

Interim Consolidated Financial Statements  
(In U.S. dollars)

## **COALCORP MINING INC.**

Three months and nine months ended  
March 31, 2009 and 2008  
(Unaudited)

# COALCORP MINING INC.

Interim Consolidated Balance Sheets  
(In thousands of U.S. dollars)

(Unaudited)	March 31, 2009	June 30, 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 49,762	\$ 4,913
Short-term investments (note 14(b))	162	110,103
Accounts receivable	4,764	6,769
Inventories (note 4)	11,027	2,107
Prepaid expenses and deposits	304	238
Short-term portion of restricted cash (note 3)	11,500	—
Assets of discontinued operations (note 2)	10,535	10,463
	88,054	134,593
Restricted cash (note 3)	24,000	35,500
Property, plant and equipment (note 5)	368,025	348,898
Intangible asset (note 6)	—	23,144
Other assets (note 8)	17,951	8,244
Assets of discontinued operations (note 2)	20,119	28,519
	\$ 518,149	\$ 578,898
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 34,017	\$ 33,166
Current portion of long-term debt (note 9)	11,519	87
	45,536	33,253
Long-term debt (note 9)	138,464	149,810
Asset retirement obligations	1,976	1,889
Other liabilities	4,112	4,112
Future income taxes	70,473	99,196
Liabilities of discontinued operations (note 2)	2,000	3,851
	262,561	292,111
Shareholders' equity:		
Share capital (note 10)	333,375	333,375
Contributed surplus	144,132	140,581
	477,507	473,956
Accumulated other comprehensive income	4,120	4,120
Deficit	(226,039)	(191,289)
	(221,919)	(187,169)
	255,588	286,787
Commitments and contingencies (note 16)		
	\$ 518,149	\$ 578,898

See accompanying notes to consolidated financial statements.

# COALCORP MINING INC.

Interim Consolidated Statements of Operations and Comprehensive Income  
(In thousands of U.S. dollars, except share and per share amounts)  
(Unaudited)

	Three months ended March 31,		Nine months ended March 31,	
	2009	2008	2009	2008
Revenue	\$ 16,215	\$ 30,487	\$ 38,198	\$ 59,427
Cost of operations:				
Operating costs	16,590	20,663	37,620	48,380
Depletion and depreciation	2,903	2,541	6,020	5,973
	19,493	23,204	43,640	54,353
(Loss) earnings before the undernoted items	(3,278)	7,283	(5,442)	5,074
Expenses:				
General and administration	4,051	3,894	10,798	10,346
Restructuring (note 7)	1,154	—	3,486	—
Termination fee - railcar purchase agreement (note 3)	3,935	—	3,935	—
Stock-based compensation (note 10)	601	—	3,551	14
Write-off of intangible asset (note 6)	20,156	—	20,156	—
Write-off of mineral properties (note 5)	7	1,337	3,290	5,559
	29,904	5,231	45,216	15,919
(Loss) earnings from continuing operations before other income (expenses) and income taxes	(33,182)	2,052	(50,658)	(10,845)
Other income (expenses):				
Interest income	694	1,034	2,211	4,841
Interest on long-term debt (note 9)	(2,802)	(3,595)	(8,316)	(12,901)
Foreign exchange gain (loss)	13,723	(9,431)	16,959	(6,548)
	11,615	(11,992)	10,854	(14,608)
Loss from continuing operations before income taxes	(21,567)	(9,940)	(39,804)	(25,453)
Income taxes (recovery):				
Current	141	117	613	130
Future	(630)	(799)	(1,303)	(1,863)
	(489)	(682)	(690)	(1,733)
Loss from continuing operations	(21,078)	(9,258)	(39,114)	(23,720)
Earnings (loss) from discontinued operations (note 2)	2,111	(43,715)	4,364	(50,604)
Loss for the period and comprehensive loss	\$ (18,967)	\$ (52,973)	\$ (34,750)	\$ (74,324)
Basic and diluted loss per share:				
Continuing operations	\$ (0.12)	\$ (0.10)	\$ (0.23)	\$ (0.27)
Basic and diluted	(0.11)	(0.59)	(0.20)	(0.83)
Weighted average number of common shares outstanding	173,007,049	89,657,707	173,007,049	89,657,275

See accompanying notes to consolidated financial statements.

# COALCORP MINING INC.

Interim Consolidated Statements of Changes in Shareholders' Equity  
(In thousands of U.S. dollars, except share amounts)

Nine months ended March 31, 2009 and 2008  
(Unaudited)

	Common shares		Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity
	Shares	Amount				
Balance, June 30, 2007	89,656,268	\$ 252,165	\$ 83,477	\$ 4,120	\$ (96,783)	\$ 242,979
Loss for the period	–	–	–	–	(74,324)	(74,324)
Exercise of options	1,439	7	(1)	–	–	6
Stock-based compensation	–	–	14	–	–	14
<b>Balance, March 31, 2008</b>	<b>89,657,707</b>	<b>\$ 252,172</b>	<b>\$ 83,490</b>	<b>\$ 4,120</b>	<b>\$ (171,107)</b>	<b>\$ 168,675</b>
Balance, June 30, 2008	173,007,049	\$ 333,375	\$ 140,581	\$ 4,120	\$ (191,289)	\$ 286,787
Loss for the period	–	–	–	–	(34,750)	(34,750)
Stock-based compensation	–	–	3,551	–	–	3,551
<b>Balance, March 31, 2009</b>	<b>173,007,049</b>	<b>\$ 333,375</b>	<b>\$ 144,132</b>	<b>\$ 4,120</b>	<b>\$ (226,039)</b>	<b>\$ 255,588</b>

See accompanying notes to consolidated financial statements.

# COALCORP MINING INC.

Interim Consolidated Statements of Cash Flows  
(In thousands of U.S. dollars)  
(Unaudited)

	Three months ended March 31,		Nine months ended March 31,	
	2009	2008	2009	2008
<b>Cash flows from operating activities:</b>				
Loss from continuing operations	\$ (21,078)	\$ (9,258)	\$ (39,114)	\$ (23,720)
Items not involving cash:				
Accretion	124	99	352	295
Depletion and depreciation	2,903	2,541	6,020	5,973
Stock-based compensation	601	–	3,551	14
Write-off of intangible asset	20,156	–	20,156	–
Write-off of mineral properties	7	1,337	3,290	5,559
Foreign exchange (gain) loss	(11,724)	10,036	(16,119)	6,628
Future income taxes	(630)	(799)	(1,303)	(1,863)
Change in non-cash operating working capital (note 12(a))	4,393	10,265	3,955	6,480
Asset retirement obligations	–	(157)	(86)	(355)
Cash flows from (used in) continuing operations	(5,248)	14,064	(19,298)	(989)
Cash flows used in discontinued operations	–	(1,822)	–	(8,846)
Cash flows from (used in) operating activities	(5,248)	12,242	(19,298)	(9,835)
<b>Cash flows from financing activities:</b>				
Proceeds from long-term debt	–	–	–	27,788
Repayment of long-term debt	(30)	(2,862)	(68)	(36,857)
Decrease in restricted cash related to long-term debt	–	–	–	10,000
Issue of common shares	–	–	(198)	5
Cash flows from (used in) financing activities	(30)	(2,862)	(266)	936
<b>Cash flows from investing activities:</b>				
Property, plant and equipment expenditures, net of accounts payable and accrued liabilities	(7,883)	(13,154)	(39,990)	(38,400)
Decrease in short-term investments	16,332	2,491	109,939	44,305
Decrease in restricted cash related to equipment expenditures	–	1,836	–	12,887
Increase in other assets	–	–	(7,735)	–
Acquisition of GC Coal Limited	–	–	(177)	–
Cash flows from (used in) continuing operations	8,449	(8,827)	62,037	18,792
Cash flows from (used in) discontinued operations	2,832	5,918	10,842	(3,390)
Cash flows from (used in) investing activities	11,281	(2,909)	72,879	15,402
Foreign exchange gain (loss) on cash and cash equivalents held in foreign currency	1,901	(191)	(8,466)	(342)
Increase in cash and cash equivalents	7,904	6,280	44,849	6,161
Cash and cash equivalents, beginning of period	41,858	10,498	4,913	10,617
Cash and cash equivalents, end of period	\$ 49,762	\$ 16,778	\$ 49,762	\$ 16,778
Cash	\$ 49,762	\$ 16,778	\$ 49,762	\$ 16,778
Cash equivalents	–	–	–	–
	\$ 49,762	\$ 16,778	\$ 49,762	\$ 16,778

Supplemental cash flow information (note 12)

See accompanying notes to consolidated financial statements.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements

(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

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Coalcorp Mining Inc. (the "Company") is a Canadian-based coal mining and development company which is focused on the exploration, development and exploitation of coal and coal-related assets, either directly or through its subsidiaries, principally in Colombia.

At March 31, 2009, the Company had a cash position of \$49.9 million, including short-term investments. The impact of the suspension of operations, a reduction in coal production, declining coal prices, the lack of port access and coal sales, the ongoing capital commitments for mine development and transportation infrastructure, the ongoing interest payments on the senior notes and the recent non-payment by Xira Investment Inc. ("Xira") of \$7.0 million related to the sale of the 40% interest in the Caypa mine (note 2(a)), has severely impacted the Company's cash position. The Company's cash position at August 31, 2009 has declined to \$8.6 million. Given the Company's interest payments on the senior notes, its capital expenditures and commitments for calendar year 2009 and its negative operating cash flow, the Company will have depleted its cash position by the end of calendar year 2009. If a sale of La Francia, an alternative transaction, or a refinancing of the Company's balance sheet does not occur, the Company will face a going concern risk by the end of December 2009.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which assumes that the Company will continue in operation for a reasonable period of time and will be able to realize its assets and discharge its liabilities in the normal course of operations. While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, adverse conditions may cast substantial doubt upon the validity of this assumption. In the event the Company is unable to further identify and develop its recoverable reserves and resources, complete its infrastructure projects or receive the necessary permitting, the carrying value of the Company's assets could be subject to material adjustment. The Company incurred a loss from continuing operations of \$39.1 million for the nine months ended March 31, 2009 and \$32.0 million during the year ended June 30, 2008, and had working capital of \$42.5 million at March 31, 2009. These financial statements do not include any adjustments to the recoverability and classification of certain recorded assets amounts and classification of certain liabilities that might be necessary, if the Company were unable to continue as a going concern.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

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## 1. Basis of presentation:

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian GAAP for interim financial statements. Accordingly, these interim consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. Operating results for the three months and nine months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending June 30, 2009. These interim consolidated financial statements follow the same accounting policies as the audited consolidated financial statements of the Company for the year ended June 30, 2008, except for the new policies disclosed below. Accordingly, these interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements.

Effective July 1, 2008, the Company adopted several new accounting standards that have been issued by The Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a retrospective basis with no restatement of prior period financial statements. The new standards are as follows:

- (a) The Company adopted the new recommendations of CICA Section 3862, Financial Instruments - Disclosures ("Section 3862"), and Section 3863, Financial Instruments - Presentation ("Section 3863"), which replaced Section 3861, Financial Instruments - Disclosure and Presentation. The objective of the disclosure requirements of Section 3862 is to provide information about the significance of financial instruments to the Company's financial position and performance, the nature and extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. Section 3863 carries forward standards for the presentation of financial instruments and non-financial derivatives and provides guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and liabilities are offset. The new disclosures resulting from adoption in these standards are included in note 14.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

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## 1. Basis of presentation (continued):

- (b) The Company adopted CICA Handbook Section 1535, Capital Disclosures, which specifies the disclosure of an entity's objectives, policies and processes for managing capital and how it is meeting those objectives. The new disclosures resulting from adoption of this standard are included in note 11.
- (c) The Company adopted CICA Handbook Section 3031, Inventories ("Section 3031"), which replaced Section 3030, Inventories. Under the new section, inventories are required to be measured at the lower of cost and net realizable value, which is different from the existing guidance of the lower of cost and market. The new section also requires, when applicable, the reversal of any inventory write-downs previously recognized. The adoption of this new standard had no impact on the Company's consolidated financial statements.
- (d) In June 2007, the CICA amended Section 1400, General Standards of Financial Statement Presentation ("Section 1400"), to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least but not limited to 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The amendments to Section 1400 apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008 and the Company has implemented them as of that date. The new requirements only address disclosures and have no impact on the Company's financial results.
- (e) In January 2009, the Emerging Issues Committee ("EIC") of the CICA approved EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC 173"). This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The adoption of this standard had no material impact on the Company's consolidated financial statements for the three months and nine months ended March 31, 2009.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

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## 1. Basis of presentation (continued):

- (f) On March 27, 2009, the EIC of the CICA approved EIC 174, Mining Exploration Costs ("EIC 174"), which provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The adoption of EIC 174 had no impact on the Company's consolidated financial statements for the three and nine months ended March 31, 2009.
- (g) Future accounting pronouncements:
  - (i) In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets ("Section 3064"), replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. Section 3064 will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the standards for its fiscal year beginning July 1, 2009. The new standard establishes the recognition, measurement, presentation and disclosure of goodwill subsequent to initial recognition and of intangible assets. The Company does not expect that the adoption of Section 3064 will have a material impact on its consolidated financial statements.
  - (ii) The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations ("Section 1582"), Section 1601, Consolidated Financial Statements ("Section 1601"), and Section 1602, Non-Controlling Interest ("Section 1602"). These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements and impact to the consolidated financial statements of the new standards.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

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## 1. Basis of presentation (continued):

Section 1582 replaces Section 1581, Business Combinations, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3, Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IAS 27, Consolidated and Separate Financial Statements, and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

- (iii) In June 2009, the CICA amended Section 3862, Financial Instruments - Disclosures ("Section 3862"), to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The Company has not yet adopted the disclosure requirements of this standard and does not expect them to have a material impact on the Company's consolidated financial statements.
- (iv) In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date for IFRS for publicly accountable entities as being January 1, 2011. Although IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosure. The AcSB plans to issue accounting standards, such as Section 3031 and Section 3064, which are converged in IFRS in the period leading up to the changeover date, thus mitigating the impact of IFRS adoption on the changeover date. The Company will be required to prepare IFRS interim and annual financial statements, with comparatives, for its fiscal year beginning on July 1, 2011. The impact of the conversion on the Company's business activities, information technology, data systems, internal controls over financial reporting and disclosure controls will be assessed as part of the overall plan.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

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## 2. Discontinued operations:

- (a) On May 14, 2008, the Company announced that it had determined that all assets not core to the objectives of its new strategic plan would be disposed of or wound down. In particular, this meant the disposition of the Caypa mine and the Cartagena port lands and associated port license. Accordingly, these businesses are classified as discontinued operations.

On June 27, 2008, the Company through its subsidiary, Andean Coal Corporation BVI ("Andean"), entered into a sale and purchase agreement ("SPA") with Xira, a company incorporated in Panama, to sell 40% of its interest in Carbones Colombianos del Cerrejon, S.A. ("CCC"), the holder of the mining contract at Caypa. Consideration consists of up to \$25.0 million, payable in tranches, as well as the payment of a \$1.00 per tonne sales commission on all coal sold by CCC. Under the SPA, Andean transferred 40% of its shareholding in CCC to Xira in consideration for the immediate payment of \$1.0 million. Subsequent payments of \$7.0 million, \$6.0 million and \$6.0 million will be made 13, 22 and 25 months, respectively, from the closing date. An additional \$5.0 million payment can be received by the Company upon the exercising of its option to dispose of the remaining 60%, and upon the satisfaction of certain conditions, to be satisfied no later than 28 months from completion or December 31, 2010. The shares transferred to Xira will be held in escrow and are subject to a pledge held by the Company until all consideration is paid.

On May 4, 2009, Andean commenced an arbitration proceeding at the ICC International Court of Arbitration against Xira by delivering to the International Chamber of Commerce Secretariat a Requisition for Arbitration. The dispute relates to alleged breaches by Xira under the SPA. Among the breaches presented in the claim is that CCC management, under the direction of Xira, entered into an extraordinary transaction with an off-shore Panamanian entity. Andean believes this agreement was made without any commercial rationale and without ascertaining the beneficial ownership of the counterparty. Andean is asking an arbitration panel, among other things, to declare that the SPA is null and void and, in the alternative, an Order requiring Xira to pay damages to Andean in the amount of \$5.0 million for breach of the SPA. Xira filed an Answer and Counterclaim on May 26, 2009. The parties are currently in the process of selecting arbitrators. Once the arbitration panel is formed, a process for the arbitration will be set.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

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## 2. Discontinued operations (continued):

On July 27, 2009, Xira failed to make payment of the \$7.0 million instalment that was due and payable on July 27, 2009 to Andean. The instalment payment was required to be made by Xira to Andean under the terms of the SPA, which set out the terms upon which Xira purchased 40% of the issued share capital of CCC. It is the Company's position that Xira's failure to make the due instalment payment constituted a violation of the terms of the SPA. Andean delivered a notice dated July 29, 2009 to Xira stating that Andean was exercising its right to terminate the SPA in accordance with its terms (the "Notice of Termination"). Xira is contesting the Notice of Termination. The Company is initiating a second arbitration due to the non-payment of \$7.0 million discussed above.

On July 14, 2009, CCC informed the Company that it would not pay the \$1.00 per tonne commission on its coal sales due to possible fines that the Colombian tax authorities may levy on CCC. The Company contested CCC's non-payment of the sales commissions on the basis that the allegations by CCC are not covered under the scope of the indemnities agreed upon in the relevant agreements.

- (b) On June 27, 2008, the Company announced that it had completed an agreement with Lando Industrial Park Inc., a Panamanian joint venture led by a group of Italian private equity investors and Promotora de Energía Eléctrica de Cartagena & Cia, S.C.A. E.S.P. ("Proeléctrica"), to acquire the land associated with the Cartagena port assets, as well as all of the shares of Sociedad Portuaria del Carare S.A., the holder of the Cartagena port license. Consideration consists of \$20.0 million, of which \$5.0 million was paid at closing and \$7.7 million in October 2008. A payment of \$2.3 million, including interest from October 2008, was paid in March 2009 and the final payment of \$5.0 million is due by October 2009. Proeléctrica is a Cartagena, Colombia-based electrical utility, of which 21.7% is owned indirectly by Pacific Rubiales Energy Corp., a Toronto Stock Exchange ("TSX") listed oil and gas production company that shared common directors with the Company at the time of closing, all of whom abstained from voting on, and approving, the transaction.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
 (Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
 (Unaudited)

## 2. Discontinued operations (continued):

The earnings (loss) from the respective discontinued operations are as follows:

	Nine months ended March 31, 2009			Nine months ended March 31, 2008		
	Caypa	Cartagena	Total	Caypa	Cartagena	Total
Revenue	\$ -	\$ -	\$ -	\$ 39,907	\$ -	\$ 39,907
Operating costs	-	-	-	(39,577)	-	(39,577)
Depletion and depreciation	-	-	-	(4,447)	-	(4,447)
General and administration	-	-	-	(1,027)	(1,055)	(2,082)
Write-down of assets	-	-	-	(35,777)	(17,941)	(53,718)
Other income (expense)	1,870	1,727	3,597	(1,202)	(983)	(2,185)
Earnings (loss) before income taxes	1,870	1,727	3,597	(42,123)	(19,979)	(62,102)
Income taxes	-	767	767	6,937	4,561	11,498
Earnings (loss) from discontinued operations	\$ 1,870	\$ 2,494	\$ 4,364	\$ (35,186)	\$ (15,418)	\$ (50,604)
Basic and diluted earnings (loss) from discontinued operations per share	\$ 0.01	\$ 0.02	\$ 0.03	\$ (0.39)	\$ (0.17)	\$ (0.56)

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

## 2. Discontinued operations (continued):

	Three months ended March 31, 2009			Three months ended March 31, 2008		
	Caypa	Cartagena	Total	Caypa	Cartagena	Total
Revenue	\$ -	\$ -	\$ -	\$ 16,054	\$ -	\$ 16,054
Operating costs	-	-	-	(12,201)	-	(12,201)
Depletion and depreciation	-	-	-	(1,211)	-	(1,211)
General and administration	-	-	-	(362)	(350)	(712)
Write-down of assets	-	-	-	(35,777)	(17,941)	(53,718)
Other income (expense)	888	456	1,344	(1,504)	(1,267)	(2,771)
Earnings (loss) before income taxes	888	456	1,344	(35,001)	(19,558)	(54,559)
Income taxes	-	767	767	6,283	4,561	10,844
Earnings (loss) from discontinued operations	\$ 888	\$ 1,223	\$ 2,111	\$ (28,718)	\$ (14,997)	\$ (43,715)
Basic and diluted earnings (loss) from discontinued operations per share	\$ -	\$ 0.01	\$ 0.01	\$ (0.32)	\$ (0.17)	\$ (0.49)

The carrying values of the net assets related to the discontinued operations are as follows:

	March 31, 2009			June 30, 2008		
	Caypa	Cartagena	Total	Caypa	Cartagena	Total
Assets:						
Current	\$ 5,807	\$ 4,728	\$ 10,535	\$ 910	\$ 9,553	\$ 10,463
Long-term	20,119	-	20,119	23,677	4,842	28,519
	25,926	4,728	30,654	24,587	14,395	38,982
Liabilities:						
Long-term	-	2,000	2,000	-	3,851	3,851
Net assets of discontinued operations	\$ 25,926	\$ 2,728	\$ 28,654	\$ 24,587	\$ 10,544	\$ 35,131

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

### 3. Restricted cash:

At March 31, 2009, restricted cash comprises term deposits being held against certain current and long-term debt balances aggregating \$35.5 million (June 30, 2008 - \$35.5 million) (note 9).

During the three months ended March 31, 2009, the Company renegotiated a railcar purchase agreement with Freight Car of America to reduce the number of railcars purchased and, as a result, the amounts held in escrow of Cdn. \$20.0 million as at December 31, 2008 were released to the Company. The Company incurred a termination fee of \$3.9 million upon renegotiation of the purchase agreement, which is included in the consolidated statement of operations and comprehensive income for the three months and nine months ended March 31, 2009.

### 4. Inventories:

	March 31, 2009	June 30, 2008
Coal inventory	\$ 10,384	\$ 1,848
Materials and supplies	643	259
	<b>\$ 11,027</b>	<b>\$ 2,107</b>

### 5. Property, plant and equipment:

The following table summarizes the Company's property, plant and equipment:

	March 31, 2009			June 30, 2008		
	Cost	Accumulated depletion and depreciation	Net book value	Cost	Accumulated depletion and depreciation	Net book value
<b>Mining properties:</b>						
La Francia	\$ 118,297	\$ 19,883	\$ 98,414	\$ 108,733	\$ 15,087	\$ 93,646
La Francia II	186,778	-	186,778	186,748	-	186,748
<b>Plant and equipment:</b>						
La Francia	15,216	1,247	13,969	4,794	787	4,007
Other	933	675	258	898	229	669
<b>Construction in progress</b>	<b>68,245</b>	<b>644</b>	<b>67,601</b>	59,823	-	59,823
<b>Other mineral properties</b>	<b>14,247</b>	<b>13,242</b>	<b>1,005</b>	25,085	21,080	4,005
	<b>\$ 403,716</b>	<b>\$ 35,691</b>	<b>\$ 368,025</b>	\$ 386,081	\$ 37,183	\$ 348,898

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

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## **5. Property, plant and equipment (continued):**

During the nine months ended March 31, 2009, the Company ceased exploration on certain non-core properties due to recent exploration results and, as such, wrote off the carrying amount of the properties of \$3.3 million during period.

The Company capitalized \$7.2 million of stripping costs at the La Francia mine during the nine months ended March 31, 2009 related to development of the pit to provide additional access for future production. \$3.0 million of stripping costs were capitalized during the nine months ended March 31, 2008.

During the nine months ended March 31, 2009, the Company capitalized interest in the amount of \$3.4 million related to construction in progress. There was \$1.4 million interest capitalized during the nine months ended March 31, 2008.

## **6. Write-off of intangible asset:**

As disclosed in the June 30, 2008 interim consolidated financial statements, the Company repurchased its existing coal sales agency arrangement through the acquisition of its sales agent, GC Coal Limited, an Irish company, from its shareholders. This transaction resulted in the recognition of an intangible asset and a related future tax liability being recorded. As required by Canadian GAAP and the Company's accounting policies, the intangible asset is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

In March 2009, the termination of certain long-term contracts by a customer occurred (note 16(a)), which resulted in an impairment of the carrying value of the intangible asset. This resulted in the asset and related future tax liability being fully written off in the quarter.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
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Three months and nine months ended March 31, 2009 and 2008  
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## 7. Restructuring charges:

In October and November 2008, the employment agreements of certain directors, executive officers and employees of the Company were amended to provide that the employment of such individuals will continue until March 2, 2009, after which time their employment with the Company will be terminated. As part of the agreements, the Company paid \$1.7 million as of March 31, 2009, and is currently disputing certain payments remaining outstanding at March 31, 2009 (note 16(c)). The Company has recorded a charge of \$3.5 million for the nine months ended March 31, 2009.

## 8. Other assets:

	March 31, 2009	June 30, 2008
Long-term investments	\$ 8,244	\$ 8,244
Advance to mining contractor	7,735	—
Other deferred charges	1,972	—
	<u>\$ 17,951</u>	<u>\$ 8,244</u>

On September 12, 2008, the Company advanced \$7.7 million to its mining contractor consortium ("Masering" or "CMC Consortium") to assist the CMC Consortium in funding the down payment and fees required under its financing arrangements for the new mining equipment being leased in the latter half of calendar 2008 to support the expansion of the mine's production capacity. Under the original terms of the Memorandum of Understanding ("MOU") signed with the Masering in April 2008, the advance will be repaid to the Company on a quarterly basis over a three-year period, following an initial 12 month grace period beginning on the date the advance payment was made, through a discount to the fees payable to CMC Consortium for mining services performed. Under the terms of an amendment to the original mining contract signed on August 12, 2009, the grace period was extended and repayment, in the form of quarterly installments, will begin on April 1, 2010.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

## 9. Long-term debt:

	March 31, 2009	June 30, 2008
12% senior secured guaranteed notes, due August 31, 2011	\$ 114,424	\$ 114,244
Loans maturing March 2010, interest at LIBOR plus 2.01% payable semi-annually and principal payable at the end of the loans, guaranteed by a term deposit in the same amount issued by the Company	11,500	11,500
Loans maturing August 2011 through May 2012, interest at LIBOR plus 1.11% payable semi-annually and principal payable at the end of the loans, guaranteed by term deposits in the same amount issued by the Company	24,000	24,000
Capital lease obligations (258 million Colombian pesos) payable monthly through February 2010, bearing interest at the Colombian Fixed Term Deposit Rate ("DTF") plus 12%	59	153
	149,983	149,897
Less current portion	11,519	87
	\$ 138,464	\$ 149,810

As of March 31, 2009, the DTF rate was 8.94% and LIBOR was 2.61%.

As of March 31, 2009, the principal maturities of long-term debt are as follows for the years ending June 30:

2009	\$ 5
2010	12,354
2011	800
2012	137,400
	150,559
Unamortized discount on 12% senior notes	(576)
	\$ 149,983

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

## 10. Share capital:

### (a) Authorized:

Unlimited common shares without par value  
Unlimited preferred shares without par value

### (b) Issued and outstanding:

	Common shares	
	Shares	Amount
Balance, June 30, 2008 and March 31, 2009	173,007,049	\$ 333,375

### (c) Incentive stock option plan:

Under the Company's stock option plan, the Company may grant options to its directors, officers and employees not to exceed 10% of the issued common shares of the Company. At March 31, 2009, 2,658,116 common shares remain available for grant under the plan. Under the plan, the exercise price of each option equals the market price of the Company's shares on the date of grant and an option's maximum term is five years. Options are granted upon approval by the Board of Directors.

A summary of the changes in the Company's incentive stock option plan for the nine months ended March 31, 2009 is as follows:

	Nine months ended March 31, 2009	
	Number of options	Weighted average exercise price (in Cdn \$)
Options outstanding, beginning of period	4,498,127	\$ 4.92
Granted	16,186,500	1.41
Expired	(19,649)	3.85
Cancelled	(6,022,389)	2.21
Options outstanding, end of period	14,642,589	2.16

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

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## 10. Share capital (continued):

The fair value of options granted by the Company during the three months and nine months ended March 31, 2009 was determined using the Black-Scholes option pricing model assuming no dividends are to be paid, a weighted average volatility of 84.0%, an average annual risk free rate of 2.2% and an estimated life of four years. The weighted average grant date fair value of stock options granted during the nine months ended March 31, 2009 was Cdn. \$0.29 per share.

Subsequent to March 31, 2009, the Company granted 850,000 options to directors and officers of the Company with exercise prices ranging from Cdn. \$0.75 to Cdn. \$1.50 per share.

### (d) Warrants:

As at March 31, 2009, the following non-broker warrants were outstanding and exercisable:

Number of warrants	Exercise price (Cdn. \$)	Expiry date
76,700,000	\$ 2.50	June 5, 2013
24,642,862	5.60	February 8, 2011
19,878,577	8.40	August 17, 2011
<hr/> 121,221,439 <hr/>		

## 11. Capital disclosures:

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to grow its business. In the definition of capital, the Company includes, as disclosed on its balance sheet: deficit (\$226.0 million); capital stock (\$333.4 million); long-term debt, including the current portion (\$150.0 million); restricted cash (\$35.5 million); short-term investments (\$0.2 million) and cash (\$49.8 million).

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

## 11. Capital disclosures (continued):

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, repay outstanding debt, issue new debt (secured, unsecured, convertible and/or other types of debt instruments), refinance existing debt with different characteristics, acquire or dispose of assets or adjust the amount of cash and short-term investments balances. The Company is currently not subject to any externally imposed capital requirements.

## 12. Consolidated statement of cash flows:

(a) Change in non-cash operating working capital:

	Three months ended March 31,		Nine months ended March 31,	
	2009	2008	2009	2008
Accounts receivable	\$ 1,520	\$ 2,865	\$ 2,152	\$ 1,656
Inventories	(4,155)	4,063	(8,010)	2,300
Prepaid expenses and deposits	4,377	(358)	(60)	(244)
Accounts payable and accrued liabilities	2,651	3,695	9,873	2,768
	<u>\$ 4,393</u>	<u>\$ 10,265</u>	<u>\$ 3,955</u>	<u>\$ 6,480</u>

(b) Supplemental disclosure of non-cash transactions:

At March 31, 2008, accounts payable and accrued liabilities include non-cash amounts of \$4.8 million (June 30, 2008 - \$15.7 million) related to its purchase commitments in Colombia for plant and equipment expenditures.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

## 12. Consolidated statement of cash flows (continued):

(c) Supplemental cash flow information:

	Three months ended March 31,		Nine months ended March 31,	
	2009	2008	2009	2008
Cash interest paid	\$ 460	\$ 949	\$ 8,143	\$ 10,826
Cash taxes paid	–	–	472	13

## 13. Related party transactions:

The Company incurred the following expenses with companies and individuals related by way of directors and/or officers in common during the three months and nine months ended March 31, 2009 and 2008:

	Three months ended March 31,		Nine months ended March 31,	
	2009	2008	2009	2008
Production royalties (note 16(i))	\$ 607	\$ 415	\$ 1,156	\$ 1,292
Consulting and advisory fees	–	265	30	295
Rent expense	41	53	147	158

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

## 14. Financial instruments:

(a) The Company has classified financial instruments as follows:

	March 31, 2009	June 30, 2008
<b>Financial assets</b>		
Held-for-trading, measured at fair value:		
Cash and cash equivalents	\$ 49,762	\$ 4,913
Short-term investments	162	110,103
Restricted cash	35,500	35,500
Loans and receivables, measured at amortized cost:		
Accounts receivable	4,764	6,769
Amounts receivable related to dispositions of discontinued operations	30,654	38,982
<b>Financial liabilities</b>		
Other liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	34,017	33,166
Long-term debt, including current portion	149,983	149,897

The Company had no held-to-maturity financial instruments during the nine months ended March 31, 2009.

(b) Short-term investments and restricted cash:

The Company's short-term investments comprise:

	March 31, 2009	June 30, 2008
Canadian dollar-denominated investments:		
Bankers' acceptances	\$ —	\$ 53,280
Commercial paper	—	3,481
Discounted notes	—	39,143
GIC	162	196
U.S. dollar-denominated investments:		
Commercial paper	—	14,003
	\$ 162	\$ 110,103

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

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## 14. Financial instruments (continued):

The Company's cash balances are deposited with major Canadian and Colombian financial institutions, the majority of which have stable, investment grade ratings from internationally recognized ratings agencies. As at March 31, 2009, \$3.8 million of the Company's cash balances were held in Colombian banks (June 30, 2008 - \$2.3 million).

The Company's restricted cash deposits of \$35.5 million are held in the U.S. branch of a major Colombian bank with a Ba2-stable rating from Moody's Investors Services.

### (c) Allowance for credit losses:

The Company's accounts receivable, none of which are past due as of the reporting dates, comprise the following:

	March 31, 2009	June 30, 2008
Trade receivables	\$ 841	\$ 874
Recoverable sales and value added tax ("VAT")	2,624	4,131
Other	1,299	1,764
	<u>\$ 4,764</u>	<u>\$ 6,769</u>

### (d) Fair values:

The fair values of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term to maturity of these financial instruments.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

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## 14. Financial instruments (continued):

Long-term investments consist of interests in two privately held companies, therefore, the fair value of these investments cannot be measured reliably. The investment carrying values total \$7.5 million and \$0.7 million for a 8.43% interest in a Colombian company that has a long-term concession for the operation, maintenance and rehabilitation of the northern railway in Colombia, and a 14.48% interest in a Colombian company established to build a port facility on the northern coast, respectively. The markets for the investments include other major coal producers needing rail and port access for export. The Company has no current plans to dispose of either investment. The Company reviewed the carrying value of these investments and determined that no impairment should be recorded as at March 31, 2009.

The fair value of long-term debt is based on quoted market values on the TSX. At March 31, 2009, the debt was trading at \$0.45.

### (e) Risk management policies and hedging activities:

Current management has identified material weaknesses in procedures to identify and manage operational and financial risks. Management is currently working to ensure that the correct procedures are in place to manage the number of risks related to the Company's operations in order to achieve an acceptable level of risk.

### (i) Credit risk:

Credit risk on financial instruments arises from the potential for counterparties to default on their obligations to the Company. Current credit exposure relates to the loss that would be incurred if the Company's counterparties were to default on their current obligations.

The Company has a credit risk exposure related to its counterparties under its coal sales contracts as disclosed in note 16. The Company minimizes credit risk by reviewing the credit risk of the counterparty to the arrangement and has made any necessary provisions, if required, related to credit risk at March 31, 2009. Maximum credit risk exposure as at March 31, 2009 related to coal sales is approximately \$840,000.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
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## 14. Financial instruments (continued):

### (ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company invests surplus cash in highly-rated and highly-liquid instruments to ensure risk to the Company's assets is minimized.

In Colombia, contracts such as the mining concession contracts to which CDC is a party require the Company to obtain performance bonds to cover obligations under the concession contract. In the event that the Company is unable to obtain such performance bonds on terms acceptable to the Company, the Company may be required to post collateral in the form of cash to secure its obligations under its mining concession contracts. Depending on the amount that may be required to be posted as cash collateral, providing such cash collateral may materially impact the Company's cash position and result in a liquidity risk to the Company.

The Company has potential off balance sheet liabilities relating to certain of its coal sales contracts, under which the Company has not yet completely satisfied its coal delivery obligations. Customers under those coal sales contracts may request the Company to satisfy their coal requirements by obtaining coal from other coal suppliers, and seeking cash settlement from the Company. Such off balance sheet liabilities may crystallize in the form of cash settlements that may be paid by the Company to satisfy certain of its coal delivery obligations under those coal sales contracts. Depending on the amount that may be paid as cash settlements, payment of such cash settlements may materially impact the Company's cash position and result in a liquidity risk to the Company.

Future negative cash flows will continue to deplete cash reserves in the near term. Steffen, Robertson and Kirsten Consulting (UK) Ltd. has completed a life-of-mine plan in conjunction with an updated NI 43-101 reserves report, which defines a longer-term operational strategy and determines the asset value of the Company.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
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(Unaudited)

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## 14. Financial instruments (continued):

Due to the historical losses and macroeconomic and business risks it faces in its business, the Company may not have generated and/or been able to generate sufficient cash flows from operations to be able to make necessary capital expenditures or repay financial obligations due in 2011, thus the Company may be required to dispose certain assets or be exposed to refinancing risks. There is no assurance that the Company's business will generate sufficient cash flow from operations in the future to meet these obligations, and may require additional financing, refinance debt or dispose of assets. There can be no assurance that additional capital or other types of financing will be available if required, or terms that will be favourable to the Company.

Given the Company's current cash position, its interest payments on certain notes, its capital expenditures and commitments for calendar year 2009 and its negative operating cash flow, the Company will have depleted its cash position by the end of calendar year 2009 or early 2010. The Board of Directors has undertaken a process to assess strategic alternatives that could result in a sale of the mine or an alternative transaction. If a sale, an alternative transaction or refinancing of the Company's balance sheet does not occur, the Company faces a going concern risk.

### (iii) Commodity price risk:

The Company's revenue, earnings and cash flows are directly related to the volume and price of coal sold and are sensitive to changes in market prices for coal over which it has little or no control. The Company has the ability to address its price-related exposures through the use of coal sales contracts, as disclosed in note 16. If the number of tonnes sold increases by 5%, it has an effect of increasing revenue by approximately \$800,000.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
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## 14. Financial instruments (continued):

### (iv) Foreign currency risk:

As at March 31, 2009, a significant portion of the Company's cash and short-term investments were held in Canadian dollars. In addition, the Company's operations, principally located in Colombia, routinely transact in the local currency rather than the United States dollar, exposing the Company to potential foreign exchange risk in its financial position and cash flows. Derivative financial instruments are not used to reduce exposure to fluctuations in foreign exchange rates. If the exchange rate moves 1% in either direction, it has an effect of approximately \$130,000 on foreign exchange profits or loss.

### (v) Interest rate risk:

Interest on the Company's long-term debt is based on both fixed and variable rates and exposes the Company to interest rate risk. The Company has not entered into any derivative agreements to mitigate this risk.

### (vi) Country risks:

The Company's principal mineral projects are located in Colombia and, consequently, the Company is subject to certain risks, 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 Company 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 regulation, and mine and/or site safety.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

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(Unaudited)

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## 15. Segmented information:

(a) Operating segment:

The Company's operations are primarily directed towards the acquisition, exploration and production of coal in the natural resources sector.

(b) Geographic segments:

The Company's assets by geographic areas are as follows:

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March 31, 2009	Colombia	Canada and other	Total
Property, plant and equipment	\$ 368,073	\$ 12	\$ 368,085
Total assets	435,572	82,577	518,149

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June 30, 2008	Colombia	Canada and other	Total
Property, plant and equipment	\$ 348,792	\$ 106	\$ 348,898
Intangible asset	–	23,144	23,144
Total assets	406,396	172,502	578,898

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# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
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(Unaudited)

## 15. Segmented information (continued):

The Company's revenue, expenses and property, plant and equipment expenditures by geographic areas for the three months and nine months ended March 31, 2009 and 2008 are as follows:

	Three months ended March 31, 2009			Nine months ended March 31, 2009		
	Colombia	Canada and other	Total	Colombia	Canada and other	Total
Revenue	\$ 16,215	\$ –	\$ 16,215	\$ 38,198	\$ –	\$ 38,198
Operating costs	(16,590)	–	(16,590)	(37,620)	–	(37,620)
Depletion and depreciation	(2,898)	(5)	(2,903)	(5,720)	(300)	(6,020)
Expenses	(2,970)	(26,934)	(29,904)	(11,069)	(34,147)	(45,216)
Other income (expense)	10,087	1,528	11,615	25,760	(14,906)	10,854
Earnings (loss) from continuing operations before income taxes	\$ 3,844	\$ (25,411)	\$ (21,567)	\$ 9,549	\$ (49,353)	\$ (39,804)
Property, plant and equipment expenditures	\$ 8,114	\$ –	\$ 8,114	\$ 39,990	\$ –	\$ 39,990

  

	Three months ended March 31, 2008			Nine months ended March 31, 2008		
	Colombia	Canada and other	Total	Colombia	Canada and other	Total
Revenue	\$ 30,487	\$ –	\$ 30,487	\$ 59,427	\$ –	\$ 59,427
Operating costs	(20,663)	–	(20,663)	(48,380)	–	(48,380)
Depletion and depreciation	(2,531)	(10)	(2,541)	(5,952)	(21)	(5,973)
Expenses	(2,818)	(2,413)	(5,231)	(9,754)	(6,165)	(15,919)
Other expense	(9,357)	(2,635)	(11,992)	(8,972)	(5,636)	(14,608)
Loss from continuing operations before income taxes	\$ (4,882)	\$ (5,058)	\$ (9,940)	\$ (13,631)	\$ (11,822)	\$ (25,453)
Property, plant and equipment expenditures	\$ 13,145	\$ 9	\$ 13,154	\$ 38,294	\$ 106	\$ 38,400

For the nine months ended March 31, 2009, two customers represented 88% of revenue and 97% of trade accounts receivable from continuing operations, respectively.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

## 16. Commitments and contingencies:

- (a) The Company has entered into various contracts as at March 31, 2009 to deliver 3.5 million tonnes of coal, including buyers' options, from its La Francia mine at a weighted average price, subject to quality adjustments, of \$49.74 as follows:

	Tonnes (In thousands)	Average price per tonne
Balance of 2009	226	\$ 45.68
2010	1,554	48.25
2011	600	51.60
2012	600	51.60
2013	540	51.60
	<b>3,520</b>	<b>\$ 49.74</b>

For the balance of the 2009 fiscal year, sales under the Prodeco IV contract will be delivered on a FOT basis. The remaining quantity of coal to be delivered under this contract at March 31, 2009 was approximately 550,000 tonnes. All the remaining future coal commitments from 2009 to 2014 are expected to be delivered on a FOB basis, with the exception of a portion of the Prodeco IV contract, which will be delivered on a FOT basis which under the terms of the contract can be delivered to Prodeco's port once the Company can deliver by train.

On January 26, 2009, the Company commenced arbitration proceedings against Glencore International AG ("Glencore") for unspecified damages with respect to a February 2007 coal sales agreement (the "February 2007 Agreement") entered into between the Company and Glencore. Glencore is pursuing a counterclaim in relation to the February 2007 Agreement for unspecified damages.

In addition, on March 19, 2009, the Company received notice from Glencore that it was terminating an additional August 2008 coal sales agreement (the "August 2008 Agreement") entered into between a subsidiary of the Company, Compañía Carbones del Cesar ("CDC") and Glencore. CDC, therefore, commenced further arbitration proceedings against Glencore on April 22, 2009 for unspecified damages in connection with the termination of the August 2008 Agreement.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
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## 16. Commitments and contingencies (continued):

The written pleadings stages of both the arbitrations are not at an end and the parties are in the document production stage. Given that the process is at an early stage, the outcome of these proceedings is unknown.

The terminated agreement represented a base quantity (excluding buyers' option) of 25 million tonnes at an average price of \$86 per tonne over the following six years, thereby reducing sales commitments by 80%. Given the termination of the February 2007 and August 2008 Agreements, the Company is currently in discussions with other customers for coal sales.

In connection with the acquisition of La Francia in February 2006, CDC, an indirect wholly owned subsidiary of the Company, assumed a contract dated as of August 30, 2004, and amended on June 16, 2005, for the sale of coal to AES Gener, S.A. ("AES"), a Chilean company, for a total of 600,000 tonnes at \$31.50 per tonne (the "AES Contract"). On March 15, 2006, CDC notified AES that it was ceasing further shipments to AES under the AES Contract, and on May 26, 2006, AES sent notice to CDC that it considered CDC to be in breach of the AES Contract. CDC and AES attempted to amicably resolve their dispute through negotiations under the AES Contract over the course of the following two years. On December 1, 2008, AES filed a Petition for an Order to Compel Arbitration in the State of New York. The Petition to Compel Arbitration was served on CDC on or about April 2009, approximately five months after the initial filing. On June 4, 2009, CDC filed an Opposition to the Petition to Compel Arbitration setting out various reasons seeking denial of the Petition to Compel Arbitration. On June 15, 2009, AES filed a Reply to the Opposition to Compel Arbitration. Arbitration proceedings have not commenced as of the date hereof. Due to the early stages of proceedings, possible negotiations and a possible settlement between the parties and uncertainty on whether arbitration or litigation is preferred, the potential impact on the Company is unclear at this time.

On January 22, 2009, La Libertad International Group SA ("La Libertad") informed CDC that it was declaring force majeure under a contract for delivery in 2009. The contract for plus/minus 10% 120,000 tonnes at \$119 per tonne FOB. CDC is exploring legal options to enforce its right to have La Libertad honour the performance of the contract.

- (b) At March 31, 2009, CDC is contractually obligated under take-or-pay contracts for up to 11.5 million tonnes valued at a maximum of \$29.5 million per annum of capacity on the Fenoco rail line for a period of six years.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

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## 16. Commitments and contingencies (continued):

- (c) Further to the Company's press release announcement on March 5, 2009 relating to an internal review and investigation being conducted by the Company, and the terminations of five employees resulting from that review, the Company has received statements of claims issued in Ontario from each of those individuals claiming, among other things, wrongful dismissal and seeking damages. The five former employees seek aggregate of damages of approximately \$2.64 million as well as special damages. It is the Company's position that these claims are without merit and it intends to vigorously defend itself against these actions (note 7). The Company was served on March 31, 2009 with statements of claims issued in Ontario from each of the terminated former employees. Requests for particulars and inspection of documents were sought on June 8, 2009. Plaintiff's counsel has advised that they intend to amend the statements of claims before responding.
- (d) In April 2008, CDC entered into a Memorandum of Understanding (the "MOU") with Consorcio Minero del Cesar ("CMC"), the consortium providing mining contractor services at La Francia. On December 11, 2008, the MOU was extended to April 30, 2009. Under the MOU, in the event that CDC and CMC fail to reach a definitive agreement to replace or amend the current mining contract, CMC will have the option of electing to either: (i) continue operating with its equipment, (ii) require CDC to assume the leases of the new equipment, or (iii) require CDC to pay the cost of relocating its equipment off-site. On June 1, 2009, CMC exercised the option to require CDC to assume the equipment leases. On August 12, 2009, it was agreed that the MOU be terminated and amendments to the original mining contract were made, which results in CMC continuing operations of the new equipment without requiring CDC to assume those equipment leases. The August agreement also includes a final settlement and mutual waiver of any current or future claims related to the mining contract and occurring prior to August 12, 2009.
- (e) On March 3, 2009, the Company received notice from a group of former officers and directors of the Company, including three previously terminated executive officers and its former Chief Executive Officer, of their intention to commence a court application for leave to file a derivative legal proceeding in the Company's name under the *Business Companies Act* (British Columbia) (the "Notice of Derivative Legal Action").

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

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## 16. Commitments and contingencies (continued):

The Notice of Derivative Legal Action asks the Company to commence a legal proceeding to seek unspecified damages against four of the six recently elected directors, a newly appointed director and certain of the recently appointed officers of the Company and shareholders in respect of alleged negligence, default, oppressive conduct and omissions, breach of duty or breach of trust.

The Notice of Derivative Legal Action follows the terminations effective February 27, 2009, of three former executive officers of the Company. Each of these individuals are among the parties delivering the Notice of Derivative Legal Action.

The Company has established a special committee of directors to consider the Notice of Derivative Legal Action and will be responding after the special committee has examined the substance of the allegations set out therein.

As of the date thereof, the Company is not aware of the commencement of the court application for leave to file a derivative legal proceeding in the Company's name under the *Business Companies Act* (British Columbia) as stated in the Notice of Derivative Legal Action.

- (f) On April 8, 2009, the Company's counsel received a letter notifying the Company of a proposed claim under the Libel and Slander Act. The allegation is that the Company made defamatory statements in certain of its prior press releases that referred to the conduct of prior management of the Company. The claim is made by terminated employees of the Company, as well as former members of management of the Company. The claim seeks, among other things, general and aggravated damages in the amount of \$10 million, punitive damages in the amount of \$1 million and costs. On June 4, 2009, the Company was served under the Libel and Slander Act. The Company filed its Notice of Intention to Defend against the claim under the Libel and Slander Act on July 14, 2009. It is the Company's view that these claims are frivolous and without merit.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

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## 16. Commitments and contingencies (continued):

- (g) On April 15, 2009, the Company received a letter from Equity Transfer & Trust Company, as trustee of the Company's outstanding 12% Series A Notes (note 9) due August 31, 2011 (the "Notes") pursuant to an indenture dated as of August 17, 2006 as amended and supplemented (the "Indenture"), enclosing a notice signed by certain holders of the aggregate principal amount of \$34,362,000 of the Notes, representing approximately 30% of the issued and outstanding principal amount of the Notes, claiming that the Company failed to issue a Change of Control Notice and Purchase Notice pursuant to Sections 4.2 and 4.3 of the Indenture, and if such failure is not remedied within 60 days, the holders will exercise all their rights under the Indenture, including declaring the principal amount of, and any Premium (as defined in the Indenture) if any, and any accrued and unpaid interest on, the Notes to be due and payable (the "Notice"). It is the Company's position that it is not in default of these provisions of the Indenture and has sent a response letter informing the trustee of this position. The Company has not received a response to that letter or any further correspondences on this matter as of the date hereof. The potential impact on the Company is paying a premium of approximately \$3.5 million on the Notes and having to pay the capital and interest due, earlier than anticipated.
- (h) An application has been filed in Ontario against the Company and certain of its directors as well as its significant shareholder, Pala Investments Holdings Limited, under the *Securities Act* (Ontario) and the *Business Corporations Act* (British Columbia). The application was filed by certain former directors and officers of the Company, being Serafino Iacono, Miguel de la Campa, Michael Davies, Jose Francisco Arata, Efrain Carrera and Juan Manuel Pelaez.

The allegations include that certain named current directors of the Company acted in a manner that is oppressive and unfairly prejudicial to the claimants. The claimants are seeking, among other things, an order to remove certain directors and unspecified damages. The application was served on the Company on July 7, 2009 but has yet to be served on any of its directors.

The Company believes that the claims are baseless and without merit and if served will vigorously defend itself against such claims.

# COALCORP MINING INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Tabular amounts in thousands of U.S. dollars, except share and per share amounts)

Three months and nine months ended March 31, 2009 and 2008  
(Unaudited)

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## 16. Commitments and contingencies (continued):

- (i) The Company entered into an agreement with Blue Pacific Assets Corp. ("Blue Pacific") on September 27, 2005, and entered into a subsequent agreement with Blue Pacific on April 16, 2007 (collectively, the "Blue Pacific Royalty agreements"), which provided for among other things, the payment of a royalty by the Company of \$1.00 per tonne to Blue Pacific on all coal production at La Francia mine. The obligations of the Company under the Blue Pacific Royalty Agreements were guaranteed by CDC, an indirect wholly owned subsidiary of the Company.

As a result of internal investigations that were conducted into certain prior transactions entered into by prior management (including with respect to the principals of Blue Pacific), and pending the outcome of those investigations, the Company ceased to make payments to Blue Pacific under the Blue Pacific Royalty Agreements as of April 2009.

Pursuant to a letter dated as of July 15, 2009, Blue Pacific, through its counsel, demanded the minimum estimated payment of \$607,000 from the Company claiming under the Blue Pacific Royalty Agreement. The letter stated that if such amount was not paid by either the Company or CDC by July 24, 2009, that Blue Pacific will pursue its legal remedies by way of civil action at the Ontario Superior Court of Justice. Pursuant to a subsequent letter dated as of August 5, 2009, sent by Blue Pacific to CDC, Blue Pacific claimed the amount of \$634,591 under the Blue Pacific Royalty Agreement. Aside from the above letters, there have been no formal actions commenced against either the Company or CDC to date.

- (j) At March 31, 2009, CDC is contractually obligated to different contractors for \$4.3 million related to the rail spur.