This is Exhibit "**G**" referred to in Affidavit #1 of **William G. Harvey** sworn December 4, 2015 at Birmingham, Alabama, United States.

Kathy C. Lott

A Notary Public in the State of Alabama

Wood Mackenzie
A Verisk Analytics Business

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Global metallurgical coal short-term outlook November 2015

Executive summary

As negotiations begin for Q1 2016 contracts, spot prices remain at multi-year lows and most demand indicators in Asia point to continued weakness in the immediate future.

In China, both real estate investment and housing starts are well below 2014 levels and the weak property sector continues to hurt overall steel demand. Coke demand and production are firmly lower this year in China and metallurgical coal imports fell to 4 Mt in October, down 41% year-on-year. The anticipated coal stock build ahead of the winter months did not eventuate.

Most available steel and economic data highlights the weak demand environment, and yet many Australian coal suppliers are well sold this quarter. As a result, the spot trade in met coals has been relatively subdued this month and the outlook is much the same for December. In this low trade environment, visibility around pricing has been worse than usual; spot indices are currently showing as much as US$2.5/t variation, around a mid-point of US$75/t. We estimate that the marginal cost of Australian hard coking coal is around US$78/t at current exchange rates which, if negotiations occur similarly to recent settlements, could mean a Q1 benchmark in the low to mid US$80s/t. But the final outcome will depend on the willingness of Japanese mills to pay a large premium to spot prices.

The met coal trade itself has been steady, if slightly lower in volume terms, over the last couple of months. Australian exports were slightly lower in October, whilst US east coast exports were stable. Australia witnessed another bankruptcy as ULV PCI producer, Cockatoo Coal, entered receivership after it's guarantors terminated loans associated with the company's take or pay obligations. Meanwhile, Teck continued to search for efficiencies, announcing 1,000 more job cuts and the mothballing of the Coal Mountain phase two project. These two events illustrate that even Australian and Canadian suppliers are not immune from the current downturn.

The immediate outlook for met coal is dominated by continued high steel and coke exports, lower year-on-year coal import demand, and high coal production rates. We expect Chinese steel exports to fall in November and December. But exports will remain high from other producers such as Russia, Turkey and Brazil, where domestic steel demand has been weak. A tour of met coal producers in Shanxi this month by Wood Mackenzie analysts suggested little chance of a near-term drive to rationalise excess met coal supply capacity, despite widespread industry losses. Domestic Chinese prices will come under renewed pressure, even after the recent CNY20-30/t reduction, suggesting imported coals will need to do more to compete. The removal of the 3% import tax for Australian coals in January should help, but an immediate increase in prices is unlikely.

Modest demand growth for HCC in a number of countries through 2016, including Italy, Belgium, India and Japan - plus the continued disappearance of marginal supply – should result in stabilisation and a subsequent rise in prices. Marginal costs of Australian supply will remain the support level for spot coal, with a continued premium payable for contract shipments. We forecast prices to average US$89/t FOB next year for contract low volatile coal, but reaching up to US$92/t by Q4. The 2016 spot price of LV HCC will average US$81/t in our view.

Key Market Data

	2015 F				2016 F				2017 F			
	Q1	Q2	Q3	Q4 F	Q1 F	Q2 F	Q3 F	Q4 F	Q1 F	Q2 F	Q3 F	Q4 F
GDP Growth % (Y-o-Y)												
Global		**2.3%**				**2.7%**				**2.6%**		
Brazil		**-2.8%**				**-1.3%**				**1.3%**		
China		**6.9%**				**6.7%**				**6.5%**		
Eurozone		**1.1%**				**1.2%**				**1.1%**		
India		**7.5%**				**7.5%**				**7.0%**		
Japan		**0.7%**				**0.9%**				**0.8%**		
South Korea		**2.4%**				**3.0%**				**3.2%**		
US	2.9%	2.7%	1.9%	**1.9%**	**1.9%**	**1.9%**	**2.6%**	**3.0%**	**3.0%**	**2.4%**	**1.8%**	**1.0%**
Major Seaborne Exporters (Mt)												
Australia	43.5	45.9	47.0	**45.7**	**45.8**	**47.2**	**46.5**	**46.6**	**46.1**	**46.6**	**46.1**	**46.1**
US	11.0	10.4	7.7	**7.3**	**8.3**	**7.6**	**9.0**	**10.0**	**8.1**	**7.4**	**8.7**	**9.6**
Canada	7.6	6.7	6.5	**6.7**	**7.0**	**7.0**	**7.1**	**7.1**	**7.0**	**7.0**	**7.0**	**7.0**
Mozambique	0.8	1.2	1.1	**1.1**	**1.1**	**1.3**	**1.3**	**1.3**	**1.3**	**1.5**	**1.5**	**1.6**
Mongolia*	2.2	2.2	2.1	**3.3**	**2.7**	**3.0**	**3.4**	**3.3**	**4.0**	**5.0**	**5.0**	**4.5**
Russia	5.4	5.2	6.0	**5.4**	**6.2**	**7.2**	**7.1**	**6.3**	**8.4**	**9.5**	**9.3**	**8.7**
Major Seaborne Importers (Mt)												
Japan	13.2	14.6	15.0	**15.1**	**14.0**	**14.5**	**15.2**	**15.2**	**14.1**	**14.6**	**15.3**	**15.6**
China - seaborne	10.3	10.1	14.3	**9.8**	**10.0**	**12.2**	**12.2**	**11.7**	**10.5**	**13.5**	**14.5**	**14.0**
India	12.4	11.2	10.4	**11.3**	**12.5**	**11.3**	**11.3**	**12.0**	**13.1**	**11.5**	**11.5**	**13.1**
South Korea	10.0	9.5	8.3	**8.2**	**8.9**	**9.5**	**8.6**	**8.5**	**8.9**	**9.2**	**8.6**	**8.6**
Taiwan	2.4	2.2	2.4	**2.3**	**2.4**	**2.3**	**2.4**	**2.5**	**2.5**	**2.5**	**2.5**	**2.5**
Brazil	4.1	4.0	3.6	**3.9**	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**
Germany	4.3	3.7	3.7	**4.1**	**4.3**	**3.9**	**3.9**	**4.1**	**4.2**	**4.0**	**4.0**	**4.3**
Freight Rates (Voyages US$/t)												
Panamax QLD -> Japan	$7.49	$8.05	$7.38									
Panamax QLD -> E India	$7.79	$8.42	$7.99									
Panamax US E Coast -> Germany	$8.10	$7.95	$8.10									
Key Prices (US$/t) Nominal												
Queensland HCC Benchmark	$117	$110	$93	**$89**	**$86**	**$89**	**$90**	**$92**	**$93**	**$95**	**$97**	**$103**
NSW Semi-Soft	$86	$81	$74	**$71**	**$66**	**$67**	**$66**	**$66**	**$66**	**$68**	**$69**	**$74**
Queensland Ultra-Low-Vol PCI	$99	$93	$73	**$71**	**$68**	**$70**	**$71**	**$72**	**$73**	**$74**	**$76**	**$81**
US Hampton Roads Low Vol	$118	$111	**$100**	**$97**	**$89**	**$92**	**$93**	**$94**	**$95**	**$96**	**$99**	**$106**
US Hampton Roads High Vol A	$116	$111	**$97**	**$93**	**$87**	**$91**	**$92**	**$93**	**$95**	**$96**	**$99**	**$106**
Key Prices (US$/t) Nominal - Annual Averages												
Queensland HCC Benchmark		**$102**				**$89**				**$97**		
NSW Semi-Soft		**$78**				**$66**				**$69**		
Queensland Ultra-Low-Vol PCI		**$84**				**$71**				**$76**		
US Hampton Roads Low Vol		**$107**				**$92**				**$99**		
US Hampton Roads High Vol A		**$104**				**$91**				**$99**		

Source: Wood Mackenzie, Customs Data, AXS Marine, sxcoal, IMF, Various Pricing Surveys

* Mongolian exports are all landborne and are displayed on a clean/washed basis

Prices

Spot prices for hard coking coal spent much of the month falling to multi-year lows – prices went below US$74/t, having started at closer to US$76.5/t. The decline in prices mirrored those seen in steel products - HRC from China has decreased some 3% to around US$260/t - as well as scrap, iron ore and metallurgical coke. The onset of winter in the northern hemisphere will herald a slow period for steel demand, exacerbating the already dire conditions seen in China in particular.

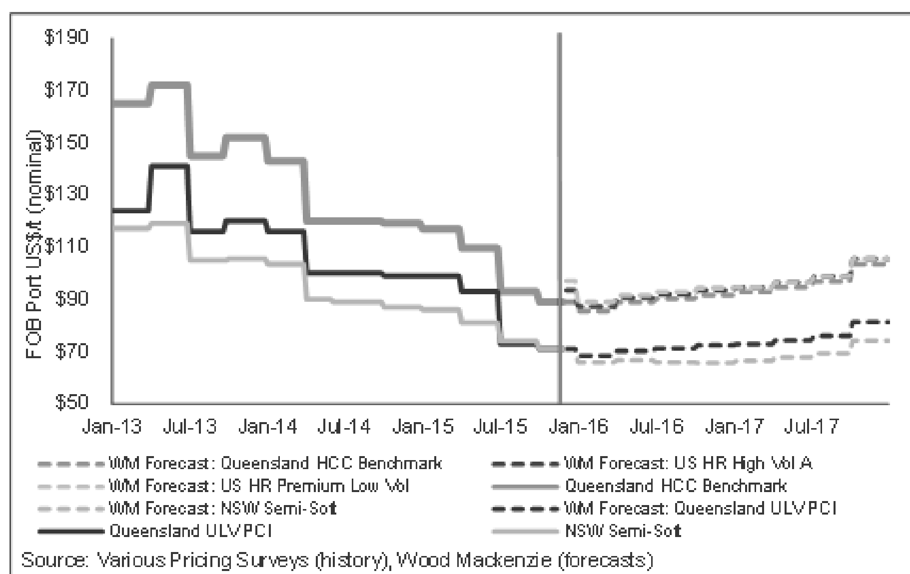
The spot coal trade has been subdued into China in recent weeks and shipping stems at key ports indicate the near-term will be unchanged. A number of Australian suppliers are claiming to be sold out for the quarter, although some smaller, partial shipments, are still being sold. With limited activity, pricing levels are more opaque than usual. Indications are that buyers in China want prices lower than US$80/t CFR for premium HCC material, while some deals have occurred at around US$78/t FOB.

Negotiations for Q1 2016 contracts are under way and, yet again, occur in an environment of low spot prices. Preliminary price indications for the Q1 contracts are wide – at between US$78 to US$85/t depending on whether the source is a buyer or seller - a function of the uncertainty over where spot prices really lie. At A$1 = US$0.72, the marginal cost of Australian LV HCC lies at around US$78/t. If the agreement goes the way of recent settlements, the contract price should end up sitting above current spot levels, and probably in the low US$80s/t range. Our current Q1 2016 forecast of US$85.5/t is based on an exchange rate of A$1 = US$0.75. As usual the outcome will depend on the willingness of Japanese steel mills to pay a premium to spot prices.

Seaborne prices have typically lain below domestic Chinese prices this year, due to the domestic bias of Chinese buyers. Demand is so weak in China that domestic prices have also been under enormous pressure with new price cuts of CNY20-30/t announced in late November. The removal of the 3% import tax on Australian metallurgical coals from January 2016 should improve the competitiveness of imported coal but, in the current environment, may just inspire further price cuts from domestic Chinese miners. Recent representations made by the Australian Prime Minister to his Chinese counterpart, regarding the effect of China's coal quality restrictions, may yield some further advantage for Australian miners from next year.

We expect modest demand growth for HCC in Italy, India, Vietnam, Japan and Belgium during 2016. Combined with further HCC capacity cuts from the US, and other marginal producers, the reduction of excess capacity should provide a modicum of support to prices as the year progresses. But in the very near term, poor demand, and even weaker sentiment, low supply costs and low prices for iron, steel and met coke, are a recipe for further spot price falls. We expect HCC spot prices to average US$81/t in 2016 (at AUD1=US$0.72), with contract prices averaging US$89/t. We expect both spot and contract prices to rise toward the back end of the year; contract prices reaching US$92/t by Q4 2016. But average prices will remain well below 2015 levels.

Key Price Forecasts (US$/t FOB)



Source: Various Pricing Surveys (history), Wood Mackenzie (forecasts)

The PCI sector has held onto price gains made during October, showing stability at around US$64/t. The potential loss of 1 Mtpa of ULV PCI from Baralaba has added some tightness in PCI, which has seen more than its share of supply curtailment in recent months. There is not much PCI material available for prompt sale, meaning suppliers have been able to offer remaining coal at comparatively firm prices. The spot differential to HCC has reduced to around 14%.

There is not much happening in the SSCC sector, with limited trade occurring into both SE Asia and China. Most participants consider the immediate outlook to be relatively weak, with demand looking insipid into Q1 2016. Low thermal and hard coking coal prices art still acting to depress SSCC prices. Given the slightly tighter conditions in the PCI sector, SSCC quarterly contract prices are likely to settle below PCI in the upcoming negotiation, in line with current spot prices and the traditional differential between those coal types.

Supply

Recent supply trends have persisted during November. Too much capacity exists and there have been no widespread disruptions this month. There has however been a spattering of mine closures and production cut announcements, and some notable bankruptcy filings. However, the supply adjustment process remains slow.

Chinese miners stretched but little sign of broad restructuring

Wood Mackenzie analysts spent a week in Shanxi this month, visiting miners and service providers to gauge sentiment, and look at their near-term prospects. What they found was an industry making difficult choices to reduce costs and adjust to the demand environment, with little hope of improvement in 2016. At the same time, there is little fear that local and provincial government support will be withdrawn any time soon, given the importance of coal to the Shanxi economy.

Salaries have been a considerable target for cost reduction this year. Miners we spoke to have seen office salaries and some surface operations staff cut by over 50%. The social burden on Shanxi miners tends to be much higher than in other provinces, and labour costs are comparatively high as a result. But, safety and underground mine worker salaries have been largely ring-fenced, limiting the cost-reduction options at some mines.

Shanxi's reliance on the mining industry creates a dilemma for authorities. On the one hand there is a willingness to aid the industry in whichever way they can. However, tax relief and other direct support would have a huge impact on government revenue. A broad restructuring of the industry is also made difficult by the lack of alternative forms of large-scale employment in

the province. Many mining companies are diversifying into other industries – such as real estate, agriculture and natural gas – into which they can transition employees. But it is a slow process, as is retraining their existing low-skilled workers.

There was no evidence of government pressure on the Shanxi industry to rationalise. There was a sense from miners that a strong directive from the authorities was needed to promote reform. But the provincial government is still encouraging miners to become more competitive by increasing production.

Some miners are looking at salvation from a transition into the power space. Shenhua's success in becoming an integrated power producer has encouraged Shanxi miners to do the same; Datong Coal and the Jinneng Group are piloting a similar strategy by acquiring electricity companies.

Rail cost reductions in Inner Mongolia and Shandong exceptional cases

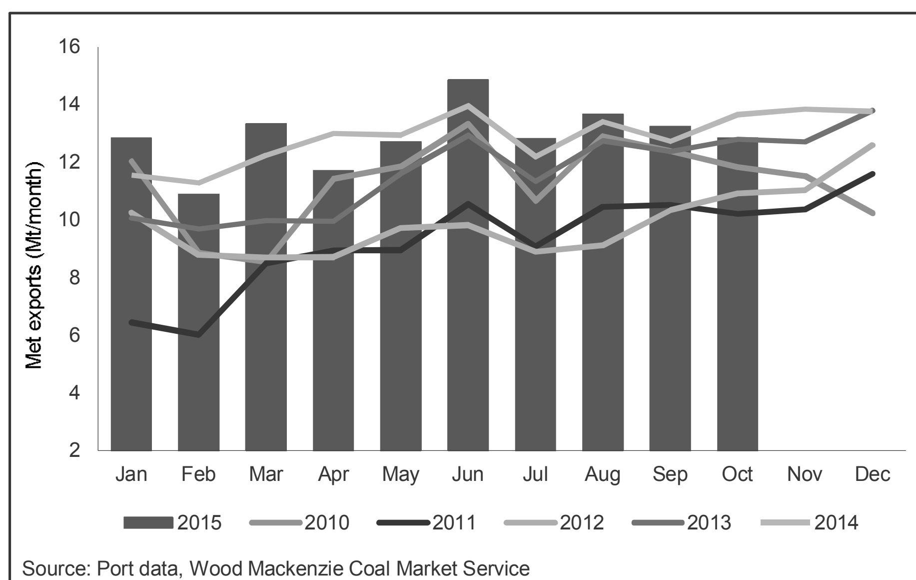
The country-wide roll out of rail tariff cuts – similar to those seen in IM and Shandong – is unlikely in our view, and certainly not expected by Shanxi producers. For a start, China Rail enjoys a monopoly and in Shanxi, rail remains more competitive than trucking, particularly on the long hauls to coastal provinces, where much of Shanxi's coal ends up.

The situation is very different in Inner Mongolia, where low coal quality is impeding competitiveness. The provincial government there is attempting to create demand for the beleaguered sector. In Shandong coal quality is the defining issue, due to a long-term reliance on high sulphur local coals, which have created a legacy of severe air pollution. In Shandong's case lower rates are designed to enable cleaner coals from further afield to compete into the province.

Queensland miners keep on keeping on

Australian met coal exports remain on track to hit 182 Mt this year. October exports from Queensland did fall by around 1 Mt, almost entirely due to lower exports through Abbot Point. It is the first time since May that Queensland's monthly exports have been lower year-on-year. The modest reduction is probably attributable to normal variation, although China's Golden week in October had a dampening effect on imports.

Queensland ports: metallurgical exports (Mt) - old



Source: Port data, Wood Mackenzie Coal Market Service

Australian and Canadian miners not immune from downturn

Cockatoo finally succumbs

This month, Cockatoo Coal became the 2nd WICET shareholder to enter receivership, after Bandanna Energy in late 2014. Removal of support from the ANZ Bank was a key catalyst, specifically the requirement for Cockatoo coal to repay an A$81 M guarantee facility by 15th January 2016. The ANZ guarantee was associated with Cockatoo's take-or-pay arrangements at WICET, and could only be partially replaced by cash and alternative guarantees. Thus, financing associated with port take-or-pay commitments claimed another victim in Queensland. Once a must-have accessory for any ambitious coal company, port and rail capacity has become a morbid liability.

The immediate impact on supplies of LV PCI is uncertain, but the planned expansion to 3.5 Mtpa is clearly on hold. Baralaba's existing 1 Mtpa of LV PCI production is also at risk, but future production will be determined by the success of any sale process, or further cost cutting by existing management. The PCI trade, having already seen supply cuts from Coppabella and Curragh, with uncertainty over the future of Foxleigh, is transforming faster than other metallurgical coal sectors.

Teck Coal forced to make further cuts

Canada's coal industry has already witnessed the disappearance of marginal production from the Walter assets and Teck, Canada's HCC behemoth, has this month doubled the total number of employee cuts over the last 18 months to 2000.

Teck followed up the temporary coal production slowdown in Q3 2015 with an announcement regarding 1000 job cuts across the broader business. The cuts will permanently reduce coal production, but not immediately. The Coal Mountain Phase 2 project has been indefinitely delayed, meaning no more coal output from Coal Mountain after 2017. The change will result in the loss of some 2.25 Mtpa of met coal production from 2018, although some loss may be made up by higher production at Teck's five other coal mines.

Teck is pursuing a strategy of reducing Chinese sales, something its peers have also been attempting. Canadian coals are competing aggressively beyond China at the moment, including into India which is not a typical destination for Canadian coals. This determination to diversify is an acknowledgement of the risk around Chinese demand but perhaps also points to the pressure Teck's margins are under.

US supply will fall again in 2016

The production outlook for many of the US's premier metallurgical coal mines is fragile, including those ensconced in bankruptcy proceedings which have yet to run their course. Many mines owned by Alpha, Cliffs, Walter Energy and Blackhawk will see lower production next year, whilst MetInvest will close its Carter Roag mid-volatile HCC mine by December 25th.

Alpha Natural Resources continues to restructure its operations while operating under Chapter 11 bankruptcy protection. In August, the company sold four underground mines and the Pigeon Creek processing plant (all located in Wise County, Virginia) to Revelation Energy, and in late October announced plans to offer 19 idled complexes for sale. The proceeds from these sales were to be used to work against Alpha’s large debt, which it mostly amassed in the purchase of Massey Energy.

The company will most likely continue to trim high-cost mines and now expects met coal sales for 2015 at 14.2 Mt, a reduction of 0.8 Mt versus 2014. However, about 1.9 Mt of the current-year output is from operations that are either inactive or have been sold. Alpha expects met sales for 2016 at about 11.6 Mt.

Cliffs Natural Resources, in a drastic effort to reign in costs, decided to stop longwall development work at its two mines, Pinnacle and Oak Grove, while continuing the search for a buyer. If the mines run out of developed panels before they are sold, Cliffs will close them both. Closure would occur sometime around the end of 2016 based on the reserves remaining in each

developed panel. Based on a scenario where mine production persists, without development, the cut would be about 0.7 Mt in 2016, whereas the potential loss of all mining could see 3 Mtpa leave the market from 2017.

Blackhawk Mining's transition of key mine complexes bought from the bankruptcy proceedings of Patriot Coal, has run into some small transition problems. The company hoped to have a seamless change in ownership without any work stoppage but was forced to hold a job fair in Charleston, West Virginia on October 23, to rehire Patriot miners. The intent was to hire about 1,400 ex-employees and operate all of the newly-acquired mines. Based on our estimate of Patriot's labour force at 2,000, the hiring target of 1,400 could imply either a necessary 30% reduction in workforce, or Blackhawk's attempt for more flexibility to hire some miners from elsewhere.

To add to Walter Energy's existing problems, the No.7 mine encountered geological problems this month which has led to the temporary standing down of 265 workers, around 50% of the workforce. This reduction is designed to be temporary until the longwall works through this difficult area.

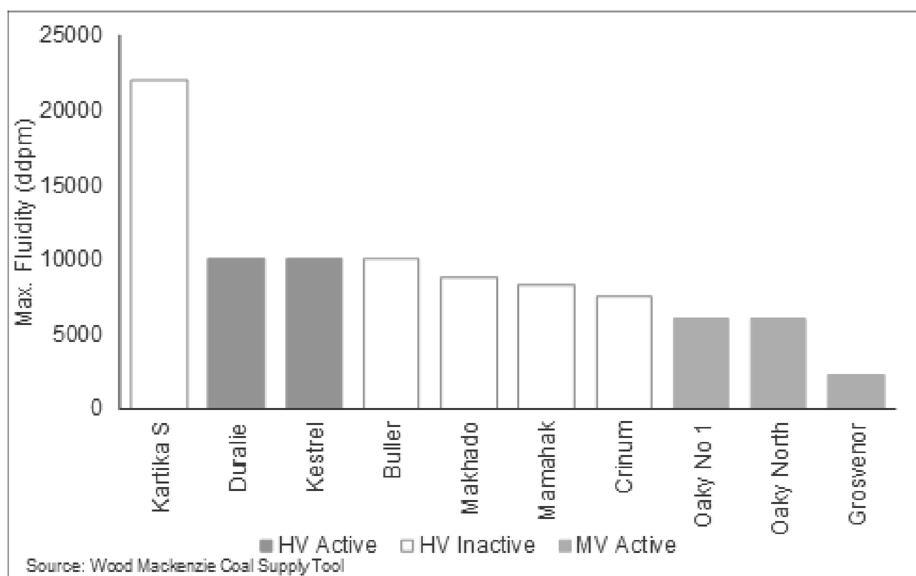
Elsewhere, Arch Coal is continuing efforts to avoid filing for bankruptcy, but the company recently stated that Chapter 11 may be necessary. Previous efforts to restructure the debt, to push forward payment dates have been unsuccessful. Meanwhile, Consol is still trying to find buyers for some of its non-core coal properties, subsequent to the sale of its 49% interest in the joint venture, called Western Allegheny Energy, to Rosebud Energy. In addition, CONSOL is offering a number of idled coal properties for sale to generate cash.

Asian Fluidity crisis from 2016?

High volatile HCC, from regions outside the US, is exiting the market at a faster rate than that of any other type of metallurgical coal. Combined with a reduction in fluidity at existing mines, buyers that rely on fluidity are having to cast the net widely.

The end of mining at Crinum – and loss of 5.5 Mtpa of HV HCC - has been long anticipated, but falling fluidity at Kestrel, post expansion, has come as a surprise. Asia's supply of HV HCC is looking very bare: excluding Russian coal there is precious little high CSR, high fluidity material available. The Indonesian industry has retreated – Kartika Selabumi and Mamahak are no longer operating - and Buller (New Zealand) and Makhado (South Africa) are awaiting development. Of those mines still operating in 2016, Kestrel is struggling to reach its typical fluidity levels and Duralie, despite being classified as a HCC, is not a direct replacement due to a much lower CSR.

Top 10 Asian mines ranked by Max fluidity 2016 (excl Russia)



Source: Wood Mackenzie Coal Supply Tool

The loss of HV HCC production in Indonesia and Australia is likely to provide an opportunity for Russian miners, where high fluidity products from Elga and Vorkutaugol often target export markets. Sibuglement produces a substantial amount of high fluidity material from mines such as Antonovskaya and Bolshevik, but such coals are also highly sought after in domestic markets.

Mid volatile HCC suppliers in Australia are also benefitting as steel makers search for high CSR coals with above average fluidity. Prices for mid-volatile HCC coals have performed well compared to LV HCCs in recent months, and the search for fluidity will exacerbate the trend.

Demand

The factors driving demand for imported metallurgical coal remain largely negative: the appalling Chinese property sector, high steel and coke exports, and strong US$ are at the heart of it.

Real demand for steel in Europe and the US is actually holding up reasonably well, but in the US, stocks of steel built up last year are meeting the demand, rather than production of new steel. In the EU car registration is up 8-9% year-to-date and demand has been robust, albeit slowing recently. But, EU crude steel production has turned negative in the second half, and hot metal production is also negative. In both the EU and US, real demand growth is being met by imports. China is the most visible source but low domestic demand in places such as Brazil and Russia, has meant greater tonnage available for export. Cheap steel imports are dampening coke and coal demand everywhere: from Brazil, to South Korea, to the UK.

India remains a positive force for steel demand - likely to be up 7.1% y-o-y in 2015 - but some uncertainty exists around the ability to maintain investment levels in 2016. Crude steel production is up only 3.3% year-to-date, largely due to competition from cheap imports, although Tata's Kalinganagar project will provide more supply – and demand for met coke and coal - as it ramps up over the remainder of this year.

In China, despite a slight increase in property prices during Q3 2015, all market indicators suggest a troubled near-term future for real estate. In October, fixed investment in real estate and total new starts fell by 12.7% and 37.5% respectively. Analysis by Wood Mackenzie's steel markets service forecasts even weaker construction activity in Q4, pointing to lower steel product prices.

The high housing inventory, a key cause of the poor outlook for property, is extremely bad in tier two and three cities, forcing developers to abandon them in favour of tier one cities such as Beijing, Shanghai, Guangzhou and Shenzen. But tier one cities, despite having lower inventory, are likely to exhibit only minor growth. The western regions – such as Inner Mongolia, Xinjiang and Yunnan – will be most severely hit by the excess capacity, since they were already well supplied in 2014. Stock levels must be reduced across multiple regions before new investment can be stimulated, a process that will take time.

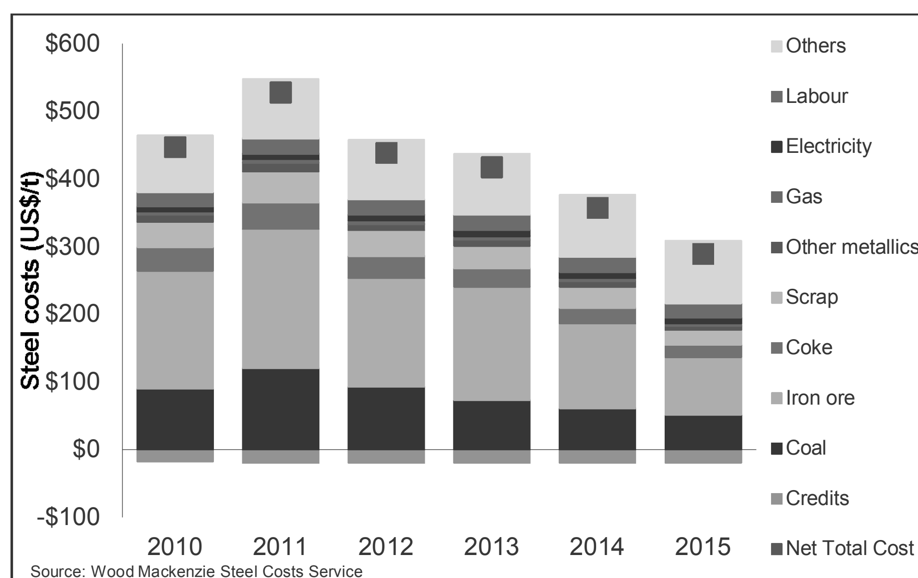
Weak steel demand has translated into poor production performance, with crude steel production also down – by 2.2% year to date. But the impact on coke and coal has been much worse. Coke production fell 9.4% year-on-year in October, the worst monthly performance this year. Whilst the October performance was partly a function of Golden Week holidays, coke production remains down 5.1% year-to-date. October also saw very low import demand with coking coal deliveries falling 41% year-on-year to about 4 Mt.

The Fifth Plenary Session of the Eighteenth Central Committee, which concluded in October, has provided little optimism regarding the near-term for steel demand in China. The provisional announcements suggest the government will target a growth rate of at least 6.5% over the 13th Five Year Plan period. But, the output growth will likely come from less steel-intensive activities, with construction, manufacturing and mining continuing to weaken during the transition to a demand economy. We expect infrastructure to be an exception, given the need for transport facilities in many tier two and three cities over time. On the whole though, there is unlikely to be a major stimulus to steel demand in the period to 2020, and removal of excess capacity is absolutely critical in order to get the steel sector on a more even footing.

Steel production costs have fallen dramatically

The reduction in global steel making costs is making a steel price recovery very unlikely. Global average BOF costs have fallen from US$527/t in 2011 to US$289/t this year, some 45%. Raw material costs are the obvious driver of this change, including scrap which has seen prices drop belatedly during the year.

Global BOF steel production costs 2010 - 2015



Russian steel making costs are typically low due to the availability of domestic raw materials. The steep falls in internationally traded coal and iron has meant that the impact has been greater for countries relying on imports. But Russian steel makers have been additionally helped by the rouble devaluation; costs of steel slab have fallen to just over US$220/t this year, well below the global average. The low-cost Russian steel will weigh on prices of steel and the broader value chain. Prices for slab into EU and Turkey are currently close to US$230/t FOB Black sea.

Gloomy Indian coking coal production outlook could provide some upside for imports

Despite a massive 15 Mt increase in annual hot metal output during the period 2011-2015, there has been almost no growth in domestic Indian metallurgical coal supply. Metallurgical coal demand growth has been entirely captured by imports; rising from 32.6 Mt in 2011 to 45.4 Mt in 2015.

The Indian metallurgical coal sector is complex and difficult to unravel. Production of coal with caking properties is large, but only a very small volume is used in metallurgical applications. In the fiscal year to March 2015, raw coking coal production totalled 57.5 Mt, but only 13.8 Mt was characterised as having sufficient metallurgical properties, and was sent for washing. The final product output for coke-making was closer to only 7 Mt. This low utilisation is due to inferior coal quality - comparatively weak caking properties and high raw ash content - difficult washing characteristics, and inefficient wash plants. Although raw metallurgical coal production increased by nearly 8 Mt in the past five years, actual supply of washed coal used for metallurgical applications remained flat.

Coal washing capacity is poorly maintained and severely under utilised. Indian coal washing data available for fiscal year 2014 suggests that – despite Coal India owning 25 Mtpa of coking coal wash plant capacity - only 13.8 Mt raw coal was washed. This

low usage is a symptom of a long running trend of under-investment in mine improvement and wash plant performance. Average ash content in clean metallurgical coal in India is very high, at 20%, and domestic coal is always blended with imports to produce coke.

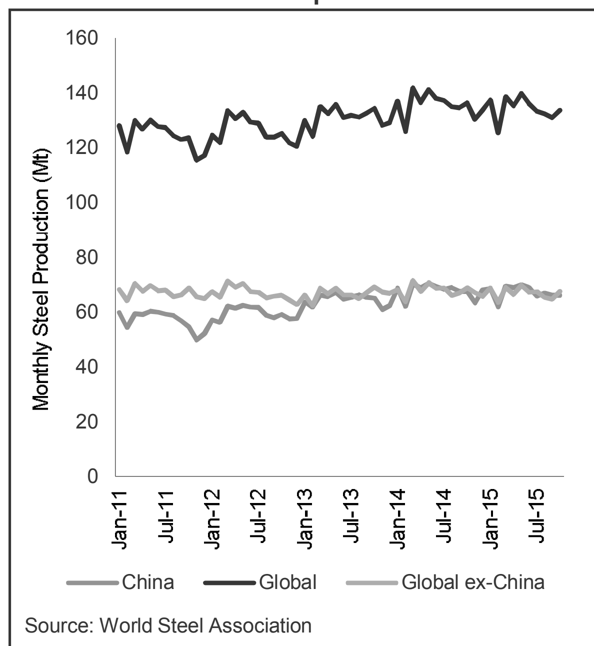
We estimate that existing wash plant capacity is more than 40 years old and has not been adequately maintained or upgraded. CIL subsidiary company, Bharat Coking Coal Limited (BCCL), is aware of the problem and is now belatedly modernizing and expanding a few wash plants which should improve capacity utilization and yield in future. There are also plans on the drawing boards for a large number of new plants, but we are cautious regarding how many may actually be constructed – and how soon.

The near-term outlook for clean metallurgical coal supply largely depends on the development of three expansion projects; Tasra (4 Mtpa), Sitanala (0.3 Mtpa) and Parbatpur Central (1.8 Mtpa). All these projects now belong to Steel Authority of India Limited (SAIL); Parbatpur Central was transferred to SAIL earlier this year after its allocation to Electro Steel was cancelled by a court ruling.

The projects are operational and their combined raw coal production in fiscal 2015 was less than 0.5 Mt. However, two of the three projects require appointment of a mining contractor who can attract investment and new technology, and also acquire the remaining land critical to capacity expansion. Tasra and Sitanala were allocated to SAIL more than a decade ago but the company has struggled to expand for several reasons. The company appointed LANCO Infratech as the mine-developer-operator (MDO) in 2013 and there has been some progress on the Tasra project, but the tender for the Sitanala project's contractor appointment is not yet complete.

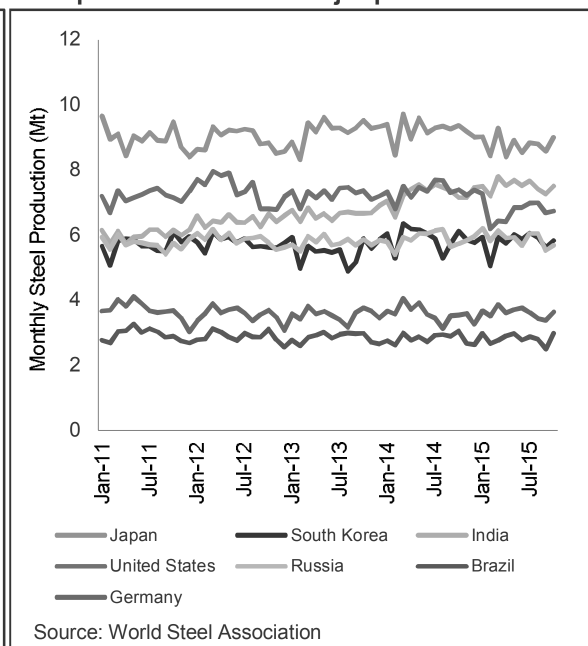
In our base case, we expect 3 Mtpa growth in clean metallurgical coal supply between now and 2017, but there could be delays due to the aforementioned challenges, which would result in higher-than-expected demand for imports.

Global and Chinese steel production

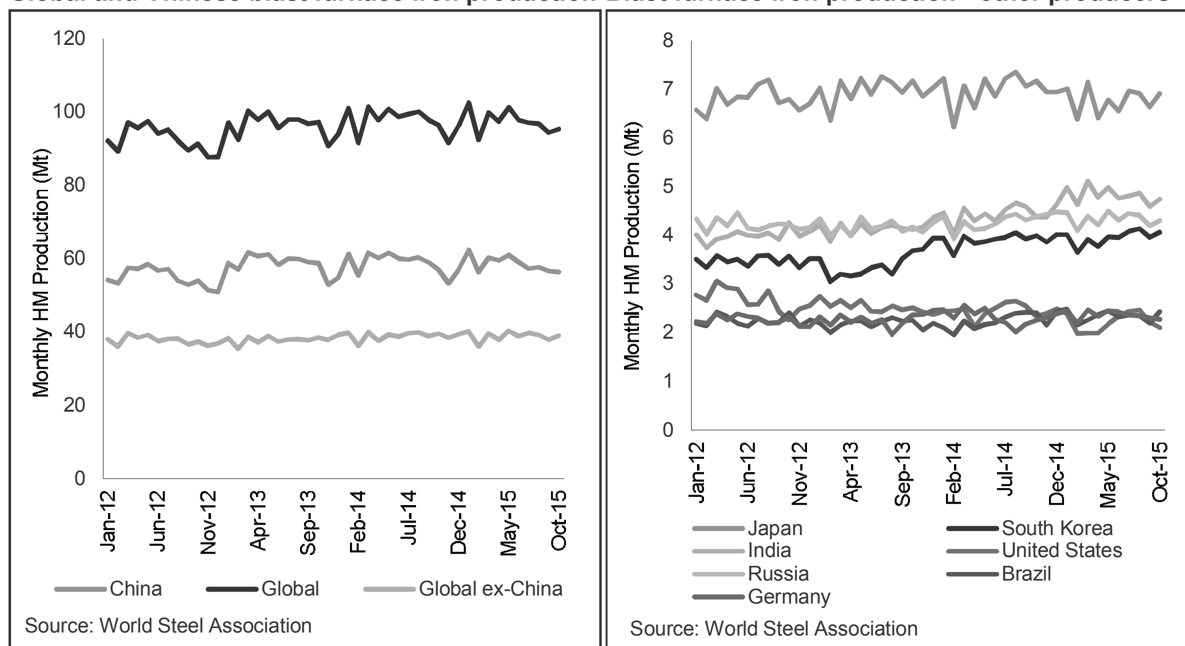


Source: World Steel Association

Steel production - other major producers



Source: World Steel Association



Client Helpdesk	Europe	Americas	Asia Pacific
support@woodmac.com	+44 131 243 4477	+1 713 470 1700	+65 6518 0888

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This is Exhibit "H" referred to in Affidavit #1 of **William G. Harvey** sworn December 4, 2015 at Birmingham, Alabama, United States.

Kathy C. Lott

A Notary Public in the State of Alabama

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): **April 15, 2014**

Walter Energy, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**001-13711**	**13-3429953**
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(I.R.S. Employer Identification No.)

3000 Riverchase Galleria, Suite 1700
Birmingham, Alabama 35244
(205) 745-2000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

N/A
(Former name or former address, if changed from last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

On April 15, 2014, Walter Energy, Inc. announced the idling of its Canadian operations, including the Wolverine and Brazion coal mines in British Columbia, beginning in April 2014. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press release, dated April 15, 2014.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

		WALTER ENERGY, INC.
Date: April 15, 2014	By:	/s/ Earl H. Doppelt
		Earl H. Doppelt
		Executive Vice President, General Counsel and Secretary

Exhibit 99.1

SOURCE: Walter Energy

WALTER ENERGY TO IDLE CANADIAN OPERATIONS

BIRMINGHAM, AL — April 15, 2014 — Walter Energy, Inc. (NYSE:WLT; TSX:WLT) will begin idling its Canadian operations, including the Wolverine and Brazion coal mines in British Columbia, in April 2014.

The company will place its Wolverine mine (located near the district municipality of Tumbler Ridge) on idle status effective immediately. Brazion (which includes the operations of Brule and Willow Creek and is located near the district municipality of Chetwynd) will continue to operate the Brule mine but expects to idle the mine by July 2014. The company will continue to operate its preparation plants at these mines to complete processing of coal that already has been mined and is in inventory.

For 2013, coal production from Wolverine, which produces mid-volatile hard coking coal, was 1.6 million metric tons, while the Brazion mines produced approximately 1.9 million metric tons of low-vol PCI and 0.1 million metric tons of hard coking coal. As of December 31, 2013, Walter Energy had approximately 1.1 million metric tons of coal in inventory in Canada.

Employment impacts include temporary layoffs of approximately 415 employees at the Wolverine mine, approximately 280 employees at Brazion, and other administrative support staff. A limited number of employees will remain at each site to operate the preparation plants and, once coal processing is complete, to perform ongoing equipment maintenance and provide ongoing security for the sites during the idle period.

“These layoffs are particularly unfortunate because our employees have worked very hard to keep these mines competitive in the face of daunting market conditions,” said Walter J. Scheller III, Chief Executive Officer. “Equally important, they’ve worked safely.” Scheller noted that the Brule mine completed 2013 without a reportable safety incident.

“These coal reserves remain valuable assets,” Scheller added. “However, given the current met coal pricing environment, our best course of action at this time is to idle these operations until we can achieve reasonable value from these reserves.”

The company expects to incur severance charges of approximately $7 million in the second quarter of 2014 in connection with the idling of the mines.

About Walter Energy

Walter Energy is a leading, publicly traded “pure-play” metallurgical coal producer for the global steel industry with strategic access to high-growth steel markets in Asia, South America and Europe. The company also produces thermal coal, anthracite, metallurgical coke and coal bed methane gas. Walter Energy employs approximately 3,600 employees, with operations in the United States, Canada and United Kingdom. For more information about Walter Energy, please visit www.walterenergy.com.

Safe Harbor Statement

Except for historical information contained herein, the statements in this release are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and may involve a number of risks and uncertainties. Forward-looking statements are based on information available to management at the time, and they involve judgments and estimates. Forward-looking statements include expressions such as "believe," "anticipate," "expect," "estimate," "intend," "may," "plan," "predict," "will," and similar terms and expressions. These forward-looking statements are made based on expectations and beliefs concerning future events affecting Walter Energy and are subject to various risks, uncertainties and factors relating to Walter Energy's operations and business environment, all of which are difficult to predict and many of which are beyond Walter Energy's control, which could cause Walter Energy's actual results to differ materially from those matters expressed in or implied by these forward-looking statements. The following factors are among those that may cause actual results to differ materially from Walter Energy's forward-looking statements: unfavorable economic, financial and business conditions; a substantial or extended decline in pricing, demand, and other factors beyond Walter Energy's control; failure of Walter Energy's customers to honor or renew contracts; Walter Energy's ability to collect payments from its customers; inherent risks in coal mining that are beyond Walter Energy's control; title defects preventing us from (or resulting in additional costs for) mining Walter Energy's mineral interests; concentration of Walter Energy's mining operations in a limited number of areas; a significant reduction of or loss of purchases by Walter Energy's largest customers; unavailability or uneconomical transportation for Walter Energy's coal; significant competition and foreign currency fluctuation; significant cost increases and fluctuations, and delay in the delivery of raw materials, mining equipment and purchased components; work stoppages, labor shortages and other labor relations matters; Walter Energy's ability to hire and retain a skilled labor force; risks associated with Walter Energy's reclamation and mine closure obligations; inaccuracies in Walter Energy's estimates of coal reserves; Walter Energy's ability to develop or acquire coal reserves in an economically feasible manner; challenges to Walter Energy's licenses, permits and other authorizations; failure to meet project development and expansion targets; risks associated with operating in foreign jurisdictions; risks associated with environmental, health and safety laws and regulations; risks associated with federal, state and provincial regulatory agencies' authority to order temporary or permanent closure of Walter Energy's mines; increased focus by regulatory authorities on the effects of surface coal mining on the environment; risks related to climate change concerns; risks related to Walter Energy's operations' impact on the environment; risks related to Walter Energy's indebtedness; Walter Energy's ability to generate cash for its financial obligations, to refinance its indebtedness or to obtain additional financing; Walter Energy's ability to incur additional indebtedness; restrictions in Walter Energy's existing and future debt agreements; events beyond Walter Energy's control may result in an event of default under one or more of its debt instruments; downgrades in Walter Energy's credit ratings; failure to obtain or renew surety bonds on acceptable terms could affect Walter Energy's ability to secure reclamation and coal lease obligations; costs associated with Walter Energy's pension and benefits, including post-retirement benefits; costs associated with Walter Energy's workers' compensation and certain medical and disability benefits; adverse rulings in current or future litigation; Walter Energy's ability to attract and retain key personnel; Walter Energy's ability to identify or integrate suitable acquisition candidates to promote growth; volatility in the price of Walter Energy's common stock; Walter Energy's ability to pay regular dividends to stockholders; Walter Energy's exposure to indemnification obligations; risks associated with terrorist attacks and threats and escalation of military activity in response to such attacks; risks associated with cyber-attacks or other security breaches; and other risks and uncertainties including those described in Walter Energy's filings with the SEC. Forward-looking statements made by Walter Energy in this release, or elsewhere, speak only as of the date on which the statements were made. You are advised to read the risk factors in Walter Energy's most recently filed Annual Report on Form 10-K and subsequent filings with the SEC, which are available on Walter Energy's website at www.walterenergy.com and on the SEC's website at www.sec.gov. New risks and uncertainties arise from time to time, and it is impossible for Walter Energy to predict these events or how they may affect it or its anticipated results. Walter Energy has no duty to, and does not intend to, update or revise the forward-looking statements in this release, except as may be required by law. In light of these risks and uncertainties, readers should keep in mind that any forward-looking statement made in this press release may not occur. All data presented herein is as of the date of this release unless otherwise noted.

Contact Information

For media:
Thomas F. Hoffman
205-745-2612
tom.hoffman@walterenergy.com
or
For investors:
Mark Tubb
205-745-2627
mark.tubb@walterenergy.com

8-K 1 a14-16711_18k.htm 8-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): **July 8, 2014**

Walter Energy, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**001-13711**	**13-3429953**
(State or other jurisdiction of incorporation)	Commission File No.	(I.R.S. Employer Identification No.)

3000 Riverchase Galleria, Suite 1700
Birmingham, Alabama 35244
(205) 745-2000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure.

In connection with the offering of the Notes (as defined in Item 8.01 below), Walter Energy, Inc. (the "Company") is disclosing under Item 7.01 of this Current Report on Form 8-K the following information.

Credit Facility Amendment and Repayment of Revolving Credit Facility

On July 7, 2014 the Company entered into the seventh amendment (the ''Seventh Amendment'') to the Company's credit agreement, dated as of April 1, 2011 (as amended, the ''Credit Agreement''), whereby the Company's financial maintenance covenant will be unlimited for the quarter ended June 30, 2014 so long as at least $275.0 million of first lien notes are issued within 7 days (or such longer period during the fiscal quarter ending September 30, 2014 as may be determined by the Administrative Agent (as defined under the Credit Agreement).

On July 8, 2014, the Company expects to enter into an incremental amendment (the ''Incremental Amendment'') to the Credit Agreement. The proposed Incremental Amendment will provide the Company with an additional tranche of revolving loan commitments (the ''New Revolving Credit Facility Tranche'') in the amount of $61.2 million, thereby increasing the total available commitments under the revolving credit facility in the Credit Agreement (the ''Revolving Credit Facility'') to $375 million. The New Revolving Credit Facility Tranche will mature in 2017. Effectiveness of the Incremental Amendment is conditioned upon the Company pricing a bond offering of no less than $275.0 million and certain other conditions required under the Credit Agreement.

The Company intends, on the closing date of this offering of the new notes, to draw approximately $298.1 million under the Revolving Credit Facility and to place the proceeds thereof in an escrowed account with Morgan Stanley & Co. LLC. The Company intends to use the net proceeds from this offering of the new notes to repay all amounts outstanding under the Revolving Credit Facility (other than such outstanding letters of credit), at which time the lenders' commitments (including the commitments of affiliates of certain of the initial purchasers) under the Revolving Credit Facility will be terminated (other than commitments for such outstanding letters of credit).

This offering of the new notes, our entry into the Incremental Amendment and the Seventh Amendment and the application of the net proceeds from this offering of the new notes to repay amounts outstanding under the Revolving Credit Facility are referred to in this offering memorandum as the ''Transactions.''

Idling of Canadian Operations

In April 2014, we began idling our Canadian operations, including the Wolverine and Brazion coal mines in British Columbia. We placed the Wolverine mine (located near the district municipality of Tumbler Ridge) on idle status in April 2014 and the Brazion operations (which includes the operations of Brule and Willow Creek and is located near the district municipality of Chetwynd) on idle status in June 2014. We incurred severance charges of approximately $7 million in the second quarter of 2014 in connection with the idling of these mines. Our Ridley Terminal Services agreement has an annual minimum throughput requirement of 4.0 million metric tons and we anticipate future charges as a result of not fulfilling this requirement. Our maximum exposure per calendar year in which we do not utilize the terminal is approximately C$25.0 million. The Company has advised the Ridley terminal that it intends to assert a force majeure defense arising from certain geological conditions affecting the Wolverine mine.

Declines in Benchmark Metallurgical Coal Contract Prices

The Company predominantly prices and sells its metallurgical coal on a quarterly basis using a quarterly benchmark price. The quarterly benchmark for the metallurgical coal contract price for 2013 ranged from a low of $145 per metric ton to a high of $172 per metric ton, was $152 per metric ton for the fourth quarter of 2013, was $143 per metric ton for the first quarter of 2014, was $120 per metric ton for the second quarter of 2014 and is $120 per metric ton for the third quarter of 2014. If the quarterly benchmark price for metallurgical coal does not meaningfully increase over the next few years, it would have an adverse effect on our operations, liquidity, ability to remain in compliance with our covenants in our Credit Agreement, and our ability to service our indebtedness. In addition, sustained negative economic, financial and business conditions may adversely affect our business.

Sale of Blue Creek Terminal

In May 2014 we signed an agreement with the Alabama State Port Authority to sell both the Blue Creek Terminal located in the Port of Mobile and an additional parcel of more than 60 acres located less than a mile from the Blue Creek Terminal for $25 million. The transaction is expected to close in the third quarter of 2014.

Maple Leaf Loading Ltd.

Effective June 27, 2014, Maple Leaf Loading Ltd. (‘‘Maple Leaf’’), the firm which transports coal from the idled Brule Mine to our processing plant via the Falling Creek Connector Road, announced that it had been placed into receivership by its creditors. As a result, we are currently identifying alternatives to the services previously provided by Maple Leaf.

Mine No. 7 Geological Issues

In June 2014, we experienced difficult geological conditions at Mine No. 7 which adversely affected production. The impact on production was less than 100,000 metric tons, and there was no impact on sales. We believe these geological issues have been resolved and still expect the Company’s full-year 2014 metallurgical coal production to total between 9.0 and 10.0 million metric tons.

Preliminary Metallurgical Coal Production and Sales Volume

Preliminary metallurgical coal production for the second quarter of 2014, including both hard coking coal (‘‘HCC’’) and low-volatility (‘‘low-vol’’) pulverized coal injection product (‘‘PCI’’) was 2.5 million metric tons comprised of 2.0 million and 0.5 million metric tons produced within our U.S. operations and Canadian and U.K. operations, respectively. Preliminary metallurgical coal sales for the second quarter of 2014, including both HCC and low-vol PCI was 2.7 million metric tons comprised of 2.0 million and 0.7 million metric tons sold within our U.S. operations and Canadian and U.K. operations, respectively.

Our ability to generate the significant amount of cash needed to service our debt and financial obligations, to refinance all or a portion of our indebtedness or obtain additional financing depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, including the Notes, depends on our ability to generate cash in the future. We are subject to general economic, climatic, industry, financial, competitive, legislative, regulatory and other factors that are beyond our control. In particular, economic conditions have caused the price of coal to fall and our revenue to decline and in the future could cause the price of coal to remain at current levels or fall, which may have an adverse effect on our operations, liquidity, ability to remain in compliance with our covenants in our Credit Agreement, and our ability to service our indebtedness. As a result, we may need to refinance all or a portion of our indebtedness, including the Notes, on or before maturity. Our ability to refinance our debt or obtain additional financing will depend on, among other things:

- our financial condition at the time;
- restrictions in the agreements governing our indebtedness; and
- other factors, including conditions in the financial and capital markets or coal industry.

The information in Item 7.01 of this Current Report on Form 8-K is “furnished” and shall not be deemed to be “filed” with the Securities and Exchange Commission (the “SEC”) or incorporated by reference in any filing under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended (the “Securities Act”), except as shall be expressly set forth by specific reference in any such filings.

Item 8.01 Other Events.

On July 8, 2014, the Company issued a press release announcing that it has commenced a private offering of $320.0 million aggregate principal amount of its 9.500% senior secured notes due 2019 (the “Notes”). The Notes are a follow-on issue to the $450.0 million aggregate principal amount of the Company’s 9.500% senior secured notes due 2019 which were issued on September 27, 2013 and the $200.0 million aggregate principal amount of 9.500% senior secured notes due 2019 which were issued on March 27, 2014 (collectively, the “Existing First Lien Notes”) and will be issued under the indenture governing the Existing First Lien Notes (the “Indenture”). The Notes will be treated as a single class

together with the Existing First Lien Notes for all purposes under the Indenture. The Notes will generally be fungible and consolidated with the Existing First Lien Notes, except that the Notes offered in reliance on Regulation S under the Securities Act will not be fungible during the first 40 days following the issue date. The Notes will have terms identical to those of the Existing First Lien Notes, except that the Notes will have a different issue date and offering price.

The Notes will be guaranteed by each of the Company's current and future wholly-owned domestic restricted subsidiaries that from time to time guarantee any of the Company's indebtedness or any indebtedness of any of the Company's restricted subsidiaries.

The Company intends to use the net proceeds of the offering of the Notes to repay $298.1 million of indebtedness outstanding under its Revolving Credit Facility and to pay related fees and expenses. There is no assurance that any of these transactions will be consummated.

The Notes and related guarantees will be offered only to qualified institutional buyers in accordance with Rule 144A under the Securities Act and to non-U.S. persons in transactions outside the United States in reliance on Regulation S under the Securities Act. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein. The information included in this Current Report on Form 8-K is neither an offer to sell nor a solicitation of an offer to buy any securities of the Company.

Forward-Looking Statements

This Current Report contains various "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 regarding the proposed refinancing of the Company's debt, including those regarding the proposed use of proceeds therefrom. These forward-looking statements are made only as of the date of this report and are based on management's current expectations, assumptions, plans and beliefs. They involve risks and uncertainties that could cause actual future results, performance or developments to differ materially from those described in or implied by such forward-looking statements. Certain factors that could cause actual events not to occur as expressed in the forward-looking statements include, but are not limited to, the failure by the Company to successfully consummate the proposed financing transaction. Other potential risks and uncertainties are discussed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and in subsequent reports and other documents filed with the SEC from time to time. The Company assumes no obligation to update the forward-looking information except as may be required by law. Such forward-looking statements are based upon many estimates and assumptions and are inherently subject to significant economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company's management. Inclusion of such forward-looking statements herein should not be regarded as a representation by the Company that the statements will prove to be correct.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release, dated July 8, 2014

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WALTER ENERGY, INC.

Date: July 8, 2014

By: /s/ Earl H. Doppelt
Name: Earl H. Doppelt
Title: Executive Vice President, General Counsel and Secretary

https://www.sec.gov/Archives/edgar/data/837173/000110465914050465/a14-16711_18k.htm 7/8/2015

This is Exhibit "I" referred to in Affidavit #1 of **William G. Harvey** sworn December 4, 2015 at Birmingham, Alabama, United States.

Kathy C. Lott

A Notary Public in the State of Alabama

BILL OF SALE

THIS BILL OF SALE is made the _____ day of December, 2015.

BETWEEN:

WILLOW CREEK COAL PARTNERSHIP and **BRULE COAL PARTNERSHIP**
(collectively, the "**Vendors**")

– and –

JIM WALTER RESOURCES, INC.
(the "**Purchaser**", and together with the Vendors, the "**Parties**")

WHEREAS:

A. Certain Canadian affiliates of the Vendors' (collectively, "**Walter Energy Canada**") intend to apply for creditor protection under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") by petition (the "**CCAA Application**") to the Supreme Court of British Columbia (the "**Court**").

B. Walter Energy Canada intends to seek the Court's authorization to have the CCAA stay of proceedings extended to the Vendors as part of the CCAA Application.

B. Prior to the CCAA Application, the Vendors desire to sell, and the Purchaser desires to purchase, three (3) bulldozers as identified on Schedule "A" hereto, (the "**Purchased Assets**") on the terms and conditions set out herein.

C. Walter Energy Canada intends to obtain the approval of the Court of this Bill of Sale and the transaction contemplated herein as part of the CCAA Application and to seek an order, *inter alia*: (i) vesting the Purchased Assets in the Purchaser free and clear of any encumbrances except for an Equipment Charge (as defined below); (ii) granting the Vendor a Court-ordered first-ranking charge on the Purchased Assets in an amount equal to the Purchase Price until payment by the Purchaser of same; and (ii) reverting ownership of the Purchased Assets back to the Vendors in the event that the Purchase Price is not received by the Vendors within 90 days of the date of such order.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Purchase and Sale. Upon the execution of this Bill of Sale, the Vendors hereby agree to sell, convey, assign, transfer and set over unto the Purchaser all of the Vendors' right, title and interest in and to the Purchased Assets on an "as is, where is" basis for the amount of USD $1,200,000 (the "**Purchase Price**"), to have and to hold such Purchased Assets, unto and to the use of the Purchaser and its successors (including any successor by reason of amalgamation) and permitted assigns, to and for its sole and only use forever (the "**Transfer**"), provided that the sale and enforcement of the Transfer is subject to and conditional upon the terms and entry of an Order of the Court, *inter alia*, approving the sale of the Purchased Assets (the "**Initial Order**"). The Purchase Price constitutes

payment in full for the Purchased Assets and shall be allocated to each of the Vendors in accordance with the Purchase Price allocation values set out on Schedule "A" hereto. The Parties agree that the Purchase Price is exclusive of all applicable taxes (including, but not limited to, sales and transfer taxes).

2. Method of Payment. The Purchase Price shall be paid within sixty (60) days following the date of this Bill of Sale and shall be payable by way of wire transfer of immediately available funds to the Vendors in accordance with the wire transfer instructions set out on Schedule "B" hereto.

3. Taxes. The Purchaser shall be responsible for and shall pay all applicable taxes (including, but not limited to, all sales and transfer taxes, registration charges and transfer fees, including the goods and services/harmonized sales tax imposed under Part IX of the *Excise Tax Act* (Canada) and any similar value added or multi-staged tax imposed under applicable provincial legislation) in respect of the purchase and sale of the Purchased Assets under this Bill of Sale.

4. Transfer of the Purchased Assets. The Purchaser shall be solely responsible for and shall pay any and all of the fees, costs and expenses associated with taking possession of the Purchased Assets, including, for greater certainty, any fees, costs and expenses relating to the removal, transportation and shipment thereof (including, but not limited to, the transportation costs set out on Schedule "A" hereto which are included in the Purchase Price). Notwithstanding that the Transfer of the Purchased Assets to the Purchaser shall occur upon the execution of this Bill of Sale, the Purchaser shall not be entitled to take possession of the Purchased Assets until: (i) the entry of the Initial Order by the Court; and (ii) the Purchaser has transferred and the Vendors have received the Purchase Price from the Purchaser. The Purchaser hereby consents to Walter Energy Canada seeking a provision in the Initial Order reverting ownership of the Purchaser Assets back to the Vendors in the event that the Purchase Price is not received by the Vendors within 90 days following the date of the Initial Order.

5. Security Interest. To secure the Purchaser's payment of the Purchase Price to the Vendor, the Purchaser hereby grants each of the Vendors a first-lien security interest in the Purchased Assets including all accretions, substitutions, replacements, additions and accessions to any of them and all proceeds of any of the foregoing, upon the execution of this Bill of Sale (the "**Security Interest**"). The Purchaser acknowledges that value has been given and that the Security Interest granted herein shall attach to all of the Purchased Assets upon the execution by the Parties of this Bill of Sale. The Purchaser further acknowledges that Walter Energy Canada shall seek an Initial Order which, *inter alia*, grants the Vendors a Court-ordered first-ranking charge on the Purchased Assets in an amount equal to the Purchase Price until payment by the Purchaser of same (the "**Equipment Charge**"). Following receipt of the Purchase Price by the Vendors, the Equipment Charge will be extinguished automatically upon delivery of a Monitor's certificate to the Purchaser certifying that payment has been made.

6. "As Is, Where Is". The Purchaser acknowledges that the Purchased Assets are being purchased on an "as is, where is" basis and that no representations, warranties or conditions, statements, understandings or agreements, expressed or implied, in law or in equity, by statute or otherwise, have been made by the Vendors or exist with respect to or

in connection with the Purchased Assets, their description, fitness for any purpose, merchantability, quality, state, condition, location, value, the validity or enforceability of rights, any requirement for licenses, permits, approvals, consents for ownership, occupation or use, compliance with any government laws, regulations, by-laws and orders or in respect of any other matter or thing whatsoever and any and all conditions and warranties expressed or implied by the *Sale of Goods Act* (British Columbia) and any other applicable legislation do not apply to the sale of the Purchased Assets and are hereby waived by the Purchaser. The Purchaser acknowledges that it has conducted, and shall be deemed to have entirely relied on, its own inspection and investigation in proceeding with the purchase of the Purchased Assets and accepts the same in their present state, condition and location.

7. General.

(a) The provisions hereof will enure to the benefit of and be binding upon the Parties and their respective successors (including any successor by reason of amalgamation of any Party) and permitted assigns.

(b) This Bill of Sale is made under and shall be governed by and construed in accordance with the law of the Province of British Columbia and the federal laws of Canada applicable in the Province of British Columbia.

(c) This Bill of Sale may be executed by the Parties in counterparts and may be executed and delivered by facsimile or e-mail (PDF) and all the counterparts, facsimiles and PDFs shall together constitute one and the same agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties hereto have duly executed this Bill of Sale as of the date first written above.

JIM WALTER RESOURCES, INC.

By: ______________________________
Name:
Title:

WILLOW CREEK COAL PARTNERSHIP by its general partner, WALTER CANADIAN COAL PARTNERSHIP, by its general partner, WALTER ENERGY CANADA HOLDINGS, INC.

By: ______________________________
Name:
Title:

BRULE COAL PARTNERSHIP by its general partner, WALTER CANADIAN COAL PARTNERSHIP, by its general partner, WALTER ENERGY CANADA HOLDINGS, INC.

By: ______________________________
Name:
Title:

Schedule “A”

Purchased Assets

Bulldozer Type	Asset Number	Serial Number	Purchase Price Allocation (USD)	Vendor	Transportation Costs (USD)[1]
2012 Caterpillar D10T Crawler Tractor	25653	CAT0D10THRJG03067	$325,000	Brule Coal Partnership	$106,000 plus GST
2010 Caterpillar D10T Crawler Tractor	25624	CAT0D10TCRJG02222	$210,000	Willow Creek Coal Partnership	$106,000 plus GST
2011 Caterpillar 834H Wheel Dozer	25209	CAT0834HPBTX01082	$375,000	Brule Coal Partnership	$90,000 plus GST[2]

[1] Notwithstanding that the Purchaser shall pay for all transportation costs, the Vendors shall arrange for such transportation.

[2] Including the aggregate amount of $15,100 in GST, the total transportation cost for all of the equipment is estimated to be approximately $317,100 and is included in the Purchase Price.

Schedule "B"

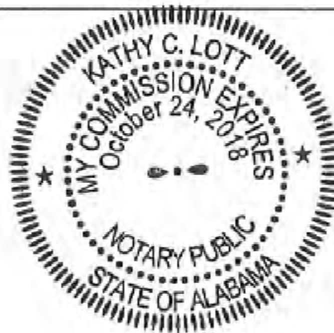
Wire Transfer Instructions

(See attached)

This is Exhibit **"J"** referred to in Affidavit #1 of **William G. Harvey** sworn December 4, 2015 at Birmingham, Alabama, United States.

Kathy C. Lott

A Notary Public in the State of Alabama



Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Walter Energy, Inc.

We have audited the accompanying consolidated balance sheets of Walter Energy, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Walter Energy, Inc. and subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Walter Energy, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework (1992 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2015 expressed an adverse opinion thereon.

/s/ Ernst & Young LLP

Birmingham, Alabama
February 26, 2015

Report of Independent Registered Public Accounting Firm on Internal control Over Financial Reporting

The Board of Directors and Stockholders of Walter Energy, Inc.

We have audited Walter Energy, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) (the COSO criteria). Walter Energy, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment**:**

Management has identified a material weakness in controls related to the review of the calculations and approvals of production royalty payments.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Walter Energy, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2014 financial statements, and this report does not affect our report dated February 26, 2015, which expressed an unqualified opinion on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Walter Energy, Inc. and its subsidiaries have not maintained effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

/s/ Ernst & Young LLP

Birmingham, Alabama
February 26, 2015

WALTER ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	December 31,	
	2014	2013
ASSETS		
Cash and cash equivalents	$ 468,532	$ 260,818
Trade receivables, net	91,057	149,116
Other receivables	127,037	132,647
Inventories	201,598	312,647
Deferred income taxes	16,819	37,067
Prepaid expenses	46,190	39,022
Other current assets	19,542	18,031
Total current assets	970,775	949,348
Mineral interests, net	2,836,801	2,905,002
Property, plant and equipment, net	1,466,297	1,637,552
Other long-term assets	112,256	98,958
	$ 5,386,129	$ 5,590,860
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current debt	$ 12,327	$ 9,210
Accounts payable	38,980	92,712
Accrued expenses	125,318	133,870
Pension and other postretirement benefits obligation	29,032	37,125
Other current liabilities	215,952	206,984
Total current liabilities	421,609	479,901
Long-term debt	3,123,643	2,769,622
Pension and other postretirement benefits obligation	641,231	572,768
Deferred income taxes	730,685	822,867
Other long-term liabilities	187,380	193,008
Total liabilities	5,104,548	4,838,166
Commitments and Contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, $0.01 par value per share:		
Authorized—20,000,000 shares; none issued	—	—
Common stock, $0.01 par value per share:		
Authorized—200,000,000 shares; issued— 71,978,113 and 62,577,924 shares, respectively	720	626
Capital in excess of par value	1,668,407	1,613,256
Accumulated deficit	(1,169,498)	(698,930)
Accumulated other comprehensive loss	(218,048)	(162,258)
Total stockholders' equity	281,581	752,694
	$ 5,386,129	$ 5,590,860

The accompanying notes are an integral part of the consolidated financial statements.

WALTER ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	For the years ended December 31,		
	2014	2013	2012
Revenues:			
Sales	$ 1,374,422	$ 1,836,343	$ 2,381,760
Miscellaneous income	32,923	24,288	18,135
	1,407,345	1,860,631	2,399,895
Costs and expenses:			
Cost of sales (exclusive of depreciation and depletion)	1,266,757	1,558,305	1,796,991
Depreciation and depletion	262,525	311,514	316,232
Selling, general and administrative	72,015	99,994	133,467
Other postretirement benefits	55,476	58,900	52,852
Restructuring and asset impairments	57,508	2,883	49,070
Goodwill impairment	—	—	1,064,409
	1,714,281	2,031,596	3,413,021
Operating loss	(306,936)	(170,965)	(1,013,126)
Interest expense, net	(295,903)	(221,583)	(132,997)
Gain (loss) on extinguishment of debt	33,673	(6,875)	(5,555)
Other income (loss), net	646	(1,418)	(13,081)
Loss from continuing operations before income tax benefit	(568,520)	(400,841)	(1,164,759)
Income tax benefit	(97,952)	(41,838)	(99,204)
Loss from continuing operations	(470,568)	(359,003)	(1,065,555)
Income from discontinued operations	—	—	5,180
Net loss	$ (470,568)	$ (359,003)	$ (1,060,375)
Basic and diluted income (loss) per share:			
Loss from continuing operations	$ (7.10)	$ (5.74)	$ (17.04)
Income from discontinued operations	—	—	0.08
Net loss	$ (7.10)	$ (5.74)	$ (16.96)

The accompanying notes are an integral part of the consolidated financial statements.

WALTER ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	For the years ended December 31,		
	2014	2013	2012
Net loss	$ (470,568)	$ (359,003)	$ (1,060,375)
Other comprehensive income (loss), net of tax:			
Change in pension and other postretirement benefit plans (net of tax: $1,102, $60,013, and $23,330, respectively)	(33,819)	100,892	(40,501)
Change in unrealized gain (loss) on hedges (net of tax: $1,034, $1,458, and $1,985, respectively)	1,679	2,524	(3,416)
Change in foreign currency translation adjustment	(23,650)	6,073	1,774
Change in unrealized gain (loss) on investments, net of tax	—	(897)	769
Total other comprehensive income (loss), net of tax	(55,790)	108,592	(41,374)
Total comprehensive loss	$ (526,358)	$ (250,411)	$ (1,101,749)

The accompanying notes are an integral part of the consolidated financial statements.

WALTER ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, except per share amounts)

	Total	Common Stock	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss
Balance at December 31, 2011	**$ 2,136,517**	**$ 624**	**$ 1,620,430**	**$ 744,939**	**$ (229,476)**
Net loss	(1,060,375)			(1,060,375)	
Other comprehensive loss, net of tax	(41,374)				(41,374)
Stock issued upon the exercise of stock options	161	1	160		
Dividends paid, $0.50 per share	(31,246)			(31,246)	
Stock based compensation	7,437		7,437		
Tax effect from stock-based compensation arrangements	217		217		
Other	(766)			(766)	
Balance at December 31, 2012	**1,010,571**	**625**	**1,628,244**	**(347,448)**	**(270,850)**
Net loss	(359,003)			(359,003)	
Other comprehensive income, net of tax	108,592				108,592
Stock issued upon the exercise of stock options	279	1	278		
Dividends paid, $0.27 per share(1)	(16,889)		(24,703)	7,814	
Stock based compensation	10,154		10,154		
Tax effect from stock-based compensation arrangements	(717)		(717)		
Other	(293)			(293)	
Balance at December 31, 2013	**752,694**	**626**	**1,613,256**	**(698,930)**	**(162,258)**
Net loss	(470,568)			(470,568)	
Other comprehensive loss, net of tax	(55,790)				(55,790)
Stock issued upon the exercise of stock options	108		108		
Dividends paid, $0.04 per share	(2,625)		(2,625)		
Stock based compensation	8,170		8,170		
Issuance of common stock in connection with extinguishment of debt	49,895	94	49,801		
Other	(303)		(303)		
Balance at December 31, 2014	**$ 281,581**	**$ 720**	**$ 1,668,407**	**$ (1,169,498)**	**$ (218,048)**

(1) An adjustment of $7.8 million was made to Capital in Excess of Par Value in the first quarter of 2013 to correct the classification of the dividend declared in the fourth quarter of 2012. See Note 1 in the "Notes to Consolidated Financial Statements."

The accompanying notes are an integral part of the consolidated financial statements.

WALTER ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the years ended December 31,		
	2014	2013	2012
OPERATING ACTIVITIES			
Net loss	$ (470,568)	$ (359,003)	$(1,060,375)
Less income from discontinued operations	—	—	(5,180)
Net loss from continuing operations	(470,568)	(359,003)	(1,065,555)
Adjustments to reconcile net loss from continuing operations to net cash flows provided by (used in) operating activities:			
Depreciation and depletion	262,525	311,514	316,232
Deferred income tax expense (benefit)	(70,939)	16,518	(132,220)
Amortization of debt issuance costs	15,418	18,717	17,051
Tax effect from stock-based compensation arrangements	—	717	(217)
(Gain) loss on extinguishment of debt	(33,673)	6,875	5,555
Goodwill impairment	—	—	1,064,409
Asset impairment charges	51,556	—	43,103
Other	18,751	1,151	(59,190)
Decrease (increase) in current assets:			
Receivables	47,471	(24,918)	44,378
Inventories	92,821	3,599	(62,630)
Prepaid expenses and other current assets	(7,269)	13,775	11,702
Increase (decrease) in current liabilities:			
Accounts payable	(51,229)	(4,117)	34,594
Accrued interest	13,106	11,130	8,633
Accrued expenses and other current liabilities	(7,674)	(23,034)	104,062
Cash flows provided by (used in) operating activities	(139,704)	(27,076)	329,907
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(92,999)	(153,896)	(391,512)
Proceeds from sale of property, plant and equipment	30,112	—	—
Proceeds from sales of investments	—	1,559	13,239
Other	488	1,824	898
Cash flows used in investing activities	(62,399)	(150,513)	(377,375)
FINANCING ACTIVITIES			
Proceeds from issuance of debt	869,800	897,412	496,510
Repayments on revolving credit agreement	—	—	(8,803)
Retirements of debt	(427,165)	(515,195)	(392,851)
Dividends paid	(2,625)	(16,889)	(31,246)
Tax effect from stock-based compensation arrangements	—	(717)	217
Proceeds from stock options exercised	108	279	161
Cash paid upon exercise of warrants	—	—	(11,535)
Debt issuance costs	(27,748)	(41,588)	(24,532)
Other	(303)	(293)	(766)
Cash flows provided by financing activities	412,067	323,009	27,155
Cash flows provided by (used in) continuing operations	209,964	145,420	(20,313)

	For the years ended December 31,		
	2014	2013	2012
CASH FLOWS FROM DISCONTINUED OPERATIONS			
Cash flows provided by investing activities	—	—	9,500
Effect of foreign exchange rates on cash	(2,250)	(1,203)	(1,016)
Net increase (decrease) in cash and cash equivalents	207,714	144,217	(11,829)
Cash and cash equivalents at beginning of year	260,818	116,601	128,430
Cash and cash equivalents at end of year	$ 468,532	$ 260,818	$ 116,601
SUPPLEMENTAL DISCLOSURES:			
Interest paid, net of capitalized interest	$ 252,124	$ 191,388	$ 95,642
Income taxes (refund) paid, net	$ (14,288)	$ (1,380)	$ 12,433

The accompanying notes are an integral part of the consolidated financial statements.

WALTER ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1—Business and Basis of Presentation

Walter Energy, Inc. ("Walter"), together with its consolidated subsidiaries ("the Company"), is a leading producer and exporter of metallurgical coal for the global steel industry from underground and surface mines with mineral reserves located in the United States (U.S.), Canada and the United Kingdom (U.K.). The Company also extracts, processes, markets and/or possesses mineral reserves for thermal coal and anthracite coal, as well as produces metallurgical coke and coal bed methane gas.

The Company reports all of its operations located in the U.S. in the U.S. Operations segment and its mining operations located in Northeast British Columbia (Canada) and South Wales (United Kingdom) in the Canadian and U.K. Operations segment. The Other segment primarily consists of unallocated Corporate activities and expenditures. See Note 20 for segment information.

Basis of Presentation

The consolidated financial statements include the accounts of all wholly and majority owned subsidiaries. Preparation of financial statements in accordance with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from those estimates. All significant intercompany balances and transactions have been eliminated. The notes to consolidated financial statements, except where otherwise indicated, relate to continuing operations only. The 2013 consolidated balance sheet has been reclassified to present current and long-term pension benefit obligations, previously classified in other current liabilities and long-term liabilities, respectively, as a component of pension and other postretirement benefit obligations. In addition, trade receivables, net and other current receivables, which were previously combined and classified as receivables, net, in 2013, have been reclassified to present these components as separate balance sheet line items.

During the second quarter of 2014, the Company corrected its classification of accelerated amortization of debt issuance costs that it recognized upon the extinguishment or partial extinguishment of debt to present these amounts as a component of the gain (loss) recognized upon the extinguishment of debt as one line item in the accompanying Consolidated Statements of Operations in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Section 470-50. Components of the gain (loss) on the extinguishment of debt were previously recognized within interest expense and other income (loss) in the accompanying Consolidated Statements of Operations. The Company has concluded that this revision is not material to previously issued financial statements, as the net effect of these revisions did not impact operating loss, net loss, stockholders' equity or cash flows. Previously reported interest expense and other income (loss) have decreased by the same amount to correct the classification and interest income and interest expense have been netted in the current presentation. The following reflects the revisions for the years ended December 31, 2013 and 2012:

	2013	2012
Interest expense, prior to revision	$ (233,854)	$ (139,356)
Interest income	1,103	804
Revision of loss on extinguishment of debt	11,168	5,555
Interest expense, net revised	$ (221,583)	$ (132,997)

	2013	2012
Other income (loss), net, prior to revision	$ 2,875	$ (13,081)
Revision of gain on extinguishment of debt	(4,293)	—
Other loss, net revised	$ (1,418)	$ (13,081)

During the second quarter of 2013, the Company identified an immaterial cumulative error related to the mineral interest value acquired in the acquisition of Western Coal Corp. The related correction resulted in an $8.4 million reduction to depreciation and depletion expense in the quarter. Prior period balances were not restated as management determined that the effect was not material.

During the first quarter of 2013, the Company determined that the $7.8 million cash dividend declared and paid in the fourth quarter of 2012 should have been reported as a reduction to the capital in excess of par value component of stockholders' equity rather than retained earnings as the Company was in an accumulated deficit position. This amount has been reclassified from accumulated deficit to capital in excess of par value. Management has determined that the effect of this classification change was immaterial to the prior reporting period affected as the change had no effect on total stockholders' equity.

During the first quarter of 2013, the Company began to classify certain administrative costs as cost of sales as opposed to selling, general and administrative costs as it determined that these costs are directly supportive of operations. If this classification of these costs had been retrospectively applied, selling, general and administrative expenses for the year ended December 31, 2012 would have been reduced by $24.5 million and cost of sales would have been increased by a similar amount. Prior period balances were not restated as management determined that the effect of this classification change was immaterial to prior reporting periods. The change in classification had no effect on net income.

NOTE 2—Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the applicable reporting period. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

Concentrations of Credit Risk and Major Customers

The Company's principal line of business is mining and marketing metallurgical coal to foreign steel and coke producers. In 2014, 2013 and 2012, approximately 76%, 83% and 78%, respectively, of the Company's sales revenues were derived from coal shipments to these customers, located primarily in Europe, South America and Asia. At December 31, 2014, 2013 and 2012, approximately 70%, 84% and 87%, respectively, of the Company's net trade receivables related to these customers. During the year ended December 31, 2014 and 2012, no single customer accounted for 10% or more of consolidated revenues. During the year ended December 31, 2013, ArcelorMittal accounted for $233.5 million, or 12.6%, of consolidated revenues. Credit is extended based on an evaluation of the customer's financial condition. In some instances, the Company requires letters of credit, cash collateral or prepayment for shipment from its customers to mitigate the risk of loss. These efforts have consistently led to minimal credit losses.

Revenue Recognition

Revenue is recognized when the following criteria have been met: persuasive evidence of an arrangement exists; the price to the buyer is fixed or determinable; delivery has occurred; and collectability is reasonably assured. Delivery is considered to have occurred at the time title and risk of loss transfers to the customer. For coal shipments via rail, delivery generally occurs when the railcar is loaded. For coal shipments via ocean vessel, delivery generally occurs when the vessel is loaded. For coke shipments via rail or truck, revenue is recognized when title and risk of loss transfer to the customer, generally at the point of shipment. For natural gas sales, delivery occurs when the gas has been transferred to the pipeline.

Shipping and Handling

Costs incurred to get products to point of sale are included in cost of sales and amounts billed to customers, if any, to cover shipping and handling are included in sales.

Cash and Cash Equivalents

Cash and cash equivalents include short-term deposits and highly liquid investments that have original maturities of three months or less when purchased and are stated at cost, which approximates fair value.

Allowances for Losses

Allowances for losses on trade accounts receivables are based, in large part, upon judgments and estimates of expected losses and specific identification of problem trade accounts receivables. Significantly weaker than anticipated industry or economic conditions could impact customers' ability to pay such that actual losses may be greater than the amounts provided for in these allowances. The allowance for losses was $1.4 million and $1.3 million at December 31, 2014 and 2013, respectively.

Inventories

Inventories are valued at the lower of cost or market. For the years ended December 31, 2014, 2013 and 2012, the Company recognized lower of cost or market charges of $74.6 million, $126.1 million, and $218.8 million, respectively, which are included within cost of sales exclusive of depreciation and depletion in the accompanying Consolidated Statements of Operations. The Company recognized lower of cost or market charges of $55.4 million, $36.5 million and $17.4 million within depreciation and depletion in the accompanying Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012, respectively. The Company's coal inventory costs include labor, supplies, equipment costs, operating overhead, freight, royalties, depreciation and depletion and other related costs. As of December 31, 2014, all of the Company's coal inventories are determined using the first-in, first-out ("FIFO") inventory valuation method. The valuation of coal inventories are subject to estimates due to possible gains and losses resulting from inventory movements from the mine site to storage facilities, inherent inaccuracies in belt scales and aerial surveys used to measure quantities and fluctuations in moisture content. Periodic adjustments to coal tonnages on hand are made for an estimate of coal shortages and overages due to these inherent gains and losses, primarily based on historical results from the results of aerial surveys and periodic coal pile clean-ups. The Company's supplies inventories are determined using the average cost method of accounting. Additionally, the Company evaluates its inventory in terms of excess and obsolete exposures. This evaluation includes such factors as anticipated usage, inventory turnover, inventory levels and ultimate market value.

Owned and Leased Mineral Interests

Costs to obtain coal reserves and lease mineral rights are capitalized based on the fair value at acquisition and depleted using the unit-of-production method over the life of proven and probable reserves. Lease agreements are generally long-term in nature (original terms range from 10 to 50 years) and substantially all of the leases contain provisions that allow for automatic extension of the lease term providing certain requirements are met. Depletion expense is included in depreciation and depletion in the accompanying Consolidated Statements of Operations and was $34.7 million, $61.4 million and $99.8 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Property, Plant and Equipment

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is recorded principally on the straight-line or units of production methods, whichever is deemed most appropriate over the estimated useful lives of the assets. Leasehold improvements are amortized on the straight-line method over the lesser of the useful life of the improvement or the remaining lease term. Estimated useful lives used in computing depreciation expense range from three to ten years for machinery and equipment, and from fifteen to thirty years for land improvements and buildings, well life for gas properties and related development, and mine life for mine development costs. Gains and losses upon disposition are reflected in the statement of operations in the period of disposition. Maintenance and repair expenditures are charged to expense as incurred.

Direct internal and external costs to implement computer systems and software are capitalized and are amortized over the estimated useful life of the system or software, generally three to five years, beginning when site installations or module development is complete and ready for its intended use.

Deferred Mine Development

Costs of developing new underground mines and certain underground expansion projects are capitalized. Underground development costs, which are costs incurred to make the coal physically accessible, may include construction permits and licenses, mine design, construction of access roads, main entries, airshafts, roof protection and other facilities. Costs of developing the first pit within a permitted area of a surface mine are capitalized up to the point of coal production attaining a level that would be more than de minimis. A surface mine is defined as the permitted mining area which includes various adjacent pits that share common infrastructure, processing equipment and a common coal reserve. Surface mine development costs include construction costs for entry roads, drilling, blasting and removal of overburden to access the first coal seam. Mine development costs are amortized primarily on a unit-of-production basis over the estimated reserve tons directly benefiting from the capital expenditures. Costs incurred during the production phase of a mine are capitalized into inventory and expensed to cost of sales as the coal is sold.

Capitalized Interest Costs

For the years ended December 31, 2014, 2013 and 2012, the Company capitalized interest costs in the amounts of $0.5 million, $1.7 million and $7.7 million, respectively.

Asset Retirement Obligations

The Company has certain asset retirement obligations, primarily related to reclamation efforts for its mining operations. These obligations are recognized at fair value in the period incurred and the carrying amount of the related long-lived asset is correspondingly increased. Over time, the liability is accreted to its future value. The corresponding asset is amortized over the useful life of the asset. The present values of the Company's asset retirement obligations were $112.3 million and $116.4 million as of December 31, 2014 and 2013, respectively.

Natural Gas Exploration Activities

The Company accounts for its natural gas exploration activities under the successful efforts method of accounting. Costs of exploratory wells are capitalized pending determination of whether the wells found commercially sufficient quantities of proved reserves. If a commercially sufficient quantity of proved reserves is not discovered, any associated previously capitalized exploratory costs associated with the drilling area are expensed. Costs of producing properties and natural gas mineral interests are amortized using the unit-of-production method. Costs incurred to develop proved reserves, including the cost of all development wells and related equipment used in the production of natural gas, are capitalized and amortized using the unit-of-production method. Unit-of-production amortization rates are revised when events and circumstances indicate an adjustment is necessary, but at least once a year, and such revisions are accounted for prospectively as changes in accounting estimates.

Assets and Liabilities Held for Sale

The Company classifies assets and liabilities (disposal groups) to be sold, which do not represent a strategic shift that has or will have a major effect on an entity's operations and financial results, as held for sale that in the period in which all of the following criteria are met: management having the authority to approve the action commits to a plan to sell; the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups; an active program to locate a buyer and other actions required to complete the plan to sell the disposal group have been initiated; the sale of the disposal group is probable, and transfer of the disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond the Company's control extend the period of time required to sell the disposal group beyond one year; the disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The Company initially measures a disposal group that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a disposal group until the date of sale. The Company assesses the fair value of a disposal group less any costs to sell each reporting period it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying value of the disposal group, as long as the new carrying value does not exceed the carrying value of the disposal group at the time it was initially classified as held for sale.

Upon determining that a disposal group meets the criteria to be classified as held for sale, the Company reports the assets and liabilities of the disposal group, if material, in the line items assets held for sale and liabilities held for sale in the accompanying Consolidated Balance Sheets.

See Note 4 for additional discussion on assets and liabilities held for sale.

Impairment of Long-Lived Assets

Property, plant and equipment and other long-lived assets are reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. The Company periodically evaluates whether events and circumstances have occurred that indicate possible impairment. When impairment indicators exist, the Company uses an estimate of the future undiscounted net cash flows of the related asset or asset group over the remaining life in measuring whether or not the asset values are recoverable. If the carrying amount of an asset or asset groups exceeds its estimated future cash flows, impairment is recognized equal to the amount by which the carrying amount of the asset exceeds the fair value of the asset or asset groups. Fair value is generally determined using market quotes, if available, or a discounted cash flow approach. The Company's estimate of future undiscounted cash flows are based on assumptions including long-term metallurgical coal pricing forecasts, anticipated production volumes and mine operating costs for the life of mine or estimated useful life of the asset. Due to market volatility associated with the global coal supply and demand as well as actual mine operating conditions experienced in the years being forecasted, it is possible that the estimate of undiscounted cash flows may change in the near term resulting in a potential need to write down the related assets to fair value, in particular the assets associated with acquired coal reserves.

With the exception of impairments recorded for the sale of the Blue Creek Coal Terminal and the classification of the Gauley Eagle operations as assets and liabilities held for sale, no long-lived asset impairments resulted from the 2014 review. However, as mentioned above, global metallurgical coal pricing is volatile. In light of this volatility, the Company performed a sensitivity analysis and noted that a sustained price decrease of 5% over and above the prices used in the analysis through the life of all its mines would result in a potential impairment of coal reserves related to the Wolverine, Brule, Willow Creek and Aberpergwm mines within the Canadian and U.K. Operations segment. The Company recognized asset impairment charges of approximately $51.6 million for the year ended December 31, 2014 due to the sale of the Blue Creek Coal Terminal and associated properties and the classification of the Gauley Eagle operations as assets held for sale.

For the year ended December 31, 2013, the Company recognized asset impairment charges of approximately $8.0 million related to the earlier than initially anticipated closure of the Alabama North River Mine.

For the year ended December 31, 2012, the Company recognized impairment charges relating to a natural gas exploration project in the U.S. Operations segment and asset impairment charges related to the impairment of property, plant and equipment at the Aberpergwm mine in the Canadian and U.K. Operations segment as carrying values of certain asset groups exceeded their fair value. See Note 4 for additional discussion on asset impairment matters.

Goodwill

Goodwill represents the excess of the purchase price over the fair value assigned to the net tangible and identifiable intangible assets acquired in a business combination. Goodwill is not amortized but instead is tested for impairment at a minimum annually unless circumstances indicate a possible impairment may exist. The Company performs its annual goodwill testing as of the beginning of the fourth quarter at the reporting unit level. An impairment loss generally would be recognized when the carrying amount of the reporting unit exceeds the fair value of the reporting unit. The fair value of each reporting unit is determined using a market approach, an income approach or a combination of each. A number of significant assumptions and estimates are involved in determining fair value of the reporting unit including markets, sales volumes and prices, costs to produce, capital spending, working capital changes and the discount rate. Management considers historical experience and all available information at the time the fair values of its reporting units are estimated. During the year ended December 31, 2012, the Company performed a goodwill impairment test and a goodwill impairment charge of $1.1 billion was recorded. There was no goodwill impairment charge in either 2014 or 2013.

See Note 3 for additional discussion on goodwill impairment matters.

Benefit Plans

The Company has various defined benefit pension plans covering certain U.S. salaried employees and eligible hourly employees. The plans provide benefits based on years of service and compensation or at stated amounts for each year of service. The Company also provides certain postretirement benefits other than pensions, primarily healthcare, to eligible retirees. The cost of providing these benefits is determined on an actuarial basis and accrued over the employee's period of active service.

The Company is required to recognize the overfunded or underfunded status of these plans as determined on an actuarial basis as an asset or liability in its Consolidated Balance Sheets and to recognize changes in the funded status in the year in which the changes occur through other comprehensive income (loss). The Company is also required to measure plan assets and benefit obligations as of the date of the Company's fiscal year-end balance sheet and provide the required disclosures as of the end of each fiscal year.

See Note 14 for additional discussion of employee benefit plans.

Workers' Compensation and Pneumoconiosis ("Black Lung") Benefits

The Company is insured for workers' compensation benefits for work related injuries that occur within its U.S. operations. The Company retains the first $1 million to $2 million per accident for all U.S. subsidiaries and is fully insured above the deductible for statutory limits, with the exception of Jim Walter Resources located in Alabama, where the Company retains any amount in excess of $15 million per accident. Workers' compensation liabilities, including those related to claims incurred but not reported, are recorded principally using annual valuations based on discounted future expected payments and using historical data of the operating subsidiary or combined insurance industry data when historical data is limited. Workers' compensation liabilities were as follows (in thousands):

	December 31,	
	2014	2013
Undiscounted aggregated estimated claims to be paid	$ 50,417	$ 46,119
Workers' compensation liability recorded on a discounted basis	$ 43,643	$ 40,238

The Company applies a discount rate at a risk-free interest rate, generally a U.S. Treasury bill rate, for each policy year. The rate used is one with a duration that corresponds to the weighted average expected payout period for each policy year. Once a discount rate is applied to a policy year, it remains the discount rate for that year until all claims are paid. The weighted average rate used for discounting the 2014 policy year liability at December 31, 2014 was 1.60%. A one-percentage-point increase in the discount rate on the discounted claims liability would decrease the liability by $0.3 million, while a one-percentage-point decrease in the discount rate would increase the liability by $0.3 million.

The Company is responsible for medical and disability benefits for black lung disease under the Federal Coal Mine Health and Safety Act of 1969, as amended, and is self-insured for certain amounts of black lung related claims. The Company performs an annual evaluation of the overall black lung liabilities at the December 31st balance sheet date. The calculation is performed using assumptions regarding rates of successful claims, discount factors, benefit increases and mortality rates, among others. The present value of the obligation recorded by the Company using a discount factor of 4.34% for 2014 and 5.28% for 2013 was $21.8 million and $17.2 million as of December 31, 2014 and 2013, respectively. A one-percentage-point increase in the discount rate on the discounted claims liability would decrease the liability by $3.3 million, while a one-percentage-point decrease in the discount rate would increase the liability by $4.3 million.

Derivative Instruments and Hedging Activities

The Company enters into interest rate hedge agreements in accordance with the Company's internal debt and interest rate risk management policy, which is designed to mitigate risks related to floating rate financing agreements that are subject to changes in the market rate of interest. Changes in the fair value of interest rate hedge agreements that are designated and effective as hedges are recorded in accumulated other comprehensive income (loss) ("OCI"). Deferred gains or losses are reclassified from OCI to the statement of operations in the same period as the underlying transactions are recorded and are recognized in the caption, interest expense. Changes in the fair value of interest rate hedge agreements that are not effective as hedges would be recorded immediately in the statement of operations as interest expense.

To protect against the reduction in the value of forecasted cash flows resulting from sales of natural gas, the Company periodically engages in a natural gas hedging program. The Company periodically hedges portions of its forecasted revenues from sales of natural gas with natural gas derivative contracts, generally either "swaps" or "collars". The Company enters into natural gas derivatives that effectively convert a portion of its forecasted sales at floating-rate natural gas prices to a fixed-rate basis, thus reducing the impact of natural gas price changes on revenues. When natural gas prices fall, the decline in value of future natural gas sales is offset by gains in the value of swap contracts designated as hedges. Conversely, when natural gas prices rise, the increase in the value of future cash flows from natural gas sales is offset by losses in the value of the swap contracts. Changes in the fair value of natural gas derivative agreements that are designated and effective as hedges are recorded in OCI. Deferred gains or losses are reclassified from OCI and recognized as miscellaneous income in the statement of operations in the same period as the underlying transactions are recognized. Changes in the fair value of natural gas hedge agreements that are not effective as hedges or are not designated as hedges would be recorded immediately in the statement of operations as miscellaneous income.

During the year ended December 31, 2014, the Company did not hold any non-derivative instruments designated as hedges or any derivatives designated as fair value hedges. In addition, the Company does not enter into derivative financial instruments for speculative or trading purposes. Derivative contracts are entered into only with counterparties that management considers creditworthy. Cash flows from hedging activities are reported in the statement of cash flows in the same classification as the hedged item, generally as a component of cash flows from operations.

Foreign Currency

The functional currency of the Company's Canadian operations is the U.S. dollar, while the U.K. operation's functional currency is the British Pound. The Company's Canadian operations' monetary assets and liabilities are remeasured at period end exchange rates while non-monetary items are remeasured at historical rates. Income and expense accounts are remeasured at the average rates in effect during the year, except for those expenses related to balance sheet amounts that are remeasured at historical exchange rates. The Company's U.K. operations' assets and liabilities are translated using exchange rates in effect at the end of the period, and revenues and costs are translated using average exchange rates for the period. For the Company's Canadian operations, gains and losses from foreign currency remeasurement related to tax balances are included as a component of income tax expense while all other remeasurement gains and losses are included in miscellaneous income

(expense). For the Company's U.K. operations, foreign currency translation adjustments are reported in OCI. The foreign currency remeasurement gain recognized in miscellaneous income for the year ended December 31, 2014 was $5.8 million compared to $8.0 million for the year ended December 31, 2013.

Stock-Based Compensation

The Company periodically grants stock-based awards to employees and its Board of Directors and records the related compensation expense during the period of vesting. This compensation expense results in a corresponding credit to capital in excess of par value and the expense is generally recognized in selling, general and administrative expenses and cost of sales, as appropriate, utilizing the graded vesting method for stock options and the straight-line method for restricted stock units. The Company uses the Black- Scholes option pricing model to value stock option grants and estimates forfeitures in calculating the expense related to stock-based compensation. The Company uses the Monte Carlo simulation to value its performance share units in calculating the expense related to stock-based compensation. See Note 6 for additional disclosures on stock-based compensation and equity awards.

Environmental Expenditures

The Company capitalizes environmental expenditures that increase the life or efficiency of property or that reduce or prevent environmental contamination. The Company accrues for environmental expenses resulting from existing conditions that relate to past operations when the costs are probable and reasonably estimable. See Note 16 for additional disclosures of environmental matters.

Deferred Financing Costs

The costs to obtain new debt financing or amend existing financing agreements are deferred and amortized to interest expense over the life of the related indebtedness or credit facility using the effective interest method. The unamortized balance of deferred financing costs was $54.8 million and $62.7 million at December 31, 2014 and 2013, respectively. Amounts classified as current were $10.3 million and $14.9 million at December 31, 2014 and 2013, respectively. Current amounts are included in other current assets and non-current amounts are included in other long-term assets in the accompanying Consolidated Balance Sheets.

Income (Loss) per Share

The Company calculates basic income (loss) per share based on the weighted average common shares outstanding during each period and diluted income (loss) per share based on weighted average common shares and dilutive common equivalent shares outstanding during each period. Dilutive common equivalent shares include the dilutive effect of stock awards. See Note 15 for additional disclosures on income (loss) per share.

Income Taxes

The Company records a tax provision for the expected tax effects of the reported results of operations. The provision for income taxes is determined using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax impact of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred income tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets and liabilities are expected to be realized or settled. The Company records a valuation allowance to reduce deferred income tax assets to the amount that is believed more likely than not to be realized.

The Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

When the Company concludes that all or part of the net deferred income tax assets are not realizable in the future, the Company makes an adjustment to the valuation allowance that is charged to earnings in the period such determination is made.

See Note 10 for additional disclosures on the accounting for income taxes.

New Accounting Pronouncements

In April 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. ASU 2014-08 improves the definition of discontinued operations by limiting the discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have or will have a

major effect on an entity's operations and financial results. The amendments in ASU 2014-08 are effective prospectively for disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption is permitted. The Company has early adopted this standard and is in compliance.

NOTE 3—Goodwill Impairment

During 2012, domestic and international metallurgical coal markets deteriorated as a result of slowing economic activity in Europe and Asia, an oversupply of coal due to the settlement of labor unrest issues in Australia and a decline in the production of steel. The changes to the market outlook resulted in the Company reviewing its operating strategy and related capital investment projects during the third quarter of 2012. Based on this review, the Company decided to reduce capital spending and to curtail mining operations at certain mines in its Canadian and U.K. Operations segment.

The changes to the market outlook combined with planned reductions in capital spending, plans to curtail mining operations at certain mines in the Company's Canadian and U.K. Operations segment, and a significant decrease in the Company's common stock price indicated that the fair value of the Company's goodwill could be less than its carrying value. Accordingly, the Company performed an interim goodwill impairment test and recorded a goodwill impairment charge of $74.3 million to reduce the carrying value of goodwill to its implied fair value for two reporting units in the U.S. Operations segment and $990.1 million for two reporting units in the Canadian and U.K. Operations segment.

The market approach was utilized to estimate the fair value of three of the Company's four reporting units and the income approach was used for one reporting unit where there were no market comparable data available. The market approach is based on a guideline public company methodology. Under the guideline public company method, certain operating metrics from a selected group of publicly traded guideline companies that have operations similar to the Company's reporting units were used to estimate the fair value of the reporting units. The income approach is based on a discounted cash flow methodology in which expected future net cash flows are discounted to present value, using an appropriate after-tax weighted average cost of capital. The valuation methodology utilized to allocate the estimated fair value of the reporting units to the underlying assets and liabilities contained within the individual reporting units for the goodwill impairment test was primarily based on an income approach. The income approach uses future discounted cash flow estimates in which future net cash flows projected to result from such assets were discounted to present value using an appropriate after-tax weighted average cost of capital.

NOTE 4—Restructuring and Asset Impairments

On August 25, 2014, the Company completed the sale of the Blue Creek Coal Terminal and associated properties (collectively "BCCT") located in Mobile, Alabama, to the Alabama State Port Authority for $25.0 million. Additionally, the parties amended and extended the existing coal handling agreement. The BCCT assets were part of the U.S. Operations segment. The Company recognized an impairment charge of approximately $23.1 million in the second quarter of 2014 in anticipation of the sale. This charge is included in restructuring and asset impairments in the Consolidated Statements of Operations. The carrying value of the BCCT assets as of December 31, 2013 was $47.5 million and was included in property, plant and equipment, net, within the Consolidated Balance Sheets.

In the second quarter of 2014, the Company idled the Canadian Operations, which included the Wolverine, Brule and Willow Creek mines in the Canadian and U.K. Operations segment. The Wolverine Mine was placed on idle status in April 2014 and the Brazion operations (which include the operations of Brule and Willow Creek) were placed on idle status in June 2014. In connection with this idling, the Company recognized restructuring charges of $4.7 million in the Canadian and U.K. Operations segment for the year ended December 31, 2014. The Company also recognized restructuring charges of approximately $0.7 million in the U.S. Operations segment and $0.5 million in the Other segment for the year ended December 31, 2014.

In 2013, the Company recognized a gain of $17.0 million due to the release of a below market contract liability that was obtained through the acquisition of North River which was partially offset by asset impairment charges of approximately $9.3 million related to the accelerated closure of the North River Mine. The Company also incurred $10.7 million of costs related to the curtailment of the Willow Creek Mine.

In the fourth quarter of 2012, the Company curtailed operations at its Aberpergwm underground coal mine in the U.K. and recognized restructuring and asset impairment charges of $9.1 million in the Canadian and U.K. Operations segment, of which $6.0 million related to severance and other obligations and $3.1 million related to the impairment of property, plant and equipment as the carrying values of certain assets exceeded their fair value. The Company also recorded a pre-tax charge of $40 million ($25 million after-tax) within the U.S. Operations segment in the third quarter of 2012 to write off capitalized exploratory costs associated with a natural gas exploration project that had not proved capable of providing commercially sufficient quantities of proven reserves to be economical.

All of these charges are presented as restructuring and asset impairments in the Consolidated Statements of Operations.

Assets and Liabilities Held for Sale

In the fourth quarter of 2014, the Company committed to a plan to sell the assets of the idled Gauley Eagle operations within our U.S. Operations segment located in West Virginia. The planned sale of the Gauley Eagle operations does not represent a strategic shift in the operations of the Company and does not and will not have a significant effect on the Company's operations or financial results. The Company expects to dispose of these assets within the next twelve months. As of December 31, 2014, the Company has determined that these operations met the criteria to be classified as held for sale. The following table summarizes the fair value of the Gauley Eagle operations assets and liabilities held for sale as of December 31, 2014 (in thousands):

	December 31, 2014
Mineral interests, net	$ 1,654
Property, plant and equipment, net	1,527
Advance mining royalties	3,368
Other current assets	$ 6,549
Asset retirement obligations	$ 4,049
Other current liabilities	$ 4,049

The following table summarizes the carrying value of the Gauley Eagle operations assets and liabilities as of December 31, 2013 (in thousands):

	December 31, 2013
Mineral interests, net	$ 16,464
Property, plant and equipment, net	20,233
Advance mining royalties (1)	2,863
	$ 39,560
Asset retirement obligations (1)	$ 7,365
	$ 7,365

(1) Advance mining royalties and asset retirement obligations are reported within other long-term assets and other long-term liabilities, respectively, in the Consolidated Balance Sheet as of December 31, 2013.

Assets and liabilities classified as held for sale are required to be recorded at the lower of carrying value or fair value less costs to sell. Fair value was determined based upon the anticipated sales price of the Gauley Eagle operations and is categorized as Level 3 in the fair value hierarchy. Accordingly, in the fourth quarter of 2014, the Company recorded an impairment charge of approximately $28.5 million. The charge is included in restructuring and asset impairments in the Consolidated Statements of Operations.

NOTE 5—Discontinued Operations

Closure of Kodiak Mining Co. In 2012, the Company divested the Kodiak Mining Company, LLC, assets and liabilities for $9.5 million cash. This mine was closed in 2008 and the sale resulted in a gain of $8.2 million ($5.2 million after-tax). The Company has reported the results of operations and cash flows of Kodiak as discontinued operations for the year ended December 31, 2012.

NOTE 6—Equity Award Plans

The stockholders of the Company approved the 2014 Long-Term Incentive Award Plan (as amended, the "2014 Plan") and 2002 Long-Term Incentive Award Plan (as amended, the "2002 Plan"). An aggregate of 4.3 million shares of the Company's common stock have been reserved for grant and issuance of incentive and non-qualified stock options, stock appreciation rights and stock awards respectively for the 2014 Plan. No new awards are to be granted under the 2002 Plan.

Under the 2014 Plan and the 2002 Plan, an option becomes exercisable at such times and in such installments as set by the Compensation Committee of the Board of Directors (generally, vesting occurs over three years in equal annual increments), but no option will be exercisable after the tenth anniversary of the date on which it is granted. The Company may also grant restricted stock unit awards. The Company has granted restricted stock unit awards which generally fully vest and settle in shares of common stock after three years of continuous employment or over three years in equal annual increments.

For the years ended December 31, 2014, 2013 and 2012, the Company recorded stock-based compensation expense for its continuing operations related to equity awards totaling approximately $8.0 million, $10.1 million, and $7.3 million, respectively. These amounts are included in selling, general and administrative expenses and have been allocated to the reportable segments. There was no income tax benefit recognized during 2014 for share-based compensation as management concluded that such tax benefits might not be realized. The total income tax benefits for share-based compensation arrangements recognized in the statements of operations were $3.8 million and $2.7 million during 2013 and 2012, respectively.

A summary of activity related to stock options for the year ended December 31, 2014 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value ($000) (1)
Outstanding at December 31, 2013	749,616	$ 40.88		
Granted	629,963	$ 10.45		
Exercised	(18,300)	$ 5.89		
Forfeited or expired	(105,538)	$ 21.64		
Outstanding at December 31, 2014	1,255,741	$ 27.75	7.03	$ —
Exercisable at December 31, 2014	517,384	$ 44.92	4.30	$ —

(1) The market price of all outstanding and exercisable stock options as of December 31, 2014 was less than the exercise price resulting in no intrinsic value.

The weighted-average grant-date fair values of stock options granted during the years ended December 31, 2014, 2013 and 2012 were $5.57, $15.83 and $36.97, respectively. The total amount of cash received from exercise of stock options during the years ended December 31, 2014, 2013 and 2012 was $0.1 million, $0.3 million and $0.2 million, respectively. The total intrinsic value of stock options exercised during 2014, 2013 and 2012 was $0.1 million, $0.5 million and $1.4 million, respectively.

Weighted average assumptions used to determine the grant-date fair value of options granted were:

	For the years ended December 31,		
	2014	2013	2012
Risk free interest rate	1.53%	1.13%	0.85%
Dividend yield	0.25%	1.10%	0.55%
Expected life (years)	5.02	4.98	4.95
Volatility	63.62%	73.54%	75.79%

The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant with a term equal to the expected life. The expected dividend yield is based on the Company's estimated annual dividend payout at grant date. The

expected term of the options represents the period of time the options are expected to be outstanding. Expected volatility is based on historical volatility of the Company's share price for the expected term of the options.

A summary of activity related to restricted stock units during the year ended December 31, 2014 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2013	209,511	$ 63.67
Granted	597,434	$ 9.82
Vested	(115,115)	$ 83.33
Forfeited or expired	(68,145)	$ 15.47
Outstanding at December 31, 2014	623,685	$ 13.73

The weighted-average grant-date fair values of restricted stock units granted during the years ended December 31, 2014, 2013 and 2012 were $9.82, $34.03 and $63.17, respectively. The total fair value of restricted stock units vested during 2014, 2013 and 2012 was $9.6 million, $3.4 million and $2.1 million, respectively.

Performance-Based Share Units

During 2014, the Board of Directors approved the grant of 168,029 performance-based share units. The performance-based share units are awarded to executive officers and key employees and generally cliff vest after two or three years (with accelerated vesting upon a change of control). Performance-based share units granted represent the number of shares of common stock to be issued based on the achievement of targeted performance levels related to total shareholder return goals over a two or three year period and may range from 0% to 200% of the targeted amount. The grant date fair value of the awards is based upon a Monte Carlo simulation and is amortized over the performance period. Upon vesting of performance-based share units, the Company issues authorized and unissued shares of the Company's common stock to the recipient.

A summary of activity related to performance-based share units during the year ended December 31, 2014 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2013	53,874	$ 52.38
Granted	168,029	$ 12.13
Vested	—	$ —
Forfeited or canceled	(18,063)	$ 20.55
Outstanding at December 31, 2014	203,840	$ 22.02

Unrecognized compensation costs related to restricted stock units granted were approximately $2.2 million as of December 31, 2014. These costs are to be recognized over a weighted average period of 2.0 years. Unrecognized compensation costs related to stock options granted were approximately $1.4 million and are to be recognized over a weighted average period of 1.9 years. Unrecognized compensation costs related to performance-based share units compensation arrangements granted were approximately $1.1 million and are to be recognized over a weighted average period of 1.7 years.

Employee Stock Purchase Plan

All full-time employees of the Company who have attained the age of majority in the country in which they reside are eligible to participate in the employee stock purchase plan, which was adopted in January 1996 and amended in April 2004. The Company contributes a sum equal to 15% (20% after five years of continuous participation) of each participant's actual payroll deduction as authorized, and remits such funds to a designated brokerage firm that purchases shares of the Company's common stock for the accounts of the participants, in the open market. The total number of shares that may be purchased under the plan is 3.5 million. Shares purchased under the plan during the years ended December 31, 2014, 2013 and 2012 were approximately 794,680, 217,900 and 86,200, respectively, and the Company's contributions recognized as expense were approximately $0.4 million, $0.3 million and $0.5 million, respectively, for such years. Effective February 1, 2015, participation in the Employee Stock Purchase Plan was suspended.

NOTE 7—Receivables

Trade receivables are summarized as follows (in thousands):

	December 31, 2014	December 31, 2013
Trade receivables	$ 92,418	$ 150,394
Less: Allowance for losses	(1,361)	(1,278)
Trade receivables, net	$ 91,057	$ 149,116

Other receivables are summarized as follows (in thousands):

	December 31, 2014	December 31, 2013
Tax receivables	$ 123,826	$ 127,130
Miscellaneous receivables	3,211	5,517
Other receivables	$ 127,037	$ 132,647

NOTE 8—Inventories

Inventories are summarized as follows (in thousands):

	December 31, 2014	December 31, 2013
Coal	$ 136,335	$ 238,820
Raw materials, supplies and other	65,263	73,827
Total inventories	$ 201,598	$ 312,647

NOTE 9—Mineral Interests and Property, Plant and Equipment

Mineral interests totaled $3,083.5 million and $3,146.0 million as of December 31, 2014 and 2013, respectively. The related accumulated depletion totaled $246.7 million and $241.0 million as of December 31, 2014 and 2013, respectively.

Property, plant and equipment are summarized as follows (in thousands):

	December 31, 2014	December 31, 2013
Land	$ 38,624	$ 79,733
Land improvements	29,739	43,107
Building and leasehold improvements	417,352	420,142
Mine development costs	262,641	255,680
Machinery and equipment	1,613,033	1,569,318
Gas properties and related development	190,233	188,527
Construction in progress	53,774	61,933
Total	2,605,396	2,618,440
Less: Accumulated depreciation	(1,139,099)	(980,888)
Net	$ 1,466,297	$ 1,637,552

NOTE 10—Income Taxes

Income tax expense (benefit) applicable to continuing operations consists of the following (in thousands):

	For the years ended December 31,								
	2014			2013			2012		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
Federal	$ (24,660)	$ 24,221	$ (439)	$ (54,312)	$ 103,851	$ 49,539	$ 49,236	$ (45,330)	$ 3,906
State	160	94	254	(3,906)	15,040	11,134	3,860	(1,747)	2,113
Foreign	(2,513)	(95,254)	(97,767)	(138)	(102,373)	(102,511)	(20,080)	(85,143)	(105,223)
Total	$ (27,013)	$ (70,939)	$ (97,952)	$ (58,356)	$ 16,518	$ (41,838)	$ 33,016	$(132,220)	$ (99,204)

The foreign benefit for income taxes is based on foreign pre-tax losses of $189.5 million in 2014 as compared with foreign pretax losses of $222.3 million and $1.2 billion in 2013 and 2012, respectively.

Deferred income tax assets and liabilities reflect the effects of tax losses, credits, and the future income tax effects of temporary differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates that apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

As of December 31, 2014 and December 31, 2013, the significant components of the Company's deferred income tax assets and liabilities were (in thousands):

	December 31,	
	2014	2013
Deferred income tax assets:		
Net operating losses and credit carryforwards	$ 403,572	$ 278,016
Accrued expenses	23,414	19,033
Contingent interest	46,089	42,763
Other postretirement benefits	222,297	223,346
Pension obligations	26,893	2,925
Other	14,275	1,377
Total	736,540	567,460
Less: valuation allowance for deferred income tax assets	(333,650)	(166,265)
Net deferred income tax assets	402,890	401,195
Deferred income tax liabilities:		
Prepaid expenses	(18,514)	(13,494)
British Columbia mineral tax	(159,360)	(184,680)
Property, plant and equipment	(938,882)	(990,580)
Total deferred income tax liabilities	(1,116,756)	(1,188,754)
Net deferred income tax liability	$ (713,866)	$ (787,559)
Deferred income taxes are classified as follows:		
Current deferred income tax asset	$ 16,819	$ 37,067
Other current liabilities	—	(1,759)
Noncurrent deferred income tax liability	(730,685)	(822,867)
Net deferred tax liability	$ (713,866)	$ (787,559)

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred income tax assets. As of December 31, 2014, management determined that sufficient negative evidence exists to conclude that deferred income tax assets of $333.7 million will more than likely not be realized. In recognition of this risk, the Company increased the valuation allowances by $167.4

million. The tax benefits related to any future reversals of the valuation allowances on deferred income tax assets as of December 31, 2014 will be accounted for as a reduction to income tax expense.

As of December 31, 2014, the Company's U.S. net operating losses ("NOLs") consisted of $332.6 million of federal NOLs and $633.7 million of state NOLs available as offsets to future years' taxable income. The NOLs primarily expire between 2026 and 2034. The Company has alternative minimum tax credits of $37.3 million and general business credits of $6.7 million as of December 31, 2014. The general business credits are subject to expiration between 2026 and 2034. The alternative minimum tax credits may be carried forward indefinitely. In the Company's evaluation of the need for a valuation allowance on the U.S. deferred income tax assets, the Company considered all available positive and negative evidence, including scheduled reversals of deferred income tax liabilities, carryback of future period losses to prior periods, projected future taxable income, tax planning strategies and recent financial performance. Based on the Company's review of all positive and negative evidence, including a three year U.S. cumulative pre-tax loss, it was concluded that a valuation allowance should remain against those deferred income tax assets that are not expected to be realized through future sources of taxable income generated from carrybacks of future period losses, scheduled reversals of deferred income tax liabilities and tax planning strategies. As a result, a valuation allowance was recorded to reflect the portion of the U.S. federal and state deferred income tax assets that are not likely to be realized based upon all available evidence. If the Company later determines that the Company will more likely than not realize all, or a portion, of the U.S. deferred income tax assets, the Company will reverse the valuation allowance in a future period. All future reversals of the valuation allowance would result in a tax benefit in the period recognized.

As of December 31, 2014, the Company's foreign subsidiaries had $889.3 million of ordinary non-U.S. NOLs and $1.3 million of non-U.S. capital losses available for carryforward. Canadian ordinary NOLs of $747.6 million will expire between 2031 and 2034, while Canadian capital losses of $1.3 million have an indefinite carryforward period. U.K. ordinary NOLs of $141.7 million have an indefinite carryforward period. The Company believes the Canadian and U.K Operations will have sufficient future sources of taxable income from the reversal of taxable temporary differences to utilize the non-capital and capital losses prior to expiration. The Company has $106.4 million of Canadian unrealized losses for which the Company has a full valuation allowance recorded. Additionally, the Company has established a full valuation allowance against $13.5 million of future British Columbia mineral tax deductions that are not expected to provide future tax benefits.

The income tax expense (benefit) at the Company's effective tax rate differed from the U.S. statutory rate of 35% as follows (in thousands):

	For the years ended December 31,		
	2014	**2013**	**2012**
Loss from continuing operations before income tax expense	$ (568,520)	$ (400,841)	$ (1,164,759)
Tax benefit at statutory tax rate of 35%	(198,982)	(140,294)	(407,665)
Effect of:			
Excess depletion benefit	(8,667)	(17,524)	(26,107)
Taxation of foreign operations	(7,894)	(5,663)	(11,945)
British Columbia mineral tax foreign currency effect	(15,727)	(26,778)	3,643
British Columbia mineral tax	(10,845)	(14,697)	(22,365)
Goodwill impairment	—	—	372,543
State and local income tax, net of federal effect	(12,840)	(6,947)	2,470
U.S. domestic production activities benefit	—	—	(2,950)
Valuation allowance on deferred tax assets	158,305	145,322	19,189
Impact of statutory tax rate changes	89	14,660	(3,772)
Credits and other incentives	(2,704)	(659)	(2,301)
Impact of West Virginia legal entity restructuring	—	10,084	—
Other	1,313	658	(19,944)
Tax benefit recognized	$ (97,952)	$ (41,838)	$ (99,204)

There was no income tax benefit recognized during 2014 for share-based compensation due to a full valuation allowance recognized on the related deferred income tax assets. Income tax expense attributable to equity-based compensation transactions that were allocated to stockholders' equity were $0.7 million in 2013 as compared to a net excess tax benefit of $0.8 million in 2012.

The Company files income tax returns in the U.S., Canada, U.K., and in various state, provincial and local jurisdictions which are routinely examined by tax authorities in these jurisdictions. The statute of limitations related to the U.S. consolidated federal income tax returns is closed for years prior to August 31, 1983 and for the years ended May 31, 1997, 1998 and 1999. The impact of any U.S. federal changes for these years on state income taxes remains subject to examination for a period up to five years after formal notification to the states. The Company generally remains subject to income tax in various states for prior periods ranging from three to eleven years depending on jurisdiction. In the Company's major non-U.S. jurisdictions, tax years are typically subject to examination for three to six years.

On December 27, 1989, the Company and most of its U.S. subsidiaries each filed a voluntary petition for reorganization under Chapter 11 of Title 11 of the United States Bankruptcy Code (the "Bankruptcy Proceedings") in the United States Bankruptcy Court for the Middle District of Florida, Tampa Division (the "Bankruptcy Court"). The Company emerged from bankruptcy on March 17, 1995 (the "Effective Date") pursuant to the Amended Joint Plan of Reorganization dated as of December 9, 1994, as modified on March 1, 1995 (as so modified the "Consensual Plan"). Despite the confirmation and effectiveness of the Consensual Plan, the Bankruptcy Court continues to have jurisdiction over, among other things, the resolution of disputed prepetition claims against the Company and other matters that may arise in connection with or related to the Consensual Plan, including claims related to federal income taxes.

In connection with the U.S. Bankruptcy Proceedings, the Internal Revenue Service ("IRS") filed a proof of claim in the Bankruptcy Court (the "Proof of Claim") for a substantial amount of taxes, interest and penalties with respect to fiscal years ended August 31, 1983 through May 31, 1994. The Company filed an adversary proceeding in the Bankruptcy Court disputing the Proof of Claim (the "Adversary Proceeding") and the various issues have been litigated in the Bankruptcy Court. An opinion was issued by the Bankruptcy Court in June 2010 with respect to two of the disputed issues. The Bankruptcy Court instructed both parties to submit a final order addressing all issues that have been litigated for the tax years 1983 through 1995 in the Adversary Proceeding by late August 2010. At the request of both parties, the Bankruptcy Court granted an extension of time of 90 days from the initial submission date to submit the final order. Additional extensions of time to submit the proposed final order were granted in November 2010, February 2011, May 2011, September 2011, January 2013, May 2013 and December 2013. At the request of the IRS, in December 2013 the Bankruptcy Court granted an additional extension of time to submit the final order. As of December 31, 2014, both parties are still reviewing the litigation issues in order to submit the final order.

The amounts initially asserted by the Proof of Claim do not reflect the subsequent resolution of various issues through settlements or concessions by the parties. The Company believes that any financial exposure with respect to those issues that have not been resolved or settled in the Proof of Claim is limited to interest and possible penalties and the amount of tax assessed has been offset by tax reductions in future years. All of the issues in the Proof of Claim, which have not been settled or conceded, have been litigated before the Bankruptcy Court and are subject to appeal but only at the conclusion of the entire Adversary Proceeding.

The IRS completed its audits of the Company's federal income tax returns for the years ended May 31, 2000 through December 31, 2008. The IRS issued 30-Day Letters to the Company in June 2010 and July 2012, proposing changes to tax for these tax years. The Company believes its tax filing positions have substantial merit and filed a formal protest with the IRS within the prescribed 30-day time limit for those issues which have not been previously settled or conceded. The IRS filed a rebuttal to the Company's formal protest and the case was assigned to the Appeals Division of the IRS. The Appeals Division convened a hearing on March 8, 2011 and heard arguments from both parties as to issues not settled or conceded for the 2000 through 2008 audit periods. In September 2014, the IRS Appeals Office returned these tax periods to IRS Examination Division to be placed into suspense pending the resolution of the tax periods that are in the U.S. Bankruptcy Court. The disputed issues in these audit periods are similar to the issues remaining in the Proof of Claim.

The IRS is conducting an audit of the Company's income tax returns filed for the 2009 through 2012 tax years. Since the examination is ongoing, any resulting tax deficiency or overpayment cannot be estimated at this time. During 2014, the statute of limitations for assessing additional income tax deficiencies will expire for certain tax years in several state tax jurisdictions. The expiration of the statute of limitations for these years is expected to have an immaterial impact on the total uncertain income tax positions and net income.

It is reasonably possible that the amount of unrecognized tax benefits will change in the next twelve months. The Company anticipates a final order will be issued by the Bankruptcy Court in the near future settling the issues in the Proof of Claim. A final order by the Bankruptcy Court would permit a resolution of similar issues for the tax years currently under IRS Exam (2000-2012). As of December 31, 2014, the Company had $33.0 million of accruals for unrecognized tax benefits on the matters subject to disposition. Due to the uncertainty related to the potential outcome of these matters, any possible changes in unrecognized tax benefits cannot be reasonably estimated.

The Company believes that all of its current and prior tax filing positions have substantial merit and intends to vigorously defend any tax claims asserted. The Company believes that it has sufficient accruals to address any claims, including interest and penalties, and does not believe that any potential difference between the final settlements and the amounts accrued will have a material effect on the Company's financial position, but such potential difference could be material to results of operations in a future reporting period.

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits excluding penalties and interest is as follows (in thousands):

	December 31,		
	2014	2013	2012
Gross unrecognized tax benefits at beginning of year	$ 76,288	$ 89,631	$ 92,758
Increases for tax positions taken in prior years	734	347	10,019
Increases in tax positions for the current year	—	—	8,058
Decreases for tax positions taken in prior years	(3,086)	(13,690)	(18,440)
Decreases for lapse of statute of limitations	—	—	(2,764)
Gross unrecognized tax benefits at end of year	$ 73,936	$ 76,288	$ 89,631

The total amount of net unrecognized tax benefits that, if recognized, would affect the effective tax rate totaled $67.3 million, $69.1 million and $87.6 million at December 31, 2014, 2013, and 2012, respectively. The Company recognizes interest expense and penalties related to unrecognized tax benefits as components of interest expense and selling, general and administrative expenses.

For the years ended December 31, 2014, 2013, and 2012, interest expense includes $9.1 million, $9.0 million and $10.4 million, respectively, for interest accrued on the liability for unrecognized tax benefits and for issues identified in the Proof of Claim. As of December 31, 2014, the Company had accrued interest and penalties related to unrecognized tax benefits and the Adversary Proceeding of $123.6 million, of which $121.9 million is included in other current liabilities and $1.7 million is included in other long-term liabilities in the Consolidated Balance Sheets as of December 31, 2014.

NOTE 11—Asset Retirement Obligations

As of December 31, 2014 and 2013, asset retirement obligation accruals for mine reclamation and closure costs were $112.3 million and $116.4 million, respectively. The portion of the costs expected to be paid within a year of $22.7 million and $23.9 million as of December 31, 2014 and 2013, respectively, is included in other current liabilities. The portion of costs expected to be incurred beyond one year of $89.6 million and $92.5 million as of December 31, 2014 and 2013, respectively, is included in other long-term liabilities. There were no assets that were legally restricted for purposes of settling asset retirement obligations at December 31, 2014 or 2013.

Changes in the asset retirement obligations are as follows:

	December 31,	
	2014	2013
Balance at beginning of year	$ 116,393	$ 89,478
Accretion expense	11,011	9,079
Revisions in estimated cash flows	(87)	26,453
Obligations settled	(10,941)	(8,617)
Obligations held for sale (1)	(4,049)	—
Balance at end of year	$ 112,327	$ 116,393

(1) In the fourth quarter of 2014, the Company determined that the Gauley Eagle operations within the Company's U.S. Operations segment located in West Virginia met the criteria to be classified as held for sale. See Note 4 to the Consolidated Financial Statements.

NOTE 12—Accrued Expenses and Other Current Liabilities

Accrued expenses consisted of the following:

	December 31,	
	2014	2013
Accrued professional fees	$ 23,341	$ 23,855
Accrued wages and employee benefits	28,299	41,938
Accrued interest	42,329	34,473
Freight	10,144	11,105
Other	21,205	22,499
Total accrued expenses	$125,318	$133,870

Other current liabilities consisted of the following:

	December 31,	
	2014	2013
Accrual for tax interest and penalties	$121,861	$111,581
Accrual for uncertain tax positions	42,488	42,433
Asset retirement obligations	22,740	23,937
Liabilities held for sale	4,049	—
Other	24,814	29,033
Total other current liabilities	$215,952	$206,984

NOTE 13—Debt

Debt consisted of the following (in thousands):

	December 31, 2014	December 31, 2013	Weighted Average Interest Rate at December 31, 2014	Final Maturity
2011 term loan A	$ —	$ 406,566	—%	—
2011 term loan B	978,178	978,178	7.25%	2018
9.50% senior secured notes	970,000	450,000	9.50%	2019
11.00% / 12.00% senior secured PIK toggle notes	350,000	—	11.00% / 12.00%	2020
9.875% senior notes	388,000	500,000	9.88%	2020
8.50% senior notes	450,000	450,000	8.50%	2021
Other (1)	18,085	14,876	Various	Various
Debt discount, net	(18,293)	(20,788)		
Total Debt	3,135,970	2,778,832		
Less: current debt (1)	(12,327)	(9,210)		
Total long-term debt	$ 3,123,643	$ 2,769,622		

(1) This balance includes capital lease obligations (see Note 16) and an equipment financing agreement.

The Company's minimum debt repayment schedule, excluding interest, as of December 31, 2014 is as follows (in thousands):

	Payments Due					
	2015	2016	2017	2018	2019	Thereafter
2011 term loan B	$ —	$ —	$ —	$ 978,178	$ —	$ —
9.50% senior secured notes	—	—	—	—	970,000	—
11.0%/12.0% senior secured PIK toggle notes	—	—	—	—	—	350,000
9.875% senior notes	—	—	—	—	—	388,000
8.50% senior notes	—	—	—	—	—	450,000
Other debt	12,327	5,758	—	—	—	—
	$ 12,327	$ 5,758	$ —	$ 978,178	$ 970,000	$ 1,188,000

2011 Credit Agreement

On April 1, 2011, the Company entered into a $2.725 billion credit agreement (the "2011 Credit Agreement") to partially fund the acquisition of Western Coal and to pay off all outstanding loans under the 2005 Credit Agreement. The 2011 Credit Agreement consisted of (1) a $950.0 million principal amortizing term loan A facility maturing in April 2016, (2) a $1.4 billion principal amortizing term loan B facility maturing in April 2018 and (3) a $375.0 million multi-currency revolving credit facility maturing in April 2016. The Revolver provides for operational needs and letters of credit. The Company's obligations under the 2011 Credit Agreement are secured by the Company's domestic and foreign real, personal and intellectual property.

On March 27, 2014, the Company utilized the net proceeds from the $200.0 million of First Lien Notes (as defined below) and $350.0 million of Second Lien Notes (as defined below) to repay in full term loan A debt, increase its liquidity and pay related fees and expenses.

Credit Agreement Amendments

During 2014, the Company entered into the Sixth, Seventh and Eighth Amendments to the 2011 Credit Agreement (collectively, the "Amendments") which, among other things, (1) permitted repayment of term loan A without a pro-rata repayment to term loan B, (2) extended the maturity of 81.6% of its revolving commitments (the "2017 revolver") to October 2017 with reduced availability of $60.0 million, (3) reduced availability of the non-extending revolving lenders (the "2016 revolver") to $16.9 million, (4) eliminated the liquidity and fixed charge coverage maintenance covenants, (5) provided for a 0.50% increase in the interest rate payable on the term loan B, and (6) suspended the senior secured leverage ratio covenant until the aggregate amount outstanding, excluding outstanding letters of credit, under the 2016 revolver and the 2017 revolver (collectively, the "revolver) exceeds 30%, or $23.1 million, of the total revolving commitment of $76.9 million. In connection with these Amendments, the Company recognized a loss on early extinguishment of debt of $6.5 million.

As of December 31, 2014, the revolver and term loan B interest rates were tied to LIBOR or CDOR, plus a credit spread of 550 basis points for the revolver and 625 basis points on the term loan B debt, adjusted quarterly based on the Company's total leverage ratio as defined by the amended 2011 Credit Agreement. The term loan B has a minimum LIBOR floor of 1.0%. The revolver loans can be denominated in either U.S. dollars or Canadian dollars at the Company's option. The commitment fee on the unused portion of the 2016 revolver is 0.5% and on the 2017 revolver is 0.625%. As of December 31, 2014, there were no borrowings outstanding under the revolver, with $2.8 million available under the Company's $16.9 million revolving credit facility, net of outstanding letters of credit of $14.1 million, and $9.9 million available under the Company's $60.0 million 2017 revolver, net of outstanding letters of credit of $50.1 million, for a total availability of $12.7 million. All borrowings under the revolver must be made pro-rata between the 2016 and 2017 revolver through the maturity of the 2016 revolver. The unamortized balance of the debt issuance discount on the term loan B of $11.9 million and the revolver of $1.5 million at December 31, 2014, will be accreted to interest expense over the term of the debt until maturity using the effective interest rate method.

First Lien Notes

On March 27, 2014 and July 14, 2014, the Company issued $200.0 million and $320.0 million aggregate principal amount of 9.50% Senior Secured Notes, respectively. These notes are an addition to the $450.0 million of the Company’s 9.50% Senior Secured Notes that were issued on September 27, 2013 (collectively, the “First Lien Notes”). The First Lien Notes will mature on October 15, 2019, and interest is payable on April 15 and October 15 of each year.

The Company utilized $245.7 million of the net proceeds from the $450.0 million in First Lien Notes issued in September 2013 to extinguish $250.0 million of term loan A debt through a dutch auction process. In 2013, the Company recognized a net gain on early extinguishment of debt of approximately $1.0 million. In March 2014, the Company issued $200.0 million First Lien Notes and $350.0 million Second Lien Notes to repay in full its term loan A debt, increase liquidity and pay related fees and expenses. The Company recognized a loss on early extinguishment of debt of approximately $13.9 million.

The First Lien Notes are unconditionally guaranteed, jointly and severally, by certain 100% owned U.S. domestic restricted subsidiaries of the Company (the "Guarantors") and are secured on a first priority basis, equally and ratably with the Company's Credit Agreement and any future pari passu secured obligations (subject to permitted liens) on substantially all of the Company's and the Guarantor's property and assets, which also secure the Company's Second Lien Notes on a second priority basis.

At any time prior to October 15, 2016, the Company may redeem up to 35% of the First Lien Notes with the net cash proceeds from certain equity offerings, at a redemption price of 109.50% of the aggregate principal amount. The Company may redeem the First Lien Notes, in whole or in part, prior to October 15, 2016, at a redemption price equal to 100% of the principal amount plus a "make-whole" premium. The Company may redeem the First Lien Notes, in whole or in part, at redemption prices equal to 107.125% of principal amount for the year commencing October 15, 2016, 102.375% of principal amount for the year commencing October 15, 2017 and 100% of principal amount beginning on October 15, 2018. Upon the occurrence of a change of control, unless the Company has exercised its right to redeem the First Lien Notes, the Company will be required to offer to repurchase each holder's First Lien Notes at a price equal to 101% of the aggregate principal amount. The unamortized balance of the debt issuance discount of $2.7 million at December 31, 2014, will be accreted to interest expense over the life of the First Lien Notes using the effective interest method.

Second Lien Notes

On March 27, 2014, the Company issued $350.0 million of 11.0%/12.0% Senior Secured Second Lien Payment-in-Kind ("PIK") Toggle Notes due April 1, 2020 (the "Second Lien Notes"). These notes are unconditionally guaranteed, jointly and severally, by each of the Company's current and future 100% owned domestic restricted subsidiaries that from time to time guarantee any of the Company's indebtedness or any indebtedness of any of the Company's restricted subsidiaries (the "Guarantors"). The Second Lien Notes and the guarantees are secured on a second priority basis, equally and ratably with all future second lien obligations, on substantially all of the Company's and the guarantors' property and assets, which also secure the Company's 2011 Credit Agreement and First Lien Notes on a first priority basis. Interest on these notes is payable on April 1 and October 1 of each year, commencing on October 1, 2014.

The Company may elect to pay interest on the Second Lien Notes (1) entirely in cash, at a rate of 11.0% per annum, or (2) with a combination of (i) 50% cash and 50% by increasing the principal amount of the outstanding Second Lien Notes or issuing additional Second Lien Notes ("PIK Interest") or (ii) 75% cash and 25% PIK Interest. Interest on PIK Interest accrues on the Second Lien Notes at a rate equal of 12.0% per annum. The Company is required to pay the first and last interest payments entirely in cash. The Company has elected to pay 50% cash and 50% PIK Interest for the next interest payment date of April 1, 2015.

At any time prior to April 1, 2017, the Company may redeem up to 35% of the Second Lien Notes with the net cash proceeds of certain equity offerings, at a redemption price of 111.0% of the principal amount. The Company may redeem the Second Lien Notes, in whole or in part, prior to April 1, 2017 at a redemption price equal to 100% of the principal amount of the Second Lien Notes plus a "make-whole" premium of 1.625% and accrued and unpaid interest. The Company may redeem the Second Lien Notes, in whole or in part, at redemption prices equal to 105.5% of principal amount for the year commencing April 1, 2017, 102.75% of principal amount for the year commencing April 1, 2018 and 100% of principal amount beginning on April 1, 2019. Upon the occurrence of a change of control, unless the Company has exercised its right to redeem the Second Lien Notes, the Company will be required to offer to repurchase each holder's Second Lien Notes at a price equal to 101% of the principal amount.

9.875% Senior Notes due 2020

On November 21, 2012, the Company issued $500.0 million in aggregate principal amount of 9.875% senior notes due December 15, 2020 (the "2020 Notes") at an initial price of 99.302% of their face amount. The 2020 Notes are unconditionally guaranteed, jointly and severally, on an unsecured basis, by each of the Company's current and future wholly-owned domestic restricted subsidiaries. Interest on the 2020 Notes accrues at the rate of 9.875% per year and is payable semi-annually in arrears on June 15 and December 15, beginning on June 15, 2013.

At any time prior to December 15, 2015, the Company may redeem up to 35% of the 2020 Notes with the net cash proceeds from certain equity offerings at a redemption price of 109.875% of the principal amount. The Company may redeem

the 2020 Notes, in whole or in part, prior to December 15, 2016, at a redemption price equal to 100% of the principal amount plus a "make-whole" premium. The Company may redeem the 2020 Notes, in whole or in part, at redemption prices equal to 104.938% of principal amount for the year commencing December 15, 2016, 102.469% of principal amount for the year commencing December 15, 2017, and 100% of principal amount beginning December 15, 2018. Upon the occurrence of a change of control, unless the Company has exercised its right to redeem the 2020 Notes, the Company will be required to offer to repurchase each holder's 2020 Notes at a price equal to 101% of the aggregate principal amount. The unamortized balance of the debt issuance discount of $2.2 million at December 31, 2014, will be accreted to interest expense over the life of the 2020 Notes using the effective interest method.

During 2014, in three separate transactions, the Company issued an aggregate of 9.3 million shares of its common stock and paid $5.2 million in cash, in exchange for $112.0 million of the 9.875% Senior Notes and recognized a net gain of $54.1 million, or $0.81 per basic and diluted share, for the year ended December 31, 2014 in gain (loss) on extinguishment of debt.

8.50% Senior Notes due 2021

On March 27, 2013, the Company issued $450.0 million aggregate principal amount of 8.50% senior notes due April 15, 2021 (the "2021 Notes"). The 2021 Notes are unconditionally guaranteed, jointly and severally, on an unsecured basis, by each of the Company's current and future wholly-owned domestic restricted subsidiaries that from time to time guarantees any of the Company's indebtedness or any indebtedness of the Company's restricted subsidiaries. Interest on the 2021 Notes is payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2013.

A portion of the proceeds from the 2021 Notes was used to repurchase $250.0 million of term loan A and B debt on a pro-rata basis. In 2013, the Company recorded a loss on early extinguishment of debt of $6.0 million, primarily related to the accelerated amortization of debt issuance costs. The accelerated amortization of debt issuance costs is included in gain (loss) on extinguishment of debt in the Consolidated Statements of Operations.

At any time prior to April 15, 2016, the Company may redeem up to 35% of the 2021 Notes with the net cash proceeds from certain equity offerings, at a redemption price of 108.50% of principal amount. The Company may redeem the 2021 Notes, in whole or in part, prior to April 15, 2017, at a redemption price equal to 100% of the principal amount plus a "make-whole" premium. The Company may redeem the 2021 Notes, in whole or in part, at redemption prices equal to 104.25% of principal amount for the year commencing April 15, 2017, 102.125% of principal amount for the year commencing April 15, 2018 and 100% of principal amount beginning on April 15, 2019. Upon the occurrence of a change of control, unless the Company has exercised its right to redeem the 2021 Notes, the Company will be required to offer to repurchase each holder's 2021 Notes at a price equal to 101% of the aggregate principal amount.

Debt Covenants

The amended 2011 Credit Agreement contains customary events of default and negative covenants that limit the ability of the Company to, among other things, incur certain additional indebtedness; create or permit liens on assets; pay dividends and repurchase stock; acquire, dispose, merge or consolidate assets; engage in transactions with affiliates; and make investments, loans and advances. The amended 2011 Credit Agreement also includes a senior secured leverage ratio covenant that must be maintained. The Indentures governing the Company's Senior Notes also contain covenants that limit the ability of the Company and the guarantors to, among other things, incur additional debt; pay dividends and make distributions or repurchase stock; make certain investments; create or incur liens; sell assets; engage in transactions with affiliates; make distributions, loans or advances; and merge or consolidate assets. As of December 31, 2014, the Company is in compliance with all required covenants.

NOTE 14—Employee Benefit Plans

The Company has various defined benefit pension plans covering certain U.S. salaried employees and eligible hourly employees. In addition to its own pension plans, the Company contributes to a multi-employer defined benefit pension plan covering eligible employees who are represented by the United Mine Workers of America ("UMWA"). The Company funds its retirement and employee benefit plans in accordance with the requirements of the plans and, where applicable, in amounts sufficient to satisfy the "Minimum Funding Standards" of the Employee Retirement Income Security Act of 1974 ("ERISA"). The plans provide benefits based on years of service and compensation or at stated amounts for each year of service.

Defined Benefits Pension and Other Postretirement Benefit Plans

The Company also provides certain postretirement benefits other than pensions, primarily healthcare, to eligible retirees. The Company's postretirement benefit plans are not funded. New salaried employees have been ineligible to participate in postretirement healthcare benefits since May 2000. Effective January 1, 2003 the Company placed a monthly cap on Company contributions for postretirement healthcare coverage.

The Company is required to measure plan assets and liabilities as of the fiscal year-end reporting date. As of December 31, 2014, all of the Company's pension plans had obligations that exceed plan assets and, as of December 31, 2013, all of the Company's pension plans, with the exception of the Salaried Pension Plan, had obligations that exceeded plan assets. The amounts recognized for all of the Company's pension and postretirement benefit plans are as follows (in thousands):

	Pension Benefits		Other Postretirement Benefits	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Accumulated benefit obligation	$ 290,524	$ 247,874	$ 598,385	$ 600,748
Change in projected benefit obligation:				
Benefit obligation at beginning of year	$ 265,650	$ 295,944	$ 600,748	$ 662,464
Service cost	6,804	7,062	7,776	9,943
Interest cost	13,296	12,280	30,903	28,791
Actuarial (gain) loss	59,433	(37,873)	64,426	(74,146)
Benefits paid	(28,083)	(11,763)	(28,924)	(26,304)
Plan amendments	4,531	—	(76,544)	—
Plan settlements	(5,162)	—	—	—
Benefit obligation at end of year	$ 316,469	$ 265,650	$ 598,385	$ 600,748
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 257,765	$ 232,960	$ —	$ —
Actual return on plan assets	14,138	35,788	—	—
Employer contributions	771	780	28,924	26,304
Benefits paid	(28,083)	(11,763)	(28,924)	(26,304)
Fair value of plan assets at end of year	$ 244,591	$ 257,765	$ —	$ —
Unfunded status of plan	$ (71,878)	$ (7,885)	$ (598,385)	$ (600,748)
Amounts recognized in balance sheet, pre-tax:				
Other long-term assets	$ —	$ 1,260	$ —	$ —
Pension and other postretirement benefits obligation				
Current	(3,292)	(7,089)	(25,740)	(30,036)
Long-term	(68,586)	(2,056)	(572,645)	(570,712)
Net amount recognized	$ (71,878)	$ (7,885)	$ (598,385)	$ (600,748)
Amounts recognized in accumulated other comprehensive income (loss), pre-tax				
Prior service cost (credit)	$ 5,279	$ 994	$ (70,130)	$ 7,641
Net actuarial loss	107,884	48,331	287,550	238,693
Net amount recognized	$ 113,163	$ 49,325	$ 217,420	$ 246,334

The components of net periodic benefit cost are as follows (in thousands):

	Pension Benefits			Other Postretirement Benefits		
	For the years ended December 31,			For the years ended December 31,		
	2014	2013	2012	2014	2013	2012
Components of net periodic benefit cost:						
Service cost	$ 6,804	$ 7,062	$ 5,991	$ 7,776	$ 9,943	$ 8,072
Interest cost	13,296	12,280	12,517	30,903	28,791	29,010
Expected return on plan assets	(18,213)	(16,941)	(16,125)	—	—	—
Amortization of prior service cost	246	263	256	1,227	1,230	1,045
Amortization of net actuarial loss	2,292	9,609	9,377	15,570	18,936	14,725
Settlement loss	1,663	—	—	—	—	
Net periodic benefit cost for continuing operations	$ 6,088	$ 12,273	$ 12,016	$ 55,476	$ 58,900	$ 52,852

The estimated portions of net prior service cost (credit) and net actuarial loss remaining in accumulated other comprehensive income that is expected to be recognized as components of net periodic benefit costs in 2015 are as follows (in thousands):

	Pension Benefits	Other Postretirement Benefits
Prior service cost (credit)	$ 681	$ (6,209)
Net actuarial loss	7,666	22,635
Net amount to be recognized	$ 8,347	$ 16,426

Changes in plan assets and benefit obligations recognized in other comprehensive income (loss) in 2014 are as follows (in thousands):

	Pension Benefits	Other Postretirement Benefits	Total
Current year net actuarial loss	$ (63,507)	$ (64,426)	$ (127,933)
Current year prior service (cost) credit	(4,530)	76,544	72,014
Amortization of actuarial loss	2,292	15,570	17,862
Recognition of settlement loss	1,663	—	1,663
Amortization of prior service cost	246	1,227	1,473
Total	(63,836)	28,915	(34,921)
Deferred income taxes	218	884	1,102
Total recognized in other comprehensive income (loss), net of taxes	$ (63,618)	$ 29,799	$ (33,819)

A summary of key assumptions used is as follows:

	Pension Benefits			Other Postretirement Benefits		
	December 31,			December 31,		
	2014	2013	2012	2014	2013	2012
Weighted average assumptions used to determine benefit obligations:						
Discount rate	4.32%	5.24%	4.29%	4.34%	5.28%	4.44%
Rate of compensation increase	3.70%	3.70%	3.70%	—	—	—
Weighted average assumptions used to determine net periodic cost:						
Discount rate	5.24%	4.29%	5.02%	5.28%	4.44%	5.14%
Expected return on plan assets	7.25%	7.50%	7.75%	—	—	—
Rate of compensation increase	3.70%	3.70%	3.70%	—	—	—

	December 31,					
	2014		2013		2012	
	Pre-65	Post-65	Pre-65	Post-65	Pre-65	Post-65
Assumed health care cost trend rates at December 31:						
Health care cost trend rate assumed for next year	6.90%	6.90%	7.00%	7.00%	7.50%	7.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50%	4.50%	4.50%	4.50%	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2027	2027	2027	2027	2019	2019

The discount rate is based on a yield-curve approach which matches the expected cash flows to high quality corporate bonds available at the measurement date. The model constructs a hypothetical bond portfolio whose cash flows match the year-by-year, projected benefit cash flow from the benefit plan. The yield on this hypothetical portfolio is the maximum discount rate used. The yield curve is based on a universe of bonds available from the Bloomberg Finance bond database at the measurement date, with a quality rating of AA or better by Moody's or S&P.

The plan assets of the pension plans are held and invested by the Walter Energy, Inc. Subsidiaries Master Pension Trust ("Pension Trust"). The Pension Trust employs a total return investment approach whereby a mix of equity and fixed income investments are used to meet the long-term funding and near-term cash flow requirements of the pension plan. The asset mix strives to generate rates of return sufficient to fund plan liabilities and exceed the long-term rate of inflation, while maintaining an appropriate level of portfolio risk. Risk tolerance is established through consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolio is diversified across domestic and foreign equity holdings, and by investment styles and market capitalizations. Domestic equity holdings primarily consist of investments in common stocks and funds invested in large-cap and mid-cap companies located in the United States managed to replicate the investment performance of industry standard investment indexes. Foreign equity holdings primarily consist of investments in domestically managed mutual funds located in the United States. Fixed income holdings are diversified by issuer, security type and principal and interest payment characteristics. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Fixed income and derivatives holdings primarily consist of investments in domestically managed mutual funds located in the United States. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual benefits liability measurements, and periodic asset/liability studies. Management believes the only significant concentration of investment risk lies in exposure to the U.S. domestic markets as compared with total global investment opportunities.

The Pension Trust's strategic asset allocation targets for 2014 and the asset allocations as of December 31, 2014 and 2013 were as follows:

	Strategic Allocation	Tactical Range	Actual Allocation 2014	Actual Allocation 2013
Equity Investments:				
U.S. large-cap equity	33.0%	25-41%	33.4%	39.0%
International equity	13.0%	9-17%	11.9%	14.3%
U.S. mid-cap equity	14.0%	10-18%	14.6%	9.7%
Total equity investments	60.0%	50-70%	59.9%	63.0%
Fixed income investments	40.0%	30-50%	38.7%	36.5%
Cash	—%	0-5%	1.4%	0.5%
Total	100.0%		100.0%	100.0%

These ranges are targets and deviations may occur from time-to-time due to market fluctuations. Portfolio assets are typically rebalanced to the allocation targets at least annually.

The fair values of the Pension Trust's assets, all of which are valued based on quoted market prices in active markets for identified assets (Level 1), were as follows (in thousands):

Asset Class:	December 31, 2014	December 31, 2013
Cash and cash equivalents	$ 3,477	$ 1,224
Equity investments(a):		
U.S. large cap equity	81,662	100,384
International equity	28,992	36,812
U.S. mid-cap equity	35,715	25,143
Fixed income investments:		
Intermediate-term bond(b)	69,250	34,091
Long-term bond(c)	25,495	60,111
Total	$ 244,591	$ 257,765

(a) Equity investments include investments in domestic and international mutual funds and U.S. common stocks investing in large- and mid-capitalization companies. Investments in mutual funds are valued at the net asset value per share multiplied by the number of shares held as of the measurement date and are traded on listed exchanges.

(b) This fund seeks maximum total return through a diversified portfolio of fixed income instruments of varying maturities, which may be represented by forward or derivatives such as options, futures, contracts, or swap agreements. Fixed income instruments include bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public or private-sector entities. This fund also invests in high yield securities, mortgage-related securities and securities denominated in foreign currencies. This fund is valued at the net asset value per share multiplied by the number of shares held as of the measurement date and is traded on a listed exchange.

(c) This fund invests in a diversified portfolio consisting primarily of high-quality bonds and other fixed income securities, including U.S. government obligations, mortgage-and asset-backed securities, corporate and municipal bonds, and collateralized mortgage obligations of varying maturities. This fund is valued at the net asset value per share multiplied by the number of shares held as of the measurement date and is traded on a listed exchange.

The expected long-term return on assets of the Pension Trust is established at the beginning of each year by the Company's Benefits Committee in consultation with the plans' actuaries and outside investment advisor. A building block approach is used in determining the long-term rate of return for plan assets. Historical market returns are studied and long-term

risk/return relationships between equity and fixed income asset classes are analyzed. This analysis supports the widely accepted fundamental investment principle that assets with greater risk generate higher returns over long periods of time. The historical impact of returns in one asset class on returns of another asset class is reviewed to evaluate portfolio diversification benefits. Current market factors including inflation rates and interest rate levels are considered before assumptions are developed. The long-term portfolio return is established via the building block approach by adding interest rate risk and equity risk premiums to the anticipated long-term rate of inflation. Proper consideration is given to the importance of portfolio diversification and periodic rebalancing. Peer data and historical return assumptions are reviewed to check for reasonableness. For the determination of net periodic benefit cost in 2015, the Company will utilize an expected long-term return on plan assets of 6.25%.

Assumed healthcare cost trend rates, discount rates, expected return on plan assets and salary increases have a significant effect on the amounts reported for the pension and healthcare plans. A one-percentage-point change in the rate for each of these assumptions would have had the following effects as of and for the year ended December 31, 2014 (in thousands):

	Increase (Decrease)	
	1-Percentage Point Increase	**1-Percentage Point Decrease**
Healthcare cost trend:		
Effect on total service and interest cost components	$ 6,244	$ (5,002)
Effect on other postretirement benefit obligation	$ 92,287	$ (74,174)
Discount rate:		
Effect on other postretirement service and interest cost components	$ 48	$ (184)
Effect on other postretirement benefit obligation	$ (77,097)	$ 95,043
Effect on current other postretirement expense	$ (5,634)	$ 6,820
Effect on pension service and interest cost components	$ (167)	$ 150
Effect on pension benefit obligation	$ (38,267)	$ 47,783
Effect on current year pension expense	$ (1,813)	$ 3,138
Expected return on plan assets:		
Effect on current year pension expense	$ (2,512)	$ 2,512
Rate of compensation increase:		
Effect on pension service and interest cost components	$ 790	$ (692)
Effect on pension benefit obligation	$ 6,383	$ (5,749)
Effect on current year pension expense	$ 1,228	$ (1,120)

The Company does not have a minimum pension plan funding requirement for fiscal year 2015. The Company expects to pay $25.7 million in 2015 for benefits related to its other postretirement benefit plans. The following estimated benefit payments from the plans, which reflect expected future service as appropriate, are expected to be paid as follows (in thousands):

	Pension Benefits	**Other Postretirement Benefits**
2015	$ 17,670	$ 25,740
2016	$ 15,232	$ 27,252
2017	$ 16,148	$ 28,600
2018	$ 17,051	$ 29,886
2019	$ 17,955	$ 30,801
Years 2020-2024	$ 100,590	$ 162,291

UMWA Pension and Benefit Trusts

The Company is required under its agreement with the UMWA to contribute to multi-employer plans providing pension, healthcare and other postretirement benefits. The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- The Employee Retirement Income Security Act of 1974 ("ERISA"), as amended in 1980, imposes certain liabilities on contributors to multi-employer pension plans in the event of a contributor's withdrawal from the plan.

At December 31, 2014, approximately 49.5% of Walter Energy's workforce was represented by the UMWA and covered under the Company's collective bargaining agreement which began July 11, 2012 and expires December 31, 2016.

UMWA 1974 Pension Plan

The Company is required under the agreement with the UMWA to pay amounts to the 1974 UMWA Pension Plan ("the 1974 Pension Plan") based principally on hours worked by UMWA represented employees. The required contribution called for by the Company's current collective bargaining agreement is $5.50 per hour worked. This cost is recognized as an expense in the year the payments are assessed. The benefits provided by the 1974 Pension Plan to the participating employees are determined based on age and years of service at retirement. The Company was listed in the 1974 Pension Plan's Form 5500, filed April 11, 2014, as providing more than 5 percent of the total contributions for the 2012 plan year.

As of June 30, 2014, the most recent date for which information is available, the 1974 Pension Plan was underfunded. This determination was made in accordance with ERISA calculations. In October 2014, the Company received notice from the trustees of the 1974 Pension Plan stating that the plan is considered to be in "critical" status for the plan year beginning July 1, 2014. The Pension Protection Act ("Pensions Act") requires a funded percentage of 80% be maintained for this multi-employer pension plan. If the plan is determined to have a funded percentage of less than 80% it will be deemed to be "endangered." The plan will be considered "seriously endangered" if the number of years to reach a projected funding deficiency equals 7 or less in addition to having a funded percentage of less than 80%, and if less than 65%, it will be deemed to be in "critical" status. The funded percentage certified by the actuary for the 1974 Pension Plan was determined to be less than 65.0% under the Pension Act. As a result of the 1974 Pension Plan entering "critical" status, the Pensions Act requires a surcharge of 5% of the contributions otherwise required under the current collective bargaining agreement be contributed which will increase the contribution rate from $5.50 to $5.78 per hour. Subject to certain exceptions, the surcharge will increase to 10%, or $6.05 per hour, on July 1, 2015. Additionally as a result of the 1974 Pension Plan's "critical" status, Federal law requires pension plans to adopt a rehabilitation plan aimed at restoring the financial health of the plan. The law permits pension plans to reduce, or even eliminate, benefits called "adjustable benefits" as part of a rehabilitation plan.

The Company faces risks and uncertainties by participating in the 1974 Pension Plan. All assets contributed to the plan are pooled and available to provide benefits for all participants and beneficiaries. As a result, contributions made by the Company benefit the employees of other employers. If the 1974 Pension Plan fails to meet ERISA's minimum funding requirements or fails to develop and adopt a rehabilitation plan, a nondeductible excise tax of five percent of the accumulated funding deficiency may be imposed on an employer's contribution to this multi-employer pension plan. As a result of the 1974 Pension Plan entering "seriously endangered" status for the plan year beginning July 1, 2011, the plan adopted a Funding Improvement Plan as of May 25, 2012 in an effort to improve the plan's funding situation. The Funding Improvement Plan states that the plan must avoid a funding deficiency for any plan year during the funding improvement period and improve the plan's funded status by at least 20% over a 15-year period. The Funding Improvement Period began July 1, 2014 and ends June 30, 2029. The Funding Improvement Plan calls for increased contributions beginning January 1, 2017 and lasting throughout the improvement period so that the plan can meet the applicable benchmarks and emerge from seriously endangered status by the end of the Funding Improvement Period. The Funding Improvement Plan and the corresponding contribution schedules were updated on April 26, 2013 and May 21, 2014, to reflect the experience of the plan.

Under current law governing multi-employer defined benefit plans, if the Company voluntarily withdrew from the 1974 Pension Plan, the Company would be required to make payments to the plan which would approximate its proportionate share of the multiemployer plan's unfunded vested benefit liabilities at the time of the withdrawal. The 1974 Pension Plan uses a modified "rolling five" year allocation method for calculating an employer's withdrawal liability share of the unfunded vested benefits. An employer would be obligated to pay its pro-rata share of the unfunded vested benefits based on the ratio of hours worked by the employer's employees during the previous five plan years for which contributions were due compared to the

number of hours worked by all the employees of the employers from which contributions were due. The 1974 Pension Plan's unfunded vested benefits at June 30, 2014 was $4.3 billion. The Company's percentage of hours worked during the previous five plan years to the total hours worked by all plan participants during the same period was estimated to be approximately 15%. The Company does not have any intention to withdraw from the plan; however, if the Company were to withdraw from the plan before July 1, 2015, the Company's estimated withdrawal liability would be $661.2 million.

The following table provides additional information regarding the 1974 Pension Plan as of December 31, 2014 (in thousands):

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions of Walter Energy			Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		2014	2013		2014	2013	2012		
United Mine Workers of America 1974 Pension Plan(1)	52-1050282/002	Red	Yellow	Yes	$17,854	$19,670	$20,948	Yes	12/31/2016

(1) The enrolled actuary for the 1974 Pension Plan certified to the U.S. Department of the Treasury and the plan sponsor that the plan is in "Critical Status" for the plan year beginning July 1, 2014 and ending June 30, 2015. The plan adopted a funding improvement plan on May 25, 2012.

UMWA Benefit Trusts

The Coal Industry Retiree Health Benefit Act of 1992 ("Coal Act") created two multiemployer benefit plans: (1) the United Mine Workers of America Combined Benefit Fund ("Combined Fund") into which the former UMWA Benefit Trusts were merged, and (2) the 1992 Benefit Fund. The Combined Fund provides medical and death benefits for all beneficiaries of the former UMWA Benefit Trusts who were actually receiving benefits as of July 20, 1992. The 1992 Benefit Fund provides medical and death benefits to orphan UMWA-represented members eligible for retirement on February 1, 1993, and who actually retired between July 20, 1992 and September 30, 1994. The Coal Act provides for the assignment of beneficiaries to former employers and the allocation of unassigned beneficiaries (referred to as orphans) to companies using a formula set forth in the Coal Act. The Coal Act requires that responsibility for funding the benefits to be paid to beneficiaries, be assigned to their former signatory employers or related companies. This cost is recognized as an expense in the year the payments are assessed. The Company's contributions to these funds for the years ended December 31, 2014, 2013 and 2012 were insignificant.

The UMWA 1993 Benefit Plan is a defined contribution plan that was created as the result of negotiations for the National Bituminous Coal Wage Agreement (NBCWA) of 1993. This plan provides healthcare benefits to orphan UMWA retirees who are not eligible to participate in the Combined Fund, the 1992 Benefit Fund or whose last employer signed the 1993, or a later, NBCWA and subsequently goes out of business. Contributions to the trust under the 2011 labor agreement were $1.10 per hour worked by UMWA represented employees for the years ended December 31, 2014, 2013 and 2012. Total contributions to the UMWA 1993 Benefit Plan in 2014, 2013 and 2012 were $3.6 million, $3.9 million and $4.2 million, respectively.

The NBCWA of 2011 established the UMWA 2012 Retiree Bonus Account Trust and Plan. The UMWA Retiree Bonus Account Trust is a defined contribution plan that provides funding for continued single sum payments to retirees and is administered by a board of trustees consisting of two trustees appointed by the UMWA and two trustees appointed by the Bituminous Coal Operators' Association (BCOA). The trust shall provide a one-time single sum bonus payment of $580 for most retirees or $455 for disabled and certain other retirees on November 1, 2015 and 2016. If the trustees determine that there are not sufficient assets in the trust to pay the projected bonus amounts, the employer will be required to pay the difference to its retirees. The 2012 Retiree Bonus Account Trust provides benefits to beneficiaries of the UMWA 1974 Pension Plan who have retired by July 1, 2011 or who retire by October 31, 2016. Contributions to the trust under the 2011 NBCWA are currently $1.56 per hour worked by UMWA represented employees, which began on February 1, 2013. Total contributions to the UMWA 2012 Retiree Bonus Account Trust in 2014, 2013 and 2012 were $5.1 million, $5.5 million, and $5.7 million, respectively.

NOTE 15—Net Loss Per Share

A reconciliation of the basic and diluted net loss per share computations for the years ended December 31, 2014, 2013 and 2012 is as follows (in thousands, except per share data):

	For the years ended December 31,					
	2014		2013		2012	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator:						
Loss from continuing operations	$ (470,568)	$ (470,568)	$ (359,003)	$ (359,003)	$(1,065,555)	$ (1,065,555)
Income from discontinued operations	$ —	$ —	$ —	$ —	$ 5,180	$ 5,180
Denominator:						
Average number of common shares outstanding (a)	66,300	66,300	62,564	62,564	62,536	62,536
Loss from continuing operations	$ (7.10)	$ (7.10)	$ (5.74)	$ (5.74)	$ (17.04)	$ (17.04)
Income from discontinued operations	—	—	—	—	0.08	0.08
Net loss per share	$ (7.10)	$ (7.10)	$ (5.74)	$ (5.74)	$ (16.96)	$ (16.96)

(a) In periods of net loss, the number of shares used to calculate diluted earnings per share is the same as basic earnings per share; therefore, the effect of dilutive securities is zero for such periods. The weighted average number of stock options and restricted stock units outstanding of 1,522,772, 539,682, and 238,210 for the years ended December 31, 2014, 2013 and 2012, respectively, were excluded because their effect would have been anti-dilutive. There were no dilutive securities outstanding for the years ended December 31, 2014, 2013 and 2012.

NOTE 16—Commitments and Contingencies

Income Tax Litigation

The Company is currently engaged in litigation with the IRS with regard to certain federal income tax issues. See Note 10 for a more complete explanation.

Environmental Matters

The Company is subject to a wide variety of laws and regulations concerning the protection of the environment, both with respect to the construction and operation of its plants, mines and other facilities and with respect to remediating environmental conditions that may exist at its own and other properties.

The Company believes that it is in substantial compliance with federal, state and local environmental laws and regulations. The Company accrues for environmental expenses resulting from existing conditions that relate to past operations when the costs are probable and can be reasonably estimated.

Walter Coke, Inc.

Walter Coke entered into a decree order in 1989 (the "1989 Order") relative to a Resource Conservation Recovery Act ("RCRA") compliance program mandated by the Environmental Protection Agency ("EPA"). A RCRA Facility Investigation ("RFI") Work Plan was prepared which proposed investigative tasks to assess the presence of contamination at the Walter Coke facility. In 2004, the EPA re-directed Walter Coke's RFI efforts toward completion of the Environmental Indicator ("EI") determinations for the Current Human Exposures, which were approved and finalized for Walter Coke's Birmingham facility in 2005. In 2008, as a follow-up to the EI determination, the EPA requested that Walter Coke perform additional soil sampling and testing in the neighborhoods surrounding its facility. The results of this sampling and testing were submitted to the EPA for review in 2009. In conjunction with the plan, Walter Coke agreed to remediate portions of 23 properties based on the 2009 sampling and that process was completed in 2012.

In 2011, the EPA notified Walter Coke in the form of a General Notice Letter that it proposed that the offsite remediation project ("35th Avenue Superfund Site") be classified and managed as a Superfund site under Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), allowing other Potentially Responsible Parties (PRPs) to potentially

be held responsible. Under CERCLA authority, the EPA proceeded directly with the offsite sampling work and deferred any further enforcement actions or decisions. In March 2013, the EPA released the North Birmingham Air Toxics Risk Assessment showing the air quality around Company facilities to be acceptable. In August 2013, the Agency for Toxic Substances and Disease Registry (ATSDR) released a report concerning past, present and future exposures to residential soils in North Birmingham and concluded that there is no public health hazard. In September 2013, the EPA sent an "Offer to Conduct Work" letter to Walter Coke and four other PRPs notifying them that the EPA had completed sampling at 1,100 residential properties and that 400 properties exceeded Regional Removal Management Levels (RML's) and offered the PRPs an opportunity to cleanup 50 Phase I properties. The Company has notified the EPA that it has declined the Offer to Conduct Work. In July 2014, the Jefferson County Department of Health ("JCDH") said there are no apparent health risks to individuals living in North Birmingham. In August 2014, the EPA sent an “Offer to Conduct Work” letter to Walter Coke and five other PRPs and offered the PRPs an opportunity to cleanup 30 Phase II properties. The Company has notified the EPA that it has declined the Offer to Conduct Work. In September 2014, the EPA proposed to add the 35th Avenue Superfund Site to the National Priorities List ("NPL"). The EPA has accepted and is reviewing comments to the proposed listing.

A RCRA Section 3008(h) Administrative Order on Consent (the "2012 Order") with the effective date of September 24, 2012 was signed by Walter Coke and the EPA. The 2012 Order declared that all of the approved investigation tasks of the RFI Work Plans required by the 1989 Order had been completed by Walter Coke and that the 1989 Order was terminated and is no longer in effect. The objectives of the 2012 Order are to perform Corrective Measure Studies, implement remedies if necessary, and implement and maintain institutional controls if required at the Walter Coke facility.

The Company has incurred costs to investigate the presence of contamination at the Walter Coke facility and to define remediation actions to address this environmental liability in accordance with the agreements reached with the EPA under the RFI and the residential soil sampling conducted by Walter Coke in the neighborhoods surrounding its facility. At December 31, 2014, the Company had an amount accrued that is probable and can be reasonably estimated for the costs to be incurred to identify and define remediation actions, as well as to perform certain remedial tasks which can be quantified. As of December 31, 2014, the amount of this accrual was not material to the Company's consolidated financial statements. While it is probable that the Company will incur additional future costs to remediate environmental liabilities at the Walter Coke facility, the amount of such additional costs cannot be reasonably estimated at this time. Although no assurances can be given that the Company will not be required in the future to make material expenditures relating to the Walter Coke site or other sites, management does not believe at this time that the cleanup costs, if any, associated with these sites will have a material adverse effect on the Company's consolidated financial statements, but such cleanup costs could be material to the Company's results of operations in a future reporting period.

In 2011, the Company and Walter Coke were named in a suit filed by Louise Moore (Louise Moore v. Walter Energy, Inc. and Walter Coke, Inc., Case No. 2:11-CV-1391) in the federal District Court for the Northern District of Alabama. This is a putative civil class action alleging state law tort claims arising from the alleged presence on properties of substances, including arsenic, BaP, and other hazardous substances, allegedly as a result of current and/or historic operations in the area conducted by the defendants and/or their predecessors. On September 30, 2014, the case was dismissed without prejudice. However, the Order provides that either party may move for reinstatement before the earlier of (i) 6 months of the EPA’s issuance of a Record of Decision for the 35th Avenue Superfund Site, or (ii) 5 years after the date of the Order. Reinstatement also causes the reinstated claims to relate back to the original date of filing.

Securities Class Actions and Shareholder Derivative Actions

On January 26, 2012 and March 15, 2012, putative class actions were filed against Walter Energy, Inc. and some of its current and former senior executive officers in the U.S. District Court for the Northern District of Alabama (Rush v. Walter Energy, Inc., et al.). The three executive officers named in the complaints are: Keith Calder, Walter's former CEO; Walter Scheller, the Company's current CEO and a director; and Neil Winkelmann, former President of Walter's Canadian and U.K. Operations (collectively the "Individual Defendants"). The complaints were filed by Peter Rush and Michael Carney, purported shareholders of Walter Energy who each seek to represent a class of Walter Energy shareholders who purchased common stock between April 20, 2011 and September 21, 2011.

These complaints allege that Walter Energy and the Individual Defendants made false and misleading statements regarding the Company's operations outlook for the second quarter of 2011. The complaints further allege that the Company and the Individual Defendants knew that these statements were misleading and failed to disclose material facts that were necessary in order to make the statements not misleading. Plaintiffs claimed violations of Section 10(b) of the Securities Exchange Act of 1934 (the "1934 Act"), Rule 10b-5 promulgated thereunder, and Section 20(a) of the 1934 Act. On May 30, 2012, the two actions were consolidated into *In re Walter Energy, Inc. Securities Litigation.* The court also appointed the Government of Bermuda Contributory and Public Service Superannuation Pension Plans as well as the Stephen C. Beaulieu Revocable Trust to be lead plaintiffs and approved lead plaintiffs' selection of Robbins Geller Rudman & Dowd LLP and Kessler Topaz Meltzer & Check, LLP as lead plaintiffs' counsel for the consolidated action. On August 20, 2012, Lead

Plaintiffs filed a consolidated amended class action complaint in this action. The consolidated amended complaint names as an additional defendant Joseph Leonard, a current director and former interim CEO of Walter Energy, in addition to the previously named defendants. Defendants filed a Motion to Dismiss the amended complaint on October 4, 2012. On January 29, 2013, the court denied that motion without prejudice. Defendants answered the complaint on February 15, 2013. The parties are now in the process of discovery. Plaintiffs filed a motion for class certification on August 15, 2013. On March 18, 2014, the Court denied Plaintiffs' motion for class certification without prejudice to refiling and rebriefing and stayed this litigation pending a decision by the United States Supreme Court in *Halliburton Co., et al. v. Erica P. John Fund, Inc*. ("*Halliburton II*"). Following the U.S. Supreme Court's decision in *Halliburton II* on June 23, 2014, Plaintiffs filed a renewed motion for class certification on August 29, 2014. Defendants' filed their opposition on October 28, 2014, and Plaintiffs' Reply was due January 16, 2015. The Court has set an evidentiary hearing on Plaintiffs' renewed class certification motion for April 16, 2015. All other deadlines have been stayed by the Court.

Walter Energy and the other named defendants believe that there is no merit to the claims alleged and intend to vigorously defend these actions.

On February 7, 2012, a shareholder derivative lawsuit was filed in the 10th Judicial Circuit of Alabama (Israni v. Clark et al.). On February 10, 2012, a second shareholder derivative suit was filed in the same court (Himmel v. Scheller et al.), and on February 16, 2012 a third derivative suit was filed (Walters v. Scheller et al.). All three complaints named as defendants the Company's then current Board of Directors, Keith Calder and Neil Winkelmann. The Company was named as a nominal defendant in each complaint. The three complaints allege similar claims to those alleged in the Rush complaint. The complaints variously assert state law claims for breaches of fiduciary duties for alleged failures to maintain internal controls and to properly manage the Company, unjust enrichment, waste of corporate assets, gross mismanagement and abuse of control. The three derivative actions seek among other things, recovery for the Company for damages that the Company suffered as a result of alleged wrongful conduct. On April 11, 2012, the Court consolidated these shareholder derivative suits. Walter Energy thereafter entered into a stipulation with the lead plaintiffs in the consolidated derivative suit, pursuant to which all proceedings in the derivative action were stayed pending the filing of the consolidated amended complaint in the class action. On September 19, 2012, lead plaintiffs filed a consolidated shareholder derivative complaint. This action has been stayed pending the resolution of summary judgment motions in the putative securities class action. The derivative plaintiffs will have certain rights to participate in discovery taken in the federal securities action.

On March 1, 2012, a shareholder derivative lawsuit was filed in the U.S. District Court for the Northern District of Alabama (Makohin v. Clark, et al.). On September 27, 2012, a second shareholder derivative lawsuit was filed in the same court (Sinerius v. Beatty, et al.). Both complaints name as defendants the Company's then current Board of Directors and Keith Calder. The Company is named as a nominal defendant in each complaint. These complaints, like the state court derivative claims, allege similar facts to those alleged in the Rush complaint. The Makohin complaint asserts state law claims for breaches of fiduciary duties and unjust enrichment, while the Sinerius complaint asserts these same claims as well as claims for abuse of control and gross mismanagement. Both actions seek, among other things, recovery for the Company for damages that the Company suffered as a result of alleged wrongful conduct and restitution from defendants of all profits, benefits and other compensation that they wrongfully obtained. Like the state court derivative action, both of these cases have been stayed pending resolution of summary judgment motions in the putative securities class action. The federal derivative plaintiffs will also have certain rights to participate in discovery taken in the federal securities action.

Walter Energy and the other named defendants believe that there is no merit to the claims alleged in these shareholder derivative lawsuits and intend to vigorously defend these actions.

Miscellaneous Litigation

The Company and its subsidiaries are parties to a number of other lawsuits arising in the ordinary course of their businesses. The Company records costs relating to these matters when a loss is probable and the amount can be reasonably estimated. The effect of the outcome of these matters on the Company's future results of operations cannot be predicted with certainty as any such effect depends on future results of operations and the amount and timing of the resolution of such matters. While the results of litigation cannot be predicted with certainty, the Company believes that the final outcome of such other litigation will not have a material adverse effect on the Company's consolidated financial statements.

Commitments and Contingencies—Other

In the opinion of management, accruals associated with contingencies incurred in the normal course of business are sufficient. Resolution of existing known contingencies is not expected to significantly affect the Company's financial position and results of operations.

Ridley Terminal Services Agreement

In connection with the acquisition of Western Coal Corp., the Company assumed a terminal services agreement (the "Agreement") with Ridley Terminals Inc. located in British Columbia. The Agreement contained minimum throughput obligations each calendar year through December 31, 2020. If the Company does not meet its minimum throughput obligation, the Company shall pay Ridley Terminals a contractually specified amount per metric ton for the difference between the actual throughput and the minimum throughput requirement. At December 31, 2014, the Company recorded a liability of $11.2 million as a result of not meeting the required minimum. In January 2015, the Company entered into an Amending Agreement with Ridley Terminals which waived the minimum throughput obligations for calendar years 2015 through 2017, reduced the minimum throughput commitment volume from 4.0 million tons to 3.0 million tons and extended the contract through December 31, 2023.

Transportation and Throughput Agreements

The Company has various transportation and throughput agreements with its rail and barge transportation providers and the Alabama State Port Authority. These agreements contain minimum tonnage guarantees with respect to coal transported from the mine sites to the Port of Mobile, Alabama, unloading of rail cars or barges, and the loading of vessels. If the Company does not meet its minimum throughput obligations, the Company shall pay the transportation providers or the Alabama State Port Authority a contractually specified amount per metric ton for the difference between the actual throughput and the minimum throughput requirement. At December 31, 2014, the Company maintained a liability of $4.5 million as a result of not meeting the required minimums.

Lease Obligations

The Company's leases are primarily for mining equipment, automobiles and office space. The total cost of assets under capital leases was $32.5 million and $45.2 million at December 31, 2014 and 2013, respectively. Accumulated amortization on assets under capital leases was $12.6 million and $18.9 million at December 31, 2014 and 2013, respectively. Amortization expense for capital leases is included in depreciation and depletion expense. Rent expense was $11.2 million, $20.8 million and $18.1 million for the years ended December 31, 2014, 2013 and 2012, respectively. Future minimum payments under non-cancellable capitalized and operating leases as of December 31, 2014 were as follows (in thousands):

	Capitalized Leases	Operating Leases
2015	$ 5,294	$ 7,420
2016	62	7,212
2017	—	7,329
2018	—	7,297
2019	—	7,299
Thereafter	—	1,379
Total	5,356	$ 37,936
Less: amount representing interest and other executory costs	(184)	
Present value of minimum lease payments	$ 5,172	

A substantial amount of the coal that the Company mines is produced from mineral reserves leased from third-party land owners. These leases convey mining rights to the coal producer in exchange for royalties to be paid to the lessor as either a fixed amount per ton or as a percentage of the sales price. Although coal leases have varying renewal terms and conditions, they generally last for the economic life of the reserves. Coal royalty expense was $56.0 million, $78.1 million and $116.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

NOTE 17—Derivative Financial Instruments

Interest Rate Swaps

On June 27, 2011, the Company entered into an interest rate swap agreement with a notional value of $450.0 million. The objective of the swap was to protect against the variability in expected future cash flows attributable to changes in the benchmark interest rate related to interest payments required under term loan A in the 2011 Credit Agreement. The interest rate on the debt is subject to change due to fluctuations in the benchmark interest rate of 3-month LIBOR. The structure of the

hedge was a three year amortizing interest rate swap based on a 1.17% fixed rate with quarterly fixed rate and floating rate payment dates beginning on July 18, 2011. The hedge was settled upon maturity in July 2014 and was accounted for as a cash flow hedge. Changes in the fair value of the effective portion of the hedge were reported in accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transactions affected earnings. The Company recognized income of $1.1 million related to the effective portion of the hedge for the year ended December 31, 2014 in interest expense, net. Upon the prepayment of term loan A in the first quarter of 2014, the interest rate swap became fully ineffective. The ineffective portion of the change in the fair value of the hedge is recognized directly in earnings. The Company recognized income of approximately $0.3 million for the year ended December 31, 2014 related to the ineffective portion of the hedge and the mark-to-market gain from the settlement in other income (loss) in the Consolidated Statements of Operations.

On December 30, 2008, the Company entered into an interest rate hedge agreement with a notional value of $31.5 million. The objective of the hedge was to protect against the variability in expected future cash flows attributable to changes in the benchmark interest rate related to 62 of the 64 monthly interest payments required under an equipment financing arrangement for a new longwall shield system entered into on October 21, 2008. The interest rate on the debt was subject to change due to fluctuations in the benchmark interest rate of 1-month LIBOR. The structure of the hedge was a 62 month amortizing interest rate swap based on a 1.84% fixed rate with monthly fixed rate and floating rate payment dates beginning on February 1, 2009. The hedge was settled upon maturity in the first quarter of 2014 and was being accounted for as a cash flow hedge. Changes in the fair value of the hedge were reported in accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affected earnings.

Interest Rate Cap

On June 27, 2011, the Company entered into an interest rate cap agreement related to interest payments required under term loan B in the 2011 Credit Agreement with a notional value of $255.0 million. The objective of the cap was to protect against the variability in expected future cash flows attributable to changes in the benchmark interest rate above 2.00%. The interest rate on the debt was subject to change due to fluctuations in the benchmark interest rate of 3-month LIBOR. The structure of the hedge was a three year amortizing interest rate cap based on a strike price of 2.00% with quarterly fixed rate and floating rate payment dates beginning on July 7, 2011. The hedge was settled upon maturity in July 2014 and was accounted for as a cash flow hedge. Changes in the fair value of the hedge were reported in accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affected earnings.

The following table presents the fair values of the Company's derivative instruments as well as their classification within the Consolidated Balance Sheets as of December 31, 2013 (in thousands, except amounts in the footnotes to the table). There were no outstanding derivative instruments as of December 31, 2014. See Note 19 for additional information related to the fair values of the Company's derivative instruments.

	December 31, 2013
Asset derivatives designated as cash flow hedging instruments:	
Interest rate cap(1)	$ 1
Liability derivatives designated as cash flow hedging instruments:	
Interest rate swaps(2)	$ 3,080

(1) $1 thousand was included within other current assets in the Consolidated Balance Sheet as of December 31, 2013.

(2) $3.1 million was included within other current liabilities in the Consolidated Balance Sheet as of December 31, 2013.

The following tables present the gains and losses from derivative instruments for the years ended December 31, 2014 and 2013 and their location within the consolidated financial statements (in thousands).

	Gain (loss), net of tax, recognized in accumulated other comprehensive income (loss)		Gain, net of tax, reclassified from accumulated other comprehensive income (loss) to earnings(1)		Loss, net of tax, reclassified from accumulated other comprehensive income (loss) to earnings (ineffective portion) (2)	
	For the years ended December 31,		For the years ended December 31,		For the years ended December 31,	
Derivatives designated as cash flow hedging instruments	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Interest rate swaps	$ 1,303	$ 4,894	$ (677)	$ (2,546)	$ 1,053	$ 184
Interest rate cap	—	(8)	—	—	—	—
Total	$ 1,303	$ 4,886	$ (677)	$ (2,546)	$ 1,053	$ 184

(1) Interest rate swap amounts are recorded within interest expense in the Consolidated Statements of Operations.

(2) The ineffective portion of the interest rate swap is recorded within other income (loss) in the Consolidated Statements of Operations.

Note 18—Accumulated Other Comprehensive Income (Loss)

The following table presents the changes in accumulated other comprehensive income (loss) by component for the year ended December 31, 2014, net of tax (in thousands).

	Pension and other postretirement plans	Unrealized gain/(loss) on hedges	Foreign currency translation adjustment	Total
Beginning balance as of December 31, 2013	$ (165,150)	$ (1,679)	$ 4,571	$ (162,258)
Other comprehensive income (loss) before reclassifications	(54,817)	1,303	(23,650)	(77,164)
Amounts reclassified from accumulated other comprehensive income (loss)	20,998	376	— (1)	21,374
Net current-period other comprehensive income (loss)	(33,819)	1,679	(23,650)	(55,790)
Ending balance as of December 31, 2014	$ (198,969)	$ —	$ (19,079)	$ (218,048)

(1) Foreign currency translation adjustments are reclassified from accumulated other comprehensive income (loss) upon sale or substantially complete liquidation of an investment in a foreign entity.

The following table presents amounts reclassified out of each component of accumulated other comprehensive income (loss) for the year ended December 31, 2014 (in thousands).

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)		Affected Line Item in the Consolidated Statements of Operations
Gains and losses on cash flow hedges:			
Interest rate swaps (effective portion)	$	(1,095)	Interest expense, net
Interest rate swaps (ineffective portion)		1,701	Other income (loss), net
		606	Total before tax
		(230)	Income tax benefit
	$	376	Net of tax
Amortization of pension and postretirement benefit plans:			
Prior service cost	$	1,473	(a)
Net actuarial loss		17,862	(a)
Settlement loss		1,663	(a)
		20,998	Total before tax
		—	Income tax benefit
	$	20,998	Net of tax

(a) Amortization of pension benefit items is included in cost of sales (exclusive of depreciation and depletion) and selling, general and administrative expenses while amortization of other postretirement benefit items is included in other postretirement benefits within the Consolidated Statements of Operations.

NOTE 19—Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three level hierarchy has been established for valuing assets and liabilities based on how transparent (observable) the inputs are that are used to determine fair value, with the inputs considered most observable categorized as Level 1 and those that are the least observable categorized as Level 3. Hierarchy levels are defined as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities;

Level 2: Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and

Level 3: Unobservable inputs that are supported by little or no market data which require the reporting entity to develop its own assumptions.

The Company had no assets or liabilities measured at fair value on a recurring basis as of December 31, 2014. The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2013 and indicates the fair value hierarchy of the valuation techniques utilized to determine such values. For some assets, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. When this is the case, the asset is categorized based on the level of the most significant input to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the assets being valued.

(in thousands)	December 31, 2013 Fair Value Measurements Using Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Interest rate cap	$ —	$ 1	$ —	$ 1
Liabilities:				
Interest rate swaps	$ —	$3,080	$ —	$ 3,080

The Company uses quoted dealer prices for similar contracts in active over-the-counter markets for determining fair value of Level 2 financial assets and liabilities.

The following methods and assumptions were used to estimate the fair value for which the fair value option was not elected:

Cash and cash equivalents, receivables and accounts payable—The carrying amounts reported in the balance sheet approximate fair value.

Debt—All of the Company's outstanding debt is carried at cost. There were no borrowings outstanding under the revolver at December 31, 2014 or 2013. The estimated fair value of the Company's debt is based upon observable market data (Level 2). The carrying amounts and fair values of the Company's long-term debt (excluding capital lease obligations, equipment financing agreements and a discount on the revolver of $1,542 as of December 31, 2014) are presented below (in thousands):

	December 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
2011 term loan A(1)	$ —	$ —	$ 401,052	$ 403,517
2011 term loan B(2)	$ 966,283	$ 755,936	$ 968,581	$ 959,838
9.50% senior secured notes(3)	$ 967,349	$ 759,025	$ 447,492	$ 474,750
11.0%/12.0% senior secured PIK toggle notes	$ 350,000	$ 113,750	$ —	$ —
9.875% senior notes(4)	$ 385,795	$ 77,600	$ 496,831	$ 431,250
8.50% senior notes	$ 450,000	$ 85,500	$ 450,000	$ 374,625

(1) Net of debt discount of $5,514 as of December 31, 2013.
(2) Net of debt discount of $11,895 and $9,597 as of December 31, 2014 and 2013, respectively.
(3) Net of debt discount of $2,651 and $2,508 as of December 31, 2014 and 2013, respectively.
(4) Net of debt discount of $2,205 and $3,169 as of December 31, 2014 and 2013, respectively.

NOTE 20—Segment Information

The Company's reportable segments are strategic business units arranged geographically which have separate management teams. The business units have been aggregated into the U.S. Operations, Canadian and U.K. Operations, and Other reportable segments. Both the U.S. Operations and Canadian and U.K. Operations reportable segments primary business is that of mining and exporting metallurgical coal for the steel industry. The U.S. Operations segment includes the operations of the Company's underground mines, surface mines, coke plant and natural gas operations located in Alabama and the Company's underground and surface mining operations located in West Virginia. The Canadian and U.K. Operations segment includes the results of the mining operations located in Northeast British Columbia (Canada) and South Wales (United Kingdom). The Other segment primarily includes unallocated corporate expenses.

The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies. The Company evaluates performance primarily based on operating income of the respective business segments.

Summarized financial information concerning the Company's reportable segments is shown in the following tables (in thousands):

	For the years ended December 31,		
	2014	2013	2012
Revenues:			
U.S. Operations	$ 1,166,226	$ 1,331,308	$ 1,728,363
Canadian and U.K. Operations	237,584	527,989	668,313
Other	3,535	1,334	3,219
Total revenues (a)	$ 1,407,345	$ 1,860,631	$ 2,399,895
Segment operating income (loss) (b):			
U.S. Operations	$ (118,009)	$ 58,371	$ 188,696
Canadian and U.K. Operations	(183,180)	(209,709)	(1,158,591)
Other	(5,747)	(19,627)	(43,231)
Total operating loss	(306,936)	(170,965)	(1,013,126)
Interest expense, net	(295,903)	(221,583)	(132,997)
Gain (loss) on extinguishment of debt	33,673	(6,875)	(5,555)
Other income (loss), net	646	(1,418)	(13,081)
Loss before income tax benefit	(568,520)	(400,841)	(1,164,759)
Income tax benefit	(97,952)	(41,838)	(99,204)
Net loss	$ (470,568)	$ (359,003)	$ (1,065,555)
Impairment and restructuring charges:			
U.S. Operations	$ 52,223	$ (7,763)	$ 114,281
Canadian and U.K. Operations	4,721	10,646	999,198
Other	564	—	—
Total	$ 57,508	$ 2,883	$ 1,113,479

	For the years ended December 31,		
	2014	2013	2012
Depreciation and depletion:			
U.S. Operations	$ 150,701	$ 167,668	$ 173,140
Canadian and U.K. Operations	109,368	141,696	141,713
Other	2,456	2,150	1,379
Total	$ 262,525	$ 311,514	$ 316,232
Capital expenditures:			
U.S. Operations	$ 85,333	$ 133,407	$ 162,535
Canadian and U.K. Operations	4,387	18,331	224,583
Other	3,279	2,158	4,394
Total	$ 92,999	$ 153,896	$ 391,512

	For the years ended December 31,		
	2014	2013	2012
Identifiable assets by segment:			
U.S. Operations	$ 1,122,850	$ 1,265,255	$ 1,603,745
Canadian and U.K. Operations	3,538,073	3,687,925	3,728,817
Other	725,206	637,680	435,858
Total	$ 5,386,129	$ 5,590,860	$ 5,768,420
Long-lived assets by country:			
U.S.	$ 876,079	$ 998,763	$ 1,034,992
Canada	3,007,732	3,092,483	3,203,227
U.K.	419,287	451,308	459,469
Total	$ 4,303,098	$ 4,542,554	$ 4,697,688

(a) Export sales were $1.0 billion, $1.5 billion and $1.9 billion for the years ended December 31, 2014, 2013 and 2012, respectively. Export sales to customers in foreign countries in excess of 10% of consolidated revenues for the years ended December 31, 2014, 2013 and 2012 were as follows:

	Percent of Consolidated Revenues For the years ended December 31,		
Country	2014	2013	2012
Germany	9.6%	10.5%	9.7%
Brazil	10.7%	13.3%	10.7%
Japan	8.6%	13.2%	11.5%

(b) Segment operating income (loss) amounts include expenses for other postretirement benefits. A breakdown by segment of other postretirement benefits (income) expense is as follows (in thousands):

	For the years ended December 31,		
	2014	2013	2012
U.S. Operations	$ 55,653	$ 59,118	$ 53,301
Other	(177)	(218)	(449)
	$ 55,476	$ 58,900	$ 52,852

NOTE 21—Related Party Transactions

The Company owns a 50% interest in Black Warrior Methane ("BWM"), which is accounted for under the proportionate consolidation method. The Company has granted the rights to produce and sell methane gas from its coal mines to BWM. The Company also supplies labor to BWM and incurs costs, including property and liability insurance, to support the joint venture. The Company charges the joint venture for such costs on a monthly basis. These charges for 2014, 2013 and 2012 were $1.8 million, $1.9 million and $2.4 million, respectively.

In connection with the acquisition of Western Coal Corp., the Company acquired a 50% interest in the Belcourt Saxon Coal Limited Partnership ("Belcourt Saxon"). Belcourt Saxon owns two multi-deposit coal properties which are located approximately 40 to 80 miles south of the Wolverine Mine in Northeast British Columbia. The joint venture was formed for the future exploration and development of surface coal mines. Belcourt Saxon is accounted for under the proportionate consolidation method. Costs associated with the joint venture were insignificant for 2014, 2013 and 2012. No field work was conducted on the Belcourt Saxon properties during 2014, other than maintenance of environmental monitoring stations.

NOTE 22—Supplemental Guarantor and Non-Guarantor Financial Information

In accordance with the indentures governing the 9.875% senior notes due December 2020, the 8.50% senior notes due April 2021 and the 11.0%/12.0% senior notes due April 2020 (collectively the "Senior Notes"), certain 100% owned U.S. domestic restricted subsidiaries of the Company have fully and unconditionally guaranteed the Senior Notes on a joint and several basis. Effective November 10, 2014, the subsidiaries that comprise the Company's West Virginia operations were added as guarantors under the indentures governing the Senior Notes. Prior period balances have been restated to present these subsidiaries as guarantors. The following tables present unaudited consolidating financial information for (i) the Company, (ii) the issuer of the senior notes, (iii) the guarantors under the senior notes, and (iv) the entities which are not guarantors of the senior notes:

WALTER ENERGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEETS

DECEMBER 31, 2014

(in thousands)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
ASSETS					
Cash and cash equivalents	$ 421,533	$ 1,117	$ 45,882	$ —	$ 468,532
Trade receivables, net	—	88,959	2,098	—	91,057
Other receivables	123,659	2,193	1,185	—	127,037
Intercompany receivables	—	206,118	14,952	(221,070)	—
Inventories	—	110,882	90,716	—	201,598
Deferred income taxes	15,986	—	833	—	16,819
Prepaid expenses	3,424	40,044	2,722	—	46,190
Other current assets	10,363	7,029	2,150	—	19,542
Total current assets	574,965	456,342	160,538	(221,070)	970,775
Mineral interests, net	—	135,377	2,701,424	—	2,836,801
Property, plant and equipment, net	7,558	726,478	732,261	—	1,466,297
Investment in subsidiaries	3,233,399	6,459	—	(3,239,858)	—
Other long-term assets	87,928	17,857	6,471	—	112,256
	$3,903,850	$1,342,513	$ 3,600,694	$(3,460,928)	$ 5,386,129
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current debt	$ —	$ 7,209	$ 5,118	$ —	$ 12,327
Accounts payable	2,296	30,697	5,987	—	38,980
Accrued expenses	43,088	60,762	21,468	—	125,318
Intercompany payables	221,070	—	—	(221,070)	—
Pension and other postretirement benefits obligation	95	28,937	—	—	29,032
Other current liabilities	168,444	27,172	20,336	—	215,952
Total current liabilities	434,993	154,777	52,909	(221,070)	421,609
Long-term debt	3,117,886	5,704	53	—	3,123,643
Pension and other postretirement benefits obligation	10,502	630,729	—	—	641,231
Deferred income taxes	23,766	—	706,919	—	730,685
Other long-term liabilities	35,122	96,599	55,659	—	187,380
Total liabilities	3,622,269	887,809	815,540	(221,070)	5,104,548
Stockholders' equity	281,581	454,704	2,785,154	(3,239,858)	281,581
	$3,903,850	$1,342,513	$ 3,600,694	$(3,460,928)	$ 5,386,129

WALTER ENERGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEETS

DECEMBER 31, 2013

(in thousands)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
ASSETS					
Cash and cash equivalents	$ 234,150	$ 1,620	$ 25,048	$ —	$ 260,818
Trade receivables, net	—	92,027	57,089	—	149,116
Other receivables	113,936	3,157	15,554	—	132,647
Intercompany receivables	—	29,735	58,169	(87,904)	—
Intercompany loans receivable	63,549	1,104,282	—	(1,167,831)	—
Inventories	—	176,981	135,666	—	312,647
Deferred income taxes	23,957	12,716	394	—	37,067
Prepaid expenses	2,245	34,317	2,460	—	39,022
Other current assets	15,257	440	2,334	—	18,031
Total current assets	453,094	1,455,275	296,714	(1,255,735)	949,348
Mineral interests, net	—	157,812	2,747,190	—	2,905,002
Property, plant and equipment, net	7,248	824,729	805,575	—	1,637,552
Deferred income taxes	3,049	—	—	(3,049)	—
Investment in subsidiaries	4,409,683	6,401	—	(4,416,084)	—
Other long-term assets	73,564	13,186	12,208	—	98,958
	$ 4,946,638	$ 2,457,403	$ 3,861,687	$ (5,674,868)	$ 5,590,860
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current debt	$ —	$ 1,424	$ 7,786	$ —	$ 9,210
Accounts payable	5,604	68,370	18,738	—	92,712
Accrued expenses	34,551	57,036	42,283	—	133,870
Intercompany payables	87,904	—	—	(87,904)	—
Intercompany loans payable	1,104,282	—	63,549	(1,167,831)	—
Pension and other postretirement benefits obligation	94	37,031	—	—	37,125
Other current liabilities	164,364	22,443	20,177	—	206,984
Total current liabilities	1,396,799	186,304	152,533	(1,255,735)	479,901
Long-term debt	2,763,957	22	5,643	—	2,769,622
Pension and other postretirement benefits obligation	263	572,505	—	—	572,768
Deferred income taxes	—	24,079	801,837	(3,049)	822,867
Other long-term liabilities	32,925	87,944	72,139	—	193,008
Total liabilities	4,193,944	870,854	1,032,152	(1,258,784)	4,838,166
Stockholders' equity	752,694	1,586,549	2,829,535	(4,416,084)	752,694
	$ 4,946,638	$ 2,457,403	$ 3,861,687	$ (5,674,868)	$ 5,590,860

WALTER ENERGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2014

(in thousands)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Sales	$ —	$1,136,548	$ 237,874	$ —	$ 1,374,422
Miscellaneous income	1,206	13,631	18,086	—	32,923
	1,206	1,150,179	255,960	—	1,407,345
Cost and expenses:					
Cost of sales (exclusive of depreciation and depletion)	—	963,015	303,742	—	1,266,757
Depreciation and depletion	2,456	148,218	111,851	—	262,525
Selling, general and administrative	6,276	47,167	18,572	—	72,015
Other postretirement benefits	(177)	55,653	—	—	55,476
Restructuring and asset impairments	564	52,223	4,721	—	57,508
	9,119	1,266,276	438,886	—	1,714,281
Operating loss	(7,913)	(116,097)	(182,926)	—	(306,936)
Interest income (expense), net	(299,405)	6,458	(2,956)	—	(295,903)
Gain on extinguishment of debt	33,673	—	—	—	33,673
Other income (loss), net	704	(2)	(56)	—	646
Loss before income tax benefit	(272,941)	(109,641)	(185,938)	—	(568,520)
Income tax benefit	(184)	—	(97,768)	—	(97,952)
Equity in net losses of subsidiaries	(197,811)	—	—	197,811	—
Net loss	$ (470,568)	$ (109,641)	$ (88,170)	$ 197,811	$ (470,568)

WALTER ENERGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2013

(in thousands)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Sales	$ —	$1,304,806	$ 531,537	$ —	$ 1,836,343
Miscellaneous income	88	11,201	12,999	—	24,288
	88	1,316,007	544,536	—	1,860,631
Cost and expenses:					
Cost of sales (exclusive of depreciation and depletion)	—	985,176	573,129	—	1,558,305
Depreciation and depletion	2,150	157,065	152,299	—	311,514
Selling, general and administrative	4,393	53,415	42,186	—	99,994
Other postretirement benefits	(218)	59,118	—	—	58,900
Restructuring and asset impairments	—	(7,763)	10,646	—	2,883
	6,325	1,247,011	778,260	—	2,031,596
Operating income (loss)	(6,237)	68,996	(233,724)	—	(170,965)
Interest income (expense), net	(252,144)	27,877	2,684	—	(221,583)
Loss on extinguishment of debt	(6,875)	—	—	—	(6,875)
Other income (loss), net	(300)	(1,336)	218	—	(1,418)
Income (loss) before income tax expense (benefit)	(265,556)	95,537	(230,822)	—	(400,841)
Income tax expense (benefit)	(51,821)	111,527	(101,544)	—	(41,838)
Equity in net losses of subsidiaries	(145,268)	—	—	145,268	—
Net loss	$ (359,003)	$ (15,990)	$ (129,278)	$ 145,268	$ (359,003)

WALTER ENERGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2012

(in thousands)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues:					
Sales	$ —	$1,702,246	$ 679,514	$ —	$ 2,381,760
Miscellaneous income (loss)	2,233	21,047	(5,145)	—	18,135
	2,233	1,723,293	674,369	—	2,399,895
Cost and expenses:					
Cost of sales (exclusive of depreciation and depletion)	—	1,142,914	654,077	—	1,796,991
Depreciation and depletion	1,379	165,300	149,553	—	316,232
Selling, general and administrative	11,716	72,962	48,789	—	133,467
Other postretirement benefits	(449)	53,301	—	—	52,852
Restructuring and asset impairments	—	—	49,070	—	49,070
Goodwill impairment	—	74,319	990,090	—	1,064,409
	12,646	1,508,796	1,891,579	—	3,413,021
Operating income (loss)	(10,413)	214,497	(1,217,210)	—	(1,013,126)
Interest income (expense), net	(151,488)	22,909	(4,418)	—	(132,997)
Loss on extinguishment of debt	(5,555)	—	—	—	(5,555)
Other loss, net	—	—	(13,081)	—	(13,081)
Income (loss) from continuing operations before income tax expense (benefit)	(167,456)	237,406	(1,234,709)	—	(1,164,759)
Income tax expense (benefit)	(68,615)	73,379	(103,968)		(99,204)
Income (loss) from continuing operations	(98,841)	164,027	(1,130,741)	—	(1,065,555)
Income from discontinued operations	—	5,180	—	—	5,180
Equity in net losses of subsidiaries	(961,534)	—	—	961,534	—
Net income (loss)	$ (1,060,375)	$ 169,207	$ (1,130,741)	$ 961,534	$(1,060,375)

WALTER ENERGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2014

(in thousands)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net loss	$ (470,568)	$ (109,641)	$ (88,170)	$ 197,811	(470,568)
Other comprehensive loss:					
Change in pension and other postretirement benefit plans, net of tax	(33,819)	(30,275)	—	30,275	(33,819)
Change in unrealized gain on hedges, net of tax	1,679	3	—	(3)	1,679
Change in foreign currency translation adjustment	(23,650)	—	(23,650)	23,650	(23,650)
Total other comprehensive loss, net of tax	(55,790)	(30,272)	(23,650)	53,922	(55,790)
Total comprehensive loss	$ (526,358)	$ (139,913)	$ (111,820)	$ 251,733	$ (526,358)

WALTER ENERGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2013

(in thousands)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net loss	$ (359,003)	$ (15,990)	$ (129,278)	$ 145,268	$ (359,003)
Other comprehensive income (loss):					
Change in pension and other postretirement benefit plans, net of tax	100,892	91,501	—	(91,501)	100,892
Change in unrealized gain on hedges, net of tax	2,524	58	—	(58)	2,524
Change in foreign currency translation adjustment	6,073	—	6,073	(6,073)	6,073
Change in unrealized loss on investments, net of tax	(897)	—	(897)	897	(897)
Total other comprehensive income (loss), net of tax	108,592	91,559	5,176	(96,735)	108,592
Total comprehensive income (loss)	$ (250,411)	$ 75,569	$ (124,102)	$ 48,533	$ (250,411)

WALTER ENERGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2012

(in thousands)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Net income (loss)	$ (1,060,375)	$ 169,207	$ (1,130,741)	$ 961,534	$(1,060,375)
Other comprehensive income (loss):					
Change in pension and other postretirement benefit plans, net of tax	(40,501)	(90,876)	—	90,876	(40,501)
Change in unrealized gain (loss) on hedges, net of tax	(3,416)	95	(2,533)	2,438	(3,416)
Change in foreign currency translation adjustment	1,774	—	1,774	(1,774)	1,774
Change in unrealized gain on investments, net of tax	769	—	769	(769)	769
Total other comprehensive income (loss), net of tax	(41,374)	(90,781)	10	90,771	(41,374)
Total comprehensive income (loss)	$ (1,101,749)	$ 78,426	$ (1,130,731)	$ 1,052,305	$(1,101,749)

WALTER ENERGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

(in thousands)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Cash flows provided by (used in) operating activities	$ (179,786)	$ 53,037	$ (12,955)	$ —	$ (139,704)
INVESTING ACTIVITIES					
Additions to property, plant and equipment	(3,279)	(82,889)	(6,831)	—	(92,999)
Proceeds from sale of property, plant and equipment	(44)	30,156	—	—	30,112
Intercompany loans made	(5,200)	—	—	5,200	—
Intercompany loans received	1,828	—	—	(1,828)	—
Other	—	—	488	—	488
Cash flows used in investing activities	(6,695)	(52,733)	(6,343)	3,372	(62,399)
FINANCING ACTIVITIES					
Proceeds from issuance of debt	869,800	—	—	—	869,800
Retirements of debt	(411,766)	(7,626)	(7,773)	—	(427,165)
Dividends paid	(2,625)	—	—	—	(2,625)
Debt issuance costs	(27,748)	—	—	—	(27,748)
Advances from (to) consolidated entities	(53,602)	6,812	46,790	—	—
Intercompany notes borrowings	—	—	5,200	(5,200)	—
Intercompany notes payments	—	—	(1,828)	1,828	—
Proceeds from stock-options exercised	108	—	—	—	108
Other	(303)	7	(7)	—	(303)
Cash flows provided by (used in) financing activities	373,864	(807)	42,382	(3,372)	412,067
Effect of foreign exchange rates on cash	—	—	(2,250)	—	(2,250)
Net increase (decrease) in cash and cash equivalents	187,383	(503)	20,834	—	207,714
Cash and cash equivalents at beginning of period	234,150	1,620	25,048	—	260,818
Cash and cash equivalents at end of period	$ 421,533	$ 1,117	$ 45,882	$ —	$ 468,532

WALTER ENERGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

(in thousands)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Cash flows provided by (used in) operating activities	$ (204,982)	$ 246,428	$ (68,522)	$ —	$ (27,076)
INVESTING ACTIVITIES					
Additions to property, plant and equipment	(2,294)	(130,061)	(21,541)	—	(153,896)
Proceeds from sales of investments	—	—	1,559	—	1,559
Intercompany loans made	(40,236)	—	—	40,236	—
Intercompany loans received	30,500	—	—	(30,500)	—
Other	—	—	1,824	—	1,824
Cash flows used in investing activities	(12,030)	(130,061)	(18,158)	9,736	(150,513)
FINANCING ACTIVITIES					
Proceeds from issuance of debt	897,412	—	—	—	897,412
Retirements of debt	(496,062)	(11,840)	(7,293)	—	(515,195)
Dividends paid	(16,889)	—	—	—	(16,889)
Tax effect from stock-based compensation arrangements	(717)	—	—	—	(717)
Debt issuance costs	(41,588)	—	—	—	(41,588)
Advances from (to) consolidated entities	25,072	(97,311)	72,239	—	—
Intercompany notes borrowings	—	—	40,236	(40,236)	—
Intercompany notes payments	—	(13,639)	(16,861)	30,500	—
Proceeds from stock-options exercised	279	—	—	—	279
Other	(178)	(115)	—	—	(293)
Cash flows provided by (used in) financing activities	367,329	(122,905)	88,321	(9,736)	323,009
Effect of foreign exchange rates on cash	—	—	(1,203)	—	(1,203)
Net increase (decrease) in cash and cash equivalents	150,317	(6,538)	438	—	144,217
Cash and cash equivalents at beginning of period	83,833	8,158	24,610	—	116,601
Cash and cash equivalents at end of period	$ 234,150	$ 1,620	$ 25,048	$ —	$ 260,818

WALTER ENERGY, INC. AND SUBSIDIARIES

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

(in thousands)

	Parent (Issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
Cash flows provided by (used in) operating activities	$ (373,256)	$ 742,100	$ (38,937)	$ —	$ 329,907
INVESTING ACTIVITIES					
Additions to property, plant and equipment	(4,395)	(157,833)	(229,284)	—	(391,512)
Proceeds from sales of investments	—	—	13,239	—	13,239
Intercompany loans made	(293,170)	—	—	293,170	—
Intercompany loans received	16,513	—	—	(16,513)	—
Investments in equity affiliates	(238,083)	—	—	238,083	—
Distributions from equity affiliates	271,847	—	—	(271,847)	—
Other	—	855	43	—	898
Cash flows used in investing activities	(247,288)	(156,978)	(216,002)	242,893	(377,375)
FINANCING ACTIVITIES					
Proceeds from issuance of debt	496,510	—	—	—	496,510
Borrowings under revolving credit agreement	—	—	510,650	—	510,650
Repayments on revolving credit agreement	—	—	(519,453)	—	(519,453)
Retirements of debt	(343,255)	(12,140)	(37,456)	—	(392,851)
Dividends paid	(31,246)	—	—	—	(31,246)
Tax effect from stock-based compensation arrangements	217	—	—	—	217
Proceeds from stock-options exercised	161	—	—	—	161
Cash paid upon exercise of warrants	(11,535)	—	—	—	(11,535)
Debt issuance costs	(24,532)	—	—	—	(24,532)
Advances from (to) consolidated entities	519,737	(568,099)	48,362	—	—
Intercompany notes borrowings	—	8,499	284,671	(293,170)	—
Intercompany notes payments	—	—	(16,513)	16,513	—
Investment from Parent	—	238,083	—	(238,083)	—
Intercompany dividends	—	(261,102)	(10,745)	271,847	—
Other	(766)	—	—	—	(766)
Cash flows provided by (used in) financing activities	605,291	(594,759)	259,516	(242,893)	27,155
Cash flows provided by (used in) continuing operations	(15,253)	(9,637)	4,577	—	(20,313)
CASH FLOWS FROM DISCONTINUED OPERATIONS					
Cash flows provided by investing activities	—	9,500	—	—	9,500
Cash flows provided by discontinued operations	—	9,500	—	—	9,500
Effect of foreign exchange rates on cash	—	—	(1,016)	—	(1,016)
Net increase (decrease) in cash and cash equivalents	$ (15,253)	$ (137)	$ 3,561	—	$ (11,829)
Cash and cash equivalents at beginning of period	99,086	8,295	21,049	—	128,430
Cash and cash equivalents at end of period	$ 83,833	$ 8,158	$ 24,610	$ —	$ 116,601