

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and, subject to certain exceptions, may not be offered or sold directly or indirectly within the United States. This short form prospectus does not constitute an offer to sell or solicitation to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

This short form prospectus is only being and may only be distributed to (i) persons outside the United Kingdom; or (ii) persons in the United Kingdom who (a) are a "Qualified investor" within the meaning of Section 86(7) of the United Kingdom Financial Services and Markets Act 2000, as amended, ("FSMA") and (b) within the categories of persons referred to in Article 19 (Investment professionals) or Article 49 (High net worth companies, unincorporated associations, etc.) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotion Order"). This short form prospectus is not a prospectus for the purposes of Section 85(1) of FSMA. Accordingly, this short form prospectus has not been approved as a prospectus by the United Kingdom Financial Services Authority ("FSA") under Section 87A of FSMA and has not been filed with the FSA pursuant to the United Kingdom Prospectus Rules or approved by a person authorized under FSMA. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the General Counsel and Secretary of Coalcorp Mining Inc. at Suite 1400, 220 Bay Street, Toronto, Ontario, M5J 2W4 and are also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM PROSPECTUS

New Issue

May 30, 2008



### COALCORP MINING INC.

**\$120,060,000**  
**66,700,000 Units**

This short form prospectus qualifies the distribution (the "Offering") of 66,700,000 units (the "Units") of Coalcorp Mining Inc. ("Coalcorp" or the "Corporation") at a price of \$1.80 per Unit pursuant to an underwriting agreement dated May 30, 2008 (the "Underwriting Agreement") among the Corporation and GMP Securities L.P. ("GMP"), Canaccord Capital Corporation, Loewen, Ondaatje, McCutcheon Limited and Macquarie Capital Markets Canada Ltd. (together with GMP, the "Underwriters"). Each Unit consists of one common share of the Corporation (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to purchase one additional Common Share (a "Warrant Share") at a price of \$2.50 at any time before 5:00 p.m. (Toronto time) on the date that is five years following the Closing Date (as hereinafter defined). The Units will separate into Common Shares and Warrants immediately upon issue. The offering price of the Units was determined by negotiation between the Corporation and the Underwriters. See "Plan of Distribution" and "Securities to be Distributed".

**Price: \$1.80 per Unit**

	<u>Price to the Public<sup>(1)</sup></u>	<u>Underwriters' Fee<sup>(2)</sup></u>	<u>Net Proceeds to Coalcorp<sup>(3)</sup></u>
Per Unit .....	\$1.80	\$0.09	\$1.71
Total <sup>(4)</sup> .....	\$120,060,000	\$6,003,000	\$114,057,000

- (1) The Corporation intends to allocate \$1.54 to the Common Share and \$0.26 to the Warrant comprising each Unit.
- (2) In consideration of the services rendered by the Underwriters in connection with the Offering, the Corporation has agreed to pay the Underwriters an aggregate fee (the "Underwriters' Fee") of \$6,003,000, representing 5.0% of the gross proceeds of the Offering. See "Plan of Distribution".
- (3) After deducting Underwriters' Fee, but before deducting the expenses of the Offering, estimated to be \$500,000, which will be paid from the net proceeds of the Offering.
- (4) The Corporation has granted to the Underwriters an option (the "Over-Allotment Option"), exercisable in whole or in part at the sole discretion of the Underwriters, at any time up to 30 days from the Closing Date, to purchase up to an additional 10,000,000 Common Shares at a price of \$1.54 per Common Share and up to an additional 10,000,000 Warrants at a price of \$0.26 per Warrant (collectively, the "Additional Securities"), solely to cover over-allotments, if any, and for market stabilization purposes. In respect of the Over-Allotment Option, the Corporation will pay to the Underwriters a fee equal to 5.0% of the proceeds realized on the exercise of the Over-Allotment Option or \$0.077 per Common Share and \$0.013 per Warrant. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to Coalcorp" will be \$138,060,000, \$6,903,000 and \$131,157,000, respectively. A purchaser who acquires Additional Securities forming part of the Underwriters' over-allocation position acquires such securities under this short form prospectus, regardless of whether the over-allotment position is filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

**An investment in the Units is subject to certain risks. Prospective investors should carefully consider the risk factors described in this short form prospectus under “Risk Factors”.**

The outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange (the “**TSX**”) under the symbol “**CCJ**”. The Warrants will be created and issued under a Warrant Indenture (as hereinafter defined) dated the Closing Date. On May 29, 2008, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSX was \$1.60. See “Securities to be Distributed”.

The TSX has conditionally approved the listing of the Common Shares and Warrants comprising the Units, the Additional Securities and the Warrant Shares on the TSX. Listing of these securities on the TSX is subject to the fulfillment by the Corporation of the requirements of the TSX on or before August 12, 2008.

The Underwriters, as principals, conditionally offer the Units, and any Additional Securities which may be issued upon the exercise of the Over-Allotment Option, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Corporation by Wildeboer Dellelce LLP, Toronto, Ontario and on behalf of the Underwriters by Borden Ladner Gervais LLP, Toronto, Ontario.

In connection with the Offering, the Underwriters may, subject to applicable laws, effect transactions intended to stabilize or maintain the market price for the Common Shares and/or Warrants at levels above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See “Plan of Distribution”.

<u>Underwriters’ Position</u>	<u>Maximum Size or Number of Securities Available</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	10,000,000 Common Shares and 10,000,000 Warrants	30 days from Closing Date	\$1.54 per Common Share and \$0.26 per Warrant

The Units and any Additional Securities may be sold only in those jurisdictions where offers and sales are permitted. This short form prospectus is not an offer to sell or a solicitation of an offer to buy the Units or Additional Securities in any jurisdiction where it is unlawful. The information contained in this short form prospectus is accurate only as of the date hereof, regardless of the time of delivery of this short form prospectus or of any sale of the Units or Additional Securities. Readers should rely only on the information contained or incorporated by reference in this short form prospectus. Coalcorp has not authorized any person to provide any different information.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is intended that the closing of the Offering will occur on or about June 5, 2008 (the “**Closing Date**”) or such other date as may be agreed upon by Coalcorp and the Underwriters, but not later than July 10, 2008, and that certificates evidencing Common Shares and Warrants comprising the Units will be available for delivery at the closing of the Offering.

The Corporation’s head office is located at Suite 1400, 220 Bay Street, Toronto, Ontario, M5J 2W4 and its registered office is located at 650-1188 West Georgia Street, Vancouver, British Columbia, V6E 4A2.

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In this short form prospectus, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to “\$” are to Canadian dollars.

Coalcorp’s consolidated financial statements incorporated herein by reference have been prepared in accordance with Canadian generally accepted accounting principles. All consolidated financial statements of Coalcorp incorporated herein by reference are presented in United States dollars.

On May 29, 2008, the closing rate of exchange for one Canadian dollar in U.S. dollars as reported by the Bank of Canada was \$1.00=U.S.\$1.0110.

Unless otherwise indicated, all information in this short form prospectus assumes that none of the outstanding stock options, warrants or any other convertible securities of the Corporation are exercised and that the Underwriters do not exercise the Over-Allotment Option.

Unless the context otherwise requires, all references to “Coalcorp” or the “Corporation” include Coalcorp Mining Inc. and its subsidiaries.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Wildeboer Dellelce LLP, counsel to the Corporation, and Borden Ladner Gervais LLP, counsel to the Underwriters, based on the provisions of the Tax Act (as hereinafter defined), the regulations thereunder and the proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, the Common Shares and the Warrants comprising the Units and the Additional Securities, if issued on the date hereof, would be qualified investments under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans and registered education savings plans, provided that in the case of the Warrants either (a) they are listed on a designated stock exchange (which includes the TSX), or (b) the Corporation deals at arm's length with each person who is an annuitant, a beneficiary, an employer or a subscriber under such plan.

## CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this short form prospectus may constitute "forward-looking" statements regarding, among other things, the Corporation's beliefs, plans, objectives, strategies, estimates, intentions or expectations, including as they relate to its operating and financial results, capital expenditures and the ability to execute on its operating, investing and financing strategies. These forward-looking statements are based on certain assumptions by management, certain of which are set out herein. Inherent in these forward-looking statements are known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Corporation, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this short form prospectus, such statements use words such as "may", "will", "expect", "believe", "plan", "intend", "anticipate", "estimate" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this short form prospectus. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors". Although the forward-looking statements contained in this short form prospectus are based upon what management of the Corporation believes are reasonable assumptions, the Corporation cannot assure readers that actual results will be consistent with these forward-looking statements. Investors and others should carefully consider risk factors and not place undue reliance on these forward-looking statements. These forward-looking statements are made as of the date of this short form prospectus. The Corporation anticipates that subsequent events and circumstances may cause the Corporation's views to change and the Corporation assumes no obligation to update or revise any forward looking statements to reflect new events or circumstances, except as required by law.

Forward-looking statements included or incorporated by reference in this short form prospectus include, but are not limited to, statements with respect to:

- the Corporation's integrated coal strategy and the benefits to be derived therefrom;
- the Corporation's expectation of achieving total coal production of 6.0 million tonnes per year ("mtpa") by the end of year 2010;
- the timing and cost of initiating production at Block C of La Francia I (as hereinafter defined) and ultimately La Francia II (as hereinafter defined);
- the expected date of completion of the Ferrocarriles del Norte de Colombia rail system (the "**Fenoco Rail Line**") and the expected costs associated with the acquisition of rolling stock and the completion of the Fenoco Rail Spur (as hereinafter defined);
- the Corporation's expectations with respect to port capacity;
- the Corporation's expectations with respect to capacity of rail access to ports near Santa Marta;
- projected stripping ratios;
- the anticipated cash requirement for additional facilities to maintain mining equipment, store fuel and house workers;
- the timing and cost of capital expenditures;
- the development of the Corporation's exploration properties and infrastructure;
- the impact of production quantity, quality and cost, sales quantity and prices on cash flow;
- the quantity and mineability of coal reserves;
- treatment under governmental regulatory regimes, particularly in Colombia;

- the consummation of transactions to dispose of non-core assets and any expected cost savings as a result therefrom; and
- realization of the anticipated benefits of acquisitions and dispositions.

Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein include, but are not limited to:

- possible political or economic instability in Colombia;
- potential disputes relating to title to, or the extent of, the Corporation's mining concessions;
- the inability or failure to obtain necessary government or other third-party consents or approvals where required, including those necessary to implement certain aspects of the Corporation's integrated coal strategy;
- the inability to obtain further financing, if and when required, on terms acceptable to the Corporation;
- fluctuations in the price of coal;
- governmental regulation of the mining industry in Colombia, including environmental regulation;
- the inability to obtain necessary equipment, if and when required, in order to support project expansion on terms acceptable to the Corporation;
- limited access to transportation infrastructure and disruptions in or increased costs of transportation or port services;
- reserve estimates and replacement of reserves;
- liabilities inherent in mining operations;
- fluctuation in foreign exchange or interest rates;
- competition for, among other things, capital, additional properties and skilled personnel; and
- the other factors considered under "Risk Factors".

#### **DOCUMENTS INCORPORATED BY REFERENCE**

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions of the provinces of British Columbia, Alberta, Manitoba and Ontario (the "Commissions").** Copies of these documents may be obtained on request without charge from the General Counsel and Secretary of Coalcorp Mining Inc. at Suite 1400, 220 Bay Street, Toronto, Ontario, M5J 2W4 and are also available electronically at [www.sedar.com](http://www.sedar.com).

The following documents of the Corporation filed with the Commissions are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

- (a) the Corporation's annual information form (the "**Annual Information Form**") dated September 28, 2007 for the financial year ended June 30, 2007;
- (b) the audited comparative consolidated financial statements of the Corporation as at and for the thirteen-month period ended June 30, 2007 with comparatives for the financial year ended May 31, 2006, together with the auditors' report thereon and the notes thereto;
- (c) management's discussion and analysis of the results and financial condition of the Corporation dated September 26, 2007 for the thirteen-month period ended June 30, 2007;
- (d) the unaudited interim consolidated financial statements of the Corporation as at and for the three- and nine-month periods ended March 31, 2008 with comparatives for the three- and ten-month periods ended March 31, 2007, together with the notes thereto;
- (e) management's discussion and analysis of the results and financial condition of the Corporation dated May 14, 2008 for the three- and nine-month periods ended March 31, 2008;
- (f) the management information circular of the Corporation dated May 1, 2007 prepared in connection with the special meeting of shareholders of the Corporation held on May 30, 2007;

- (g) the management information circular of the Corporation dated October 2, 2007 prepared in connection with the annual and special meeting of shareholders of the Corporation held on November 1, 2007;
- (h) the material change report of the Corporation dated November 27, 2007 regarding the implementation of a shareholder rights plan;
- (i) the material change report of the Corporation dated May 22, 2008 regarding the Strategic Review Process (as hereinafter defined);
- (j) the material change report of the Corporation dated May 22, 2008 regarding the Offering; and
- (k) the technical report dated May 2008 in respect of the La Francia Property (as hereinafter defined) prepared by Paul Bright, Keith Philpott, Jon Woolliscroft, Stephen Rhodes, Alan McCracken, and Richard Oldcorn of SRK Consulting (UK) Ltd. (“**SRK Consulting**”) for the Corporation entitled “Technical Report La Francia I and II Blocks A, B, C and D” (the “**La Francia Report**”).

All documents of the types referred to above and any material change reports (excluding confidential reports) filed by the Corporation with securities commissions or similar regulatory authorities in Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference into this short form prospectus.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.**

## **THE CORPORATION**

The Corporation was incorporated under the laws of the Province of British Columbia on June 1, 1995 as Madoc Mining Company Ltd. On January 28, 1999, the Corporation changed its name to Adobe Ventures Inc. and, on October 27, 2005, to Coalcorp Mining Inc. The Corporation’s head office is located at Suite 1400, 220 Bay Street, Toronto, Ontario, M5J 2W4 and its registered office is located at 650-1188 West Georgia Street, Vancouver, British Columbia, V6E 4A2.

The Corporation is engaged in the business of operating coal mines and the development of other coal mining related assets located in Colombia, including various coal transport infrastructure projects. Compañía Carbones del César, S.A. (“**César**”) and Carbones Colombianos del Cerrejón, S.A., each an indirect wholly-owned subsidiary of the Corporation, are the operators of La Francia I coal mine located in the César region of Colombia ( “**La Francia I**”) and the Caypa coal mine located in the Guajira region of Colombia, respectively. The Corporation also holds the right to the La Francia II concession (“**La Francia II**”), which is contiguous with Block C of La Francia I, interests in other assets that it expects to use to develop operating ports and to increase access to rail infrastructure and interests in approximately 48,000 hectares of prospective exploration ground in the primary coal producing areas of Colombia. The Corporation’s goal is to become a leading intermediate-sized, vertically-integrated coal company. La Francia I and La Francia II are referred to herein collectively as the “**La Francia Property**”.

## RECENT DEVELOPMENTS

Since September 28, 2007 (the date of the Annual Information Form), the following significant events have taken place within the Corporation's business:

- On October 4, 2007, the Corporation announced that it had learned that Colombian President Alvaro Uribe was reported to have said that the Colombian government would not allow the development of the Corporation's proposed coal port in Cartagena Bay citing concerns about the effect the port would have on developing tourism in the area, despite confirmation from the Counsel of Cartagena that the lands where the port is located included harbor and industrial uses in addition to tourism. President Uribe was also reportedly to have stated that the Colombian government would be working with the Corporation to find an acceptable alternative location for the Corporation's proposed port.
- On October 19, 2007, the Corporation announced that the Corporation and the Colombian government had identified three alternatives that were under analysis with respect to the location for the proposed port to be built by the Corporation on the Caribbean coast of Colombia and that a solution in the area of Barranquilla at the mouth of the Magdalena River was considered the optimum site. The Corporation also announced that the Colombian government was offering certain incentives to the Corporation including a potential of free zone status that would bring reductions in income taxes from 33% to 15% annually and also total exoneration of import duties and value-added tax on all equipment needed for the construction of the port that will come into Colombia.
- On November 13, 2007, the Corporation announced that it had received a final feasibility study with respect to development of Block C at La Francia I and the adjoining Block D at La Francia II, entitled "Technical Report of the La Francia Pit C/D, Colombia, South America" the ("**Marston Report**") dated November 2007 with an effective date of November 12, 2007 prepared by Marston & Marston, Inc. ("**Marston**") in accordance with National Instrument 43-101 – "Standards of Disclosure for Mineral Projects" ("**NI 43-101**"). A copy of the Marston Report is available electronically at [www.sedar.com](http://www.sedar.com).
- On November 19, 2007, the Corporation announced the implementation of a shareholder rights plan (the "**Rights Plan**"). The Rights Plan has now expired in accordance with its terms.
- On January 21, 2008, the Corporation announced that it had completed its review of available port concessions in Barranquilla and elected to partner with an existing concession holder to jointly develop a multi-purpose port to take advantage of the Magdalena River to provide export capacity in cape size ships for all coal producers and ultimately other cargoes for import and export. The planned expanded port operations are subject to local regulatory approval, the granting of a national environmental licence and the granting of a local construction permit. The Corporation also announced that the Colombian government reconfirmed the previously announced tax advantages to the Corporation.
- On February 1, 2008, the Corporation announced that it had received a non-binding unsolicited proposal (the "**Proposal**") from a third party to acquire all of the Corporation's issued and outstanding Common Shares. Following receipt of the Proposal, the board of directors of the Corporation established a special committee of independent directors to evaluate the Proposal and make a recommendation to the board of directors. The special committee and its advisors had various discussions with the interested third party with a view to entering into a customary standstill and confidentiality agreement on terms acceptable to the Corporation. The parties could not reach an agreement as to arrangements for due diligence and exclusivity. As a result, the Proposal expired on February 4, 2008 in accordance with its terms and the Corporation announced this fact on the same date.
- On February 7, 2008, the Corporation announced that its board of directors had unanimously approved a process to review strategic alternatives with the objective of maximizing shareholder value. The board of directors retained GMP and Endeavour Financial International Corporation as exclusive financial advisors to assist in exploring a variety of strategic alternatives including strategic alliances, financing opportunities, mergers, acquisitions, a sale of all or part of the business or other alternatives potentially in the best interest of the Corporation's shareholders (the "**Strategic Review Process**").

- On February 11, 2008, the Corporation announced that it had received approval of its application for an environmental license for the rail connection (the “**Fenoco Rail Spur**”) to connect the La Francia Property with the Fenoco Rail Line. Construction of the Fenoco Rail Spur has commenced and is expected to be completed by September 2008.
- On April 23, 2008, the Corporation announced that it had completed negotiations with Masering S.A. (“**Masering**”), as lead operator, to partner with the existing mine contractor to support the expansion of production at La Francia I. Under the resulting agreement (the “**Masering Agreement**”), Masering and its consortium partners (the “**Masering Consortium**”) will increase the equipment fleet at the mine site through to November 2008 with the addition of 29 Caterpillar 777F haul trucks, five excavators (17 cubic metres), two Caterpillar 16M graders and two drill machines. A further agreement regarding mining operations and continued use of this equipment must be negotiated prior to the end of December 2008, failing which the Corporation may be required, at the election of the Masering Consortium, to purchase the equipment or pay for its relocation. Coalcorp also announced that it had received all necessary approvals and finalized plans for construction of the Fenoco Rail Spur. Once completed, Coalcorp will have up to 3.5 million tonnes capacity of annual rail access to ship its coal to the northern ocean ports near Santa Marta.
- On May 14, 2008 the Corporation announced the results of the Strategic Review Process. The results included the conclusion that the Corporation required equity financing. The Corporation also announced a proposed short form prospectus offering. It was intended that the offering would be sized and priced in the context of the market prior to the opening of trading on May 15, 2008 (the “**Overnight Marketed Offering**”). At the request of the Corporation, GMP contacted two significant shareholders of the Corporation during the evening of May 14, 2008 and in the course of the Overnight Marketed Offering. Although asked, each of these shareholders declined to indicate their interest in participating in the Overnight Marketed Offering in proportion to their existing shareholdings, or to indicate a price at which they would be prepared to participate. At that time, the Overnight Marketed Offering had not been priced and GMP was only able to suggest to them an indicative price of \$1.50 per Common Share, but not a value of or exercise price for the Warrants. Prior to the pricing of the Overnight Marketed Offering, the Corporation received notice from one of the significant shareholders indicating that it intended to make a formal offer for a “bought deal” for \$120,000,000 (the “**Alternative Financing Proposal**”).”
- On the morning of May 15, 2008, the board of directors of the Corporation deferred completion of negotiations with GMP regarding the Overnight Marketed Offering to await a formal offer in respect of the Alternative Financing Proposal and to ensure that such proposal would be duly considered by the board of directors of the Corporation. The Corporation issued a press release in this regard. GMP agreed to defer any offer of terms in order to allow the board of directors of the Corporation to consider the Alternative Financing Proposal. The Alternative Financing Proposal, once received, was not a “bought deal” as had been originally indicated, as it included a “market out” clause and was subject to a 14 day due diligence period. The offer was made through a major Canadian investment dealer, was priced at \$1.80 per unit (each unit to be comprised of a Common Share and a Common Share purchase warrant) and was to be “back-stopped” by the significant shareholder of the Corporation. As structured, the Alternative Financing Proposal would have required shareholder approval under the rules of the TSX and may have constituted a related party transaction under Multilateral Instrument 61-101 – “Protection of Minority Shareholders in Special Transactions” (“**MI 61-101**”) requiring shareholder approval. The board of directors also had a concern that the Alternative Financing Proposal could in effect be an indirect attempt to acquire control of the Corporation by the significant shareholder with no significant premium to the market price of the Common Shares. The Alternative Financing Proposal also imposed certain other conditions that made it unworkable for the Corporation. Given that the Alternative Financing Proposal was subject to several conditions, there could be no assurance that a definitive agreement would result or that any such financing would be completed in a timely manner. The Corporation advised the offeror of the Corporation’s concerns regarding the Alternative Financing Proposal.
- In the early afternoon on May 15, 2008, the Corporation received an offer from GMP for the Offering, being a “bought deal” public offering of 66,700,000 Units for gross proceeds of \$120,060,000. The offer from GMP required prompt acceptance failing which it would be withdrawn. After consideration of the terms of the Alternative Financing Proposal and the Offering, including with its advisors, the board of directors of the Corporation determined that the Offering was superior to the Alternative Financing Proposal and in the best interests of the Corporation and entered into a binding agreement in respect of the

Offering. The Corporation issued a press release in this regard. The Offering did not contain a “market out” clause, was not subject to due diligence, did not require shareholder approval and did not contain any of the other elements that made the Alternative Financing Proposal unworkable for the Corporation. After entering into the binding agreement relating to the Offering, the Corporation received a revised alternative financing proposal, which contained substantially the same conditions as the Alternative Financing Proposal, except that the price per unit was increased to \$1.90 per unit, the due diligence period was reduced from 14 to five days and the “back-stop” of the significant shareholder was removed.

## **Results and Recommendations of the Strategic Review Process**

On February 7, 2008, the board of directors of the Corporation unanimously approved the initiation of the Strategic Review Process. The Strategic Review Process included a review of various strategic alternatives with the objective of maximizing shareholder value, including strategic alliances, financing opportunities, mergers, acquisitions, a sale of all or part of the business and other alternatives potentially in the best interest of the Corporation’s shareholders.

Further to the Strategic Review Process (which included detailed financial analysis), the Corporation determined that the inherent value of its assets was significantly in excess of any and all proposals it received in connection with the Strategic Review Process and, therefore, the Corporation developed a new strategic plan (the “**Strategic Plan**”) to unlock this value and as a means of enhancing value for its shareholders. The key features of the Strategic Plan are highlighted below:

- the completion of the Offering;
- a focus on further developing the Corporation’s core assets, comprising Blocks A/B and C at La Francia I and Block D at La Francia II, as well as its infrastructure assets, comprising interests in the Fenoco Rail Line and the Fenoco Rail Spur and the proposed ports at Barranquilla and Capulco;
- the previously announced Masering Agreement, which will introduce new equipment to the extraction process at Block A/B and which will be critical in bringing Block C into production;
- the acquisition of additional mining equipment to be used at La Francia I to assist in achieving total production of 6.0 mtpa;
- the retainer of SRK Consulting to assist the Corporation in operating and expanding production at La Francia I (specifically Block C at La Francia I);
- the disposition of non-core assets, including the Cartagena port lands and the Caypa coal mine; and
- implementing cost-cutting measures, focusing on general and administrative expenses (including a 25% salary reduction for senior management) and the Corporation’s offer to re-purchase its sales agency arrangement with G.C. Coal Limited.

Since the announcement of the Strategic Plan on May 14, 2008, the Corporation has determined to focus its attention on the development of Block C of La Francia I, as a means of increasing total coal production. The proceeds of the Offering will be primarily directed towards initiating production at Block C. See “Use of Proceeds” and details of Strategic Plan below. The Corporation is currently undertaking studies that will culminate in a new technical report which will integrate all blocks of the La Francia Property and include a single strategic mining plan, technical economic model and updated resource and reserve statements.

Certain aspects of the Strategic Plan are discussed in greater detail below.

### ***Focus on Core Assets***

The Corporation is dependent on the development of Block C at La Francia I in order to bring current capacity of approximately 2.0 mtpa to a planned capacity of approximately 6.0 mtpa by the end of 2010. The La Francia Report reported an estimated proven total coal reserve of 21.9 million tonnes for Block A/B and 17.7 million tonnes for Block C, for a total estimated proven coal reserve at La Francia I of 39.6 million tonnes. The Corporation has also identified measured and indicated resources at the La Francia Property, some of which are not yet classified as reserves, and will determine whether portions of such resources may be upgraded to reserves as the development of the property progresses.

The Corporation's Strategic Plan focuses on these almost 40 million tonnes of reported coal reserves, without accounting for reserves that may be added as the Corporation reviews and revises its current mining plan. The planned increase in production to 6.0 mtpa is expected to take 18 months from implementation to completion and will allow the Corporation to take further advantage of sales of coal at spot prices, which are anticipated by the Corporation to remain high over the near to medium terms.

The Corporation also retains an extensive land position in and around the César region of Colombia of approximately 35,680 hectares, near the La Francia Property, and it intends to continue to explore these areas in effort to expand its resource base.

In conjunction with the expansion of production at La Francia Property, construction of the Fenoco Rail Spur to connect the La Francia Property with the Fenoco Rail Line has commenced and is expected to be completed in September 2008. Once completed, Coalcorp expects to have capacity of up to 3.5 million tonnes of annual rail access to ship its coal to the northern ocean ports near Santa Marta. The Corporation has also commenced the process of requesting from Ferrocarriles del Norte de Colombia additional capacity of 2.5 million tonnes of annual rail access for 2010 and later. If successful, this is expected to provide the Corporation not only with additional capacity to transport the increased tonnage, but also allow the Corporation to transport its coal at a significantly reduced cost to that currently experienced. Coal is currently trucked to port by the Corporation. The Corporation anticipates that it will cost approximately \$25 million to complete the Fenoco Rail Spur and also make its final capital contributions to the Fenoco Rail Line. See "Use of Proceeds".

The Corporation expects that approximately \$15 million will be required for other costs associated with the expansion of production at La Francia I. These costs are primarily for the acquisition of additional rolling stock and engines for the railroad as production approaches the anticipated 6.0 mtpa level. If sufficient funds are available, the Corporation also expects to expend approximately \$5 million on the continuation of exploration activities with the focus on determining whether any resources not classified as reserves at the La Francia Property may be upgraded to reserves. See "Summary of La Francia Report" and "Use of Proceeds".

The Corporation anticipates that, for the foreseeable future, port capacity will be available to it for the sale of its increased production.

#### ***Implementation of Masering Consortium Contract Mining Arrangement***

The Corporation has retained SRK Consulting to assist the Corporation in the review of its overall mining operations at La Francia I and La Francia II and, in particular, to assess the potential to expand production from the current operations of under 2.0 mtpa to 6.0 mtpa. The Corporation will focus its attention initially on the reported coal reserves of approximately 40 million tonnes at La Francia I. A key component to the increase in production, in particular through the initiation of production at Block C of La Francia I, will be the implementation of the Masering Consortium contract mining arrangement.

SRK Consulting has estimated that the Corporation's current equipment complement limits extraction capability to just under 2.0 mtpa. The implementation of the contract mining arrangement with the Masering Consortium will see the introduction of new waste stripping equipment, consisting of four Rh120 excavators. This equipment has the capacity to produce an additional 2.0 mtpa, which will result in combined capacity (with the current contractor and existing equipment) of approximately 4.0 mtpa.

The Corporation anticipates that a cash outlay over two years of approximately \$30 million will be required to be dedicated to the acquisition of equipment (as detailed below), to which the Corporation has allocated \$10 million of the net proceeds of the Offering for the acquisition of equipment in the first year. See "Summary of La Francia Report" and "Use of Proceeds".

### ***Acquisition of Additional Mining Equipment by Masering***

SRK Consulting has recommended that, in addition to the equipment that Masering has allocated to its contract with the Corporation, Masering expend approximately \$50 million in acquiring new equipment. This equipment will include two RH200 (26m<sup>3</sup>) excavators, with a capacity of 6.6 Mm<sup>3</sup> per year. The acquisition of these excavators would result in a combined fleet capacity as follows:

• Two Rh200 excavators (26m <sup>3</sup> buckets)	@ 6.6 Mm <sup>3</sup> per unit	13.2 Mm <sup>3</sup> per year
• Two Rh120 excavators (15m <sup>3</sup> buckets)	@ 3.8 Mm <sup>3</sup> per unit	7.6 Mm <sup>3</sup> per year
• Four Rh120 excavators (17m <sup>3</sup> buckets)	@ 4.3 Mm <sup>3</sup> per unit	17.2 Mm <sup>3</sup> per year
• Three Cat 365/345 excavators	@ 0.9 Mm <sup>3</sup> per unit	<u>2.7 Mm<sup>3</sup> per year</u>
Total waste capacity		40.7 Mm <sup>3</sup> per year

The capacity calculations above assume an average stripping ratio of 6.5 m<sup>3</sup>/t coal (6.26 mtpa).

The Masering Consortium is contractually obligated to bring 29 100t haul trucks to site with the new waste excavation fleet, which will satisfy the requirements for the existing excavators. Therefore, a new fleet of trucks for the RH200 excavators will be required. SRK Consulting has recommended that the Masering Consortium acquire 10 Cat 785 (140t) haul trucks, which can be utilized between both of the large sized excavators.

The Corporation's current coaling fleet consists of coal excavators (Cat 330 and Cat 345) and the 30t road coal transport trucks. The Corporation anticipates that in order to handle expanded production the fleet will need to increase at least twofold.

Finally, the Corporation and SRK Consulting have also assessed the Corporation's drilling fleet and ancillary equipment, inclusive of tracked bulldozers, graders and other associated equipment and have estimated that additional expenditures may be required to upgrade and supplement this equipment.

It is anticipated that the last of the Masering Consortium's four Rh120 excavators will be delivered to site at the end of September 2008 and will be ready for production in the middle of November 2008. At that time, the coal mining capacity of the Corporation is anticipated to be approximately 4.0 mtpa. Although the equipment will be directed towards the initiation of production at Block C of La Francia I, the equipment will also be available for use, and will improve efficiencies in production, at Block A/B pending the start of production at Block C.

The ordering and delivery of the larger excavation fleet (Rh200) and associated 140t haul trucks will require considerable lead time, resulting in a 12 month programme with commissioning on site by approximately mid-2009. It will also require negotiation of further agreements with the Masering Consortium or other operators. Therefore, assuming satisfactory arrangements with the Masering Consortium are achieved, the Corporation anticipates that production will reach the 6.0 mtpa milestone by the end of 2010.

### ***Expansion of Infrastructure***

The Corporation will be required to expand existing infrastructure and facilities in order to implement its plan to expand production, in particular through the development of Block C of La Francia I. This includes, among other items, the construction of maintenance shops, a crushing plant, all mine services and infrastructure, the moving of the town of El Hatillo and a palm oil plantation and also the initial phase of the diversion of the Calenturitas River. SRK Consulting has estimated these infrastructure costs to total \$45 million. See "Summary of La Francia Report" and "Use of Proceeds".

### ***Revising La Francia I Mining Plan***

The ability of the Corporation to increase production to 6.0 mtpa is dependent not only on the acquisition of additional equipment, but also on converting the current mining profile at La Francia I Block A/B. SRK Consulting is in the process of reviewing the La Francia I Block A/B mine design and plan, and will be recommending several changes with a view to expanding the mine operations. The Corporation is currently redesigning the mine by introducing two additional 30 metre deep working benches in the southwest advancing wall, while at the same time reducing the current upper bench to ensure a 30 metre level between all benches. The benches will be interconnected with 20 metre wide ramps in the advancing wall.

Waste stripping, at an estimated cost of \$17 million, will be required in the advance areas of Block C before coal can be recovered, equivalent to two advance cuts to a depth of 20 metres, priced at current mining rates. See “Use of Proceeds”.

### ***Disposition of Non-Core Assets***

In order to focus its energies and finances on the infrastructure and production assets that are critical to the Corporation’s success, the Corporation has determined that all assets not core to those objectives should be disposed of or wound down. In particular, the Corporation intends to dispose of the Caypa mine and the Cartagena port lands and associated port license.

The Corporation does not anticipate that the Caypa mine will be cash flow positive in the near or medium terms and, therefore, has determined to dispose of the mine. Pursuant to the Strategic Review Process, the Corporation has received offers to acquire the Caypa mine and expects to enter into a binding agreement shortly to sell the mine. However, at this time there is no binding agreement to sell the Caypa mine and there is no assurance that the Caypa mine will be sold or, if sold, at what price.

In addition, the Corporation has determined that the Cartagena port and associated license is not critical to the Corporation’s success, given the anticipated location of the Corporation’s main coal port at Barranquilla and the restrictions on use imposed by the Colombian government on the Cartagena location. Pursuant to the Strategic Review Process, the Corporation has received an offer to acquire the Cartagena port and expects to complete the sale in the near future. However at this time there is no binding agreement to sell the Cartagena port and there is no assurance that the Cartagena port will be sold or, if sold, at what price.

The Corporation will make further announcements regarding these assets when and if negotiations are finalized.

### ***Cost Reduction Measures***

The Corporation intends to implement a number of cost-cutting measures, focusing on general and administrative expenses. The sale of the Caypa mine alone is expected to generate significant general and administrative savings, and additional measures are being examined, including workforce reductions in Colombia. Additionally, members of senior management have agreed to take a 25% salary reduction and consulting arrangements have been reduced. Finally, the Corporation has made an offer to acquire its existing coal sales agency arrangement with G.C. Coal Limited which, if accepted, will result in significant cost savings as the Corporation increases coal production to the anticipated 6.0 mtpa level.

### **Summary of La Francia Report**

The La Francia Report comprises SRK Consulting’s independent technical report on coal resources and reserves held by the Corporation in respect of: (i) the La Francia I open pit coal mine (Block A/B); (ii) Block C of La Francia I; and (iii) Concession FED-103 (Block D), all located in the Department of César in north east Colombia . Blocks A/B and C of La Francia I were acquired by the Corporation in February 2006. Block D, which lies immediately to the north of La Francia I, was acquired by the Corporation in March 2007. The coal resources of Block D form a contiguous extension of the coal resources of Block C of La Francia I. The La Francia Report summarizes the previously reported resources of Blocks A/B, C and D and the previously reported reserves of Block A/B. In addition, the La Francia Report includes newly estimated reserves for Block C, which are limited to those coal resources and reserves that can be exploited from an open pit contained within Block C of the current La Francia I licence area.

Set out below is a brief summary of the La Francia Report. Terms defined in the summary below have the same meaning given to those terms in the La Francia Report. This summary is qualified in its entirety by reference to the complete text of the La Francia Report which is incorporated by reference herein and which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### ***Property Description, Location and Ownership***

The Corporation has current ownership of Blocks A/B, C and D. La Francia I is comprised of Licence 5160 and Block D is comprised of Concession FED-103.

Both La Francia I and Block D are located in the Municipality of El Paso in the Department of César, Colombia, South America, northeast of the town of La Loma and the village of El Hatillo, at approximately 9°38' N, 73°34'W.

La Francia I (including Block C) is currently permitted for development. Block D is not currently permitted, however, the Corporation does hold the lease and mining rights for the area. Negotiations are currently ongoing regarding ownership and/or surface mining rights for the remainder of the area. Legal remedies are available under Colombian law, if necessary, to assist in reasonable negotiations to secure surface rights. To the Corporation's knowledge, there are no factors that should prevent Block D from being permitted.

### ***Geology and Mineralization***

Geologically the property is located within the Cesar-Ranchería basin of Tertiary age, which includes all the mines within the Cesar and Guajira departments (including the Cerrejón complex). The basin is bounded by the east west striking Oca Fault to the north, by the igneous massif of the Sierra Nevada de Santa Marta to the north west, by the Perija Mountains to the south east and by a system of large faults to the west.

The coal bearing strata in the region are contained within the Tertiary age (Palaeocene) Los Cuervos Formation, which is divided into three members, the Upper, Middle and Lower. The Lower Member comprises predominantly claystones and siltstones with layers of sandstone and occasional coal seams. The Middle Member is the main productive member and comprises a sequence of claystones, siltstones, sandstones and up to 60 coal seams. The Los Cuervos Formation is between 245 and 1600 m thick.

### ***Status of Exploration, Development and Operations***

Exploration and development at La Francia Property has developed in a number of stages. Initially, the Corporation acquired a property over which exploration had been concentrated in an area to the east of the Hatillo fault, which runs north east to south west diagonally through La Francia I. This area, Block A/B, had been sufficiently explored to have resources stated, a mining plan developed and reserves stated by late 2005. Block A/B has been producing coal since its acquisition by the Corporation. Ongoing exploration at Block C, to the west of the Hatillo fault, enabled an updated resource estimate to be made for this Block in 2007 along with updated resources for Block A/B. At this time, the Corporation acquired the adjacent La Francia II and its resources were estimated. Exploration is well advanced and drilling is now largely targeted at specific issues, for example, in a number of areas around the licence boundary it may be possible to add resources and reserves by negotiating boundary and exploration agreements with neighbouring properties.

### ***Conclusions***

SRK Consulting has estimated the following coal reserves for Blocks A/B and C on the Corporation's La Francia I property.

#### La Francia I Block A/B

Proven Reserves*	21.9 Mt
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\* As at January 1, 2005. Depleted for production until May 1, 2008, losses not accounted for.

#### La Francia Block C

Proven Reserves*	17.73 Mt
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\* As at May 1, 2008.

SRK Consulting has estimated the following coal resources for Blocks A/B, C and D on the Corporation's La Francia I and La Francia II properties. In each case, the measured and indicated resources are inclusive of the mineral reserves identified above.

La Francia I Block A/B

Deposit Type	ASTM Coal Rank	Resources of Immediate Interest (tonnes)		Resources of Future Interest (tonnes)		In Situ Resources (tonnes)	
		Measured	Indicated	Measured	Indicated	Measured	Indicated
Surface	Bituminous	47,312,154	1,332,173	1,937,362	2,070,925	49,249,516	3,403,098
Total in Situ Resources (tonnes)*							52,652,614

\* As at February 2007. No depletion for production has been applied since that date.

La Francia I Block C

Deposit Type	ASTM Coal Rank	Resources of Immediate Interest (tonnes)		Resources of Future Interest (tonnes)		In Situ Resources (tonnes)	
		Measured	Indicated	Measured	Indicated	Measured	Indicated
Surface	Bituminous	43,575,378	7,530,040	661,132	882,337	44,236,510	8,412,377
Total in Situ Resources (tonnes)*							52,648,887

\* As at February 2007. Includes reserves quoted in pre-feasibility study.

La Francia II Block D

Deposit Type	ASTM Coal Rank	Resources of Immediate Interest (tonnes)		Resources of Future Interest (tonnes)		In Situ Resources (tonnes)	
		Measured	Indicated	Measured	Indicated	Measured	Indicated
Surface	Bituminous	40,184,508	206,164	526,098	6,693	40,710,607	2,212,857
Total in Situ Resources (tonnes)*							42,923,464

\* As at February, 2007.

La Francia I and II Blocks A/B, C and D

Total Measured and Indicated in Situ Resources (tonnes)*	148,224,965
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\* As at February 2007. Includes reserves quoted in pre-feasibility study but excludes reserves and resources mined until December 2006.

Mineral resources are not mineral reserves and have no economic viability.

SRK Consulting considers that the working of Block C within the present La Francia I licence boundary is technically achievable. On completion of Block C the Corporation will have a number of options for future development subject to additional exploration and negotiation with neighbouring properties having been concluded by that time. Such agreements would be mutually beneficial as coal recovery by open pit methods on both sides of the licence would not involve loss of coal from batter slopes from the boundary. Careful consideration should be given to the timing of developments at Blocks C and A/B in order to optimize potential, in particular the main constraint on the present design is the limitation of waste tipping room while developing both areas simultaneously which in turn limits the maximum depth of development possible on Block C.

The capital costs required to develop Block C are dependent on whether the Corporation elects to lease, own or contract fully equipment and on the and the final terms of Coalcorp's arrangements with Masering, the mine contractor.

## ***Recommendations***

### La Francia I Block A/B

Complete engineering studies which are currently taking place into the feasibility of increasing production rates and available reserves on Block A/B. SRK Consulting notes that following this review some of the resources currently allocated to Block C may initially be allocated to Block A/B.

SRK Consulting recommends, and the Corporation has indicated its intentions of, developing an integrated strategic mining development plan, technical economic model and updated resource and reserve estimates for the various blocks of the La Francia Property.

### La Francia I Block C

SRK Consulting recommends the implementation of mining plan on Block C as follows:

Year one of the mining plan for Block C is as outlined in the La Francia Report. SRK Consulting notes that the pre-strip development period includes time for moving a township and palm oil plantation, river diversion works, hydrological, hydrogeological, geotechnical and other studies.

Capital costs associated with year one of the development phase estimated by SRK Consulting include:

- infrastructure and other – \$45,000,000
- mining equipment (lease initial payment) – \$10,120,000
- sustaining capital - \$720,000

Operating costs associated with year one of the development phase estimated by SRK Consulting include:

- pre-stripping – \$17,000,000

Development planning of the rail transport links is well advanced. SRK Consulting understands that US\$25.0 million is required to complete the linking of the Fenoco Rail Spur to the Fenoco Rail Line, as well as to complete the Corporation's capital obligations to in respect of the Fenoco Rail Line.

SRK Consulting has been informed by the Corporation that an additional \$15.0 million will be required to be incurred by the Corporation for rolling rail stock in order to be able to transport to port increased production from La Francia I. SRK Consulting has not reviewed the plans in detail and is not able to comment on the reasonableness of these costs. SRK Consulting has also been informed by the Corporation that, if funds are available, it intends to allocate \$5.0 million to exploration drilling (including hydrogeological and geotechnical drilling). It is SRK Consulting's understanding that exploration activities will focus on the current and future phases of development at Block C including the exploration of the potential on or adjacent to neighbouring properties. SRK Consulting has not reviewed or costed detailed programmes but considers the amount allocated by the Corporation to be reasonable. The amounts referred to in this paragraph do not form part of SRK Consulting's recommendations.

### La Francia II Block D

Undertake mine planning and acquisition of permits for La Francia II.

## PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement among the Corporation and the Underwriters, the Corporation has agreed to issue and sell, and the Underwriters have agreed to purchase on the Closing Date, the Units offered hereby at a price of \$1.80 per Unit payable to the Corporation in cash against delivery and subject to compliance with all necessary legal requirements and to the terms and conditions contained in the Underwriting Agreement. Each Unit consists of one Common Share and one Warrant. Each Warrant will entitle the holder thereof to purchase one Warrant Share at a price of \$2.50 at any time before 5:00 p.m. (Toronto time) on the date this five years following the Closing Date. The offering price of the Units was determined by negotiation between the Corporation and the Underwriters. The Underwriting Agreement provides for payment by the Corporation of the Underwriters' Fee, being an amount equal to 5.0% of the gross proceeds of the Offering, for the services provided by the Underwriters in connection with the Offering.

The Over-Allotment Option is exercisable in whole or in part at the sole discretion of the Underwriters within 30 days after the Closing Date, enabling them to purchase up to an additional 10,000,000 Common Shares at a price of \$1.54 per Common Share and up to an additional 10,000,000 Warrants at a price of \$0.26 per Warrant, solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, the total fees payable to the Underwriters and the net proceeds to the Corporation will be \$138,060,000, \$6,903,000 and \$131,157,000, respectively, before deducting the expenses of the Offering. A purchaser who acquires Additional Securities forming part of the Underwriters' over-allocation position acquires such securities under this short form prospectus, regardless of whether the over-allotment position is filled through the exercise of the Over-Allotment Option or secondary market purchases.

The Underwriting Agreement provides that the obligations of the Underwriters to purchase the Units are subject to approval of certain legal matters and to specified conditions precedent. The conditions contained in the Underwriting Agreement include, among other things, the requirement that the representations and warranties made by Coalcorp to the Underwriters be true as at the time of closing on the Closing Date and that Coalcorp delivers to the Underwriters customary closing documents. The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated by the Underwriters upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any of the Units are purchased under the Underwriting Agreement. Certificates representing the Common Shares and Warrants comprising the Units will be available for delivery on the Closing Date. Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

The TSX has conditionally approved the listing of the Common Shares and Warrants comprising the Units, the Additional Securities and the Warrant Shares on the TSX. Listing of these securities on the TSX is subject to the fulfillment by the Corporation of the requirements of the TSX on or before August 12, 2008.

Pursuant to policy statements of the relevant Commissions, the Underwriters may not, throughout the period of distribution, bid for or purchase any Common Shares or Warrants. The policy statements allow certain exceptions to the foregoing prohibitions. The Underwriters may only avail themselves of such exceptions on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares or Warrants. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with the Offering the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares and/or Warrants at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Units, the Common Shares and Warrants comprising the Units, the Additional Securities and the Warrant Shares have not been and will not be registered under the U.S. Securities Act and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act). The Underwriters have agreed that they will not offer or sell these securities within the United States or to, or for the account of U.S. Persons except as permitted in the Underwriting Agreement. Until 40 days after the Closing Date, an offer or sale of the Units within the United States by any dealer (whether or not participating in this offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption under the U.S. Securities Act.

This short form prospectus is only being and may only be distributed to: (i) persons outside the United Kingdom; or (ii) persons in the United Kingdom who, (a) are a “Qualified investor” within the meaning of Section 86(7) of the FSMA, and (b) within the categories of persons referred to in Article 19 (Investment professionals) or Article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order. This short form prospectus is not a prospectus for the purposes of Section 85(1) of FSMA. Accordingly, this short form prospectus has not been approved as a prospectus by the FSA under Section 87A of FSMA and has not been filed with the FSA pursuant to the United Kingdom Prospectus Rules or approved by a person authorized under FSMA.

The Corporation has agreed to indemnify the Underwriters against various liabilities, including liabilities under applicable securities legislation, or to contribute the payments that the Underwriters may be required to make in respect of these liabilities.

The Corporation has also agreed not to sell or issue, or negotiate or enter into any agreements to sell or issue, any securities of the Corporation (other than in certain circumstances) for a period of 90 days following the Closing Date without the prior consent of GMP (on behalf of the Underwriters), such consent not to be unreasonably withheld or delayed.

Pala Investments Holdings Limited (“Pala”), a shareholder of the Corporation holding approximately 19.14% of the Corporation’s outstanding Common Shares (based on reports filed by Pala), has been offered that number of Units required to maintain its current pro-rata interest in the Corporation. As Pala is currently an “insider” of the Corporation under applicable Canadian securities laws, if Pala participates in the Offering it would constitute a “related party transaction” under MI 61-101. This related party transaction would be exempt from the formal valuation and minority shareholder approval requirements under MI 61-101 as at the time the Offering was agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Offering as it relates to the potential related party exceeded 25% of the Corporation’s market capitalization determined in accordance with MI 61-101.

#### USE OF PROCEEDS

The net proceeds to the Corporation from the issue and sale of the Units after deducting the Underwriters’ Fee and the expenses of the Offering are estimated to be approximately \$113,557,000 (or \$130,657,000 if the Over-Allotment Option is exercised in full). The net proceeds of the Offering will principally be used to implement the Corporation’s plan to increase production to 6.0 mtpa by the end of 2010 by developing Block C at La Francia I, make final capital contributions to the Fenoco Rail Line, further fund construction of the Fenoco Rail Spur connecting the Fenoco Rail Line to the La Francia Property, fund equipment acquisitions and related infrastructure costs, fund the increase in infrastructure and facilities required to support the Corporation’s expansion plan and fund pre-stripping operating costs. Specifically, the Corporation intends to use the net proceeds of the Offering as follows:

Purpose	Approximate Cost
Commissioning of rail infrastructure	\$25,000,000
Mine equipment	\$10,000,000
Expansion of infrastructure	\$45,000,000
Pre-stripping operating costs	\$17,000,000
<u>Acquisition of additional rolling stock</u>	<u>\$15,000,000</u>
<b>Total</b>	<b>\$112,000,000</b>

The Corporation expects that the net proceeds from the Offering will allow it to pursue its business objective of implementing the Strategic Plan with a view to the Corporation producing approximately 6.0 mtpa of coal by the end of 2010. For this objective to be accomplished, the Corporation will have to achieve a reasonable level of success in its expansion plans and its focus on core assets which the Corporation intends to pursue in the manner described under the heading “Recent Developments - Results and Recommendations of the Strategic Review Process” in this short form prospectus.

Any net proceeds not applied as set forth above will be used by the Corporation for general corporate purposes, including potential future acquisitions and working capital requirements. Although the Corporation evaluates potential acquisition and investment opportunities on an ongoing basis, the Corporation has no present agreements with respect to any such transaction other than as previously publicly disclosed.

## SECURITIES TO BE DISTRIBUTED

### Units

Each Unit consists of one Common Share and one Warrant. Units are being offered at the offering price of \$1.80 per Unit. Each Warrant will entitle the holder thereof to purchase one Warrant Share at a price of \$2.50 at any time before 5:00 p.m. (Toronto time) on the date that is five years following the Closing Date. The Units will separate into Common Shares and Warrants immediately upon issue.

### Description of the Common Shares

Subject to the rights of the holders of preferred shares of the Corporation, the holders of Common Shares are entitled to dividends, if, as and when declared by the board of directors of the Corporation, to one vote per Common Share at meetings of the shareholders of the Corporation and upon liquidation, dissolution or winding-up, to share equally in such assets of the Corporation as are distributable to the holders of Common Shares.

### Description of the Warrants

The Warrants will be created and issued by the Corporation pursuant to a warrant indenture (the “**Warrant Indenture**”) to be entered into between the Corporation and Equity Transfer & Trust Company, as warrant agent thereunder (the “**Warrant Agent**”), on the Closing Date. The Corporation will appoint the principal transfer offices of the Warrant Agent in Toronto, Ontario as the location at which Warrants may be surrendered for exercise or transfer.

The following summary of certain provisions of the Warrant Indenture is not complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture.

Each Warrant entitles the holder thereof to purchase one Warrant Share at a price of \$2.50 any time prior to 5:00 p.m. (Toronto time) on the date that is five years following the Closing Date, after which time the Warrants will expire and become null and void. Under the Warrant Indenture, the Corporation is entitled to purchase in the market, by private contract or otherwise, all or any of the Warrants then outstanding and any Warrants so purchased will be cancelled. Under the Warrant Indenture, the Corporation has the ability to issue further Common Share purchase warrants, in addition to the Warrants already outstanding and those to be issued pursuant to the Offering, without the consent of the holders of Warrants.

The Warrant Indenture provides for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

- (a) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend or other distribution (other than a “dividend paid in the ordinary course”, as defined in the Warrant Indenture, or a distribution of Common Shares upon the exercise of the Warrants, pursuant to the exercise of directors, officers or employee stock options granted under the Corporation’s stock option plan or pursuant to other outstanding exchangeable or convertible securities of the Corporation);
- (b) the subdivision, redivision or change of the Common Shares into a greater number of shares;
- (c) the reduction, combination or consolidation of the Common Shares into a lesser number of shares;
- (d) the issuance to all or substantially all of the holders of the Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not

more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the “current market price”, as defined in the Warrant Indenture, for the Common Shares on such record date; and

- (e) the issuance or distribution to all or substantially all of the holders of the Common Shares of shares of any class other than the Common Shares, rights, options or warrants to acquire Common Shares or securities exchangeable or convertible into Common Shares, evidences of indebtedness or cash, securities or any property or other assets.

The Warrant Indenture also provides for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events: (1) reclassifications of the Common Shares; (2) consolidations, amalgamations, plans of arrangement or mergers of the Corporation with or into another entity (other than consolidations, amalgamations, plans of arrangement or mergers that do not result in any reclassification of the Common Shares or a change of the Common Shares into other shares); or (3) the transfer (other than to one of the Corporation’s subsidiaries) of the Corporation’s undertaking or assets as an entirety or substantially as an entirety to another company or other entity.

No adjustment in the exercise price or the number of Warrant Shares issuable upon the exercise of a Warrant is required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price by at least 1% or the number of Warrant Shares issuable upon exercise of a Warrant by at least one one-hundredth of a Common Share.

The Corporation has also covenanted in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 21 days prior to the record date or effective date, as the case may be, of such event.

No fractional Warrant Shares will be issuable to any holder of Warrants upon the exercise thereof, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants do not have any voting or preemptive rights or any other rights of a holder of Common Shares.

From time to time, the Warrant Agent and the Corporation, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by “extraordinary resolution”, which is defined in the Warrant Indenture as a resolution either: (1) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 25% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than two-thirds of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution; or (2) adopted by an instrument in writing signed by the holders of Warrants representing not less than two-thirds of the number of all the then outstanding Warrants.

The principal transfer office of the Warrant Agent in Toronto, Ontario is the location at which Warrants may be surrendered for exercise or transfer.

## PRIOR SALES

The following table summarizes the issuances of Common Shares, warrants and securities convertible into Common Shares by the Corporation within the 12 months prior to the date of this short form prospectus.

<u>Date</u>	<u>Security</u>	<u>Price per Security</u>	<u>Number of Securities</u>
May, 2007.....	Stock Options	\$5.25 <sup>(3)</sup>	107,142 <sup>(3)</sup>
June, 2007.....	N/A	N/A	N/A
July, 2007.....	Common Shares <sup>(2)</sup>	\$3.85	1,429
August, 2007.....	N/A	N/A	N/A
September, 2007.....	Stock Options	\$5.25	5,600
October, 2007.....	N/A	N/A	N/A
November, 2007.....	N/A	N/A	N/A
December, 2007.....	N/A	N/A	N/A
January, 2008.....	N/A	N/A	N/A
February, 2008.....	N/A	N/A	N/A
March, 2008.....	N/A	N/A	N/A
April, 2008.....	N/A	N/A	N/A
May, 2008 <sup>(1)</sup> .....	N/A	N/A	N/A

Notes:

- (1) For the period from May 1, 2008 to May 29, 2008.
- (2) Issued upon the exercise of previously issued stock options of the Corporation.
- (3) After giving effect to the 1 for 7 consolidation of the Common Shares completed on June 14, 2007.

## TRADING PRICE AND VOLUME

### Common Shares

The outstanding Common Shares are listed and posted for trading on the TSX under the trading symbol CCJ. The following table sets out the high and low trading prices and volume of the Common Shares (adjusted, as applicable, to reflect the 1 for 7 consolidation of the Common Shares completed on June 14, 2007) for the periods indicated, as reported by the TSX.

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Trading Volume</u>
<b>2007</b>			
May	\$5.250	\$4.130	5,637,443
June	\$4.750	\$4.340	3,831,832
July	\$5.480	\$4.380	8,387,099
August	\$4.840	\$3.520	5,464,787
September	\$3.760	\$3.250	3,683,706
October	\$3.360	\$1.750	21,778,554
November	\$3.380	\$1.500	18,756,712
December	\$2.400	\$1.980	16,364,721
<b>2008</b>			
January	\$2.300	\$1.510	21,604,741
February	\$2.940	\$2.060	20,385,698
March	\$2.750	\$2.000	3,485,941
April	\$2.600	\$1.500	6,486,434
May <sup>(1)</sup>	\$1.890	\$1.060	9,979,459

Notes:

- (1) For the period from May 1, 2008 to May 29, 2008 (the last day of trading prior to the date of this short form prospectus).

## CCJ.WT Warrants

An aggregate of 24,642,857 warrants of the Corporation (the “**CCJ.WT Warrants**”) are listed and posted for trading on the TSX under the symbol “CCJ.WT”. Each CCJ.WT Warrant entitles the holder thereof to acquire one Common Share at a price of \$5.60 at any time before 5:00 p.m. (Toronto time) on February 8, 2011. The following table sets out the high and low trading prices and volume of the CCJ.WT Warrants (adjusted, as applicable, to reflect the 1 for 7 consolidation of the Common Shares completed on June 14, 2007) for the periods indicated, as reported by the TSX.

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Trading Volume</u>
<b>2007</b>			
May	\$2.170	\$1.400	797,999
June	\$1.600	\$1.400	102,456
July	\$2.000	\$1.450	507,184
August	\$1.550	\$0.900	158,721
September	\$1.000	\$0.750	85,100
October	\$0.700	\$0.300	2,631,284
November	\$0.650	\$0.150	1,308,139
December	\$0.280	\$0.180	1,819,771
<b>2008</b>			
January	\$0.245	\$0.130	1,050,714
February	\$0.295	\$0.130	3,243,797
March	\$0.245	\$0.160	417,769
April	\$0.185	\$0.085	1,031,724
May <sup>(1)</sup>	\$0.205	\$0.080	684,044

Notes:

<sup>(1)</sup> For the period from May 1, 2008 to May 29, 2008 (the last day of trading prior to the date of this short form prospectus).

## CCJ.WT.A Warrants

An aggregate of 19,878,571 warrants of the Corporation (the “**CCJ.WT.A Warrants**”) are listed and posted for trading on the TSX under the symbol “CCJ.WT.A”. Each CCJ.WT.A Warrant entitles the holder thereof to acquire one Common Share at a price of \$8.40 at any time on or before 5:00 p.m. (Toronto time) on August 17, 2011. The following table sets out the high and low trading prices and volume of the CCJ.WT.A Warrants (adjusted, as applicable, to reflect the 1 for 7 consolidation of the Common Shares completed on June 14, 2007) for the periods indicated, as reported by the TSX.

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Trading Volume</u>
<b>2007</b>			
May	\$1.050	\$0.770	1,038,600
June	\$1.000	\$0.700	664,978
July	\$0.800	\$0.570	721,754
August	\$0.650	\$0.360	283,442
September	\$0.400	\$0.200	356,504
October	\$0.295	\$0.095	2,523,761
November	\$0.250	\$0.080	1,644,648
December	\$0.130	\$0.085	485,014
<b>2008</b>			
January	\$0.140	\$0.070	658,502
February	\$0.170	\$0.050	5,493,279
March	\$0.100	\$0.070	983,041
April	\$0.085	\$0.045	1,190,912
May <sup>(1)</sup>	\$0.075	\$0.050	1,586,743

Notes:

<sup>(1)</sup> For the period from May 1, 2008 to May 29, 2008 (the last day of trading prior to the date of this short form prospectus).

## Series A Notes

An aggregate of 1,150,000 senior secured guaranteed notes of the Corporation each with a face value of US\$1,000 principal amount (the “**Series A Notes**”) are listed and posted for trading on the TSX under the symbol “CCJ.NT.U”. The Series A Notes bear interest at a rate of 12% per annum and mature on August 31, 2011. The following table sets out the high and low trading prices and volume of the Series A Notes for the periods indicated, as reported by the TSX.

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Trading Volume</u>
<b>2007</b>			
May	\$105.12	\$102.00	52,130
June	\$105.25	\$105.00	24,980
July	\$105.00	\$105.00	10,200
August	\$103.00	\$103.00	10,000
September	\$105.00	\$103.00	350
October	Nil	Nil	Nil
November	\$98.000	\$97.500	2,220
December	\$90.000	\$90.000	10,490
<b>2008</b>			
January	\$95.000	\$93.000	52,920
February	Nil	Nil	Nil
March	\$91.500	\$91.500	20,000
April	\$93.000	\$92.000	32,500
May <sup>(1)</sup>	Nil	Nil	Nil

Notes:

<sup>(1)</sup> For the period from May 1, 2008 to May 29, 2008 (the last day of trading prior to the date of this short form prospectus).

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Wildeboer Dellelce LLP, counsel to the Corporation, and Borden Ladner Gervais LLP, counsel to the Underwriters, the following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations generally applicable to a prospective purchaser of Common Shares and Warrants comprising the Units and the Additional Securities.

This summary is applicable only to a purchaser who, at all relevant times, is resident or deemed to be resident in Canada, deals at arm’s length and is not affiliated with the Corporation, and who will acquire and hold such Common Shares and Warrants as capital property (a “**Holder**”), all within the meaning of the *Income Tax Act* (Canada) (the “**Tax Act**”). Any Common Shares and Warrants generally will be considered to be capital property to a Holder unless the Holder holds such securities in the course of carrying on a business or has acquired them in a transaction or transactions considered to be an adventure in the nature of trade. Holders whose Common Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election under subsection 39(4) of the Tax Act to have their Common Shares and every other “Canadian security” (as defined in the Tax Act) owned by such Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Subsection 39(4) of the Tax Act does not apply to deem the Warrants to be capital property.

This summary does not apply to a Holder that is a “financial institution” for purposes of the mark-to-market rules, to a Holder an interest in which is a “tax shelter investment”, to a Holder that is a “specified financial institution”, all as defined in the Tax Act, or to a Holder to whom the functional currency rules contained in subsection 261(4) of the Tax Act apply. Such Holders should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder, specific proposals to amend the Tax Act (the “**Tax Proposals**”) which have been announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”) publicly available prior to the date hereof. This summary assumes that the Tax Proposals will be enacted in the form proposed and does not take into account or anticipate any other changes in law or in the administrative policies and assessing practices of the CRA, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or

foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed herein. No assurances can be given that such Tax Proposals will be enacted as proposed or at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Common Shares and Warrants comprising the Units and the Additional Securities, and does not describe the income tax considerations relating to the deductibility of interest on money borrowed by a Holder to acquire Common Shares or Warrants. The following description of income tax matters is of a general nature only and is not intended to be, nor should it be construed to be, legal or income tax advice to any particular Holder.  **Holders are urged to consult their own income tax advisors with respect to the tax consequences applicable to them based on their own particular circumstances.**

### **Allocation of Purchase Price**

In acquiring Units, Holders will be acquiring ownership of the Common Shares and Warrants represented by such Units. The Common Shares and Warrants represented by Units are separate properties and, accordingly, Holders will be required to allocate the purchase price paid for Units between the Common Shares and the Warrants on a reasonable basis in order to determine their respective costs for purposes of the Tax Act. The Corporation intends to allocate \$1.54 of the issue price of each Unit as consideration for the issue of each Common Share and \$0.26 for the issue of each Warrant. Although the Corporation believes such allocation is reasonable, such allocation will not be binding on the CRA and counsel express no opinion as to such allocation.

### **Exercise or Expiry of Warrants**

A Holder will not realize a gain or loss upon the exercise of a Warrant. The Holder's cost of Common Shares acquired by exercising Warrants will be equal to the aggregate of the Holder's adjusted cost base of the Warrants exercised plus the exercise price paid for the Common Shares. The Holder's adjusted cost base of the Common Shares so acquired will be determined by averaging the cost of those Common Shares with the adjusted cost base (determined immediately before the acquisition of the Common Shares) of all other Common Shares held as capital property by such Holder at the time of acquisition.

In the event of the expiry of an unexercised Warrant, the Holder will realize a capital loss equal to the Holder's adjusted cost base of such Warrant. See “– Capital Gains and Capital Losses”.

### **Dividends on Common Shares**

Dividends declared and paid on a Holder's Common Shares will be included in the Holder's income as taxable dividends received from a taxable Canadian corporation. The normal gross-up and dividend tax credit rules applicable to taxable dividends received from a taxable Canadian corporation will apply to dividends received by a Holder who is an individual (other than a trust that is a registered charity). A dividend will be eligible for the enhanced gross-up and dividend tax credit if the recipient is notified in writing by the Corporation at or before the dividend is paid designating the dividend as an eligible dividend. Dividends received by a Holder which is a corporation will normally be deductible in computing its taxable income. Certain corporations may be liable to pay a refundable tax of 33-1/3% under Part IV of the Tax Act on such dividends. This refundable tax generally will be refunded to a corporate Holder at the rate of \$1.00 for every \$3.00 of taxable dividends paid while it is a “private corporation” as defined in the Tax Act.

### **Disposition of Common Shares**

A disposition or deemed disposition of a Common Share (other than to the Corporation) will generally result in the Holder realizing a capital gain (or capital loss) to the extent that the proceeds of disposition of the Common Share exceed (or are less than) the aggregate of the Holder's adjusted cost base of the Common Share and any reasonable costs related to the disposition. See “– Capital Gains and Capital Losses”, below. In the case of a Holder that is a corporation, the amount of any capital loss otherwise determined resulting from the disposition or deemed disposition of a Common Share may be reduced by the amount of dividends previously received or deemed to have been received thereon in accordance with detailed rules contained in the Tax Act in this regard. Analogous rules apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares or where a partnership or trust, of which a corporation is a member or beneficiary, itself is a member of a partnership or

a beneficiary of a trust that owns Common Shares. Holders to whom these rules may be relevant should consult their own tax advisors.

### **Disposition of Warrants**

A Holder who disposes of or is deemed to have disposed of a Warrant (other than a disposition arising on the exercise or expiry of a Warrant) will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition in respect of the Warrant exceed (or are exceeded by) the aggregate of the adjusted cost base of such Warrant and any reasonable expenses associated with the disposition. See “– Capital Gains and Capital Losses”.

### **Capital Gains and Capital Losses**

A Holder will be required to include one-half of the amount of any capital gain (a “**taxable capital gain**”) in income, and will be required to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) against taxable capital gains realized by the Holder in the year of disposition. Allowable capital losses not deducted in the taxation year in which they are realized may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

A Holder that is a Canadian-controlled private corporation for purposes of the Tax Act may be liable to pay an additional refundable tax of 6-2/3% on certain investment income, including taxable capital gains.

### **Alternative Minimum Tax**

In general terms, a Holder that is an individual or a trust, other than certain specified trusts, that receives or is deemed to receive taxable dividends on the Common Shares or realizes a capital gain on the disposition or deemed disposition of Common Shares or Warrants may realize an increase in the Holder’s liability for alternative minimum tax.

## **CONSOLIDATED CAPITALIZATION**

Since March 31, 2008, there have been no material changes in the share and loan capital of the Corporation.

As at May 29, 2008, 89,657,707 Common Shares were issued and outstanding. Upon completion of the Offering, there will be an aggregate of 156,357,707 Common Shares issued and outstanding (or 166,357,707 Common Shares if the Over-Allotment Option is exercised in full).

## **RISK FACTORS**

An investment in securities of the Corporation is speculative and is subject to a number of risks. A prospective investor should carefully consider the following risk factors and the risk factors set forth in the Annual Information Form, which is incorporated herein by reference, before purchasing any of the securities offered under this short form prospectus. The risks described herein and therein are not the only risks facing the Corporation and should not be considered exhaustive. Additional risks and uncertainties not currently known to the Corporation, or that the Corporation currently deems immaterial, may also materially and adversely affect its business, operations and financial condition.

### ***Implementation of Strategic Plan***

The successful implementation of the Strategic Plan announced by the Corporation on May 14, 2008, as described in greater detail under the heading “Recent Developments - Results and Recommendations of the Strategic Review Process”, is subject to a number of conditions including, but not limited to, the successful completion of the Offering, the ability of the Corporation to revise the current mine design and plan at La Francia I and La Francia II (in particular with respect to bringing Block C at La Francia I into production) to allow for the expansion of production from 2.0 mtpa to 6.0 mtpa within the projected timelines, the ability of the Corporation to obtain required permits and to commence production at Block D, the ability of the Masering Consortium to obtain the necessary equipment for the implementation of the new mine plan and its ability, in conjunction with the existing mine operators, to deliver on the commitments undertaken in their agreement with the Corporation, the ability of the Corporation to secure additional rail and port capacity to match anticipated increases in production, the costs

associated with the acquisition of rolling stock and the completion of the Fenoco Rail Spur not materially exceeding expected costs and the ability of the Corporation to dispose of non-core assets within the timeframe and in the manner anticipated. As a number of such conditions are beyond the control of the Corporation, there can be no assurance that they will be met and, consequently, that the Corporation will be able to successfully implement some or all of the Strategic Plan. In addition to the Masering Agreement, a further agreement regarding mining operations and continued use of the equipment under the Masering Agreement must be negotiated prior to the end of December 2008. If the Corporation does not reach an agreement with Masering, the Corporation may be required, at the election of the Masering Consortium, to purchase additional equipment which will require additional funds. There can be no assurance that such additional funds will be available on terms acceptable to the Corporation, if at all, and might involve substantial dilution to existing shareholders of the Corporation. The failure to successfully implement the Strategic Plan, or parts of it, may have a material adverse effect on the Corporation.

### ***Foreign Country and Political Risk***

The Corporation's principal mineral projects are located in Colombia and consequently the Corporation is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mineral concessions or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Colombia is home to South America's largest and longest running insurgency. Any changes in regulations or shifts in political attitudes are beyond the control of the Corporation and may adversely affect its business. Mining operations and further exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and mine and/or site safety.

### ***Coal Price and Volume Volatility***

The Corporation's profits are directly related to the volume and price of coal sold. Price volatility could have a significant impact on the future revenues and profitability of the Corporation. Coal demand and price are determined by numerous factors beyond the control of the Corporation including the demand for electricity, the availability of competitive coal supplies, international exchange rates and political and economic conditions and production costs in major coal producing regions. The Corporation's dependence on foreign markets may result in instability due to political and economic factors in those foreign jurisdictions which is beyond the control of the Corporation. The combined effects of any or all of these factors on coal price or volume are impossible for the Corporation to predict. If realized coal prices fall below the full cost of production of any of the Corporation's operations and remain at such level for any sustained period, the Corporation will experience losses, which may be significant, and may decide to discontinue affected operations, forcing the Corporation to incur closure or care and maintenance costs, as the case may be.

### ***Foreign Currency Exchange***

Currency exchange rate fluctuations may adversely affect the Corporation's financial position and results. The Corporation does not currently have in place a policy for managing or controlling foreign currency risks since, to date, its activities have not resulted in material exposure to foreign currency risk.

### ***Permitting for Diversion of Calenturitas River***

In respect of the proposed development of Block D at La Francia II, the Corporation is currently in the process of obtaining the required permit allowing deviation of the Calenturitas River which presently runs partially over the area. There can be no assurance that this permit will be awarded to the Corporation in time to meet the timelines contemplated by the Strategic Plan or at all. In the event that the permit is denied by the relevant authorities, any coal reserves attributed to Block D at La Francia II, as reported in the Marston Report, could be adversely affected through the exclusion of reserve tonnage below design limitations or the reduction of reserve classification (confidence) levels from proven to probable or otherwise. In the event that the Calenturitas River cannot be diverted, a re-evaluation of the reserves may be necessary.

## INTEREST OF EXPERTS

### Names of Experts

The names of the experts in connection with this short form prospectus, either directly or in a document herein incorporated by reference, are Wildeboer Dellelce LLP, Borden Ladner Gervais LLP, Deloitte & Touche LLP, SRK Consulting and Marston.

### Interests of Experts

As of the date hereof, partners and associates of Wildeboer Dellelce LLP, and partners and associates of Borden Ladner Gervais LLP, each as a group, own, directly or indirectly, in the aggregate, less than 1.0% of the outstanding Common Shares.

Deloitte & Touche LLP, Chartered Accountants, Licensed Public Accountants, is the external auditor of the Corporation who prepared the Auditors' Report to Shareholders with respect to the consolidated balance sheets of Coalcorp as at June 30, 2007 and May 31, 2006 and the consolidated statements of loss, deficit and cash flows for the thirteen-month period ended June 30, 2007 and the year ended May 31, 2006. Deloitte & Touche LLP is independent with respect to Coalcorp within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The following are the technical reports prepared in accordance with NI 43-101 from which certain technical information relating to the Corporation's mineral projects included and incorporated by reference in this short form prospectus has been derived, including the names of the "qualified persons" (as defined under NI 43-101) responsible for the preparation of such reports:

- (i) the technical report prepared by Paul Bright, BSc, MIMMM, CEng; Keith Philpott, MSc, CGeol, EurGeol; Jon Woolliscroft, BEng, CEng; Stephen Rhodes, CGeol, Alan McCracken, CEng, BSc. and Richard Oldcorn, MSc, CGeol of SRK Consulting entitled "Technical Report La Francia I and II Blocks A, B, C and D" dated May 2008;
- (ii) the technical report prepared by Paul Bright, BSc, MIMMM, CEng of SRK Consulting entitled "SRK Resource Audit La Francia 2" dated February 14, 2007, revised March 6, 2007;
- (iii) the technical report prepared by Paul Bright, BSc, MIMMM, CEng; Keith Philpott, MSc, CGeol, EurGeol; Jon Woolliscroft, BEng, CEng; and Richard Oldcorn, MSc, CGeol of SRK Consulting entitled "Technical Report: Coalcorp Mining Inc., La Francia Mine" dated March 6, 2007;
- (iv) the technical report prepared by Terry L. Kremmel, BSc, P.E. of Marston entitled "Technical Report of the La Francia Block C/D, Colombia, South America" dated November 2007; and
- (v) the technical report prepared by Paul Bright, BSc, MIMMM, CEng; Keith Philpott, MSc, CGeol, EurGeol; and Jon Woolliscroft, BEng, CEng of SRK Consulting entitled "Pre-feasibility Study: Carbones Colombianos del Cerrejón Mine" dated June 23, 2005.

Each of Messrs. Bright, Philpott, Woolliscroft, Rhodes, McCracken, Oldcorn and Kremmel is independent of the Corporation within the meaning of NI 43-101. Neither SRK Consulting, Marston nor any of Messrs. Bright, Philpott, Woolliscroft, Rhodes, McCracken, Oldcorn or Kremmel held any securities of the Corporation or of any associate or affiliate of the Corporation when they prepared the reports referred to above or following the preparation of such reports and they did not receive any direct or indirect interest in any securities of the Corporation or of any associate or affiliate of the Corporation in connection with the preparation of such reports.

## **LEGAL MATTERS**

Certain legal matters relating to the Offering will be passed upon on behalf of the Corporation by Wildeboer Dellelce LLP, with respect to matters of Canadian law, and by Willkie Farr & Gallagher LLP, with respect to matters of United States law, and on behalf of the Underwriters by Borden Ladner Gervais LLP.

The Corporation received a letter from the Ontario Securities Commission (“**OSC**”) dated May 1, 2008 requesting certain information from the Corporation in respect of an investigation of trading in the Corporation’s securities prior to the announcement of the Proposal by the Corporation. The Corporation has provided the OSC with the information requested and intends to provide the OSC with any additional information that it may require in order to complete its investigation.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the Corporation are Deloitte & Touche LLP, Chartered Accountants, Licensed Public Accountants.

The transfer agent and registrar for the Common Shares is, and the warrant agent for the Warrants will be, Equity Transfer & Trust Company, Toronto, Ontario.

## **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal adviser.

## AUDITORS' CONSENT

We have read the short form prospectus of Coalcorp Mining Inc. (the "Corporation") dated May 30, 2008 qualifying the distribution of units of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at June 30, 2007 and May 31, 2006 and the consolidated statements of operations, deficit and cash flows for the thirteen-month period ended June 30, 2007 and the year ended May 31, 2006. Our report is dated September 21, 2007.

"Deloitte & Touche LLP"  
Chartered Accountants  
Licensed Public Accountants  
Toronto, Ontario

May 30, 2008

**CERTIFICATE OF THE CORPORATION**

Dated: May 30, 2008

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of British Columbia, Alberta, Manitoba and Ontario.

(Signed) SERAFINO IACONO

Chief Executive Officer

(Signed) MICHAEL DAVIES

Chief Financial Officer

On behalf of the Board of Directors

(Signed) ROBERT METCALFE

Director

(Signed) MIGUEL DE LA CAMPA

Director

## **CERTIFICATE OF THE UNDERWRITERS**

Dated: May 30, 2008

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of British Columbia, Alberta, Manitoba and Ontario.

GMP SECURITIES L.P.

(Signed) EUGENE C. MCBURNEY

CANACCORD CAPITAL CORPORATION

(Signed) CRAIG WARREN

LOEWEN, ONDAATJE, MCCUTCHEON LIMITED

(Signed) PRIYA PATIL

MACQUARIE CAPITAL MARKETS CANADA LTD.

(Signed) DOUG BELL