



TO: All Employees of Cline Mining Corporation, New Elk Coal Company LLC and North Central Energy Company (collectively, the “**Company**”)

DATE: December 3, 2014

Dear employees:

I want to inform you of an important development and what it means to our Company. This news is being made public and communicated to our stakeholders today.

Cline has entered into a Support Agreement with Marret Asset Management Inc., on behalf of the Company’s senior secured noteholders (the “**Supporting Noteholders**”), concerning a recapitalization transaction (the “**Recapitalization**”) that will see the Supporting Noteholders become the new owners of the Company.

The Recapitalization preserves the Company’s business, significantly reduces the Company’s overall debt, lowers interest expenses and ensures that the Company has the financial stability to continue, pending improvements in industry conditions. The Recapitalization has the following key elements:

- The Supporting Noteholders will become the new owners of the Company;
- The Company will continue to fulfill its obligations to its existing employees and personnel while they continue to provide services to the Company; and
- Implementation of the Recapitalization is expected to be completed within 60 to 90 days.

The Recapitalization will be implemented through a court-supervised process. To that end, the Company has applied for and obtained an order of the Ontario Superior Court of Justice (“the “**Court**”) initiating proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act* (“**CCAA**”). As part of the CCAA Proceedings, FTI Consulting Canada Inc. (“**FTI**”) has been named the Court-appointed Monitor of the Company in Canada and foreign representative of the Company with respect to ancillary proceedings in the United States. FTI’s role will be to monitor and report to the Court with respect to the Company’s operations and to oversee and assist us throughout the Recapitalization process. In addition, FTI will be initiating proceedings in Colorado to give effect to the CCAA Proceedings under Chapter 15 Title 11 of the United States Code (collectively with the CCAA Proceedings, the “**Proceedings**”). The Company will be seeking further court orders within the coming weeks approving the Recapitalization.

This process is not anticipated to affect the Company’s day-to-day business. We have access to all funding necessary to carry on business while the Recapitalization is being pursued. As in the

past, decisions regarding employment and operations will continue to be driven by business needs and operational demands. We will continue to pay our vendors and suppliers in a timely manner for goods and services contracted for and supplied during the Proceedings. However, it is contemplated that some existing creditors of the Company will have their claims compromised as part of the CCAA Proceedings.

We will keep you informed of events as we move forward. In addition, FTI has set up a website with further information about the Proceedings, which can be accessed at <http://cfcanada.fticonsulting.com/cline>.

Do not hesitate to contact me with any questions you might have about today's announcement. If you are approached by the media, please refer them to me.

Thank you in advance for your continuing assistance and support as we work toward this positive outcome.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Goldfarb". The signature is fluid and cursive, with the first name "Matt" being more prominent than the last name "Goldfarb".

Matt Goldfarb
Chief Restructuring Officer and Acting Chief Executive Officer
Cline Mining Corporation

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