per tonne multiplied by annual contract capacity, which will be offset against future port charges, or minimum throughput charges. Deposits of \$42.8 million have been classified as non-current assets, and will be amortised as they are offset against future throughput or minimum payment charges.

(c) Option Fees

The Company paid \$3.5 million on October 27, 2011 for two options to purchase additional throughput capacity totaling 3.5 Mtpa commencing in 2018. During the year the Company exercised its option to acquire 2.5 Mtpa capacity, and allowed its option to acquire an additional 1.0 Mtpa to expire. Accordingly \$2.5 million is classified as a non-current intangible asset, and will be amortised over the initial term of the contract. \$1.0 million was expensed in Q2 2013.

(d) Minimum Throughput Charges

The Company's port capacity at Ridley Terminals is subject to minimum throughput charges based on a percentage of contracted capacity and throughput rates. As of December 31, 2013, the Company is subject to minimum throughput payments totaling \$660 million over the initial 14 year term of the contract which could become payable in the event Coalspur is unable to meet specified minimum throughput commitments.

The contract with Ridley Terminals begins in 2015 to ship 2.5 Mt during that year. Due to a longer than expected regulatory process, first production is expected in the first half of 2016. As a result of various delays in obtaining the necessary regulatory approvals, licenses and permits for the construction and operation of Vista, Coalspur determined on December 18, 2013 to declare force majeure as defined in section 14.2 of the 2011 TSA with Ridley Terminals Inc. Specifically, the force majeure event constitutes "acts or refusals to act of any government or government agency in...its sovereign....capacity", in light of regulatory delays in approving the project. The delays resulting from the force majeure are anticipated to result in the inability of Coalspur to meet the declared contract volume of 2.5 million tonnes in 2015 and possibly a portion of the 4.5 million tonnes in 2016.

12. OTHER ASSETS

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

Details (cumulative)	December 31,	December 31,
	2013	2012
	\$	\$
Share-based payments associated with Borrowdale Park facility ("BP")	5,307,000	6,203,316
Warrants issued to EIG and Borrowdale Park (Note 17)	13,889,800	-
Legal fees incurred for financing	1,647,030	-
Finance fee paid to EIG (US\$7 million)	7,401,240	-
Amortisation capitalised to Mine Development Assets	(4,474,010)	(2,704,676)
Financing expense on modification of the BP (Note 15)	(2,246,650)	-
Conversion feature on EIG credit facility (Note 15)	940,195	-
Closing Balance	22,464,605	3,498,640

13. TRADE AND OTHER PAYABLES

	December 31,	December 31,
	2013	2012
	\$	\$
Trade creditors	717,114	2,180,751
Accrued expenses	1,893,219	1,478,271
	2,610,333	3,659,022

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

14. PROVISIONS

	December 31,	December 31,
	2013	2012
	\$	\$
Employee entitlements	146,964	63,495

15. CREDIT FACILITIES

Continuing operations	December 31, 2013	December 31, 2012
Credit Facilities	\$	\$
Borrowdale Park Credit Facility	30,000,000	30,000,000
EIG Credit Facility	39,568,910	-
	69,568,910	30,000,000
Interest Payable on Credit Facilities		
Borrowdale Park Credit Facility	1,643,990	-
EIG Credit Facility	2,059,018	-
	3,703,008	-

During the year ended December 31, 2013 the Company renegotiated the terms of the debt held with Borrowdale Park including stated interest rate, maturity date, method of accruing interest, warrant features, and priority of the obligation (the "Borrowdale Park Note"). The modification resulted in a financing expense of approximately \$2.2 million and related principally to the write-off of deferred financing costs on the original Borrowdale Park financing, previously recognized in Other Assets.

Borrowdale Park, see Note 23, is owed \$30 million as a subordinated debt obligation with an interest rate of 10.5%. Interest on the Borrowdale Park Note is calculated at the end of each month, capitalised and added to the principal balance of the note. The ultimate maturity date of the Borrowdale Park Note is August 12, 2021 however it may be repaid early without penalty. If the Borrowdale Park Note is not repaid by early maturity, defined as completion of a 6 Mtpa facility and production at 90% of capacity for a continuous three month period, the interest rate on the note will increase to 20% per annum. If the note is not repaid by the early maturity date, Borrowdale Park will have the option to convert the Borrowdale Park Note into Coalspur shares at a 50% discount to the 10 day volume weighted average price at that time. Under IFRS this conversion feature is accounted for as an embedded derivative and recorded as a liability at an estimated fair value of \$0.9 million.

EIG provided a senior secured debt facility of up to US\$350 million with an interest rate of 8% per annum in cash plus 3% per annum which can be capitalised or paid in cash ("EIG Facility"). Cash payments will not start until Coalspur is in production. On July 12, 2013 Coalspur made an initial draw of US\$37 million on the EIG Facility. The interest is calculated at the end of each quarter, capitalised and added to the principal balance of the EIG Facility. The ultimate maturity date of the EIG Facility is July 12, 2021. In the event that final sizing of the facility results in a facility limit of less than US\$250 million, Coalspur has the option to cancel the facility and repay EIG with ordinary shares at market value, however the value per share amount shall not be less than A\$0.20 and not greater than A\$0.65 per share.

	December 31, 2013 \$	December 31, 2012 \$
16. CONTRIBUTED EQUITY		
(a) Issued Capital ³		
641,394,435 (2012: 634,123,901) Ordinary Shares	225,856,621	216,197,853
Exercised on unlisted options ¹	3,161,839	9,658,768
Conversion of share rights ²	1,106,059	-
	230,124,519	225,856,621

Notes:

¹ Proceeds of \$9,658,768 were received from the exercise of 13,394,002 options with an exercise price of A\$0.70/option. The cash proceeds and option exercise notices were received as of December 31, 2012. The shares were issued on January 9, 2013 (12,791,336) and January 18, 2013 (602,666).

² Tranche 5 share rights were exercised and converted to ordinary shares by obtaining financing for Vista Phase 1 by June 30, 2013.

³ Changes to the then Corporations Law abolished the authorized capital and par value concept in relation to share capital from July 1, 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

(b) Movements in Ordinary Shares:

DATE	DETAILS	NUMBER OF ORDINARY SHARES	TOTAL \$
July 1, 2012	Opening Balance	620,729,899	216,197,056
November 2, 2012	Performance shares	-	797
December 31, 2012	Closing Balance, issued shares	620,729,899	216,197,853
	Shares to be issued ¹	13,394,002	9,658,768
December 31, 2012	Closing Balance including shares to be issued	634,123,901	225,856,621
	Exercise of unlisted options	5,625,000	786,071
	Transfer of unlisted options	-	2,375,768
	Conversion of share rights ²	1,645,534	1,106,059
December 31, 2013	Closing Balance including shares to be issued	641,394,435	230,124,519

Notes:

¹ The cash proceeds of \$9,658,768 were received from the exercise of 13,394,002 options with an exercise price of A\$0.70/option. The proceeds and option exercise notices were received as of December 31, 2012. The shares were issued on January 9, 2013 (12,791,336) and January 18, 2013 (602,666).

² Tranche 5 share rights were exercised and converted to ordinary shares by meeting performance criteria for financing for Vista Phase 1 by June 30, 2013.

(c) Rights Attaching to Ordinary Shares

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

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

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

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

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

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

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

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

DATE	DETAILS	NUMBER OF PERFORMANCE SHARES	ISSUE PRICE \$
July 1, 2012	Opening Balance	32,500,000	797
Nov 2, 2012	Expiry of Performance shares	(7,500,000)	(797)
December 31, 2012	Closing Balance	25,000,000	-
January 1, 2013	Opening Balance	25,000,000	-
December 31, 2013	Closing Balance	25,000,000	-

(e) Rights Attaching to Performance Shares

Performance Shares have been issued to acquire mineral property prospects, and provide the Company with a means to compensate vendors of mineral properties in proportion to subsequent success in developing the property. Performance shares have an issue price of \$0.0001 each, are not transferable, and have no rights to vote or to dividends. The Performance Shares will convert (or have converted) into Ordinary Shares on a one for one basis in accordance with the following:

- 25,000,000 E Class Performance Shares were to convert into Ordinary Shares if, prior to their expiry date on February 19, 2014, the Company produces a total of 1,000,000 tonnes of coal from its leases in the Hinton region, or there is a change in control of the Company. These Performance Shares expired on February 19, 2014. See Note 31 for more information.

17. SHARE BASED PAYMENT RESERVE

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

	December 31, 2013	December 31, 2012
	\$	\$
(a) Movements in Share-based Payments Reserve		
During the Past Two Periods:		
Share-based Payments Reserve		
Opening balance	17,905,440	17,240,933
Transfer of Unlisted Options	(2,375,768)	-
Exercise of Share Rights ¹	(1,106,059)	-
Share Rights forfeited ²	(2,115,976)	-
Share-based payments recognised in Profit or loss (Note 24)	3,118,483	664,507
Share-based payments ³	13,889,800	
Closing Balance	29,315,920	17,905,440

Notes:

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

² Includes forfeiture of share rights upon employee departures from the Company prior to completing the service period required under the share right plan and the forfeiture of tranche 2 share rights as the Company did not meet the service and non-market condition of commencement of construction at Vista by June 30, 2013. As required under IFRS the previously recognised expense associated with such forfeited share rights is reversed as the agreed service was not received by the Company.

³ EIG was issued 120 million warrants valued using the Black-Scholes option pricing model with the following assumptions: stock price \$0.2313, strike price \$0.5298, expected life of 8 years, risk-free interest rate of 2.1%, volatility of 57.07% and a dividend yield of 0%. The value of the warrants issued to EIG was \$0.1012/warrant. Borrowdale Park was issued 14 million warrants valued using the Black-Scholes option pricing model with the following assumptions: stock price \$0.2640, strike price \$0.5185, expected life of 8 years, risk-free interest rate of 2.1%, volatility of 57.19% and a dividend yield of 0%. The value of the warrants issued to Borrowdale Park was \$0.1247/warrant.

(b) Terms and Conditions of Unlisted Options

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

- each Unlisted Option entitles the holder to subscribe for one Ordinary Share;
- the Unlisted Options are exercisable at any time prior to the Expiry Date, subject to vesting conditions being satisfied (if applicable);
- outstanding Unlisted Options have an exercise price between A\$0.20 and A\$1.622;
- Ordinary Shares issued on exercise of the Unlisted Options rank equally with the then Ordinary Shares of the Company;
- application will be made by the Company to ASX and TSX as required for official quotation of the Ordinary Shares issued upon the exercise of the Unlisted Options;

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

(c) Terms and Conditions of Performance Rights

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

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

Tranche 3.	Performance Rights subject to the Vista Initial production performance condition expire on June 30, 2015;
Tranche 4.	Performance Rights subject to the Vista ramp-up of production to 4.0 Mtpa performance condition expire on June 30, 2016;
Tranche 6.	Performance Rights subject to the development of an organisational structure for the development of Vista performance condition expire on June 30, 2014.
Tranche 7.	Performance Rights subject to employment with the Company on December 15, 2015 expire on December 15, 2015.
Tranche 8.	Performance Rights subject to construction commencing by December 31, 2013 and additional financing obtained by June 30, 2014 expire on June 30, 2014.

- Tranche 9. Performance Rights subject to the successful completion of performance tests demonstrating that Vista Phase 1 facilities meet performance guarantees under EPC contract by December 31, 2016 expire on December 31, 2016.
- Tranche 10. Performance Rights subject to clean coal production from Vista Project over 3 consecutive months equals or exceeds an annualized rate of 6 Mtpa expire on December 31, 2016.

(d) Performance Rights Based Payments

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

Grant Date	Fair Value at grant date	Expiry date	Volume granted	Volume exercised or converted to Ordinary Shares	Volume lapsed or expired	Volume outstanding at December 31, 2013	Tranche number
10-Jun-11	A\$ 1.580	31-Jul-12	175,000	(175,000)		-	1
10-Jun-11	A\$ 1.580	30-Jun-13	175,000		(175,000)	-	2
10-Jun-11	A\$ 1.580	30-Jun-15	175,000		(150,000)	25,000	3
10-Jun-11	A\$ 1.580	30-Jun-16	175,000		(150,000)	25,000	4
13-Jul-11	A\$ 1.880	31-Jul-12	466,917	(466,917)		-	1
13-Jul-11	A\$ 1.880	30-Jun-13	478,000		(478,000)	-	2
13-Jul-11	A\$ 1.880	30-Jun-15	478,000		(175,000)	303,000	3
13-Jul-11	A\$ 1.880	30-Jun-16	478,000		(175,000)	303,000	4
22-Sep-11	A\$ 1.490	31-Jul-12	158,188	(158,188)		-	1
22-Sep-11	A\$ 1.490	31-Dec-12	135,000		(135,000)	-	1
22-Sep-11	A\$ 1.490	30-Jun-13	188,250		(188,250)	-	2
22-Sep-11	A\$ 1.490	30-Jun-15	53,250		(11,250)	42,000	3
22-Sep-11	A\$ 1.490	30-Jun-16	53,250		(11,250)	42,000	4
18-Oct-11	A\$ 1.620	31-Jul-12	3,175	(3,175)		-	1
18-Oct-11	A\$ 1.620	30-Jun-13	11,250		(11,250)	-	2
18-Oct-11	A\$ 1.620	30-Jun-15	11,250			11,250	3
18-Oct-11	A\$ 1.620	30-Jun-16	11,250			11,250	4
18-Jan-12	A\$ 1.830	31-Jul-12	2,500	(2,500)		-	1
18-Jan-12	A\$ 1.830	30-Jun-13	15,000		(15,000)	-	2
18-Jan-12	A\$ 1.830	30-Jun-15	15,000		(15,000)	-	3
18-Jan-12	A\$ 1.830	30-Jun-16	15,000		(15,000)	-	4
31-Jan-12	A\$ 1.830	31-Jul-12	85,375	(85,375)		-	1
31-Jan-12	A\$ 1.830	30-Jun-13	85,375		(85,375)	-	2
31-Jan-12	A\$ 1.830	30-Jun-15	85,375			85,375	3
31-Jan-12	A\$ 1.830	30-Jun-16	85,375			85,375	4
15-May-12	A\$ 1.600	30-Jun-13	31,190		(31,190)	-	2
15-May-12	A\$ 1.600	30-Jun-15	31,190		(31,190)	-	3
15-May-12	A\$ 1.600	30-Jun-16	31,190		(31,190)	-	4
4-Jul-12	A\$ 1.600	30-Jun-13	90,449		(90,449)	-	2
4-Jul-12	A\$ 1.600	30-Jun-15	90,449		(40,546)	49,903	3
4-Jul-12	A\$ 1.600	30-Jun-16	90,449		(40,546)	49,903	4
20-Sep-12	\$ 0.645	30-Jun-13	843,878	(820,534)	(23,344)	-	5
10-Oct-12	\$ 0.696	30-Jun-13	35,915		(35,915)	-	2
10-Oct-12	\$ 0.696	30-Jun-15	35,915		(21,549)	14,366	3
10-Oct-12	\$ 0.696	30-Jun-16	35,915		(21,549)	14,366	4
30-Nov-12	\$ 0.810	30-Jun-13	675,000		(675,000)	-	2
30-Nov-12	\$ 0.810	30-Jun-13	275,000		(275,000)	-	2
30-Nov-12	\$ 0.810	30-Jun-15	275,000			275,000	3
30-Nov-12	\$ 0.810	30-Jun-16	275,000			275,000	4
30-Nov-12	\$ 0.810	30-Jun-14	150,000			150,000	6
30-Dec-12	\$ 0.800	30-Jun-13	34,378		(34,378)	-	2
30-Dec-12	\$ 0.800	30-Jun-15	34,378			34,378	3
30-Dec-12	\$ 0.800	30-Jun-16	34,378			34,378	4
20-Mar-13	\$ 0.760	15-Dec-15	580,532		(104,667)	475,865	5
7-May-13	\$ 0.633	30-Jun-15	455,264		(7,895)	447,369	3
7-May-13	\$ 0.633	30-Jun-16	455,264		(7,895)	447,369	4
28-Jun-13	\$ 0.310	30-Jun-15	400,438			400,438	3
28-Jun-13	\$ 0.310	30-Jun-16	400,438			400,438	4
30-Jun-13	\$ 0.285	15-Dec-15	1,000,000			1,000,000	5
12-Jul-13	\$ 0.310	30-Jun-15	152,109			152,109	3
12-Jul-13	\$ 0.310	30-Jun-16	152,109			152,109	4
25-Jul-13	\$ 0.268	30-Jun-14	1,433,152		(179,641)	1,253,511	8
1-Oct-13	\$ 0.278	30-Jun-15	744,141			744,141	3
1-Oct-13	\$ 0.278	30-Jun-16	744,141			744,141	4
			13,202,042	(1,711,689)	(3,442,319)	8,048,034	

e) Unlisted Option Based Payments

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

Grant Date	Exercise Price	Fair Value at grant date	Expiry date	Volume granted	Volume exercised or converted to Ordinary Shares	Volume lapsed or expired	Volume outstanding at December 31, 2013
30-Sep-09	A\$ 0.100	A\$ 0.402	31-Dec-13	2,750,000	(2,750,000)		-
30-Sep-09	A\$ 0.150	A\$ 0.393	30-Jun-14	2,750,000	(2,750,000)		-
30-Sep-09	A\$ 0.200	A\$ 0.388	31-Dec-14	2,750,000			2,750,000
30-Sep-09	A\$ 0.250	A\$ 0.386	30-Jun-15	2,750,000			2,750,000
30-Sep-09	A\$ 0.500	A\$ 0.202	30-Jun-14	600,000	(600,000)		-
24-Nov-09	A\$ 0.400	A\$ 0.237	31-Dec-13	1,800,000	(1,000,000)	(800,000)	-
24-Nov-09	A\$ 0.500	A\$ 0.236	30-Jun-14	1,800,000	(1,000,000)		800,000
24-Nov-09	A\$ 0.600	A\$ 0.238	31-Dec-14	1,800,000		(1,000,000)	800,000
10-Feb-10	A\$ 0.350	A\$ 0.244	30-Jun-15	400,000	(275,000)	(125,000)	-
24-Mar-10	A\$ 0.500	A\$ 0.391	30-Jun-14	350,000			350,000
24-Mar-10	A\$ 0.600	A\$ 0.395	31-Dec-14	350,000			350,000
24-Mar-10	A\$ 0.700	A\$ 0.400	30-Jun-15	350,000			350,000
14-May-10	A\$ 0.850	A\$ 0.676	30-Jun-14	750,000			750,000
14-May-10	A\$ 0.950	A\$ 0.689	31-Dec-14	750,000			750,000
14-May-10	A\$ 1.050	A\$ 0.702	30-Jun-15	750,000			750,000
16-Jul-10	A\$ 0.850	A\$ 0.676	30-Jun-14	700,000			700,000
16-Jul-10	A\$ 0.950	A\$ 0.689	31-Dec-14	700,000			700,000
16-Jul-10	A\$ 1.050	A\$ 0.702	30-Jun-15	700,000			700,000
30-Aug-10	A\$ 0.800	A\$ 0.512	30-Aug-13	17,000,000	(15,000,000)	(2,000,000)	-
10-Sep-10	A\$ 0.700	A\$ -	31-Dec-12	15,000,000	(13,394,002)	(1,605,998)	-
27-Apr-12	A\$ 1.560	A\$ 0.578	8-May-15	8,000,000			8,000,000
27-Apr-12	A\$ 1.620	A\$ 0.257	16-May-15	2,000,000			2,000,000
14-Sep-12	A\$ 1.248	A\$ 0.095	14-Sep-15	1,000,000			1,000,000
18-Mar-13	A\$ 1.248	A\$ 0.078	18-Mar-16	1,000,000			1,000,000
				66,800,000	(36,769,002)	(5,530,998)	24,500,000

18. STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash Flows from Operations Update

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

	Period ended December 31, 2013	Six month period ended December 31, 2012	Year ended June 30, 2012
	\$	\$	\$
Loss for the year	(18,976,638)	(6,943,271)	(22,273,755)
Adjustment for non-cash income and expense items			
Depreciation and amortisation	108,214	22,812	56,284
Net foreign exchange loss	-	10,453	76,264
Loss on sale of securities	-	(1,939)	-
Amortisation of share-based payments	924,507	963,607	4,212,686
Capitalised finance costs	-	(816,781)	-
Write-off of port options	1,000,000	-	-
Finance expense	2,246,650	-	-
Interest paid on long term debt	(1,109,589)	-	-
Other adjustments for non-cash income and expense items	818,001	(8,155)	196,246
Change in current assets and liabilities			
Decrease (Increase) in trade and other receivables	402,730	(117,693)	(195,110)
(Increase) in prepayments	(52,111)	(933,467)	(34,681)
Increase (decrease) in trade, other payables and provisions	(1,048,689)	853,162	109,251
Net cash outflow from operating activities	(15,686,925)	(6,971,272)	(17,852,815)
(b) Reconciliation of Cash			
Cash on deposit and on hand	2,971,522	11,657,640	5,581,065
Short-term deposits	7,697,350	3,210,000	1,407,265
	10,668,872	14,867,640	6,988,330

	Year ended December 31, 2013	Six month period ended December 31, 2012	Year ended June 30, 2012
	\$	\$	\$
19. LOSS PER SHARE			
The following reflects the loss and share data used in the calculations of basic and diluted loss per share:			
Net loss	(18,976,638)	(6,943,271)	(22,273,755)
Earnings used in calculating basic and diluted loss per share	(18,976,638)	(6,943,271)	(22,273,755)

	NUMBER OF ORDINARY SHARES December 31, 2013	NUMBER OF ORDINARY SHARES December 31, 2012	NUMBER OF ORDINARY SHARES June 30, 2012
Weighted average number of Ordinary Shares used in calculating basic and diluted loss per share	638,649,913	620,729,899	596,732,416

Anti-Dilutive Securities

As at December 31, 2013, 25,000,000 (December 2012 – 25,000,000) Performance Shares, 24,500,000 (December 2012 - 35,925,000) Unlisted Options, and 8,048,034 (December 2012 – 4,828,979) Performance Rights were considered anti-dilutive as they would decrease the loss per share.

20. RELATED PARTIES

(a) Subsidiaries

	COUNTRY OF INCORPORATION	Equity Interest	
		31-Dec-13 %	31-Dec-12 %
Subsidiaries of Coalspur Mines Limited:			
Coalspur Mines (Holdings) Pty Ltd	Australia	100	100
Kep Pty Ltd	Australia	100	100
Subsidiaries of Coalspur Mines (Holdings) Pty Ltd:			
Coalspur Mines (Operations) Ltd	Canada	100	100
Coalspur Investment Ltd.	Canada	100	-

(b) Ultimate Parent

Coalspur Mines Limited is the ultimate parent of the Group.

(c) Transactions with Related Parties

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

Transactions with Key Management Personnel, including remuneration and equity holdings, are included in Note 22.

	At December 31, 2013	At December 31, 2012
	\$	\$
21. PARENT ENTITY DISCLOSURES (Coalspur Mines Limited)		
(a) Financial Position		
Assets		
Current assets	37,129	9,884,512
Non-current assets	226,305,269	202,862,352
Total Assets	226,342,398	212,746,864
Liabilities		
Current liabilities	205,027	229,664
Non-current liabilities	4,598,608	-
Total Liabilities	4,803,635	229,664
Net Assets	221,538,763	212,517,200
Equity		
Contributed equity	230,124,519	225,856,621
Accumulated losses	(37,901,676)	(31,244,861)
Share-based payment reserve	29,315,920	17,905,440
Foreign currency translation reserve	-	-
Total Equity	221,538,763	212,517,200
(b) Financial Performance		
Loss for the period	(2,998,402)	(3,218,480)
Other comprehensive income	-	-
Total Comprehensive Income	(2,998,402)	(3,218,480)

Notes:

The parent entity has guaranteed that its operating subsidiary, Coalspur Mines (Operations) Ltd. will repay all principal and interest owing on the credit facility as described in Note 23. The parent entity does not have any commitments or contingent liabilities at December 31, 2013.

22. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

Details of the Directors and Key Management Personnel (“KMP”) of the Group during or since the end of the financial period are set out below. Unless otherwise stated, individuals held their office from January 1, 2013 until the date of this report.

Directors

Mr. Colin Steyn	Chairman (non-executive)
Ms. Gill Winckler	President and CEO
Mr. Denis Turcotte	Director (non-executive)
Mr. Peter Breese	Director (non-executive)
Mr. David Murray	Director (non-executive)
Mr. Ted Mayers	Director (non-executive)
Mr. Mark Rodda	Director (non-executive)
Mr. William Smart	Alternate Director (non-executive)

Other KMP's - Executives

Mr. Colin Gilligan	Chief Operating Officer (appointed February 27, 2013)
Mr. Robert Gough	Chief Financial Officer (appointed August 22, 2013)
Mr. Richard Tremblay	Vice President, Operations (appointed February 4, 2013)
Mr. Wayne Drier	Vice President, Strategy and Development
Ms. Kim Humphreys	Vice President, Human Resources and Administration
Mr. David Montpetit	Vice President, External Affairs and Logistics
Ms. Xenia Kritsos	Vice President, General Counsel (appointed June 26, 2013) and Joint Company Secretary (appointed September 17, 2013)
Mr. David Leslie	Vice President, Technical Services (departed the Company on June 30, 2013)
Mr. Dermot Lane	Vice President, Environment and Regulatory (departed the Company on April 30, 2013)
Mr. Jay Bell	Vice President, Finance and acting CFO (departed the Company on October 15, 2013)

	\$	\$
(b) Key Management Personnel Compensation		
Short-term employee benefits	3,903,285	1,593,421
Post-employment benefits	99,479	3,483
Share-based payments expense	2,245,995	807,852
Total compensation	6,248,759	2,404,756

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

Year ended December 31, 2013	Held At January 1, 2013	Issued	Exercised	Lapsed/ Expired/ forfeited	Other Change	Held at December 31, 2013	Vested and Exercisable at December 31, 2013
Directors							
Colin Steyn (2)	15,000,000	14,000,000	-	(3,000,000)	-	26,000,000	26,000,000
Gill Winckler	-	-	-	-	-	-	-
Denis Turcotte	-	-	-	-	-	-	-
David Murray	-	-	-	-	-	-	-
Ted Mayers	-	-	-	-	-	-	-
Mark Rodda	-	-	-	-	-	-	-
Peter Breese	-	-	-	-	-	-	-
William Smart (2)	15,000,000	14,000,000	-	(3,000,000)	-	26,000,000	26,000,000
Executives							
Colin Gilligan	-	-	-	-	-	-	-
Robert Gough	-	-	-	-	-	-	-
Richard Tremblay	-	-	-	-	-	-	-
Wayne Drier	-	-	-	-	-	-	-
Kim Humphreys	-	-	-	-	-	-	-
David Montpetit	-	-	-	-	-	-	-
Xenia Kritsos	-	-	-	-	-	-	-
David Leslie (1)	2,250,000	-	-	-	-	2,250,000	2,250,000
Dermot Lane (1)	2,400,000	-	-	(800,000)	-	1,600,000	1,600,000
Jay Bell (1)	-	-	-	-	-	-	-
Total	19,650,000	14,000,000	-	(3,800,000)	-	29,850,000	29,850,000

Notes:

1 KMP who departed during the year retained their unlisted options.

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

Six month period ended December 31, 2012	Held At July 1, 2012	Issued	Exercised	Lapsed/ Expired/ forfeited	Other Change	Held at December 31, 2012	Vested and Exercisable at December 31, 2012
Directors							
Colin Steyn (1)	29,933,333	-	(12,724,669)	(2,208,664)	-	15,000,000	11,000,000
Gill Winckler	-	-	-	-	-	-	-
Denis Turcotte	-	-	-	-	-	-	-
David Murray	-	-	-	-	-	-	-
Ted Mayers	-	-	-	-	-	-	-
Mark Rodda	66,667	-	(66,667)	-	-	-	-
Peter Breese	-	-	-	-	-	-	-
William Smart (1)	29,933,333	-	(12,724,669)	(2,208,664)	-	15,000,000	11,000,000
Executives							
David Leslie	2,250,000	-	-	-	-	2,250,000	2,250,000
Dermot Lane	2,400,000	-	-	-	-	2,400,000	2,400,000
Wayne Drier	-	-	-	-	-	-	-
Jay Bell	-	-	-	-	-	-	-
Kim Humphreys	-	-	-	-	-	-	-
David Montpetit	-	-	-	-	-	-	-
Total	34,650,000	-	(12,791,336)	(2,208,664)	-	19,650,000	15,650,000

Notes:

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

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

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

Notes:

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

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

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

Six month period ended December 31, 2012 - SHARE RIGHTS	HELD AT JULY 1, 2012	ISSUED	CONVERTED TO ORDINARY SHARES	LAPSED/ EXPIRED	HELD AT DECEMBER 31, 2012
Directors					
Colin Steyn	-	-	-	-	-
Gill Winckler	-	1,550,000	-	-	1,550,000
Denis Turcotte	75,000	-	-	-	75,000
David Murray	75,000	-	-	-	75,000
Ted Mayers	75,000	-	-	-	75,000
Mark Rodda	75,000	-	-	-	75,000
Peter Breese	-	100,000	-	-	100,000
William Smart	-	-	-	-	-
Executives					
David Leslie	192,000	107,743	-	-	299,743
Dermot Lane	192,000	96,969	-	-	288,969
Wayne Drier	270,000	296,615	-	(135,000)	431,615
Jay Bell	192,000	64,644	-	-	256,644
Kim Humphreys	121,638	31,174	-	-	152,812
David Montpetit	135,000	70,033	-	-	205,033
Total	1,402,638	2,317,178	-	(135,000)	3,584,816

(e) Ordinary Share Holdings of Key Management Personnel during the current and prior periods:

Year ended December 31, 2013	ORDINARY SHARES HELD JANUARY 1, 2013 (1)	CHANGES TO HOLDINGS DURING THE YEAR					SUB-TOTAL NET CHANGE DURING YEAR	BALANCE HELD DECEMBER 31, 2013 (2)
		PURCHASED	VESTED SHARE RIGHTS	Exercised UNLISTED OPTIONS	SOLD	Other changes		
Directors								
Colin Steyn (3)	153,840,202	-	-	-	-	-	-	153,840,202
Gill Winckler	45,000	200,000	650,000	-	-	-	850,000	895,000
Denis Turcotte	925,000	-	-	-	-	-	-	925,000
David Murray	25,000	-	-	-	-	-	-	25,000
Ted Mayers	375,000	-	-	-	-	-	-	375,000
Mark Rodda	391,667	183,333	-	-	(100,000)	-	83,333	475,000
Peter Breese	438,000	-	25,000	-	-	-	25,000	463,000
William Smart (3)	153,840,202	-	-	-	-	-	-	153,840,202
Executives								
Colin Gilligan (1)	-	-	-	-	-	-	-	-
Robert Gough (1)	-	-	-	-	-	-	-	-
Richard Tremblay (1)	3,500	31,830	-	-	-	-	31,830	35,330
Wayne Drier	374,000	-	296,615	-	(103,815)	-	192,800	566,800
Kim Humphreys	8,500	100,000	31,174	-	-	-	131,174	139,674
David Montpetit	29,250	180,000	70,033	-	-	-	250,033	279,283
Xenia Kritsos (1)	-	-	-	-	-	-	-	-
David Leslie (2)	-	-	107,743	-	(37,710)	-	70,033	70,033
Dermot Lane (2)	441,600	-	96,969	-	(33,939)	-	63,030	504,630
Jay Bell (2)	142,850	-	64,644	-	(22,625)	-	42,019	184,869
Total (4)	157,039,569	695,163	1,342,178	-	(298,090)	-	1,739,251	158,778,820

Notes:

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

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

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

Six month period ended December 31, 2012	ORDINARY SHARES HELD JULY 1, 2012 (1)	CHANGES TO HOLDINGS DURING THE PERIOD					SUB-TOTAL NET CHANGE DURING PERIOD	BALANCE HELD DECEMBER 31, 2012
		PURCHASED	VESTED SHARE RIGHTS	Exercised UNLISTED OPTIONS	SOLD	Other changes		
Directors								
Gill Winckler	-	45,000	-	-	-	-	45,000	45,000
Colin Steyn (5)	141,115,533	-	-	12,724,669	-	-	12,724,669	153,840,202
Denis Turcotte	925,000	-	-	-	-	-	-	925,000
David Murray	25,000	-	-	-	-	-	-	25,000
Ted Mayers	375,000	-	-	-	-	-	-	375,000
Mark Rodda	391,667	-	-	-	-	-	-	391,667
Peter Breese	438,000	-	-	-	-	-	-	438,000
William Smart (5)	141,115,533	-	-	12,724,669	-	-	12,724,669	153,840,202
Executives								
David Leslie	-	-	-	-	-	-	-	-
Dermot Lane	441,600	-	-	-	-	-	-	441,600
Wayne Drier	249,000	125,000	-	-	-	-	125,000	374,000
Jay Bell	102,850	40,000	-	-	-	-	40,000	142,850
Kim Humphreys	-	8,500	-	-	-	-	8,500	8,500
David Montpetit	29,250	-	-	-	-	-	-	29,250
Total (4)	144,092,900	218,500	-	12,724,669	-	-	12,943,169	157,036,069

Notes:

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

2 During the period ended December 31, 2012 Messrs. Steyn and Smart shared an interest in the same securities.

(f) No loans were provided to or received from Key Management Personnel during the period ended December 31, 2013 (December 31, 2012: Nil).

23. RELATED PARTY TRANSACTIONS

During 2012 the Company entered into a \$70 million Facility Agreement with Borrowdale Park S.A., which is associated with Messrs Colin Steyn and William Smart. Under the agreement, Coalspur provided Borrowdale Park with security over its assets, issued eight million options to purchase ordinary shares as a facility fee, and seven million options to purchase ordinary shares as a funding fee, which vest at a rate of one million options per \$10 million drawn on the facility. In addition to obtaining shareholder approval for the issue of security and options on April 26, 2012, the Company initiated a committee of independent directors to evaluate the transaction on behalf of the Board of Directors. Messer's Steyn and Smart abstained from discussion and voting on issues related to the facility. The Company's first draw of \$20 million on the Facility Agreement took place on May 16, 2012, the second draw of \$10 million took place on September 14, 2012 and the third draw of \$10 million took place on March 18, 2013.

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

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

24. SHARE-BASED PAYMENTS

(a) Share-based Payments Expense

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

	December 31, 2013	December 31, 2012
	\$	\$
Director, employee, and contractor Performance Rights	3,118,483	548,589
Credit facility funding options	-	94,800
Director and employee share options	-	21,118
Expense arising from equity-settled share-based payment transactions	3,118,483	664,507

(b) Types of Share-based Payments

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

Share Rights	December 31, 2013			December 31, 2012		
	Granted	Vested	Forfeited	Granted	Vested	Forfeited
Director Share Rights	1,000,000	650,000	375,000	1,650,000	-	-
Executive Share Rights	3,251,085	667,178	445,908	788,816	-	135,000
Employee Share Rights	1,861,761	153,356	826,734	537,288	-	127,320
Total Share Rights	6,112,846	1,470,534	1,647,642	2,976,104	-	262,320

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

- Tranche 3 – Initial Production Milestone - initial production at Vista, with an expiry date of June 30, 2015;
- Tranche 4 – Ramp-up Production Milestone - ramp-up of production to 4.0 Mtpa equivalent for a three month period, which has an expiry date of June 30, 2016;
- Tranche 6 - Organisational Structure Milestone - subject to the development of an organisational structure for the development of Vista, which has an expiry date of June 30, 2014.
- Tranche 7 – Employment Milestone – subject to being employed with the Company as of December 15, 2015, which has an expiry date of December 15, 2015.
- Tranche 8 – Construction and Additional Financing Milestone – subject to construction commencing on or before June 30, 2014 and additional financing being obtained by December 31, 2013, expires on June 30, 2014.
- Tranche 9 – Successful completion of performance tests demonstrating that Vista Phase 1 facilities meet performance guarantees under EPC contract.
- Tranche 10 – Clean coal production from the Vista Project over three consecutive months equals or exceeds an annualised rate of 6 million tonnes.

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

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

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

(c) Summary of Share-based Payments

The following table illustrates the number and weighted average exercise prices (“WAEP”) of Performance Rights and Unlisted Options granted as share-based payments at the beginning and end of the period ended December 31, 2013:

	December 31, 2013 NUMBER	December 31, 2013 WAEP	December 31, 2012 NUMBER	December 31, 2012 WAEP
Outstanding at beginning of period	40,753,979	\$ 0.605	53,040,195	\$ 0.605
Granted during the period	6,517,588	\$ -	2,976,104	\$ -
Exercised during the period	(7,120,534)	\$ 0.103	(13,394,002)	\$ 0.700
Cancelled during the period	(7,602,999)	\$ 0.253	(1,868,318)	\$ 0.602
Outstanding at end of period	32,548,034	\$ 0.772	40,753,979	\$ 0.588

(d) Weighted Average Remaining Contractual Life

The weighted average remaining contractual life of Unlisted Options and Performance Rights granted as share-based payments by the Group and outstanding as at December 31, 2013 is 1.1 years (December 31, 2012: 1.8 years).

(e) Range of Exercise Prices

The range of exercise prices of Unlisted Options and Performance Rights granted as share-based payments by the Group and outstanding as at December 31, 2013 was nil to \$1.62 (December 31, 2012: nil to \$1.62).

(f) Weighted Average Fair Value

The weighted average fair value of Unlisted Options and Performance Rights granted as share-based payments by the Group during the period ended December 31, 2013 was \$0.375 (December 31, 2012: \$0.831).

(g) Options and Performance Rights Pricing Model

The fair value of the equity-settled Unlisted Options granted are estimated as at the date of grant using the Black-Scholes valuation model.

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

DECEMBER 31, 2012 INPUTS	SERIES 1
Security type	Option
Exercise price	\$ 1.34
Grant date share price	\$ 0.66
Dividend yield	0%
Volatility	48.8%
Risk-free interest rate	1.30%
Grant date	Sept. 14, 2012
Expiry date	Sept. 14, 2015
Expected life of option/right	3.0 years
Fair value at grant date	\$ 0.095

25. AUDITOR'S REMUNERATION

	December 31, 2013	December 31, 2012
	\$	\$
Amounts received or due and receivable by Deloitte Touche Tohmatsu ("Deloitte") for: An audit or review of the financial report of the entity and any other entity in the Group	152,294	73,158
Other services in relation to the entity and any other entity in the Group	71,149	372,383
	<u>223,443</u>	<u>445,541</u>

During 2013, other services in relation to the entity were provided by Deloitte to test procedures with respect to controls related to the procurement process for Vista and tax return compliance. During 2012, the other services in relation to the entity were provided by Deloitte for due diligence on financing opportunities and tax return compliance. All services provided by the auditor were preapproved by the Audit Committee. An independence evaluation was performed and Deloitte confirmed there was no infringement on their independence for the services provided.

26. SEGMENT INFORMATION

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

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Overview

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

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

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

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

Coalspur secured a US\$350 million senior debt commitment from EIG during the year to fund the majority of development required to achieve first production at Vista, however further financing is required. The Company is continuing a process to secure additional financing. The Company previously anticipated the process would be completed earlier however uncertain global markets and weak short-term coal prices have resulted in the process taking longer than anticipated. The success of this effort depends in part on the commodity market for seaborne thermal coal and the general economic environment.

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

(b) Credit Risk

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

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

	December 31, 2013	December 31, 2012
	\$	\$
Cash and cash equivalents	10,668,872	14,867,640
Trade and other receivables	114,842	517,572
	<u>10,783,714</u>	<u>15,385,212</u>

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

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

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

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Company manages liquidity by investing in only cashable and short term deposits with investment grade banks. At December 31, 2013 and December 31, 2012, the Group had sufficient liquid assets to meet its current financial obligations. Credit facilities are secured against Company assets.

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

December 31, 2013	<6 MONTHS	6 -12 MONTHS	> 5 YEARS	\$ TOTAL	\$
	\$	\$	1 - 5 YEARS \$	\$	\$
Financial Liabilities					
Trade and other payables	2,610,333	-	-	-	2,610,333
Conversion feature on credit facility	-	-	940,195	-	940,195
Credit facility	-	-	73,271,918	-	73,271,918
	<u>2,610,333</u>	<u>-</u>	<u>74,212,113</u>	<u>-</u>	<u>76,822,446</u>

(d) Interest Rate Risk

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

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

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

	December 31, 2013	December 31, 2012
	\$	\$
Interest-bearing financial instruments		
Cash on deposit and on hand	2,971,522	11,657,640
Short-term deposits	7,697,350	3,210,000
	<u>10,668,872</u>	<u>14,867,640</u>

The Group's cash on deposit and on hand and short term deposits had a weighted average floating interest rate at year end of 1.00% (December 31, 2012: 2.24%).

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

Interest rate sensitivity

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

(e) Foreign Currency Risk

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

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

As the Group does not currently have revenue it does not enter into derivative transactions to manage foreign currency risk. The Group holds enough cash and cash equivalents to fund its planned Canadian operations over the next 12 months; the majority of the Group's expenditures over this period are expected to be in Canadian dollars.

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

	Year ended December 31, 2013				Year ended December 31, 2012			
	C\$	A\$	US\$	TOTAL EQUIVALENT C\$	C\$	A\$	TOTAL EQUIVALENT C\$	
Financial assets								
Cash and cash equivalents	369,881	28,748	9,604,848	10,668,872	5,083,157	9,466,595	14,867,640	
Trade and other receivables	106,260	9,044	-	114,842	443,797	71,378	517,572	
	476,141	37,792	9,604,848	10,783,714	5,526,954	9,537,973	15,385,212	
Financial liabilities								
Trade and other payables	2,405,306	216,075	-	2,610,333	3,429,358	222,202	3,659,022	
Credit facility	30,000,000	-	37,000,000	69,568,910	30,000,000	-	30,000,000	
Credit facility interest	1,643,990	-	1,925,342	3,703,008	-	-	-	
	34,049,296	216,075	38,925,342	75,882,251	33,429,358	222,202	33,659,022	

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

Foreign exchange rate sensitivity

The Group's functional and presentation currency is Canadian dollars. The Group is not currently subject to foreign exchange rate sensitivity as part of the Company's construction costs relating to Vista Project, and its operating costs are incurred in Canadian dollars.

	FX rate USD to CAD and AUD to CAD		
		10% increase	10% decrease
December 31, 2013			
F/X rate USD to CAD	1.06943	1.17637	0.97221
Cash and cash equivalents in \$USD	\$ 9,604,848	\$ 9,604,848	\$ 9,604,848
USD cash balance stated in \$CAD	\$ 10,271,713	\$ 11,298,884	\$ 9,337,921
Variance	\$ 666,865	\$ 1,694,036	\$ (266,927)
December 31, 2012			
F/X rate AUD to CAD	1.03358	1.13694	0.93022
Cash balance in \$AUD	\$ 9,466,595	\$ 9,466,595	\$ 9,466,595
AUD cash balance stated in \$CAD	\$ 9,784,483	\$ 10,762,951	\$ 8,806,016
Variance	\$ 317,888	\$ 1,296,356	\$ (660,579)

(f) Equity Price Risk

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

(g) Commodity Price Risk

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

(h) Capital Management

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

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

The Company obtained a senior secured debt facility of up to US\$350 million with EIG during the year. However, additional funding is required to bring Vista to first production. The Group continues to progress discussions with potential off-take and / or strategic investors, regarding additional finances to fund the remaining costs to bring Vista into production. The Group's capital management policy will be reviewed periodically going forward as the Group's operations change.

(i) Fair Value Estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. The Company does not hold such instruments as at December 31, 2013 and December 31, 2012.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments. The Company does not hold such instruments as at December 31, 2013 and December 31, 2012.

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

(j) Fair Value

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

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	December 31, 2013		December 31, 2012		Hierarchy Level
	Carrying amount	Fair value	Carrying amount	Fair value	
	\$	\$	\$	\$	
Financial assets					
Cash and cash equivalents	10,668,872	10,668,872	14,867,640	14,867,640	1
Accounts receivable	114,842	114,842	517,572	517,572	1
	<u>10,783,714</u>	<u>10,783,714</u>	<u>15,385,212</u>	<u>15,385,212</u>	
Financial liabilities					
Accounts payable and accrued liabilities	2,610,332	2,610,332	3,659,022	3,659,022	1
Credit facility 1 (Note 15)	69,568,910	63,053,051	30,000,000	26,501,000	2
Conversion feature on credit facility	940,195	940,195	-	-	3
	<u>73,119,437</u>	<u>66,603,578</u>	<u>33,659,022</u>	<u>30,160,022</u>	

Notes:

1 The effective interest rates for the EIG and Borrowdale Park facilities are 12.31% and 12.44%, respectively.

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

The fair value of cash, receivables, and payables approximate their carrying amounts due to the short-term maturities of these instruments. The fair value of the credit facilities is estimated by discounting the expected future cash flows associated with these facilities using current market rates of similar facilities.

The fair value of the conversion feature on the credit facility is estimated using a binomial method with the significant unobservable input being the ability to repay the debt by the early maturity date and the estimated quoted share price at the time of conversion in the event the debt is not repaid before maturity date.

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

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

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

29. COMMITMENTS

Commitments and planned payments

(\$'000's)	PAYMENTS DUE BY PERIOD				
	TOTAL (up to 5 years)	LESS THAN 1 YEAR	1 - 3 YEARS	4 - 5 YEARS	AFTER 5 YEARS (per year)
Borrowdale Park credit facility principal (1)	30,000	-	-	30,000	-
Borrowdale Park facility interest (2)	14,244	-	-	14,244	-
EIG facility principal (3)	38,875	-	-	38,875	-
EIG facility interest (4)	10,660	-	2,138	8,522	-
Operating leases	762	208	345	209	-
Mineral and surface leases	955	191	382	382	191
Minimum port payments (5)	100,188	-	12,838	87,350	54,020
Payments to First Nations	6,137	1,485	3,052	1,600	800
Commitments Total	201,821	1,884	18,755	181,182	55,011
Mineral lease acquisitions (6)	10,000	-	10,000	-	-
Vista development (7)	478,000	100,000	378,000	-	-
Planned Payments Total	488,000	100,000	388,000	-	-
Total commitments and planned payments	689,821	101,884	406,755	181,182	55,011

- 1.) The Company repaid \$10 million principal to Borrowdale Park in July 2013, and plans to repay the remaining \$30 million in December 2017.
- 2.) Interest on the \$30 million Borrowdale Park subordinated note is accrued and capitalised at 10.5% and is expected to be repaid in December 2017.
- 3.) The Company borrowed US\$37 million from EIG in July 2013. Principal payments to EIG are planned to commence in 2017.
- 4.) Interest is accrued and capitalised at 11% on the EIG facility until Vista commences production, after which interest is payable quarterly. Coalspur used the US\$37 million principal for calculations in this table as further draws and amounts are unknown.
- 5.) The Company has not recognised these commitments as liabilities because it will either utilize the throughput capacity or sell it to other parties. The contract with Ridley Terminals begins in 2015 for 2.5 Mt. The minimum throughput payments of \$12.8 million on the 2.5 Mt are considered a contingent liability. The Company has started to engage interested parties with regards to the excess capacity. If commitments are reached, Coalspur will approach Ridley Terminals for consent to sell the excess capacity. In December 2013 Coalspur declared force majeure for the tonnages in 2015 and 2016 as a result of the government delays incurred during the regulatory approval process, see Note 11d for more information.
- 6.) The Company holds a beneficial interest in five coal leases that are integral to Vista. In accordance with the terms of the agreement to purchase these leases, initial payments of \$2 million and \$6 million have been made, and title to these leases will transfer to Coalspur upon the payment of an additional \$10 million which must be made by February 19, 2016. In addition, the vendor is entitled to a royalty equal to 1% of the sales revenue generated from the sale of coal produced from the original leases.
- 7.) The Company plans on commencing construction of Vista Phase 1 during 2014 and has arranged approximately 75% of the financing required to complete the Project. No material commitments will be made with respect to Vista construction until regulatory approval is obtained and development funding is secured.

30. CONTINGENCIES

There are no contingencies as of December 31, 2013.

31. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to December 31, 2013 Coalspur announced an agreement has been reached with Alexis in relation to the development of Vista. As a result, Alexis withdrew as an intervener in relation to the regulatory approval of Vista. The AER closed its hearing relating to Coalspur's applications for approval of Vista on January 13, 2014 and subsequently approved Vista on February 27, 2014, Coalspur continues to work with the various regulatory agencies relating to its applications in order to secure detailed licences and permits for Vista.

Subsequent to December 31, 2013, Coalspur announced that it had reached an agreement with Borrowdale for the provision to Coalspur of a standby funding facility of C\$10 million ("New Facility"), subject to the execution of definitive documents. The New Facility will be drawn upon if and when required. The New Facility has an interest rate of 10.5% per annum. Arrangement and commitment fees are payable by Coalspur. The New Facility is in addition to the C\$30 million balance owing to Borrowdale Park under the existing Borrowdale Park Note.

Subsequent to December 31, 2013, 25,000,000 E Class Performance Shares expired as the Company did not produce a total of 1,000,000 tonnes of coal from its leases in the Hinton region by February 19, 2014.

Subsequent to December 31, 2013, the Board approved and offered options and performance rights to employees which were accepted by employees and issued on March 5, 2014. Employees also agreed to the cancellation of performance rights in Tranches 3, 4, and 8, the performance conditions of which have become incapable of fulfilment.

DIRECTORS' DECLARATION

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

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

On behalf of the Board

"Gill Winckler"

Gill Winckler
President & Chief Executive Officer
March 12, 2014

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

Report on the Financial Report

We have audited the accompanying financial report of Coalspur Mines Limited, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 49 to 108.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

- (a) the financial report of Coalspur Mines Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

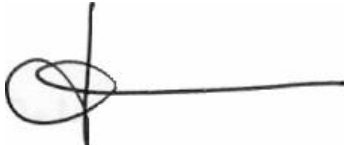
Report on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 45 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Coalspur Mines Limited for the year ended 31 December 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Leanne Karamfiles
Partner
Chartered Accountants
Perth, 11 March 2014