

## DECEMBER 2011 QUARTERLY REPORT

**PERTH, Western Australia, January 31, 2012: Coalspur Mines Limited (“Coalspur” or “Company”) (ASX: CPL, TSX: CPT)** is pleased to present its quarterly report for the three months ending December 31, 2011.

### Highlights:

- Completed the final major technical study on the Company’s flagship Vista Coal Project (“**Vista**”) with the completion of Bankable Feasibility Study (“**BFS**”). A Bankable Feasibility Study is a comprehensive analysis of a project’s economics (+/- 15% precision) and is used by the banking industry for financing purposes. The BFS demonstrates Vista’s potential to become a strategic supplier of thermal coal to Asian Pacific economies, including:
  - Forecast annual marketable coal production capacity of 11.2Mtpa, after ramp-up to full production, and a 30 year mine life on Vista;
  - Enhanced mine plan, larger pit limit, and increased clean coal yield resulted in an Marketable Coal Reserves of 313Mt from a Recoverable Coal Reserve of 566Mt;
  - Mine gate costs of C\$27.3/t in the first 10 years of production and C\$34.4/t over the life of mine; and
  - Total development costs of C\$1,234 million required to reach full production capacity of 11.2Mtpa.
- Secured up to 8.5Mtpa of port allocation with Ridley Terminals Inc. (“**Ridley Terminals**”) for up to 21 years.
- Signed a Memorandum of Understanding (“**MOU**”) with Canadian National Railway Company (“**CN Rail**”) to develop a high quality logistics supply chain to transport export thermal coal from Vista to deepwater ports on Canada’s west coast.
- Appointed four Directors to further strengthen the Board with additional operational experience and Canadian capital market expertise:
  - **David Murray** – Over 30 years of international operating experience in the coal industry. He has recently held a number of senior positions within BHP Billiton, including President of BHP Billiton Energy Coal Division;
  - **Ted Mayers** – Chartered Accountant with extensive experience in financial management within the mining sector and was recently the CFO of Lundin Mining;
  - **Mark Rodda** – Lawyer who was recently General Counsel and Corporate Secretary for a large international resources group. He is currently a partner of a corporate services and advisory firm based in Perth; and
  - **William Smart** (alternate Director to Colin Steyn and Peter Breese) – Over 40 years experience in the mining industry, including 26 years with the Anglo American Group.
- Acquired an additional 7,296 hectares of coal bearing leases from the Alberta Government which is located approximately 10km northwest of Vista.

## Going Forward

Following completion of the BFS the Company is currently focused on several initiatives to optimize the capital required to develop Vista, maintain a timeline to commence construction in early 2013 and enhance the economics of the project. Activities in the coming months will include:

- Continue project financing discussions with potential off-take partners;
- Submit final regulatory applications required to begin construction on Vista;
- Continue to work to secure additional port allocation and negotiate a definitive transportation agreement with CN Rail;
- Perform additional exploration drilling on the Vista South Coal Project ("**Vista South**");
- Continue to add key employees to Coalspur as it progresses Vista towards development; and
- Evaluate additional mining opportunities in the Hinton region.

For additional information, please contact:

**Gene Wusaty**

Managing Director and CEO

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## CANADIAN COAL PROJECTS

### Vista Coal Project

Vista is the flagship project of Coalspur and has the potential to be developed into the largest export thermal coal mine in North America. Vista covers approximately 9,984 hectares and provides a large scale, surface mineable, thermal coal project.

Vista has the advantage to leverage off established first world infrastructure, with CN Rail's main line located adjacent to Vista which is substantially underutilised and provides a rail line suitable for the transport of coal to deepwater ports on Canada's west coast. Coalspur has secured a port allocation agreement with Ridley Terminals which is essential to the logistics supply chain necessary to export coal from Vista to the growing demand from the Asia Pacific Rim countries, including China, Japan, and Korea.

A BFS was completed on Vista in January 2012, which defined a 30 year mine plan with forecast annual production capacity of 11.2Mtpa. Marketable Coal Reserves on Vista are 313Mt from a Recoverable Coal Reserve of approximately 566Mt. Initial development costs for Vista are expected to be ~C\$860 million with an additional ~C\$370 million required to reach full capacity.

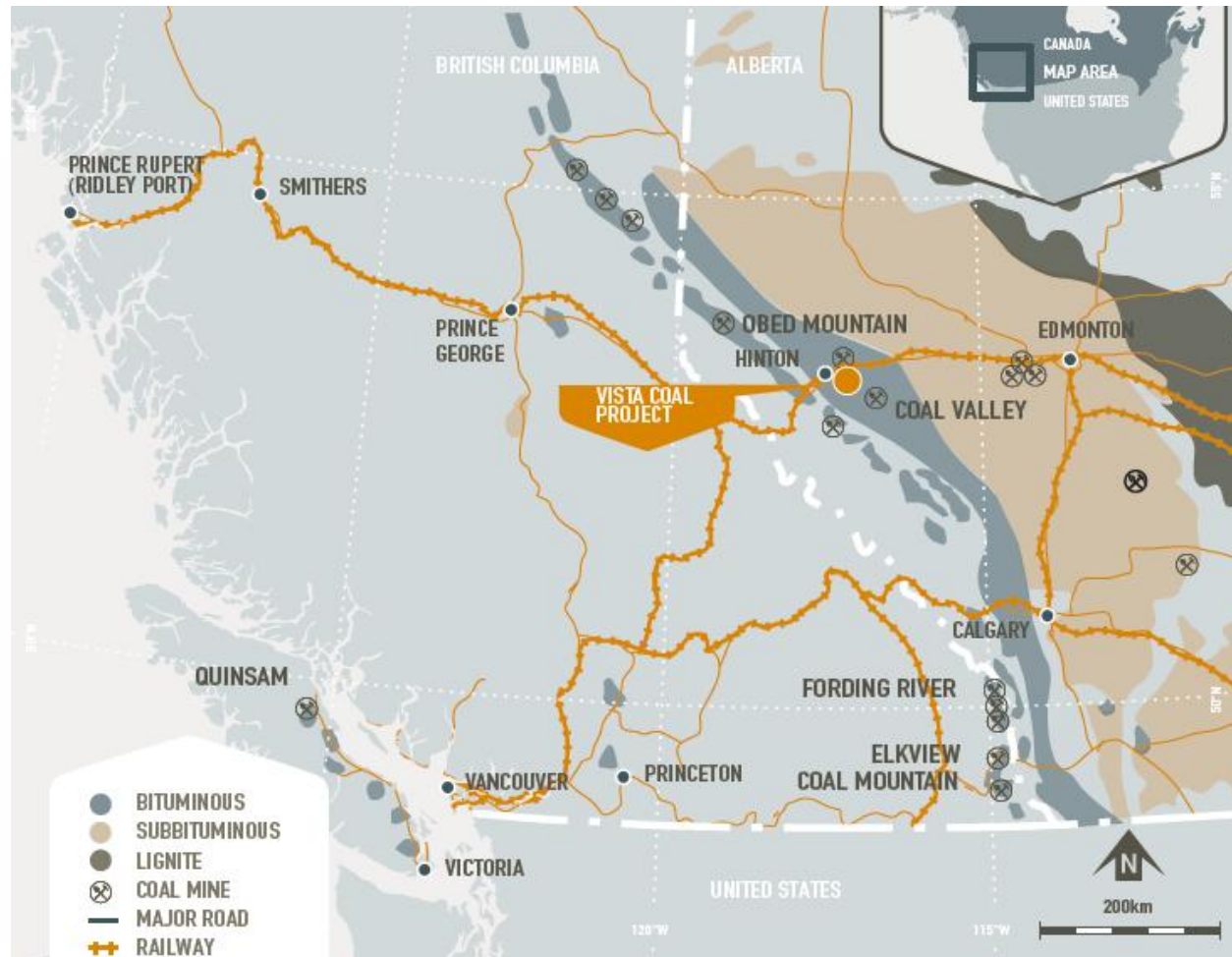


Figure 1: Vista Coal Project Location

## Bankable Feasibility Study Completed on Vista

Coalspur completed a BFS on Vista in January 2012 which is the final major technical report to be completed before construction commences on the project. Highlights of the BFS include:

### Annual marketable coal production capacity of 11.2Mtpa, after ramp-up to full production, and a 30 year mine life

- Annual marketable coal production capacity on Vista increased by 24% to 11.2Mtpa, up from 9.0Mtpa in the PFS.
- The production increase is a result of an enhanced mine plan, improved clean coal yield and optimized infrastructure design.
- The production capacity forecast assumes the process plant will run at an average of 6,800 plant operating hours or at 78% net effective utilization.

**Table 1: Bankable Feasibility Study Mine Plan Summary**

Mine Schedule	Years 1 – 10	Years 1 – 20	Years 1 – 30
Waste Mined (Mbcm)	657.4	1,840.0	2,880.0
ROM Coal Production (Mt)	168.5	372.6	564.8
Clean Coal Production (Mt)	93.3	206.7	312.3
ROM Strip Ratio	3.9:1	4.9:1	5.1:1
Clean Coal Strip Ratio	7.0:1	8.9:1	9.2:1

### Proven and Probable Marketable Coal Reserve of 313Mt

- Engineering work completed as part of the BFS defined a Proven and Probable Marketable Coal Reserve of 313Mt and Recoverable Coal Reserves on of 566Mt.
- The increase in Coal Reserves is attributable to a larger pit limit, clean coal yield improvement and a refined mining and coal recovery plan.

**Table 2: JORC / NI 43-101 Compliant Coal Reserves**

Coal Seam	Recoverable Coal Reserve			Marketable Coal Reserve		
	Proven (Mt)	Probable (Mt)	Proven & Probable (Mt)	Proven (Mt)	Probable (Mt)	Proven & Probable (Mt)
Val d'Or and McPherson	429.3	45.9	475.2	248.5	26.5	275.0
McLeod	74.4	16.0	90.3	31.5	6.9	38.4
<b>Coalspur Total Reserves</b>	<b>503.7</b>	<b>61.8</b>	<b>565.5</b>	<b>280.0</b>	<b>33.3</b>	<b>313.4</b>

*Note: Coal Reserve estimates effective December 13, 2011*

### Coal Quality

- Additional coal quality analysis was completed as part of the BFS. This resulted in a substantial increase in the overall clean coal yield to 55%, up from the previous estimate of 50% as outlined in the PFS.
- The coal quality analysis included further testwork on the McLeod seam and confirmed its suitability for export thermal markets.
- The coal quality analysis was thorough and supervised by a leading industry specialist. Testwork included a three tonne bulk sample pilot plant wash, over 1,200 raw coal data points encompassing all regional areas in Vista and washability testing, clean coal analysis and attrition testing.

**Table 3: Life of Mine Clean Coal Yield Summary**

<i>Seam Clean Coal Yield</i>	<i>Bankable Feasibility Study</i>	<i>Pre-Feasibility Study</i>
Val d'Or and McPherson Combined	57.7%	53.3%
McLeod	42.5%	33.8%
All Seams Combined	55.3%	49.8%
<i>Clean Coal Product Split</i>		
Val d'Or and McPherson Combined	87.7%	87.9%
McLeod	12.3%	12.1%

### Competitive Economics

- Vista has the potential to achieve mine gate cash costs in the initial 10 years of production of C\$27.3/t and LOM costs of C\$34.4/t.
- Free-on-board (“**FOB**”) cash costs are C\$61.0/t in the initial 10 years of production and are C\$68.1/t over LOM.
- Projected first phase development costs of C\$864 million and an incremental C\$370 million to reach full capacity of 11.2Mtpa in the second phase.
- Utilizing free cash flow generated in the first phase of development reduces the estimated peak funding to reach full capacity to C\$894 million
- Incorporating forecast coal prices from Wood Mackenzie and a Canadian dollar to US dollar exchange rate of 0.94 resulted in an after-tax net present value of C\$2,115 million.
- Projected initial 10 year average annual operating cashflows (EBITDA) of C\$421 million per annum (“**Mpa**”) and LOM average annual operating cashflows of C\$587Mpa.

**Table 4: Bankable Feasibility Study Operating Cost Summary**

<b>Mine Schedule</b>	<b>Years 1 – 10 (C\$/t)</b>	<b>Years 1 – 20 (C\$/t)</b>	<b>Years 1 – 30 (C\$/t)</b>
Coal & Waste Mining	21.98	27.00	29.10
Coal Handling & Processing	4.34	4.27	4.29
General & Administrative	1.03	0.97	0.98
Rail & Port	33.69	33.69	33.69
<b>Total Average Cash Operating Cash Cost per Saleable Clean Tonne</b>	<b>61.03</b>	<b>65.93</b>	<b>68.06</b>

**Table 5: Bankable Feasibility Study Capital Cost Summary**

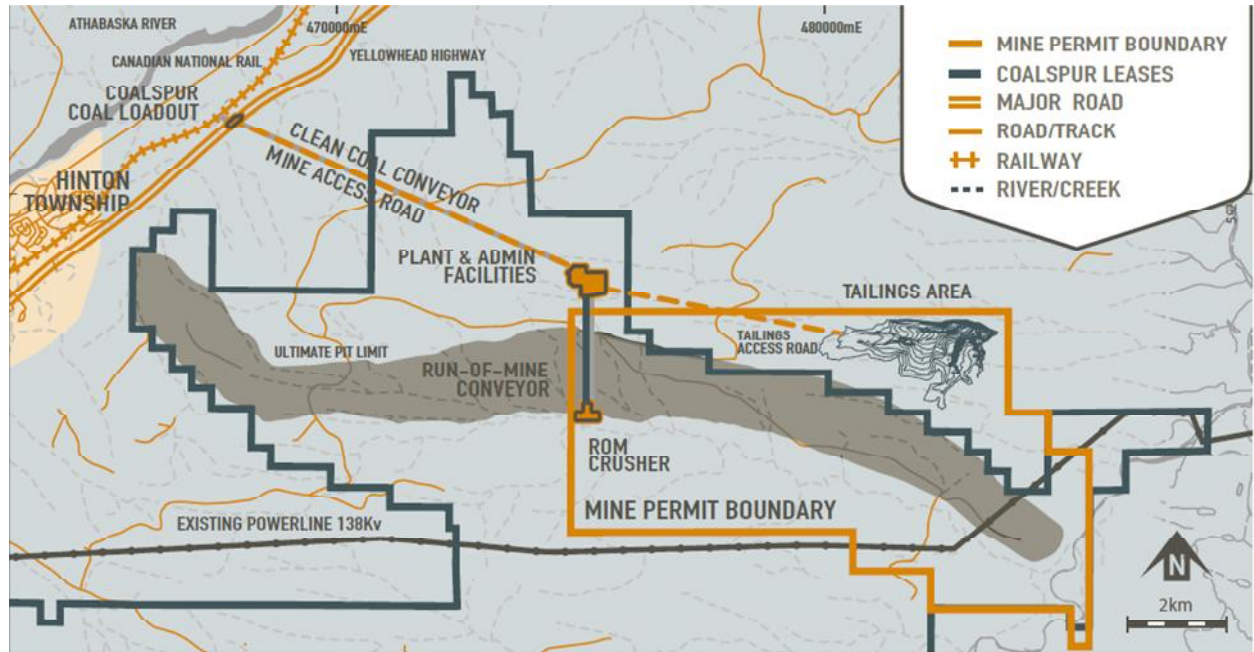
Item	Development Capital to First Production (C\$M)	Development Capital to Full Capacity (C\$M)
Site Development	48.3	4.5
Mining	209.1	224.3
Processing and Process Facilities	154.0	69.9
Processed Fines Area	37.9	6.9
Load Out	102.7	-
Ancillary	28.3	5.7
Utilities	52.0	1.2
Construction Indirects	78.6	16.2
EPCM	43.9	18.2
Owners Costs	22.5	4.4
Contingency	86.2	19.0
<b>Total Phase Capital Costs</b>	<b>863.5</b>	<b>370.3</b>
<b>Total Capital Costs to Full Capacity</b>		<b>1,233.8</b>
Less: First Phase Projected Cash Flows		340.2
<b>Peak Funding Required to Full Capacity</b>		<b>893.6</b>

### Rail & Port

- Coalspur has progressed the transportation logistics required to export its high quality thermal coal to the Asian Pacific Rim countries, namely China, Japan and Korea.
- Coalspur secured a landmark throughput agreement with Ridley Terminals for up to 8.5Mtpa of port allocation for up to 21 years.
- The Company has executed an MOU with CN Rail under which they will develop a high-quality logistics supply chain from Vista to deep water ports on Canada's west coast, including Ridley Terminals.
- Coalspur will work to secure additional port capacity and negotiate a definitive transportation agreement with CN Rail over the coming year.

### Development Plan

- The development of the mine is planned in two phases to enable the Company to utilize the mine permit it received in May 2011 which covers the eastern half of Vista.
- This phased approach enables Coalspur to improve development timelines and reduce the upfront capital required before achieving significant operating cashflows.
- The first phase of Vista is planned to produce 5.0Mtpa with first production scheduled for early 2015.
- Development of the first phase will include infrastructure components which will be capable of handling the additional production volumes from the second phase.
- The second phase is scheduled to begin construction in 2015 and reach full capacity of 11.2Mtpa of marketable coal production in 2018.



**Figure 2: Vista Coal Project Mine Infrastructure**

### Mining Method

- Vista contains 22km of continuous, gently dipping coal seams which sub-crop near surface which is amenable to low cost dragline and large truck and shovel mining methods.
- During the production ramp up stage large trucks and shovels will be utilized for waste stripping and coal mining and as production reaches full capacity large scale draglines will be introduced.
- The mine plan results in an initial 10 year clean coal strip ratio of 7.0:1 and LOM clean coal strip ratio of 9.2:1.
- Manpower for the first phase will reach approximately 400 and at full capacity manpower is estimated to grow to over 900. This includes manpower for the process plant, G&A, mine operations, mine maintenance, technical and senior management staff.
- The major equipment utilized over the life of the mine includes two 61m<sup>3</sup> capacity draglines, 57m<sup>3</sup> electric cable shovels, 177 and 363 tonne haul trucks and 350mm blast-hole drills.

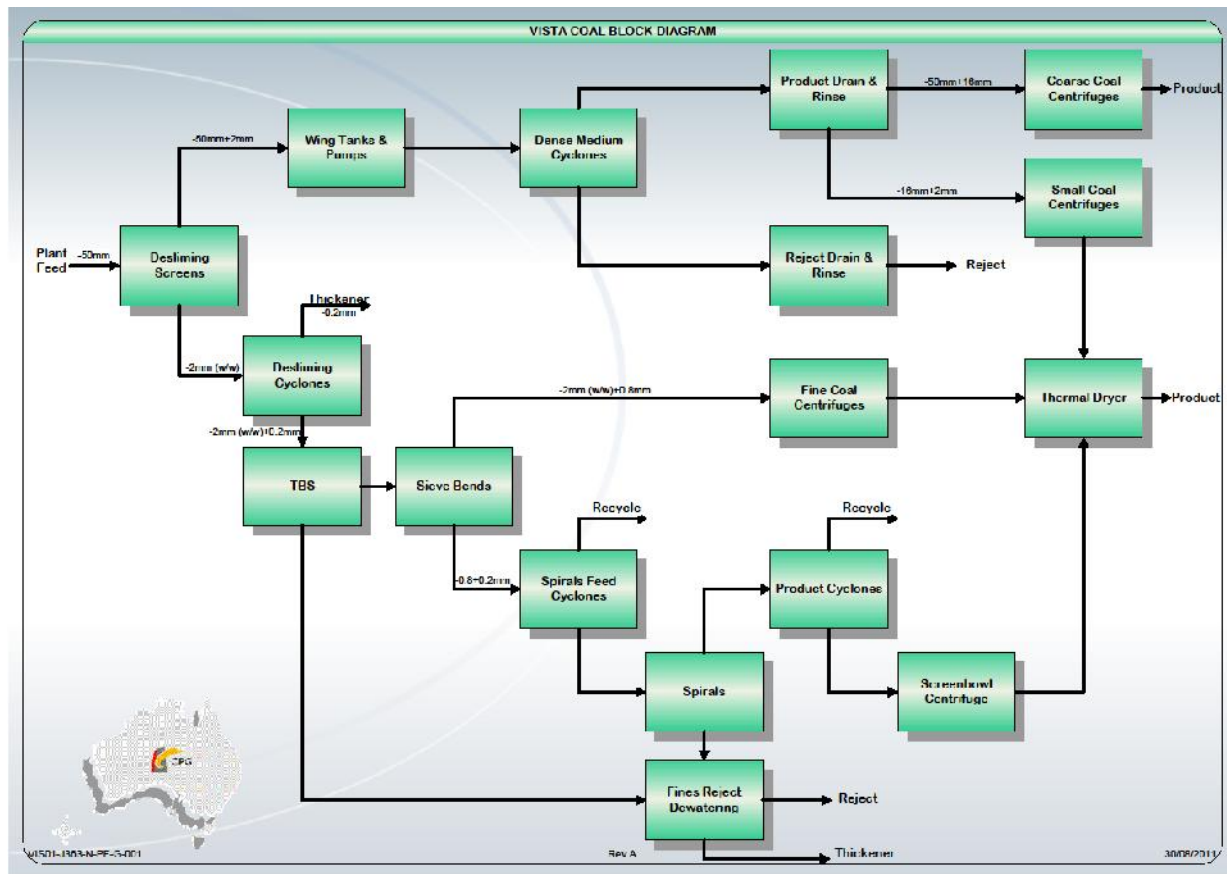
### Coal Processing & Handling

- The coal processing plant full capacity design consists of two identical 1,500 tonnes per hour modules which have been designed for an average 55% yield on 20.4Mtpa ROM production utilizing 6,800 actual operating hours or at 78% net effective utilization.

**Table 6: Bankable Feasibility Processing Plant Summary**

	Clean Coal Production (Mtpa)	Average Clean Coal Yield	Run of Mine Production (Mtpa)	% of Run of Mine Tonnes	Annual Plant Operating Hours	Net Effective Utilisation
<b>Seam</b>						
Val d'Or and McPherson	9.9	57.7%	17.1	84%	5,674	64%
McLeod	1.4	42.5%	3.3	16%	1,156	13%
<b>BFS Total</b>	<b>11.2</b>	<b>55.3%</b>	<b>20.4</b>	<b>100%</b>	<b>6,830</b>	<b>78%</b>
<b>PFS Total</b>	<b>9.0</b>	<b>49.8%</b>	<b>18.0</b>	-	<b>7,438</b>	<b>85%</b>

- Each plant module consists of three cleaning circuits. The nominal  $-50\text{mm}+2\text{mm}$  particles will be washed in large diameter dense medium cyclones with operating cut-point densities in the range of 1.40 to 1.70. Any coarse coal product will be dewatered in basket centrifuges.
- Fine coal (nominally  $-2\text{mm}+0.2\text{mm}$ ) will be washed in a combination of hindered bed separators ( $-2\text{mm}+0.2\text{mm}$ ) and spirals ( $-0.75\text{mm}+0.2\text{mm}$ ). Dewatering of the fine coal products will occur in a combination of fine coal and screen bowl centrifuges.
- Ultrafines ( $-0.2\text{mm}$ ) will be rejected to waste unbeneficiated due to high ash content. Ultrafines will be thickened in a processed fines thickener with underflow pumped to a processed fines storage area.
- Two identical thermal dryers will be installed to reduce the surface moisture of the clean coal product prior to transportation by rail to the port. To reduce product moisture and increase calorific value, all  $-16\text{mm}$  product will be dried in a thermal dryer.



**Figure 3: Vista Coal Project Preparation Plant Flowsheet**

Further details of the Bankable Feasibility Study are contained in the news release dated January 30, 2012.



## Regulatory Process

Coalspur has made substantial progress on the regulatory applications required to begin construction on the first phase. The regulatory process includes public consultation, technical studies and applications to amend the mine permit and processing plant approval and obtain a mine licence and environmental approvals.

In November 2011 Coalspur hosted its third open house for the residents of Hinton and Yellowhead County which was well received and no new issues were identified from the discussions. During the open house the Company provided the attendees with an update on the development of Vista and allowed them to ask questions and provide feedback. Coalspur will continue to conduct additional open house sessions and other meetings throughout the regulatory process.

During the design component of the BFS, Coalspur optimized the locations for several components of the mine infrastructure on Vista. These changes to the project plan require approval from the Energy Resources Conservation Board in order to amend the existing mine permit and coal processing plant approval, which were granted to Coalspur in May 2011. The changes to the project plan include the coal processing plant location, rail loadout facility, clean coal storage facility, main road access and overland conveyor structure route and the increase in the clean coal production rate in the first phase to 5.0 Mtpa.

The Company is required to submit mine license and environmental impact assessment applications for approval before it can begin construction on Vista. The mine license application outlines the detailed mine plan, which was completed as part of the BFS, including water management and reclamation components. The environmental impact assessment incorporates detailed baseline environmental data and will include the analysis and assessment of the environmental effects of proposed mining and construction activities. Coalspur is progressing these applications and remains on track to submit them during the quarter ending March 31, 2012. The Company expects to receive all regulatory approvals needed to commence construction in the quarter ending March 31, 2013.

## Vista Coal Reserves and Resources

The Coal Reserve and Coal Resource estimates were prepared by independent consultants and are reported in accordance with the JORC Code (2004) and National Instrument 43-101 (“NI 43-101”). The Marketable Coal Reserve were determined as part of the mine planning portion of the BFS and is estimated to be 313Mt. This represents a 20% increase in the Marketable Coal Reserves over the 260Mt estimated in the PFS. The increased Marketable Coal Reserves are attributable to a larger pit limit, clean coal yield improvement and a refined mining and coal recovery plan.

Coal Seam	Recoverable Coal Reserve			Marketable Coal Reserve		
	Proven (Mt)	Probable (Mt)	Proven & Probable (Mt)	Proven (Mt)	Probable (Mt)	Proven & Probable (Mt)
Val d’Or and McPherson	429.3	45.9	<b>475.2</b>	248.5	26.5	<b>275.0</b>
McLeod	74.4	16.0	<b>90.3</b>	31.5	6.9	<b>38.4</b>
<b>Coalspur Total Reserves</b>	<b>503.7</b>	<b>61.8</b>	<b>565.5</b>	<b>280.0</b>	<b>33.3</b>	<b>313.4</b>

*Note: Coal Reserve estimates effective December 13, 2011*

The Coal Resource estimate is based on the considerable drilling and exploration activities undertaken by Coalspur in 2010 and 2011 and also by Manalta Coal and Esso Resources in the 1980’s and 1990’s and are reported in accordance with the JORC Code (2004) and NI 43-101. The reported Coal Resource is inclusive of any Coal Resource converted to Coal Reserve. A small portion of the stated Coal Reserve (less than 1%) lies outside Coalspur’s lease boundary but within the mine permit area and are not included in the reported Coal Resource.

Table 8: JORC / NI 43-101 Coal Resources				
	Measured (Mt)	Indicated (Mt)	Measured & Indicated (Mt)	Inferred (Mt)
Vista Coal Project	688.0	342.9	1,030.9	290.7
Vista South Coal Project	51.5	41.9	93.3	75.0
<b>Coalspur Total Resources</b>	<b>739.5</b>	<b>384.8</b>	<b>1,124.2</b>	<b>365.7</b>

Note: Vista Coal Project Coal Resource estimates effective January 26, 2012 and Vista South Coal Project Coal Resource estimates effective December 15, 2010

## Vista South Coal Project

Vista South is located approximately 6km southwest of Vista and covers approximately 23,287 hectares. Vista South extends for over 25km on each of the northern and southern limbs of the Entrance Syncline which the Company believes has the potential to host a significant coal resource. Resources at Vista South have the potential to provide significant value to the Company from the potential to leverage off the planned infrastructure and operations at Vista through mine expansion or extension of the project life.

Vista South currently hosts a Measured & Indicated Coal Resource of 93.3Mt and an initial Inferred Coal Resource of 75.0Mt. The current Coal Resource estimate is confined to the northwest portion of the project area which represents only 18% of the Vista South leases and is based on the Company's initial drilling program which occurred in 2010.

## Vista South Drilling

During the quarter the Company began additional exploration drilling on Vista South. The drilling program is designed to include up to 50 rotary holes and 3 core holes. The drilling program is focusing on the west portion of the Entrance Syncline and is testing for extensions of the coal structure in the area. The drilling program will incorporate the increased geological understanding from previous drilling activity and the results will be utilised in future coal quality testing and to update the resource estimate on Vista South.

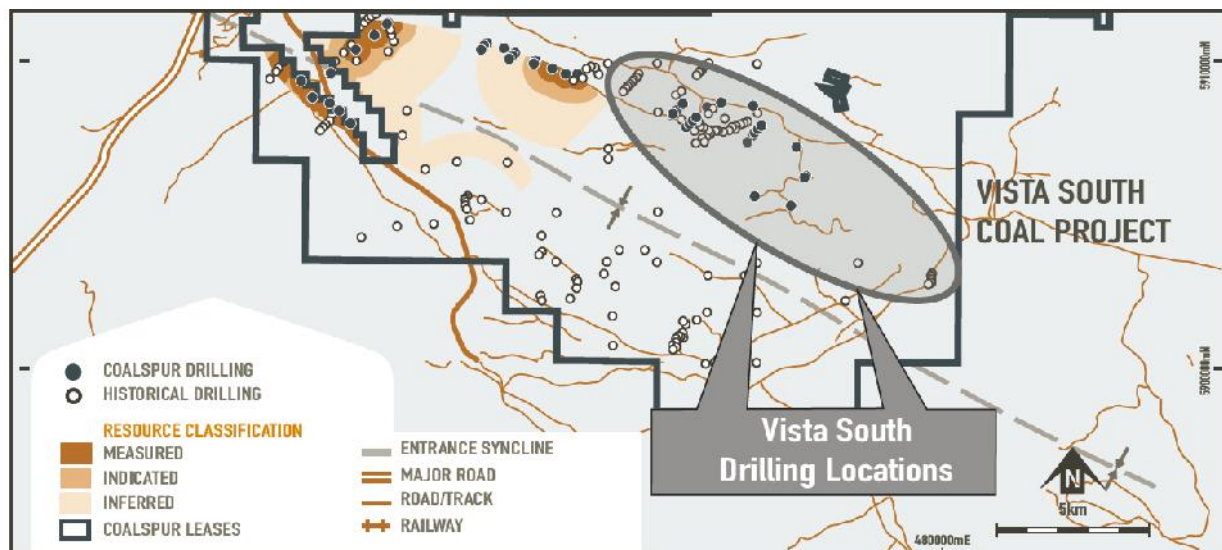


Figure 4: Planned Vista South Drilling Locations

## Vista South Resources

Vista South has an initial Measured & Indicated Coal Resource of 93.3Mt and an Inferred Coal Resource of 75.0Mt which is based on the historical drilling data compiled from the first phase of drilling which was completed in 2010 on the North West portion of the Vista South leases. The drilling completed by the Company consisted of 19 rotary drill holes which were drilled primarily to locate and define seam structure. The Resource Estimate has been completed in accordance with the JORC Code (2004) and NI 43-101.

**Table 9: JORC / NI 43-101 Coal Resources**

	Measured (Mt)	Indicated (Mt)	Measured & Indicated (Mt)	Inferred (Mt)
Vista Coal Project	688.0	342.9	1,030.9	290.7
Vista South Coal Project	51.5	41.9	93.3	75.0
<b>Coalspur Total Resources</b>	<b>739.5</b>	<b>384.8</b>	<b>1,124.2</b>	<b>365.7</b>

*Note: Vista Coal Project Coal Resource estimates effective January 26, 2012 and Vista South Coal Project Coal Resource estimates effective December 15, 2010*

## CORPORATE

### Director Appointments

*Mr David Murray – Non-executive Director appointed effective October 13, 2011*

Mr Murray has over 30 years of international experience in the coal industry and recently held a number of senior positions within BHP Billiton, including President of Energy Coal Sector Group (2008-2009), President of Metallurgical Coal (2005-2008) and CEO of BHP Billiton Mitsubishi Alliance Coal (2001-2005). Prior to this he was Chief Executive of Billiton Coal and has also worked at Trans-Natal Coal Corporation/Ingwe Coal Corp and Gencor. He is currently the senior independent non-executive Director of Coal of Africa Limited. He has also served as Chairman of the World Coal Institute, Australian Coal Association and Richards Bay Coal Terminal, and 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 Ted Mayers – Non-executive Director appointed effective October 13, 2011*

Mr Mayers has extensive experience in financial management within the mining sector. He has held a number of senior financial positions with publicly listed mining companies, most recently as CFO of Lundin Mining. He has previously served on the Boards of LionOre Mining, Mantra, prior to its acquisition by ARMZ, and Zaruma Resources. Mr Mayers is a Chartered Accountant, with a Masters of Business Administration degree from the University of Western Ontario. Mr Mayers has also been appointed Chairman of the Company's Audit Committee.

*Mr Mark Rodda – Non-executive Director appointed effective October 13, 2011*

Mr Rodda is a lawyer with private practice, in-house legal and corporate consultancy experience. He is currently a partner of Napier Capital, a boutique corporate services and advisory firm. Until it was acquired by Norilsk Nickel in 2007, he was General Counsel and Corporate Secretary for LionOre. Mr Rodda has considerable practical experience in the management of local and international mergers and acquisitions, divestments, joint ventures, corporate and project financing transactions and corporate restructuring initiatives. He also serves on the Board of Antipa Minerals as a non-executive Director. He holds a BA and LLB.

*Mr William (Bill) Smart – Non-executive Director appointed effective October 13, 2011*

Mr 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, 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 Company. He also served on the Board of Mantra, until its acquisition by ARMZ, as an alternate non-executive Director. He holds a B.Com, Hons.

Following the appointment of Messrs Murray, Mayers, Rodda and Smart, Messrs Ian Middlemas and Mark Pearce have resigned as Directors effective October 13, 2011. The Board thanks Ian and Mark for their substantial contributions in progressing Coalspur into a major dual listed Canadian coal development company with a world-class, tier-one mining project.

### **Additional Key Appointments**

Mr Jay Bell has been appointed acting CFO of Coalspur effective on October 13, 2011 following the resignation of Mr Pearce. Mr Bell is a Chartered Accountant with over 16 years experience in the Canadian mining industry. Mr Bell has served as Coalspur's Financial Controller since January 2011. Prior to this, he held a number of senior finance roles with Teck Coal Limited and Elk Valley Coal Limited and its predecessor companies. Mr Bell is a Member of the Institute of Chartered Accountants of Alberta and gained a Bachelor of Management from the University of Lethbridge in Alberta.

Mr Simon Robertson has been appointed Company Secretary of Coalspur effective October 13, 2011 following the resignation of Mr Pearce. 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 CFO for a large mining services and civil engineering company with operations internationally and revenues in excess of A\$1 billion. Mr Robertson gained a Bachelor of Business from Curtin University in Western Australia and Master of Applied Finance from Macquarie University in New South Wales.

## **Regulatory Disclosures**

For further information regarding the Vista Coal Project and Vista South Coal Project, 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 on the Vista Coal Project titled "Coalspur Mines Limited: Feasibility Study of the Vista Coal Project, Hinton, Alberta" dated January 26, 2012 and the technical report on the Vista South Project titled "Resource Estimate for the Vista South Coal Property" dated December 15, 2010, which are compliant with National Instrument 43-101 – "Standards of Disclosure for Mineral Projects" ("NI 43-101") and are available for review on SEDAR at [sedar.com](http://sedar.com).

### **Competent Person / Qualified Person Statements**

The information in this news release that relates to Recoverable Coal Reserves, mining engineering, mining capital cost, mining operating costs, and economic financial analysis is based on information compiled by Mr. David Leslie, who is a Member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. Mr. Leslie is a full-time employee of Coalspur. Mr. Leslie 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("**JORC Code**"), and a "Qualified Person" under NI 43-101. Mr. Leslie has approved and consents to the inclusion of such information in this news release in the form and context in which it appears.

The information in this news release that relates to coal quality and process yield estimates to derive Marketable Coal Reserves, operating costs and capital costs related to coal crushing, coal handling, and infrastructure, coal crushing, handling, processing and thermal drying is based on information compiled by Mr. Gordon Mudryk, who is a Member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. Mr. Mudryk is a full-time employee of Coalspur. Mr. Mudryk 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 2004 Edition of the JORC Code, and a "Qualified Person" under NI 43-101. Mr. Mudryk has approved and consents to the inclusion of such information in this news release in the form and context in which it appears.

The information in this news release that relates to Coal Resources is based on information compiled by Mr. John Innis, who is a Member of the Association of Professional Engineers, Geologists and Geophysicists 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 2004 Edition of 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 news release in the form and context in which it appears.

All other scientific and technical information in this Report is based on information compiled by Mr. Eugene Wusaty, who is a Member of the Association of Professional Engineers and Geoscientists of Alberta. Mr. Wusaty is a full-time employee of Coalspur. Mr. Wusaty has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Competent Person" as defined in the JORC Code, and a "Qualified Person" under NI 43-101. Mr. Wusaty 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 information' that is based on the Company's expectations, estimates and projections as of the date on which the statements were made. This forward-looking information includes, among other things, statements with respect to the Company's Pre-Feasibility Study and Bankable Feasibility Study, production rates, drilling programs, time lines and completion dates, permits and approvals, business strategy, plans, development, objectives, performance, outlook, growth, cash flow, projections, targets and expectations, mineral reserves and resources, studies, results of exploration and related expenses. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as 'will', 'expect', 'potential', 'outlook', 'anticipate', 'project', 'target', 'likely', 'believe', 'estimate', 'intend', 'may', 'would', 'could', 'should', 'scheduled', 'plan', 'forecast', "evolve" or variations of such terms and similar expressions. Persons reading this Report are cautioned that such statements are only predictions, and that the Company's actual future results or performance may be materially different.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Such factors include, without limitation, inherent uncertainties and risks associated with mineral exploration; uncertainties related to the availability of future financing necessary to undertake activities on the Company's properties; uncertainties related to general economic conditions; uncertainties related to global financial conditions; risks related to the integration of businesses and assets acquired by the Company; risks associated with the Company having no history of earnings or production revenue; uncertainties related to the possible recalculation of, or reduction in, the Company's mineral reserves and resources; uncertainties related to the outcome of studies to be undertaken by the Company; uncertainties relating to fluctuations in coal price; the risk that the Company's title to its properties could be challenged; risks related to the Company's ability to attract and retain qualified personnel; uncertainties related to the requirement for ministerial approval for a change of control of the Company; risks relating to consultation with the public and aboriginal groups; uncertainties related to the competitiveness of the mineral resource industry; risks associated with the Company

*need for governmental licenses, permits and approvals; uninsured risks and hazards; risks associated with fluctuations in foreign exchange rates; risks related to default by joint venture parties, contractors and agents; inherent risks associated with litigation; risks associated with potential conflicts of interest; risks related to effecting service of process on directors resident in foreign countries; uncertainties related to the Company's limited operating history; risks related to the Company's lack of a dividend history; risks relating to short term investments; and uncertainties related to fluctuations in the Company's share price. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.*

*In making the forward-looking statements the Company has applied several material assumptions 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) there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment or otherwise; (3) permitting, development and expansion proceeding on a basis consistent with the Company's current expectations; (4) currency exchange rates being approximately consistent with current levels; (5) certain price assumptions for coal; (6) production forecasts meeting expectations; (7) the accuracy of the Company's current mineral resource and reserve estimates; (8) labour and materials costs increasing on a basis consistent with the Company's current expectations; (9) that any additional required financing will be available on reasonable terms; and (10) assumptions made and judgments used in engineering and geological interpretation.*

*There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking statements.*

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

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

**COALPSUR MINES LIMITED**

ABN

**73 003 041 594**

Quarter ended ("current quarter")

**December 31, 2011**

### Consolidated statement of cash flows

	Current quarter \$A'00	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration & evaluation	(5,819)	(8,401)
(b) development	-	-
(c) production	-	-
(d) administration	(953)	(1,825)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	276	380
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>(6,496)</b>	<b>(9,846)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(6,210)	(6,525)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (Port deposit and option fee)	(25,200)	(25,200)
<b>Net investing cash flows</b>	<b>(31,410)</b>	<b>(31,725)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(37,906)</b>	<b>(41,571)</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(37,906)	(41,571)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material):		
	(a) share issue costs	-	(578)
	<b>Net financing cash flows</b>	-	(578)
	<b>Net increase (decrease) in cash held</b>	(37,906)	(42,149)
1.20	Cash at beginning of quarter/year to date	62,630	65,700
1.21	Exchange rate adjustments to item 1.20	(1,682)	(509)
1.22	<b>Cash at end of quarter</b>	23,042	23,042

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	189
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 **Explanation necessary for an understanding of the transactions**

1.23: Payments to directors and associates includes remuneration, and travel reimbursement. Until November 2011, corporate secretarial services and the provision of a fully serviced office were provided by a company associated with a director.

1.12: During the current quarter, the Company paid a non-refundable, deposit of \$23.2 million to secure 6 million tonnes per year port capacity, and a \$2.4 million option fee for the right to obtain an additional 2.5 million tonnes per year port capacity. The deposit will be credited towards future port throughput costs, and the option fee will be amortized over the life of the contract.

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not applicable



### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	106	57

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,153
4.2 Development	4,560
4.3 Production	-
4.4 Administration	1,816
<b>Total</b>	<b>7,529</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	636	2,854
5.2 Deposits at call	22,406	59,776
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>23,042</b>	<b>62,630</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Not applicable			
6.2 Interests in mining tenements acquired or increased	Lease 1311120568 Lease 1311120570 Lease 1311120572 Lease 1311120573 Lease 1311120574	Alberta Crown Coal Leases	NIL	100%



## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:..... Date: January 31 2012  
(~~Director~~/Company secretary)

Print name: Simon Robertson

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.