

NOTICE OF MEETING
and
INFORMATION STATEMENT
with respect to the
PLAN OF COMPROMISE AND ARRANGEMENT
under the
COMPANIES' CREDITORS ARRANGEMENT ACT
concerning, affecting and involving
CLINE MINING CORPORATION,
NEW ELK COAL COMPANY LLC AND
NORTH CENTRAL ENERGY COMPANY

December 3, 2014

This Information Statement is being distributed to creditors of Cline Mining Corporation, New Elk Coal Company LLC and North Central Energy Company in respect of meetings called to consider the proposed plan of compromise and arrangement that are scheduled to be held on January 21, 2015, at the offices of Goodmans LLP, located at 333 Bay Street, Suite 3400, Toronto, Ontario.

These materials require your immediate attention. You should consult your legal, financial, tax and other professional advisors in connection with the contents of these documents. If you have any questions regarding voting procedures or other matters or if you wish to obtain additional copies of these materials, you may contact the court-appointed monitor, FTI Consulting Canada Inc., by telephone at (416) 649.8099 (Toronto local) or (855) 398-7390 (toll-free) or by email at cline@fticonsulting.com. Copies of these materials and other materials in the within proceedings are also posted on the following website: <http://cfcanada.fticonsulting.com/cline>.

**IN THE MATTER OF *THE COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT
OF CLINE MINING CORPORATION, NEW ELK COAL COMPANY LLC AND
NORTH CENTRAL ENERGY COMPANY (the "Applicants")**

**NOTICE OF MEETINGS OF CREDITORS
OF THE APPLICANTS**

NOTICE IS HEREBY GIVEN that meetings (the "**Meetings**") of creditors of the Applicants entitled to vote on a plan of compromise and arrangement (the "**Plan**") proposed by the Applicants under the *Companies Creditors' Arrangement Act* (the "**CCAA**") will be held for the following purposes:

- (1) to consider and, if deemed advisable, to pass, with or without variation, a resolution to approve the Plan; and
- (2) to transact such other business as may properly come before the Meetings or any adjournment thereof.

The Meetings are being held pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated December 3, 2014 (the "**Meetings Order**").

NOTICE IS ALSO HEREBY GIVEN that the Meetings Order establishes the procedures for the Applicants to call, hold and conduct Meetings of the holders of Claims against the Applicants to consider and pass resolutions, if thought advisable, approving the Plan and to transact such other business as may be properly brought before the Meetings. For the purpose of voting on and receiving distributions pursuant to the Plan, the holders of Claims against the Applicants will be grouped into three classes, being the Affected Unsecured Creditors Class, the WARN Act Plaintiffs Class and the Secured Noteholders Class.

NOTICE IS ALSO HEREBY GIVEN that the Meetings will be held at the following dates, times and location:

Date: January 21, 2015

Time 10:00 a.m. – WARN Act Plaintiffs Class

11:00 a.m. – Affected Unsecured Creditors Class

12:00 p.m. – Secured Noteholders Class

Location: Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, Ontario

Subject to paragraph 21 of the Meetings Order, only those creditors with Voting Claims or Disputed Voting Claims (each such creditor an “**Eligible Voting Creditor**”) will be eligible to attend the applicable Meetings and vote on a resolution to approve the Plan. Eligible Voting Creditors are those Creditors: (1) who have received a Notice of Claim from the Monitor confirming the existence of a Claim against the Applicants in accordance with the Claims Procedure Order dated December 3, 2014; (2) who have submitted a Proof of Claim in respect of a claim against the Applicants in accordance with the Claims Procedure Order, which claim has not been disallowed in accordance with the Claims Procedure Order; or (3) are holders of Secured Notes issued by Cline Mining Corporation. Holders of Secured Notes (the “**Secured Noteholders**”), as defined in the Meetings Order, cannot vote in person and must instead provide voting instructions to the Monitor in accordance with the Meetings Order. The votes of Affected Unsecured Creditors, WARN Act Plaintiffs and Secured Noteholders holding Disputed Voting Claims will be separately tabulated and Disputed Voting Claims will not be counted unless, until and only to the extent that any such Disputed Voting Claim is finally determined to be a Voting Claim. A holder of an Unaffected Claim or an Equity Claim, as defined in the Plan, shall not be entitled to attend or vote at the Meetings in respect of such Unaffected Claim. December 3, 2014 has been set as the record date for Secured Noteholders to determine entitlement to vote at the Meetings.

Subject to the Plan and paragraph 23 of the Meetings Order, each Affected Unsecured Creditor with a Voting Claim or a Disputed Voting Claim of not more than \$10,000 (other than Secured Noteholders and, for greater certainty, not including WARN Act Plaintiffs) shall be deemed to vote in favour of the Plan, and will be paid in full to the extent that such Claim is proven as a Distribution Claim.

Any Eligible Voting Creditor who is unable to attend the applicable Meeting may vote by proxy, subject to the terms of the Meetings Order. Further, any Eligible Voting Creditor who is not an individual may only attend and vote at the applicable Meeting if a proxy holder has been appointed to act on its behalf at such Meeting. Secured Noteholders must vote by providing instructions to the Monitor in accordance with the terms of the Meetings Order.

NOTICE IS ALSO HEREBY GIVEN that if the Plan is approved at the Meetings by the required majorities of Creditors and other necessary conditions are met, the Applicants intend to make an application to the Court on January 28, 2015 (the “**Sanction Hearing**”) seeking an order sanctioning the Plan pursuant to the CCAA (the “**Sanction Order**”). Any person wishing to oppose the application for the Sanction Order must serve a copy of the materials to be used to oppose the application and setting out the basis for such opposition upon the lawyers for the Applicants and the Monitor as well as those parties listed on the Service List posted on the Monitor’s Website. Such materials must be served by not later than 5:00pm (Toronto time) on the date that is 7 days prior to the Sanction Hearing.

NOTICE IS ALSO HEREBY GIVEN that the Meetings Order and the Plan provide that if (i) the Plan is not accepted by the Required Majorities of the Affected Unsecured Creditors Class or the WARN Act Plaintiffs Class or (ii) the Applicants determine, in their discretion, that the Plan will not be accepted by the Required Majorities of the Affected Unsecured Creditors Class or the WARN Act Plaintiffs Class or is otherwise unlikely to succeed for any reason whatsoever, then the Applicants are permitted, without further Order of the Court, to file an amended and restated plan (the “**Alternate Plan**”) with the attributes described on Schedule “B” to the Plan and to

proceed with a meeting of the Secured Noteholders Class for the purpose of considering and voting on the resolution to approve the Alternate Plan, in which case the Applicants will have no obligation whatsoever to proceed with the Unsecured Creditors Meeting or the WARN Act Plaintiffs Meeting. In addition, if the requisite quorum is not present at the WARN Act Plaintiffs Meeting or it is determined that there are no Voting Claims in the WARN Act Plaintiffs Class, then the Applicants are permitted, without further Order of the Court, to amend the Plan to combine the WARN Act Plaintiffs Class with the Affected Unsecured Creditors Class on such terms as may be set forth in such amended Plan, in which case the Applicants shall have no further obligation to hold the WARN Act Plaintiffs meeting or otherwise seek a vote of the WARN Act Plaintiffs Class with respect to the resolution to approve the Plan or any other matter.

NOTICE IS ALSO HEREBY GIVEN that in order for the Plan to become effective:

1. the Plan must be approved by the required majorities of Creditors voting on the Plan and in accordance with the terms of the Meetings Order;
2. the Plan must be sanctioned by the Court; and
3. the conditions to implementation and effectiveness of the Plan as set out in the Plan and summarized in the Information Statement must be satisfied or waived.

Additional copies of the Information Package, including the Information Statement and the Plan, may be obtained from the Monitor's Website at <http://cfcanada.fticonsulting.com/cline> or by contacting the Monitor by telephone at 416.649.8099 (Toronto local) or 855.398.7390 (toll free) or by email at cline@fticonsulting.com.

All capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Meetings Order.

DATED at Toronto, Ontario, this 3rd day of December, 2014.

INFORMATION STATEMENT

SUMMARY OF PLAN

*This information statement (the “**Information Statement**”) provides a summary of certain information contained in the schedules hereto (collectively, the “**Schedules**”), and is provided for the assistance of creditors only. The governing documents are the Plan, which is attached as Schedule “B” to this Information Statement, and the Meetings Order granted by the Court on December 3, 2014 (the “**Meetings Order**”), which is attached as Schedule “C” to this Information Statement. **This summary is qualified in its entirety by the more detailed information appearing in the Plan, the Meetings Order or that is referred to elsewhere in the Information Statement. Creditors should carefully read the Plan and the Meetings Order, and not only this Information Statement. In the event of any conflict between the contents of this Information Statement and the provisions of the Plan, the provisions of the Plan govern.***

Capitalized words and terms not otherwise defined in this Information Statement have the meaning given to those words and terms in the Plan and the Meetings Order.

Insolvency Proceedings: On December 3, 2014, the Applicants sought and obtained protection from their creditors under the CCAA upon the granting by the Court of the Initial Order. The Monitor, as Court-appointed foreign representative, intends to or has commenced ancillary proceedings under Chapter 15, Title 11 of the United States Code (“**Chapter 15**”).

Claims Procedure: On December 3, 2014, the Court granted the Claims Procedures Order, which established the procedure for the calling of Claims and a procedure for the adjudication and resolution of Claims.

A notice to creditors of the call for Claims and the Claims Bar Date will be published in *The Globe and Mail* (National Edition), the *Denver Post* and the *Pueblo Chieftain* following the date of the Claims Procedure Order, and the Monitor will send claims packages to all Known Creditors of the Applicants within five (5) business days of the date of the Claims Procedure Order, all in accordance with the procedures established in the Claims Procedure Order.

The claims resolution process set out in the Claims Procedure Order provides for, *inter alia*: (a) the allowance of the Secured Noteholders Allowed Claim for both voting and distribution purposes; (b) a process for the delivery by the Monitor of Notices of Claims to Known Creditors; (c) a process for the review of Proofs of Claim filed with the Monitor by Unknown Creditors; and (d) a process for the acceptance, revision or dispute, in whole or in part, by the Monitor, of Claims for the purposes of voting and/or distribution under the Plan.

The procedure for determining the validity and quantum of the

Affected Claims for voting and distribution purposes under the Plan will be governed by the Claims Procedure Order, the Meetings Order, the CCAA, the Plan and any further Order of the Court.

Classification of Creditors:

The Plan provides for three classes of creditors for the purposes of considering and voting on the Plan: (i) the Affected Unsecured Creditors Class; (ii) the WARN Act Plaintiffs Class; and (iii) the Secured Noteholders Class.

Meetings:

Pursuant to the Meetings Order granted by the Court on December 3, 2014, the Meetings have been called for the purposes of having Eligible Voting Creditors consider and vote on the resolution to approve the Plan and transact such other business as may be properly brought before the applicable Meeting.

The WARN Act Plaintiffs Meeting is scheduled to be held at 10:00 a.m. (Toronto time) on January 21, 2015 at Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, Ontario.

The Unsecured Creditors Meeting is scheduled to be held at 11:00 a.m. (Toronto time) on January 21, 2015 at Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, Ontario.

The Secured Noteholders Meeting is scheduled to be held at 12:00 p.m. (Toronto time) on January 21, 2015 at Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, Ontario.

The Meetings will be held in accordance with the Meetings Order and any further Order of the Court. The only Persons entitled to attend each of the Meetings are those specified in the Meetings Order.

Paul Bishop or another representative of the Monitor as designated by the Monitor, will preside as the chair of the Meetings (the “**Chair**”) and, subject to the Meetings Order or any further Order of the Court, will decide all matters relating to the conduct of the Meetings. The Chair will direct a vote at each Meeting with respect to: (i) a resolution to approve the Plan and any amendments thereto; and (ii) any other resolutions as the Applicants may consider appropriate. The form of resolution to approve the Plan is attached as Schedule “A” to this Information Statement.

The quorum required at each Meeting has been set by the Meetings Order as one Creditor with a Voting Claim present at such Meeting in person or by proxy. If the requisite quorum is not present at a Meeting, then such Meeting will be adjourned by the Chair to such time and place as the Chair deems necessary or desirable. Notwithstanding the foregoing, if the requisite quorum is not present

at the WARN Act Plaintiffs Meeting or it is determined that there are no Voting Claims in the WARN Act Plaintiffs Class, then the Applicants are permitted, without further Order of the Court, to amend the Plan to combine the WARN Act Plaintiffs Class with the Affected Unsecured Creditors Class on such terms as may be set forth in such amended Plan, in which case the Applicants shall have no further obligation to hold the WARN Act Plaintiffs meeting or otherwise seek a vote of the WARN Act Plaintiffs Class with respect to the resolution to approve the Plan or any other matter.

Entitlement to Vote:

The only Persons entitled to vote at the Unsecured Creditors Meeting in person or by proxy are Affected Unsecured Creditors; the only Persons entitled to vote at the WARN Act Plaintiffs Meeting in person or by proxy are WARN Act Plaintiffs; and the only Persons entitled to vote at the Secured Noteholders Meeting in person or by proxy are Secured Noteholders.

With respect to votes to be cast at any Meetings by a Secured Noteholder, it is the beneficial holder of the Secured Notes who is entitled to cast such votes as an Eligible Voting Creditor. Each beneficial Secured Noteholder that casts a vote at the Meetings in accordance with the Meetings Order will be counted as an individual Creditor for each Voting Class in which it casts such vote.

Unsecured Creditors Meeting

For the purposes of voting at the Unsecured Creditors Meeting, (i) each Affected Unsecured Creditor (including a beneficial Secured Noteholder with respect to its Secured Noteholder's Pro-Rata Share of the Secured Noteholders Allowed Unsecured Claim) will be entitled to one vote as a member of the Affected Unsecured Creditors Class; (ii) the Voting Claim of any Affected Unsecured Creditor (not including a Secured Noteholder) will be deemed equal to the extent of his, her or its Voting Claim; (iii) the unsecured Voting Claim of any Secured Noteholder will be deemed to be equal to its Secured Noteholder's Share of the Secured Noteholders Allowed Unsecured Claim (as defined and determined in accordance with the Claims Procedure Order and the Plan); and (iv) certain Affected Unsecured Creditors with Claims of \$10,000 or less will be deemed to vote in favour of the Plan unless they notify the Monitor in writing that they wish to vote against the Plan and do vote against the Plan at the Unsecured Creditors Meeting.

WARN Act Plaintiffs Meeting

For the purposes of voting at the WARN Act Plaintiffs Meeting, (i) each WARN Act Plaintiff will be entitled to one vote as a member of the WARN Act Plaintiffs Class; and (ii) each vote of a WARN Act Plaintiff will be deemed equal to such WARN Act Plaintiff's Voting Claim.

Secured Noteholders Meeting

For purposes of voting at the Secured Noteholders Meeting, (i) each Secured Noteholder (including a beneficial Secured Noteholder with respect to its Secured Noteholder's Allowed Secured Claim) will be entitled to one vote as a member of the Secured Noteholders Class; (ii) the secured Voting Claim of any Secured Noteholder (not including a Secured Noteholder with respect to its Secured Noteholder's Allowed Unsecured Claim) will be deemed equal to the extent of its Secured Noteholder's Pro-Rata Share of the Secured Noteholders Allowed Secured Claim (as defined determined in accordance with the Claims Procedure Order and the Plan).

Disputed Voting Claims

Each Affected Unsecured Creditor, WARN Act Plaintiff or Secured Noteholder that holds a Disputed Voting Claim as at the date of the Unsecured Creditors Meeting, the WARN Act Plaintiffs Meeting or the Secured Noteholders Meeting, as applicable, may attend the Unsecured Creditors Meeting, the WARN Act Plaintiffs Meeting or the Secured Noteholders Meeting, as applicable, and such Disputed Voting Claim may be voted at such Meeting by such Creditor (or its duly appointed proxyholder) in accordance with the provisions of the Meetings Order, without prejudice to the rights of the Applicants, the Monitor or the holder of the Disputed Voting Claim with respect to the final determination of the Disputed Claim for distribution purposes. Any vote cast in respect of any Disputed Voting Claim will be separately tabulated as provided in the Meetings Order, provided that any such vote cast in respect of any Disputed Voting Claim will not be counted for any purpose, unless, until and only to the extent that such Disputed Voting Claim is finally determined to be a Voting Claim.

The Monitor will keep a separate tabulation of votes cast in respect of Voting Claims and Disputed Voting Claims, if applicable.

Unaffected Claims and Equity Claims

Persons holding Unaffected Claims are not entitled to vote on the Plan at a Meeting in respect of such Unaffected Claim and, except as otherwise permitted in the Meetings Order, will not be entitled to attend a Meeting.

Any Person with a Claim that meets the definition of "equity claim" under section 2(1) of the CCAA will have no right to, and will not, vote at the Meetings.

Appointment of Proxyholders and Voting:

An Eligible Voting Creditor that is not an individual may only attend and vote at a Meeting if it has appointed a proxyholder to attend and act on its behalf at such Meeting.

All proxies submitted in respect of the Unsecured Creditors Meeting or the WARN Act Plaintiffs Meeting must be: (i) submitted by 5:00 pm at least one (1) Business Day prior to the Unsecured Creditors

Meeting or the WARN Act Plaintiffs Meeting, as applicable; and (ii) in substantially the form of the Creditors Proxy attached to the Meetings Order, or in such other form acceptable to the Monitor or the Chair.

Class Action Counsel in respect of the WARN Act Class Action shall be permitted to cast votes at the WARN Act Plaintiffs Meeting only on behalf of those WARN Act Plaintiffs who have duly appointed Class Action Counsel as their proxy in accordance with the Meetings Order.

Secured Noteholders who wish to vote at the Secured Noteholders Meeting and/or the Unsecured Creditors Meeting must provide instructions to Marret with respect to their position with respect to such votes, and Marret must submit to the Monitor, to be received by the Monitor no later than the Business Day before the Meetings, a Master Voting List setting out the voting position of the beneficial Secured Noteholders and other prescribed information, in accordance with the Meetings Order. Once the Monitor has received the Master Voting List from Marret, the Monitor will record the votes for each applicable beneficial Secured Noteholder in accordance with the Master Voting List.

Purpose of the Plan:

The purpose of the Plan is: (i) to implement a recapitalization of the Applicants, which will significantly reduce their indebtedness; (ii) to provide for a settlement of, and consideration for, all Allowed Affected Claims; (iii) to effect a release and discharge of all Affected Claims and Released Claims; and (iv) to ensure the continuation of the Applicants, in the expectation that the Persons with an economic interest in the Applicants, when considered as a whole, will derive a greater benefit from the implementation of the Plan than would result from a bankruptcy of the Applicants.

Treatment of Affected Claims:

The Plan provides for a full and final release and discharge of the Affected Claims and Released Claims, a settlement of, and consideration for, all Allowed Affected Claims and a recapitalization of the Applicants. Generally, the Plan provides for treatment of Affected Claims as follows:

Secured Noteholders Class

The aggregate of all amounts owing directly by Cline under the 2011 Indenture and the 2013 Indenture and the guarantees executed by New Elk and North Central in respect of the Secured Notes (including, in each case, principal and accrued interest thereon) up to the Filing Date have been determined to be \$110,173,897 (the “**Secured Noteholders Allowed Claim**”). For both voting and distribution purposes, the Secured Noteholders Allowed Claim will be apportioned as follows: (i) \$92,673,897 will be treated as secured

Claims against the Applicants (collectively the “**Secured Noteholders Allowed Secured Claim**”); and (ii) the balance of the Secured Noteholders Allowed Claim, being \$17,500,000, will be treated as unsecured Claims against the Applicants (collectively the “**Secured Noteholders Allowed Unsecured Claim**”). The Claims comprising the Secured Noteholders Allowed Secured Claim and the Secured Noteholders Allowed Unsecured Claim will constitute Voting Claims and Distribution Claims for the purpose of voting on and receiving distributions, if applicable, pursuant to the Plan.

Each Secured Noteholder will receive its Secured Noteholder’s Share of the New Cline Common Shares issued and outstanding on the Plan Implementation Date and the New Secured Debt (the terms of which are summarized in the Plan). The Claims comprising the Secured Noteholders Allowed Claim and the Secured Note Obligations will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date.

*Affected Unsecured
Creditors Class*

Each Affected Unsecured Creditor with an Allowed Affected Unsecured Claim, with the exception of those Affected Unsecured Creditors with Allowed Affected Unsecured Claims of not more than \$10,000, will receive its Individual Unsecured Plan Entitlement, being its pro rata portion of the \$225,000 in Unsecured Plan Entitlement Proceeds payable on the Unsecured Plan Entitlement Date. All Affected Unsecured Claims will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date. The Secured Noteholders will be deemed to waive any entitlement to the Unsecured Plan Entitlement Proceeds, and the amount of such proceeds that would otherwise be payable to them will be available for distribution to all other Affected Unsecured Creditors with Allowed Affected Unsecured Claims.

Affected Unsecured Creditors with Allowed Affected Unsecured Claims of not more than \$10,000 will be paid in cash for the full value of their Allowed Affected Unsecured Claim and such Affected Unsecured Creditors will be deemed to vote in favour of the Plan unless they indicate to the Monitor in writing that they intend to vote against the Plan and do vote against the Plan at the Unsecured Creditors Meeting.

*WARN Act Plaintiffs
Class*

Each WARN Act Plaintiff with an Allowed WARN Act Claim will receive its Individual WARN Act Plan Entitlement, being its pro rata portion of the \$100,000 in WARN Act Plan Entitlement Proceeds payable on the WARN Act Plan Entitlement Date. All WARN Act Claims will be fully, finally, irrevocably and forever compromised,

released, discharged, cancelled and barred on the Plan Implementation Date.

Equity Claimants

Equity Claimants will not receive any consideration or distributions under the Plan in respect of their Equity Claims. All Equity Claims will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date. All Equity Interests will be cancelled and extinguished on the Plan Implementation Date (provided that the New Elk Shares will not be cancelled and will remain the property of Cline and the North Central Shares will not be cancelled and will remain the property of New Elk).

Disputed Distribution Claims

Any Affected Creditor with a Disputed Distribution Claim will not be entitled to receive any distribution under the Plan with respect to such Disputed Distribution Claim unless and until such Claim becomes an Allowed Affected Claim. A Disputed Distribution Claim will be resolved in the manner set out in the Claims Procedure Order. Distributions pursuant to the Plan will be paid in respect of any Disputed Distribution Claim that is finally determined to be an Allowed Affected Claim in accordance with the Claims Procedure Order.

Treatment of Unaffected Claims:

The Plan does not affect the Unaffected Creditors and Unaffected Creditors will not receive any consideration or distributions under the Plan in respect of their Unaffected Claims (except to the extent their Unaffected Claims are paid in full on the Plan Implementation Date in accordance with the express terms of the Plan).

Unaffected Claims are any (i) Claims secured by any of the Charges; (ii) Insured Claims; (iii) Intercompany Claims; (iv) Post-Filing Trade Payables; (v) Unaffected Secured Claims; (vi) Claims by Unaffected Trade Creditors arising from Unaffected Trade Claims; (vii) Claims that are not permitted to be compromised pursuant to Section 19(2) of the CCAA; (viii) Employee Priority Claims; and (ix) Government Priority Claims.

Insured Claims shall not be compromised, released, discharged, cancelled or barred by the Plan, provided that from and after the Plan Implementation Date, any Person having an Insured Claim shall be irrevocably limited to recovery in respect of such Insured Claim solely from the proceeds of the applicable Insurance Policies, and Persons with any Insured Claims shall have no right to, and shall not, make any claim or seek any recoveries from any of the Applicants or any Released Party, other than enforcing such Person's rights to be paid by the applicable insurer(s) from the proceeds of the

applicable Insurance Policies.

The Applicants may satisfy any Unaffected Secured Claims by returning the applicable property of the Applicants that is secured as collateral for such Claims, in which case the Unaffected Secured Claim shall be deemed to be fully satisfied, provided that if the applicable Unaffected Secured Creditor asserts that there is a deficiency in the value of the applicable collateral relative the value of the Unaffected Secured Claim, such Creditor shall be permitted to file a Proof of Claim in respect of such unsecured deficiency Claim and such unsecured deficiency Claim shall be treated as an Affected Unsecured Claim for the purpose of the Plan, the Meetings Order and all related matters.

Nothing in the Plan will affect the Applicants' rights and defences, both legal and equitable, with respect to any Unaffected Claims including all rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

**Treatment of
Director/Officer
Claims:**

All Released Director/Officer Claims will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without consideration on the Plan Implementation Date. Any Director/Officer Claim that is not a Released Director/Officer Claim will not be compromised, released, discharged, cancelled and barred. For greater certainty, any Claim of a Director or Officer for indemnification from the Applicants in respect of any Director/Officer Claim that is not otherwise covered by the Directors' Charge shall be treated for all purposes under this Plan as an Affected Unsecured Claim.

Releases:

On the Plan Implementation Date, (i) the Applicants, the Applicants' employees and contractors, the Directors and Officers, the Cline Companies and (ii) the Monitor, the Monitor's counsel, the Indenture Trustee, Marret (on behalf of the Secured Noteholders and in its individual corporate capacity), the Secured Noteholders, the Company Advisors, the Noteholder Advisors and each and every present and former shareholder, affiliate, subsidiary, director, officer, member, partner, employee, auditor, financial advisor, legal counsel and agent of any of the foregoing Persons (the Persons named in (i) or (ii) being the "**Released Parties**") shall be released and discharged from any and all claims based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the later of the Plan Implementation Date and the date on which actions are taken to implement the Plan, that constitute or are in any way relating to, arising out of or in

connection with any Claims, any Director/Officer Claims and any indemnification obligations with respect thereto, the Secured Notes and related guarantees, the Secured Note Indentures, the Secured Note Obligations, the Equity Interests, the Stock Option Plans, the New Cline Common Shares, the New Secured Debt, the New Credit Agreement, the Unsecured Plan Entitlement, the WARN Act Plan Entitlement, any payments to Convenience Creditors, the business and affairs of the Applicants, the administration and/or management of the Applicants, the Recapitalization, the Plan, the CCAA Proceeding, the Chapter 15 Proceeding or any document, instrument, matter or transaction involving any of the Applicants or the Cline Companies taking place in connection with the Recapitalization or the Plan (referred to collectively as the “**Released Claims**”), and all Released Claims shall be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, all to the fullest extent permitted by Applicable Law; provided that nothing in the Plan will waive, discharge, release, cancel or bar (x) the right to enforce the Applicants’ obligations under the Plan, (y) the Applicants from or in respect of any Unaffected Claim or any Claim that is not permitted to be released pursuant to section 19(2) of the CCAA, or (z) any Director or Officer from any Director/Officer Claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA.

(The foregoing is an abridged summary of the releases contained in the Plan. Creditors should refer to the specific provisions of the Plan for the full scope of the releases provided for therein.)

Creditor Approval of Plan:

In order for the Plan to be approved pursuant to the CCAA, the Plan must be approved by a majority in number of Affected Creditors representing at least two thirds in value of the Voting Claims of Affected Creditors, in each case present and voting in person or by proxy on the resolution approving the Plan at the applicable Meeting in each Voting Class. If such approvals are obtained, in order to make the Plan effective, the Sanction Order must be obtained.

Court Approval of Plan:

If the Plan is accepted by the Required Majorities, the Applicants will apply for the Sanction Order on January 28, 2015, or as soon thereafter as the matter can be heard (the “**Sanction Hearing**”) at the Court at 330 University Avenue, Toronto, Ontario, Canada.

Any Person who wishes to oppose the motion for the Sanction Order must serve upon the lawyers for each of the Applicants, the Monitor, Marret and upon all parties on the Service List, and file with the Court, a copy of the materials to be used to oppose the motion for the Sanction Order by no later than 5:00 p.m. (Toronto time) on the date that is seven (7) days prior to the Sanction Hearing. **Creditors**

should consult with their legal advisors with respect to the legal rights available to them in relation to the Plan and the Sanction Hearing. In the event that the Sanction Hearing is adjourned, only those Persons who are listed on the Service List will be served with notice of the adjourned date of the Sanction Hearing.

Conditions to Implementation of the Plan:

The implementation of the Plan is conditional upon satisfaction of, among others, the following conditions prior to or at the Effective Time:

- (a) all definitive agreements in respect of the Recapitalization shall be in a form satisfactory to the Applicants and Marret (on behalf of the Secured Noteholders);
- (b) the Plan shall have been approved by the Required Majorities of each Voting Class;
- (c) all orders made and judgments rendered by any competent court of law, and all rulings and decrees of any competent regulatory body, agent or official in relation to the CCAA Proceeding, the Chapter 15 Proceeding, the Recapitalization or the Plan shall be satisfactory to the Applicants, including all court orders made in relation to the Recapitalization;
- (d) all Material filings under Applicable Laws shall have been made and any material regulatory consents or approvals that are required in connection with the Recapitalization shall have been obtained and, in the case of waiting or suspensory periods, such waiting or suspensory periods shall have expired or been terminated;
- (e) all securities of the Applicants, when issued and delivered, shall be duly authorized, validly issued and fully paid and non-assessable and the issuance thereof shall be exempt from all prospectus and registration requirements of Applicable Laws;
- (f) the Sanction Order shall have been made on terms acceptable to the Applicants, and it shall have become a Final Order;
- (g) the Sanction Order shall have been recognized and deemed binding and enforceable in the United States pursuant to an Order of the US Court in the Chapter 15 Proceeding on terms acceptable to the Applicants,

and such Order shall have become a Final Order; and

- (h) any other Order deemed necessary by the Applicants for the purpose of implementing the Recapitalization shall have been made on terms acceptable to the Applicants, and any such Order shall have become a Final Order.

(The foregoing is an abridged summary of certain of the conditions precedent to the implementation of the Plan. A comprehensive list of conditions precedent is provided in Section 9.1 of the Plan.)

Plan Amendment:

The Plan provides that, if the Plan is not approved by the Required Majorities of the Affected Unsecured Creditors Class or the WARN Act Plaintiffs Class, or the Applicants determine that the approval of either of such classes is not forthcoming, the Applicants are permitted, without any further Court order, to file an amended and restated Plan (the “**Alternate Plan**”) with the attributes listed on Schedule “B” to the Plan. The Alternate Plan would thereafter be considered and voted on only by the Secured Noteholders Class and the Applicants would have no obligation to proceed with the Affected Unsecured Creditors Meeting or the WARN Act Plaintiffs Meeting. In addition, if the requisite quorum is not present at the WARN Act Plaintiffs Meeting or if it is determined in accordance with the Claims Procedure Order that there are no Voting Claims in the WARN Act Plaintiffs Class, the Applicants shall be entitled, but not required, to amend the Plan without further Order of the Court to combine the WARN Act Plaintiffs Class with the Affected Unsecured Creditors Class on such terms as may be set forth in such amended Plan, in which case the Applicants shall have no further obligation to hold the WARN Act Plaintiffs Meeting and the WARN Act Plan Entitlement shall not be payable pursuant to the Plan.

Timing of Plan Implementation:

It is anticipated that the Plan will be implemented in accordance with the following timetable:

| | |
|--|------------------------------|
| January 21, 2015 | Meetings to vote on the Plan |
| January 28, 2015 | Sanction Order |
| Within approximately 30 days of the Sanction Order | Plan Implementation |

Monitor: The Monitor supports the Applicants' request to convene the Meetings to consider and vote on the Plan.

Recommendations of the Board of Directors: The Boards of Directors of the Applicants recommend that the Affected Creditors vote for the resolution to approve the Plan.

Support of Secured Noteholders: Marret, which exercises sole investment discretion and authority over the Secured Noteholders, has entered into a Support Agreement with Cline, pursuant to which it has agreed to support the Recapitalization and to vote in favour of the Plan on behalf of the Secured Noteholders.

SCHEDULE "A"
TO THE INFORMATION STATEMENT

FORM OF PLAN RESOLUTION

**CLINE MINING CORPORATION, NEW ELK COAL COMPANY LLC AND NORTH
CENTRAL ENERGY COMPANY**

Plan of Compromise and Arrangement
pursuant to the *Companies' Creditors Arrangement Act*

BE IT RESOLVED THAT:

1. the Plan of Compromise and Arrangement of Cline Mining Corporation, New Elk Coal Company LLC and North Central Energy Company pursuant to the *Companies' Creditors Arrangement Act* (Canada) is hereby authorized and approved.

SCHEDULE "B"
TO THE INFORMATION STATEMENT
PLAN OF COMPROMISE AND ARRANGEMENT

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

AND

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
CLINE MINING CORPORATION, NEW ELK COAL COMPANY LLC AND
NORTH CENTRAL ENERGY COMPANY**

APPLICANTS

**PLAN OF COMPROMISE AND ARRANGEMENT
pursuant to the *Companies' Creditors Arrangement Act*
concerning, affecting and involving**

**CLINE MINING CORPORATION,
NEW ELK COAL COMPANY LLC and
NORTH CENTRAL ENERGY COMPANY**

December 3, 2014

TABLE OF CONTENTS

| | |
|--|----|
| ARTICLE 1 INTERPRETATION..... | 1 |
| 1.1 Definitions..... | 1 |
| 1.2 Certain Rules of Interpretation..... | 15 |
| 1.3 Successors and Assigns..... | 16 |
| 1.4 Governing Law | 16 |
| 1.5 Schedules | 16 |
| ARTICLE 2 PURPOSE AND EFFECT OF THE PLAN..... | 17 |
| 2.1 Purpose..... | 17 |
| 2.2 Persons Affected | 17 |
| 2.3 Persons Not Affected | 17 |
| ARTICLE 3 CLASSIFICATION AND TREATMENT OF CREDITORS AND RELATED MATTERS..... | 17 |
| 3.1 Claims Procedure | 17 |
| 3.2 Classification of Creditors | 18 |
| 3.3 Creditors' Meetings | 18 |
| 3.4 Treatment of Affected Claims | 18 |
| 3.5 Unaffected Claims | 19 |
| 3.6 Disputed Distribution Claims | 20 |
| 3.7 Director/Officer Claims | 21 |
| 3.8 Extinguishment of Claims..... | 21 |
| 3.9 Guarantees and Similar Covenants | 21 |
| 3.10 Set-Off..... | 21 |
| ARTICLE 4 PROVISIONS REGARDING DISTRIBUTIONS AND PAYMENTS | 22 |
| 4.1 Distributions of New Cline Common Shares and New Secured Debt..... | 22 |
| 4.2 Distribution Mechanics with respect to the Unsecured Plan Entitlement..... | 22 |
| 4.3 Distribution Mechanics with respect to Convenience Claims | 23 |
| 4.4 Distribution Mechanics with respect to the WARN Act Plan Entitlement..... | 23 |
| 4.5 Modifications to Distribution Mechanics | 24 |
| 4.6 Cancellation of Certificates and Notes | 24 |
| 4.7 Currency..... | 24 |
| 4.8 Interest..... | 25 |
| 4.9 Allocation of Distributions | 25 |
| 4.10 Treatment of Undeliverable Distributions | 25 |
| 4.11 Withholding Rights..... | 25 |
| 4.12 Fractional Interests..... | 26 |
| 4.13 Calculations..... | 26 |
| ARTICLE 5 RECAPITALIZATION | 26 |
| 5.1 Corporate Actions | 26 |
| 5.2 Issuance of Plan Consideration..... | 26 |
| 5.3 Sequence of Plan Implementation Date Transactions | 27 |
| 5.4 Issuances Free and Clear..... | 29 |
| 5.5 Stated Capital | 29 |

| | |
|--|----|
| ARTICLE 6 PROCEDURE FOR DISTRIBUTIONS REGARDING DISPUTED DISTRIBUTION CLAIMS | 29 |
| 6.1 No Distribution Pending Allowance..... | 29 |
| 6.2 Disputed Distribution Claims | 29 |
| ARTICLE 7 RELEASES | 31 |
| 7.1 Plan Releases | 31 |
| 7.2 Limitation on Insured Claims | 32 |
| 7.3 Injunctions..... | 32 |
| ARTICLE 8 COURT SANCTION..... | 33 |
| 8.1 Application for Sanction Order..... | 33 |
| 8.2 Sanction Order | 33 |
| ARTICLE 9 CONDITIONS PRECEDENT AND IMPLEMENTATION..... | 35 |
| 9.1 Conditions Precedent to Implementation of the Plan | 35 |
| 9.2 Monitor’s Certificate..... | 36 |
| ARTICLE 10 GENERAL | 37 |
| 10.1 Binding Effect..... | 37 |
| 10.2 Waiver of Defaults..... | 37 |
| 10.3 Deeming Provisions | 37 |
| 10.4 Non-Consummation..... | 38 |
| 10.5 Modification of the Plan | 38 |
| 10.6 Marret and the Secured Noteholders..... | 39 |
| 10.7 Paramountcy | 39 |
| 10.8 Severability of Plan Provisions..... | 40 |
| 10.9 Responsibilities of the Monitor..... | 40 |
| 10.10 Different Capacities | 40 |
| 10.11 Notices | 40 |
| 10.12 Further Assurances..... | 42 |

PLAN OF COMPROMISE AND ARRANGEMENT

WHEREAS Cline Mining Corporation (“**Cline**”), New Elk Coal Company LLC (“**New Elk**”) and North Central Energy Company (“**North Central**” and together with Cline and New Elk, the “**Applicants**”) are debtor companies under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”);

AND WHEREAS the Applicants have obtained an order (as may be amended, restated or varied from time to time, the “**Initial Order**”) of the Ontario Superior Court of Justice (the “**Court**”) under the CCAA (the date of such Initial Order being the “**Filing Date**”);

AND WHEREAS Marret Asset Management Inc. (“**Marret**”) exercises sole investment discretion and control over all of the beneficial holders of (i) the \$71,381,900 million aggregate principal amount of 10% senior secured notes due June 15, 2014 issued by Cline pursuant to the indenture dated December 13, 2011, as amended (the “**2011 Notes**”) and (ii) the \$12,340,998 aggregate principal amount of 10% senior secured notes due June 15, 2014 issued by Cline pursuant to the indenture dated July 8, 2013, as amended (the “**2013 Notes**”, and collectively with the 2011 Notes, the “**Secured Notes**”);

AND WHEREAS the Applicants have developed a recapitalization transaction (the “**Recapitalization**”) as set forth herein, and Marret (on behalf of all of the beneficial holders of the Secured Notes) has agreed to support the terms of the Recapitalization;

AND WHEREAS the Applicants file this consolidated plan of compromise and arrangement with the Court pursuant to the CCAA and hereby propose and present the plan of compromise and arrangement to the Secured Noteholders Class, the Affected Unsecured Creditors Class and the WARN Act Plaintiffs Class (each as defined below) under and pursuant to the CCAA.

ARTICLE 1 INTERPRETATION

1.1 Definitions

In the Plan, unless otherwise stated or unless the subject matter or context otherwise requires:

“**2011 Indenture**” means the note indenture dated December 13, 2011 that was entered into between Cline, Marret and the 2011 Trustee in connection with the issuance of the 2011 Notes, as amended from time to time.

“**2011 Noteholders**” means the holders of the 2011 Notes, and “**2011 Noteholder**” means any one of them.

“**2011 Trustee**” means the Indenture Trustee, Computershare Trust Company of Canada, specifically in its capacity as trustee in respect of the 2011 Secured Notes under the 2011 Indenture.

“2013 Indenture” means the note indenture dated July 8, 2013 that was entered into between Cline, Marret and the 2013 Trustee in connection with the issuance of the 2013 Notes, as amended from time to time.

“2013 Noteholders” means the holders of the 2013 Notes, and **“2013 Noteholder”** means any one of them.

“2013 Trustee” means the Indenture Trustee, Computershare Trust Company of Canada, specifically in its capacity as trustee in respect of the 2013 Secured Notes under the 2013 Indenture.

“Affected Claim” means any Claim that is not an Unaffected Claim, and, for greater certainty, includes any Secured Noteholder Claim, Affected Unsecured Claim, WARN Act Claim and Equity Claim.

“Affected Creditor” means any Creditor with an Affected Claim, but only with respect to and to the extent of such Affected Claim.

“Affected Unsecured Claims” means all Claims against one or more of the Applicants that are not secured by a valid security interest over assets or property of the Applicants and that are not (i) Unaffected Claims, (ii) the Claims comprising the Secured Noteholders Allowed Secured Claim, (iii) WARN Act Claims or (iv) Equity Claims; and, for greater certainty, the Affected Unsecured Claims shall include the Secured Noteholders Allowed Unsecured Claim, the Marret Unsecured Claim and any portion of any other Affected Claim that is secured but in respect of which there is a deficiency in the realizable value of the security held in respect of such Claim relative to the amount of such Claim.

“Affected Unsecured Creditor” means any holder of an Affected Unsecured Claim, but only with respect to and to the extent of such Affected Unsecured Claim.

“Affected Unsecured Creditors Class” means the class of Affected Unsecured Creditors entitled to vote on the Plan at the Unsecured Creditors Meeting in accordance with the terms of the Meetings Order.

“Agreed Number” means, with respect to the New Cline Common Shares, that number of New Cline Common Shares to be issued on the Plan Implementation Date pursuant to the Plan as agreed to by the Applicants, the Monitor and Marret (on behalf of the Secured Noteholders).

“Allowed” means, with respect to a Claim, any Claim or any portion thereof that has been finally allowed as a Distribution Claim (as defined in the Claims Procedure Order) for purposes of receiving distributions under the Plan in accordance with the Claims Procedure Order or a Final Order of the Court.

“Applicable Law” means any law, statute, order, decree, judgment, rule regulation, ordinance or other pronouncement having the effect of law whether in Canada, the United States or any other country, or any domestic or foreign state, county, province, city or other political subdivision of any Governmental Entity.

“Articles” means the articles and/or the notice of articles of Cline, as applicable.

“**Assessments**” has the meaning ascribed thereto in the Claims Procedure Order.

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended.

“**Business Day**” means a day, other than Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Toronto, Ontario and New York, New York.

“**Canadian Tax Act**” means the *Income Tax Act* (Canada), as amended.

“**CCAA**” has the meaning ascribed thereto in the recitals.

“**CCAA Proceeding**” means the proceeding commenced by the Applicants pursuant to the CCAA.

“**CDS**” means CDS Clearing and Depository Services Inc. or any successor thereof.

“**CDS Participants**” means CDS participant holders of the 2011 Notes and the 2013 Notes.

“**Chapter 15**” means Chapter 15, Title 11 of the United States Code.

“**Chapter 15 Proceeding**” means the proceeding to be commenced by the foreign representative of the Applicants pursuant to Chapter 15.

“**Charges**” means the Administration Charge and the Directors’ Charge, each as defined in the Initial Order.

“**Claim**” means:

- (a) any right or claim of any Person against any of the Applicants, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind whatsoever of any such Applicant in existence on the Filing Date, and costs payable in respect thereof to and including the Filing Date, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any Assessment and any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts which existed prior to the Filing Date and any other claims that would have been claims provable in bankruptcy had such Applicant become bankrupt on the Filing Date, including for greater certainty any Equity Claim and any claim against any of the Applicants for indemnification by any Director or Officer in respect of a Director/Officer Claim (but excluding any such claim for indemnification that is covered by the Directors’ Charge (as defined in the Initial Order)); and

- (b) any right or claim of any Person against any of the Applicants in connection with any indebtedness, liability or obligation of any kind whatsoever owed by any such Applicant to such Person arising out of the restructuring, disclaimer, resiliation, termination or breach by such Applicant on or after the Filing Date of any contract, lease or other agreement whether written or oral and includes any other right or claim that is to be treated as a Restructuring Period Claim under the Plan,

provided that, for greater certainty, the definition of “Claim” herein shall not include any Director/Officer Claim.

“**Claims Bar Date**” has the meaning ascribed thereto in the Claims Procedure Order.

“**Claims Procedure Order**” means the Order under the CCAA establishing a claims procedure in respect of the Applicants, as same may be further amended, restated or varied from time to time.

“**Cline Common Shares**” means the common shares in the capital of Cline designated as Common Shares in the Notice of Articles of Cline.

“**Cline Companies**” means Cline, New Elk, North Central Energy Company, Raton Basin Analytical, LLC.

“**Company Advisors**” means Goodmans LLP, Moelis & Company and Aab & Botts, LLC.

“**Consolidation Ratio**” means, with respect to the Cline Common Shares, the ratio by which Cline Common Shares outstanding on the Plan Implementation Date at the relevant time (including, for the avoidance of doubt, any Cline Common Shares that are Existing Cline Shares and any Cline Common Shares that are New Cline Common Shares issued pursuant to the Plan) are consolidated pursuant to the Plan, as agreed by the Applicants, the Monitor and Marret (on behalf of the Secured Noteholders).

“**Convenience Claim**” means any Affected Unsecured Claim that is not more than \$10,000, provided that (i) no Claims of the Secured Noteholders shall constitute Convenience Claims; (ii) Creditors shall not be entitled to divide a Claim for the purpose of qualifying such Claim as a Convenience Claim; (iii) no Restructuring Period Claim referred to in section 3.5(d)(i) shall constitute a Convenience Claim, and (iv) for greater certainty, none of the WARN Act Claims shall constitute Convenience Claims.

“**Convenience Creditor**” means an Affected Unsecured Creditor having a Convenience Claim.

“**Court**” has the meaning ascribed thereto in the recitals.

“**Creditor**” means any Person having a Claim, but only with respect to and to the extent of such Claim, including the transferee or assignee of a transferred Claim that is recognized as a Creditor in accordance with the Claims Procedure Order or a trustee, executor, liquidator, receiver, receiver and manager, or other Person acting on behalf of or through such Person.

“**Directors**” means all current and former directors (or their estates) of the Applicants, in such capacity, and “**Director**” means any one of them.

“Director/Officer Claim” means any right or claim of any Person against one or more of the Directors and/or Officers howsoever arising, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, including any right of contribution or indemnity, for which any Director or Officer is alleged to be, by statute or otherwise by law or equity, liable to pay in his or her capacity as a Director or Officer.

“Disputed Distribution Claim” means an Affected Unsecured Claim or a WARN Act Claim (including a contingent Affected Unsecured Claim or WARN Act Claim that crystallizes upon the occurrence of an event or events occurring after the Filing Date) or such portion thereof that has not been Allowed, which is validly disputed for distribution purposes in accordance with the Claims Procedure Order and that remains subject to adjudication for distribution purposes in accordance with the Claims Procedure Order.

“Disputed Distribution Claims Reserve” means the reserve, if any, to be established by Cline, which shall be comprised of the following:

- (a) in respect of Affected Unsecured Claims that are Disputed Distribution Claims and are not Convenience Claims, an amount reserved on the Unsecured Plan Entitlement Date equal to the Unsecured Plan Entitlement Proceeds that would have been paid in respect of such Disputed Distribution Claims on the Unsecured Plan Entitlement Date if such Disputed Distribution Claims had been Allowed Claims as of the Promissory Note Maturity Date
- (b) in respect of Affected Unsecured Claims that are Disputed Distribution Claims and that are Convenience Claims, an amount reserved on the Plan Implementation Date equal to the amount that would have been paid in respect of such Disputed Distribution Claims on the Plan Implementation Date if such Disputed Distribution Claims had been Allowed Claims as of the Plan Implementation Date, and
- (c) in respect of WARN Act Claims that are Disputed Distribution Claims, an amount reserved on the WARN Act Plan Entitlement Date equal to the WARN Act Plan Entitlement Proceeds that would have been paid in respect of such Disputed Distribution Claims on the WARN Act Plan Entitlement Date if such Disputed Distribution Claims had been Allowed Claims as of the WARN Act Plan Entitlement Date.

“Distribution Date” means the date or dates from time to time set in accordance with the provisions of the Plan to effect distributions in respect of the Allowed Claims, excluding the Initial Distribution Date, and (i) in the case of distributions of Unsecured Plan Entitlement Proceeds, means the Unsecured Plan Entitlement Date or such later date from time to time established in accordance with the provisions of the Plan if any Affected Unsecured Claim is a Disputed Distribution Claim on the Unsecured Plan Entitlement Date; and (ii) in the case of

distributions of WARN Act Plan Entitlement Proceeds, means the WARN Act Plan Entitlement Date or such later date from time to time established in accordance with the provisions of the Plan if any WARN Act Claim is a Disputed Distribution Claim on the WARN Act Plan Entitlement Date.

“**Effective Time**” means 12:01 a.m. (Toronto time) on the Plan Implementation Date or such other time on such date as the Applicants may determine.

“**Employee Priority Claims**” means the following Claims of Employees and former employees of the Applicants:

- (a) Claims equal to the amounts that such Employees and former employees would have been entitled to receive under paragraph 136(1)(d) of the *Bankruptcy and Insolvency Act* (Canada) if the applicable Applicant had become bankrupt on the Filing Date; and
- (b) Claims for wages, salaries, commissions or compensation for services rendered by such Employees and former employees after the Filing Date and on or before the Plan Implementation Date together with, in the case of travelling salespersons, disbursements properly incurred by them in and about the Applicants’ business during the same period.

“**Employees**” means any and all (a) employees of the Applicants who are actively at work (including full-time, part-time or temporary employees) and (b) employees of the Applicants who are on approved leaves of absence (including maternity leave, parental leave, short-term disability leave, workers’ compensation and other statutory leaves), and who have not tendered notice of resignation as of the Filing Date, in each case.

“**Encumbrance**” means any charge, mortgage, lien, pledge, claim, restriction, hypothec, adverse interest, security interest or other encumbrance whether created or arising by agreement, statute or otherwise at law, attaching to property, interests or rights and shall be construed in the widest possible terms and principles known under the law applicable to such property, interests or rights and whether or not they constitute specific or floating charges as those terms are understood under the laws of the Province of Ontario.

“**Equity Claim**” means a Claim that meets the definition of “equity claim” in section 2(1) of the CCAA.

“**Equity Claimants**” means any Person with an Equity Claim or holding an Equity Interest, but only in such capacity, and for greater certainty includes the Existing Cline Shareholders in their capacity as such.

“**Equity Interests**” has the meaning ascribed thereto in section 2(1) of the CCAA and, for greater certainty, includes the Existing Cline Shares, the Existing New Elk Units, the Existing North Central Shares, the Existing Options and any other interest in or entitlement to shares or units in the capital of the Applicants but, for greater certainty, does not include the New Cline Common Shares issued on the Plan Implementation Date in accordance with the Plan.

“Existing Cline Shareholder” means any Person who holds, is entitled to or has any rights in or to the Existing Cline Shares or any shares in the authorized capital of Cline immediately prior to the Effective Time, but only in such capacity, and for greater certainty does not include any Person that is issued New Cline Common Shares on the Plan Implementation Date.

“Existing Cline Shares” means all shares in the capital of Cline that are issued and outstanding immediately prior to the Effective Time.

“Existing New Elk Units” means all units in the capital of New Elk that are issued and outstanding immediately prior to the Effective Time.

“Existing North Central Shares” means all shares in the capital of North Central that are issued and outstanding immediately prior to the Effective Time.

“Existing Options” means any options, warrants (including the Warrants), conversion privileges, puts, calls, subscriptions, exchangeable securities, or other rights, entitlements, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) obligating any of the Applicants to issue, acquire or sell shares or units in the capital of the Applicants or to purchase any shares, units, securities, options or warrants, or any securities or obligations of any kind convertible into or exchangeable for shares or units in the capital of the Applicants, in each case that are existing or issued and outstanding immediately prior to the Effective Time, including any options to acquire shares, units or other equity securities of the Applicants issued under the Stock Option Plans, any warrants exercisable for common shares, units or other equity securities of the Applicants (including the Warrants), any put rights exercisable against the Applicants in respect of any shares, units, options, warrants or other securities, and any rights, entitlements or other claims of any kind to receive any other form of consideration in respect of any prior or future exercise of any of the foregoing.

“Filing Date” has the meaning ascribed thereto in the recitals.

“Final Order” means any order, ruling or judgment of the Court, or any other court of competent jurisdiction, (i) that is in full force and effect; (ii) that has not been reversed, modified or vacated and is not subject to any stay and (iii) in respect of which all applicable appeal periods have expired and any appeals therefrom have been finally disposed of, leaving such order, ruling or judgment wholly operable.

“Fractional Interests” has the meaning given in section 4.12 hereof.

“Government Priority Claims” means all Claims of Governmental Entities against any of the Applicants in respect of amounts that are outstanding and that are of a kind that could be subject to a demand under:

- (a) subsections 224(1.2) of the Canadian Tax Act;
- (b) any provision of the Canada Pension Plan or the *Employment Insurance Act* (Canada) that refers to subsection 224(1.2) of the Canadian Tax Act and provides for the collection of a contribution, as defined in the Canada Pension Plan, or employee’s premium or employer’s premium as defined in the *Employment*

Insurance Act (Canada), or a premium under Part VII. I of that Act, and of any related interest, penalties or other amounts; or

- (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the Canadian Tax Act, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
 - (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Canadian Tax Act; or
 - (ii) is of the same nature as a contribution under the Canada Pension Plan if the province is a “province providing a comprehensive pension plan” as defined in subsection 3(1) of the Canada Pension Plan and the provincial legislation establishes a “provincial pension plan” as defined in that subsection.

“Governmental Entity” means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

“Indentures” means, collectively, the 2011 Indenture and the 2013 Indenture.

“Indenture Trustee” means Computershare Trust Company of Canada, as trustee in respect of the Secured Notes under the Indentures.

“Individual Unsecured Plan Entitlement” means, with respect to each Affected Unsecured Creditor with an Allowed Affected Unsecured Claim that is not a Convenience Creditor and that is not a Secured Noteholder, its entitlement to receive its respective individual portion of the Unsecured Plan Entitlement Proceeds payable on the Unsecured Plan Entitlement Date, the quantum of which entitlement shall be calculated as follows at the relevant time:

- (A) the Allowed Affected Unsecured Claim of such Affected Unsecured Creditor

divided by

- (B) the total amount of all Allowed Affected Unsecured Claims and Disputed Distribution Claims of Affected Unsecured Creditors less the Secured Noteholders Allowed Unsecured Claim less the Marret Unsecured Claim less the amount of all Convenience Claims

multiplied by

- (C) \$225,000.

“Individual WARN Act Plan Entitlement” means with respect to each WARN Act Plaintiff with an Allowed WARN Act Claim, its entitlement to receive its individual WARN Act Plaintiff’s Pro-Rata Share of the WARN Act Plan Entitlement Proceeds payable on the WARN Act Plan Entitlement Date.

“Information Statement” means the information statement to be distributed by the Applicants concerning the Plan, the Meetings and the hearing in respect of the Sanction Order, as contemplated in the Meetings Order.

“Initial Distribution Date” means a date no more than two (2) Business Days after the Plan Implementation Date or such other date as the Applicants and the Monitor may agree.

“Initial Order” has the meaning ascribed thereto in the recitals.

“Insurance Policy” means any insurance policy maintained by any of the Applicants pursuant to which any of the Applicants or any Director or Officer is insured.

“Insured Claim” means all or that portion of a Claim arising from a cause of action for which the applicable insurer or a court of competent jurisdiction has definitively and unconditionally confirmed that the applicable Applicant is insured under an Insurance Policy, to the extent that such Claim, or portion thereof, is so insured.

“Intercompany Claim” means any Claim by any Applicant against another Applicant.

“Marret” has the meaning ascribed to it in the recitals.

“Marret Unsecured Claim” means all Claims of Marret, in its individual corporate capacity and not on behalf of the Secured Noteholders, against one or more of the Applicants, if any, including any secured Claims of Marret, in such capacity, in respect of which there is a deficiency in the realizable value of the security held by Marret relative to the amount of such secured Claim.

“Material” means a fact, circumstance, change, effect, matter, action, condition, event, occurrence or development that, individually or in the aggregate, is, or would reasonably be expected to be, material to the business, affairs, results of operations or financial condition of the Applicants (taken as a whole).

“Meeting Date” means the date on which the Meetings are held in accordance with the Meetings Order.

“Meetings” means, collectively, the Secured Noteholders Meeting, the Unsecured Creditors Meeting and the WARN Act Plaintiffs Meeting.

“Meetings Order” means the Order under the CCAA that, among other things, sets the date for the Meetings, as same may be amended, restated or varied from time to time.

“Monitor” means FTI Consulting Canada Inc., as Court-appointed Monitor of the Applicants in the CCAA Proceeding.

“**Monitor’s Website**” means <http://cfcanada.fticonsulting.com/cline>

“**New Cline Common Shares**” means the new Cline Common Shares to be issued pursuant to section 5.2(1) hereof.

“**New Credit Agreement**” means the credit agreement in respect of the New Secured Debt dated as of the Plan Implementation Date among Cline, as borrower, New Elk and North Central, as guarantors, and the New Secured Debt Agent.

“**New Secured Debt**” means the new secured indebtedness of Cline, which is to be guaranteed by New Elk and North Central, to be established on the Plan Implementation Date pursuant to section 5.2(2) hereof, the terms of which shall be consistent with the summary of terms set forth in Schedule “A” and which shall be governed by the New Credit Agreement.

“**New Secured Debt Agent**” means Marret Asset Management Inc., in its capacity as administrative and collateral agent under the New Credit Agreement.

“**Noteholder Advisors**” means Davies Ward Phillips & Vineberg LLP.

“**Notice of Claim**” has the meaning ascribed thereto in the Claims Procedure Order.

“**Officers**” means all current and former officers (or their estates) of the Applicants, in such capacity, and “**Officer**” means any one of them.

“**Order**” means any order of the Court made in connection with the CCAA Proceeding and any order of the U.S. Court made in connection with the Chapter 15 Proceeding.

“**Person**” means any individual, firm, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, government or any agency, officer or instrumentality thereof or any other entity.

“**Plan**” means the Plan of Compromise and Arrangement filed by the Applicants pursuant to the CCAA, as it may be amended, supplemented or restated from time to time in accordance with the terms hereof.

“**Plan Implementation Date**” means the Business Day on which the Plan becomes effective, which shall be the Business Day on which, pursuant to section 9.2, the Applicants and Marret (on behalf of the Secured Noteholders) or their respective counsel deliver written notice to the Monitor (or its counsel) that the conditions set out in section 9.1 have been satisfied or waived in accordance with the terms hereof.

“**Post-Filing Trade Payables**” means trade payables that were incurred by any of the Applicants (a) after the Filing Date but before the Plan Implementation Date; and (b) in compliance with the Initial Order and other Orders issued in connection with the CCAA Proceeding and the Chapter 15 Proceeding.

“**Prior Ranking Secured Claims**” means Allowed Claims existing on both the Filing Date and the Plan Implementation Date, other than Government Priority Claims, Employee Priority Claims, and Claims secured by the Charges, that (a) are secured by a valid, perfected and

enforceable security interest in, mortgage, encumbrance or charge over, lien against or other similar interest in, any of the assets that any of the Applicants owns or to which any of the Applicants is entitled, but only to the extent of the realizable value of the property subject to such security; and (b) would have ranked senior in priority to the Secured Noteholders Allowed Secured Claim if the Applicants had become bankrupt on the Filing Date, but only to the extent that it would have ranked senior in priority, including any Allowed Claims relating to the security registrations listed on Schedule "A" to the Initial Order, which, for greater certainty, includes the registration in favour of Bank of Montreal/Banque de Montreal listed thereon, to the extent that such Claims satisfy the terms of this definition.

"Proof of Claim" has the meaning ascribed thereto in the Claims Procedure Order.

"Recapitalization" means the transactions contemplated by the Plan.

"Released Claims" has the meaning ascribed thereto in section 7.1.

"Released Director/Officer Claim" means any Director/Officer Claim that is released pursuant to section 7.1.

"Released Party" and **"Released Parties"** have the meaning ascribed thereto in section 7.1.

"Restructuring Period Claim" has the meaning ascribed thereto in the Claims Procedure Order.

"Required Majorities" means with respect to each Voting Class, a majority in number of Affected Creditors representing at least two thirds in value of the Voting Claims of Affected Creditors, in each case who are entitled to vote at the Meetings in accordance with the Meetings Order and who are present and voting in person or by proxy on the resolution approving the Plan at the applicable Meeting.

"Sanction Order" means the Order of the Court sanctioning and approving the Plan.

"Secured Noteholders" means the holders of the Secured Notes, and **"Secured Noteholder"** means any one of them.

"Secured Noteholders Allowed Claim" has the meaning ascribed thereto in the Claims Procedure Order, and the aggregate amount of such Claim is \$110,173,897.

"Secured Noteholders Allowed Secured Claim" has the meaning ascribed thereto in the Claims Procedure Order, and, for the purpose of voting at the Secured Noteholders Meeting and receiving distributions under the Plan, the aggregate amount of such Claims is \$92,673,897.

"Secured Noteholders Allowed Unsecured Claim" has the meaning ascribed thereto in the Claims Procedure Order, and, for the purpose of voting at the Unsecured Creditors Meeting, the aggregate amount of such Claims is \$17,500,000.

"Secured Noteholders Class" means the class of Secured Noteholders collectively holding the Secured Noteholders Allowed Secured Claim entitled to vote on this Plan at the Secured Noteholders Meeting in accordance with the terms of the Meetings Order.

“**Secured Noteholders Meeting**” means the meeting of the Secured Noteholders Class to be held on the Meeting Date for the purpose of considering and voting on the Plan pursuant to the CCAA and includes any adjournment, postponement or other rescheduling of such meeting in accordance with the Meetings Order.

“**Secured Noteholder’s Share**” means, with respect to each Secured Noteholder, either: (i) the principal amount of Secured Notes held by such Secured Noteholder as at the Filing Date divided by the total aggregate principal amount of all Secured Notes as at the Filing Date; or (ii) such other proportionate share as may be agreed by the Applicants, Marret (on behalf of the Secured Noteholders) and the Monitor and as confirmed by Marret (on behalf of the Secured Noteholders) to the Indenture Trustee in writing.

“**Secured Note Obligations**” means all obligations, liabilities and indebtedness of the Applicants or any of the Cline Companies (whether as guarantor, surety or otherwise) to the Indenture Trustee, the Secured Noteholders and/or Marret (whether on behalf of the Secured Noteholders or in its individual corporate capacity) under, arising out of or in connection with the Secured Notes, the Indentures or the guarantees granted in connection with any of the foregoing as well as any other agreements or documents relating thereto as at the Plan Implementation Date.

“**Secured Notes**” has the meaning ascribed thereto in the recitals.

“**Stock Option Plans**” means any options plans, stock-based compensation plans or other obligations of any of the Applicants in respect of shares, options or warrants for equity in any of the Cline Companies, in each case as such plans or other obligations may be amended, restated or varied from time to time in accordance with the terms thereof.

“**Tax**” or “**Taxes**” means any and all federal, provincial, state, municipal, local, Canadian, U.S. and foreign taxes, assessments, reassessments and other governmental charges, duties, impositions and liabilities including for greater certainty taxes based upon or measured by reference to income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, all licence, franchise and registration fees and all employment insurance, health insurance and federal, provincial, state, municipal, local, Canadian, U.S., foreign and other government pension plan premiums or contributions, together with all interest, penalties, fines and additions with respect to such amounts.

“**Taxing Authorities**” means any one of Her Majesty the Queen, Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of any province or territory of Canada, the Canada Revenue Agency, any similar revenue or taxing authority of Canada and each and every province or territory of Canada and any political subdivision thereof, the United States Internal Revenue Service, any similar revenue or taxing authority of the United States and each and every state of the United States, and any Canadian, American or other government, regulatory authority, government department, agency, commission, bureau, minister, court, tribunal or body or regulation making entity exercising taxing authority or power, and “**Taxing Authority**” means any one of the Taxing Authorities.

“Unaffected Claim” means any:

- (a) Claim secured by any of the Charges;
- (b) Insured Claim;
- (c) Intercompany Claim;
- (d) Post-Filing Trade Payable;
- (e) Unaffected Secured Claim;
- (f) Claim by an Unaffected Trade Creditor arising from an Unaffected Trade Claim;
- (g) Claim that is not permitted to be compromised pursuant to section 19(2) of the CCAA;
- (h) Employee Priority Claims; and
- (i) Government Priority Claims.

“Unaffected Creditor” means a Creditor who has an Unaffected Claim, but only in respect of and to the extent of such Unaffected Claim.

“Unaffected Secured Claims” means: (i) the Prior Ranking Secured Claims; and (ii) all other Claims against one or more of the Applicants that (a) are secured by a valid security interest over assets or property of the Applicants and (b) the Applicants have identified to the Monitor in writing prior to the Plan Implementation Date as Unaffected Claims under the Plan.

“Unaffected Trade Claim” means an Allowed Claim of an Unaffected Trade Creditor that (i) is not a Post-Filing Trade Payable, (ii) arises out of or in connection with any contract, license, lease, agreement, obligation, arrangement or document with any of the Applicants related to the business of the Applicants and (iii) the Applicants have identified to the Monitor in writing prior to the Plan Implementation Date as an Unaffected Claim.

“Unaffected Trade Creditor” means any Person that has been designated by the Applicants, with the consent of the Monitor, as a critical supplier in accordance with the Initial Order.

“Undeliverable Distribution” has the meaning ascribed thereto in section 4.10 hereof.

“Unsecured Creditors Meeting” means a meeting of Affected Unsecured Creditors to be held on the Meeting Date called for the purpose of considering and voting on the Plan pursuant to the CCAA, and includes any adjournment, postponement or other rescheduling of such meeting in accordance with the Meetings Order.

“Unsecured Plan Entitlement” means an unsecured, non-interest-bearing entitlement of the Affected Unsecured Creditors, other than Convenience Creditors, with Allowed Affected Unsecured Claims to receive \$225,000 in cash (collectively, and not individually) from Cline on the date that is eight years from the Plan Implementation Date, which entitlement shall be

subordinated to all present and future secured indebtedness and obligations of Cline and may be paid by Cline at any time without penalty.

“Unsecured Plan Entitlement Date” means the earlier of the date that is eight years following the Plan Implementation Date and the date on which the Unsecured Plan Entitlement is paid by Cline.

“Unsecured Plan Entitlement Proceeds” means the amounts payable to the beneficiaries of the Unsecured Plan Entitlement on the Unsecured Plan Entitlement Date.

“U.S. Court” means the United States Bankruptcy Court for the District of Colorado.

“Voting Claims” means any Claim or portion thereof that has been finally allowed as a Voting Claim (as defined in the Claims Procedure Order) for purposes of voting at a Meeting in accordance with the Claims Procedure Order or a Final Order of the Court.

“Voting Classes” means the Secured Noteholders Class, the Affected Unsecured Creditors Class and the WARN Act Plaintiffs Class.

“WARN Act” means the U.S. federal Worker Adjustment and Retraining Notification Act of 1988 (29 U.S.C. §§ 2101 – 2109).

“WARN Act Claim” means any Claim against any of the Applicants advanced by the WARN Act Plaintiffs in the WARN Act Class Action and any other Claims of individuals similarly situated to the WARN Act Plaintiffs that may be asserted against any of the Applicants pursuant to the WARN Act.

“WARN Act Class Action” means the class action lawsuit filed against Cline and New Elk by the WARN Act Plaintiffs in the United States District Court for the District of Colorado, Case Number 1:13-CV-00277, as amended.

“WARN Act Plaintiffs” means the plaintiffs in the WARN Act Class Action and all others who are alleged in the WARN Act Class Action to be similarly situated, and any other individual who is similarly situated to the plaintiffs in the WARN Act Class Action who asserts Claims against any of the Applicants pursuant to the WARN Act.

“WARN Act Plaintiffs Class” means the class of WARN Act Plaintiffs entitled to vote on the Plan at the WARN Act Plaintiffs Meeting in accordance with the terms of the Meetings Order.

“WARN Act Plaintiffs Meeting” means a meeting of WARN Act Plaintiffs Class to be held on the Meeting Date called for the purpose of considering and voting on the Plan pursuant to the CCAA, and includes any adjournment, postponement or other rescheduling of such meeting in accordance with the Meetings Order.

“WARN Act Plaintiff’s Pro-Rata Share” means, at the relevant time, with respect to each WARN Act Plaintiff, (x) the Allowed WARN Act Claim of such WARN Act Plaintiff divided by (y) the total amount of all Allowed WARN Act Claims and Disputed Distribution Claims of WARN Act Plaintiffs.

“WARN Act Plan Entitlement” means the unsecured, non-interest-bearing entitlement of the WARN Act Plaintiffs with Allowed WARN Act Claims to receive \$100,000 in cash (collectively, and not individually) from Cline on the date that is eight years from the Plan Implementation Date, which entitlement shall be subordinated to all present and future secured indebtedness and obligations of Cline and may be paid by Cline at any time without penalty.

“WARN Act Plan Entitlement Date” means the earlier of the date that is eight years following the Plan Implementation Date and the date on which the WARN Act Plan Entitlement is paid by Cline.

“WARN Act Plan Entitlement Proceeds” means the amounts payable to the beneficiaries of the WARN Act Plan Entitlement on the WARN Act Plan Entitlement Date.

“Warrants” means all warrants, options, rights or entitlements for the purchase of Cline Common Shares that are issued and outstanding immediately prior to the Effective Time.

1.2 Certain Rules of Interpretation

For the purposes of the Plan:

- (a) any reference in the Plan to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;
- (b) any reference in the Plan to an Order or an existing document or exhibit filed or to be filed means such Order, document or exhibit as it may have been or may be amended, modified, or supplemented;
- (c) unless otherwise specified, all references to currency are in Canadian dollars;
- (d) the division of the Plan into “articles” and “sections” and the insertion of a table of contents are for convenience of reference only and do not affect the construction or interpretation of the Plan, nor are the descriptive headings of “articles” and “sections” intended as complete or accurate descriptions of the content thereof;
- (e) the use of words in the singular or plural, or with a particular gender, including a definition, shall not limit the scope or exclude the application of any provision of the Plan or a schedule hereto to such Person (or Persons) or circumstances as the context otherwise permits;
- (f) the words “includes” and “including” and similar terms of inclusion shall not, unless expressly modified by the words “only” or “solely”, be construed as terms of limitation, but rather shall mean “includes but is not limited to” and “including but not limited to”, so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;

**ARTICLE 2
PURPOSE AND EFFECT OF THE PLAN**

2.1 Purpose

The purpose of the Plan is:

- (a) to implement a recapitalization of the Applicants;
- (b) to provide for a settlement of, and consideration for, all Allowed Affected Claims;
- (c) to effect a release and discharge of all Affected Claims and Released Claims; and
- (d) to ensure the continuation of the Applicants,

in the expectation that the Persons who have a valid economic interest in the Applicants will derive a greater benefit from the implementation of the Plan than they would derive from a bankruptcy of the Applicants.

2.2 Persons Affected

The Plan provides for a full and final release and discharge of the Affected Claims and Released Claims, a settlement of, and consideration for, all Allowed Affected Claims and a recapitalization of the Applicants. The Plan will become effective at the Effective Time in accordance with its terms and in the sequence set forth in section 5.3 and shall be binding on and enure to the benefit of the Applicants, the Affected Creditors, the Released Parties and all other Persons directly or indirectly named or referred to in or subject to Plan.

2.3 Persons Not Affected

The Plan does not affect the Unaffected Creditors, subject to the express provisions hereof providing for the treatment of Insured Claims and the unsecured deficiency portion of Unaffected Secured Claims. Nothing in the Plan shall affect the Applicants' rights and defences, both legal and equitable, with respect to any Unaffected Claims including all rights with respect to legal and equitable defences or entitlements to set-offs or recoupments against such Unaffected Claims.

**ARTICLE 3
CLASSIFICATION AND TREATMENT OF CREDITORS AND RELATED MATTERS**

3.1 Claims Procedure

The procedure for determining the validity and quantum of the Affected Claims for voting and distribution purposes under the Plan shall be governed by the Claims Procedure Order, the Meetings Order, the CCAA, the Plan and any further Order of the Court.

3.2 Classification of Creditors

In accordance with the Meetings Order and subject to section 10.5(d) hereof, the classes of creditors for the purposes of considering and voting on the Plan will be (i) the Secured Noteholders Class, (ii) the Affected Unsecured Creditors Class and (iii) the WARN Act Plaintiffs Class. For greater certainty, Equity Claimants shall constitute a separate class but shall not be entitled to attend the Meetings, vote on the Plan or receive any distributions under or in respect of the Plan.

3.3 Creditors' Meetings

The Meetings shall be held in accordance with the Meetings Order and any further Order of the Court. The only Persons entitled to attend and vote at the Meetings are those specified in the Meetings Order.

3.4 Treatment of Affected Claims

An Affected Claim shall receive distributions as set forth below only to the extent that such Claim is an Allowed Affected Claim and has not been paid, released, or otherwise satisfied prior to the Plan Implementation Date.

(1) Secured Noteholders Class

In accordance with the steps and sequence set forth in section 5.3, under the supervision of the Monitor, and in full and final satisfaction of the Secured Noteholders Allowed Secured Claim, each Secured Noteholder will receive its Secured Noteholder's Share of the following consideration on the Plan Implementation Date:

- (a) the New Cline Common Shares issued on the Plan Implementation Date; and
- (b) the New Secured Debt.

The Claims comprising the Secured Noteholders Allowed Claim and the Secured Note Obligations shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date. For greater certainty, the Secured Noteholders Allowed Unsecured Claim, the Marret Unsecured Claim and any portion of any other Affected Claim that is validly secured but in respect of which there is a deficiency in the realizable value of the security held in respect of such Claim, shall be deemed to be and shall be treated as Allowed Affected Unsecured Claims notwithstanding that they are secured by a valid security interest over the assets or property of the Applicants.

(2) Affected Unsecured Creditors Class

In accordance with the steps and sequence set forth in section 5.3, under the supervision of the Monitor, and in full and final satisfaction of all Affected Unsecured Claims, each Affected Unsecured Creditor with an Allowed Affected Unsecured Claim will receive the following consideration:

- (a) with respect to Affected Unsecured Creditors with Allowed Affected Unsecured Claims that are not Convenience Creditors, each such Affected Unsecured Creditor shall become entitled on the Plan Implementation Date to its Individual Unsecured Plan Entitlement (which, for greater certainty, shall not be payable until the Unsecured Plan Entitlement Date); and
- (b) with respect to Convenience Creditors with Allowed Affected Unsecured Claims, each such Convenience Creditor shall receive a cash payment on the Plan Implementation Date equal to the lesser of (i) \$10,000; and (ii) the amount of its Allowed Affected Unsecured Claim.

The Secured Noteholders and Marret (on behalf of the Secured Noteholders and in its individual corporate capacity) hereby waive, and shall not receive, any distributions in respect of the Secured Noteholders Allowed Unsecured Claim and the Marret Unsecured Claim, respectively. All Affected Unsecured Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date.

(3) WARN Act Plaintiffs Class

In accordance with the steps and sequence set forth in section 5.3, under the supervision of the Monitor, and in full and final satisfaction of all WARN Act Claims, each WARN Act Plaintiff with an Allowed WARN Act Claim shall become entitled on the Plan Implementation Date to its Individual WARN Act Plan Entitlement (which, for greater certainty, shall not be payable until the WARN Act Plan Entitlement Date). All WARN Act Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date.

(4) Equity Claimants

Equity Claimants shall not receive any distributions or other consideration under the Plan or otherwise recover anything in respect of their Equity Claims or Equity Interests and shall not be entitled to attend or vote on the Plan at the Meetings. On the Plan Implementation Date, in accordance with the steps and sequences set out in section 5.3, all Equity Interests shall be cancelled and extinguished and all Equity Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, provided that, notwithstanding anything to the contrary herein: (i) the Existing New Elk Units shall not be cancelled or extinguished and shall remain outstanding and shall remain solely owned by Cline following completion of the steps and sequences set out in section 5.3; and (ii) the Existing North Central Units shall not be cancelled or extinguished and shall remain outstanding and shall remain solely owned by New Elk following completion of the steps and sequences set out in section 5.3.

3.5 Unaffected Claims

- (a) Unaffected Claims shall not be compromised, released, discharged, cancelled or barred by the Plan.

- (b) Unaffected Creditors will not receive any consideration or distributions under the Plan in respect of their Unaffected Claims, and they shall not be entitled to vote on the Plan at the Meetings in respect of their Unaffected Claims.
- (c) Notwithstanding anything to the contrary herein, Insured Claims shall not be compromised, released, discharged, cancelled or barred by the Plan, provided that from and after the Plan Implementation Date, any Person having an Insured Claim shall be irrevocably limited to recovery in respect of such Insured Claim solely from the proceeds of the applicable Insurance Policies, and Persons with any Insured Claims shall have no right to, and shall not, directly or indirectly, make any claim or seek any recoveries from any Person, including any of the Applicants, any of the Cline Companies or any Released Party, other than enforcing such Person's rights to be paid by the applicable insurer(s) from the proceeds of the applicable Insurance Policies. This section 3.5(c) may be relied upon and raised or pled by any of the Applicants, any of the Cline Companies or any Released Party in defence or estoppel of or to enjoin any claim, action or proceeding brought in contravention of this section. Nothing in the Plan shall prejudice, compromise, release or otherwise affect any right or defence of any insurer in respect of an Insurance Policy or any insured in respect of an Insured Claim.
- (d) Notwithstanding anything to the contrary herein, in the case of Unaffected Secured Claims, at the election of the Applicants:
 - (i) the Applicants may satisfy any Unaffected Secured Claims by returning the applicable property of the Applicants that is secured as collateral for such Claims, in which case the Unaffected Secured Claim shall be deemed to be fully satisfied, provided that if the applicable Unaffected Secured Creditor asserts that there is a deficiency in the value of the applicable collateral relative the value of the Unaffected Secured Claim, such Creditor shall be permitted to file such unsecured deficiency Claim as a Restructuring Period Claim prior to the Restructuring Period Claims Bar Date (as defined in the Claims Procedure Order) in accordance with the Claims Procedure Order, and such unsecured deficiency Claim shall be treated as an Affected Unsecured Claim for the purpose of this Plan, the Meetings Order and all related matters; and
 - (ii) if the Applicants do not elect to satisfy an Unaffected Secured Claim in the manner described in section 3.5(d)(i), then such Unaffected Secured Claim shall continue unaffected as against the applicable Applicants following the Plan Implementation Date.

3.6 Disputed Distribution Claims

Any Affected Creditor with a Disputed Distribution Claim shall not be entitled to receive any distribution hereunder with respect to such Disputed Distribution Claim unless and until such Claim becomes an Allowed Affected Claim. A Disputed Distribution Claim shall be resolved in the manner set out in the Claims Procedure Order. Distributions pursuant to section 3.4 shall be

made in respect of any Disputed Distribution Claim that is finally determined to be an Allowed Affected Claim in accordance with the Claims Procedure Order.

3.7 Director/Officer Claims

All Released Director/Officer Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without consideration on the Plan Implementation Date. Any Director/Officer Claim that is not a Released Director/Officer Claim will not be compromised, released, discharged, cancelled and barred. For greater certainty, any Claim of a Director or Officer against the Applicants for indemnification or contribution in respect of any Director/Officer Claim that is not otherwise covered by the Directors' Charge shall be treated for all purposes under the Plan as an Affected Unsecured Claim.

3.8 Extinguishment of Claims

On the Plan Implementation Date, in accordance with the terms and in the sequence set forth in section 5.3 and in accordance with the provisions of the Sanction Order, the treatment of Affected Claims and all Released Claims, in each case as set forth herein, shall be final and binding on the Applicants, all Affected Creditors and any Person having a Released Claim (and their respective heirs, executors, administrators, legal personal representatives, successors and assigns), and all Affected Claims and all Released Claims shall be fully, finally, irrevocably and forever released, discharged, cancelled and barred, and the Applicants and the Released Parties shall thereupon have no further obligation whatsoever in respect of the Affected Claims or the Released Claims; *provided that* nothing herein releases the Applicants or any other Person from their obligations to make distributions in the manner and to the extent provided for in the Plan and *provided further* that such discharge and release of the Applicants shall be without prejudice to the right of a Creditor in respect of a Disputed Distribution Claim to prove such Disputed Distribution Claim in accordance with the Claims Procedure Order so that such Disputed Distribution Claim may become an Allowed Claim entitled to receive consideration under section 3.4 hereof.

3.9 Guarantees and Similar Covenants

No Person who has a Claim under any guarantee, surety, indemnity or similar covenant in respect of any Claim that is compromised and released under the Plan or who has any right to claim over in respect of or to be subrogated to the rights of any Person in respect of a Claim that is compromised under the Plan shall be entitled to any greater rights than the Person whose Claim is compromised under the Plan.

3.10 Set-Off

The law of set-off applies to all Claims.

ARTICLE 4
PROVISIONS REGARDING DISTRIBUTIONS AND PAYMENTS

4.1 Distributions of New Cline Common Shares and New Secured Debt

- (a) Upon receipt of and in accordance with written instructions from the Monitor, the Indenture Trustee shall instruct CDS to, and CDS shall, block any further trading in the Secured Notes effective as of the close of business on the Business Day immediately prior to the Plan Implementation Date, all in accordance with the customary procedures of CDS.
- (b) The distribution mechanics with respect to the New Cline Common Shares and the Secured Noteholders' respective entitlements to the New Secured Debt in accordance with section 3.4(1) shall be agreed by the Applicants, Marret (on behalf of the Secured Noteholders) and the Monitor in writing, in consultation with the Indenture Trustee, if applicable, prior to the Plan Implementation Date. If it is deemed necessary by any of the Applicants, the Monitor or Marret (on behalf of the Secured Noteholders), any such party shall be entitled to seek an Order of the Court, in the Sanction Order or otherwise, providing advice and directions with respect to such distribution mechanics.
- (c) Except as may be otherwise agreed in writing by the Applicants and the Monitor, the Applicants and the Monitor shall have no liability or obligation in respect of deliveries of consideration issued under this Plan: (i) from Marret to any Secured Noteholder; (ii) from CDS, or its nominee, to CDS Participants, if applicable; (iii) from CDS Participants to beneficial holders of the Secured Notes, if applicable; or (iv) from the Indenture Trustee to beneficial holders of the Secured Notes, if applicable.

4.2 Distribution Mechanics with respect to the Unsecured Plan Entitlement

- (a) Each Affected Unsecured Creditor with an Allowed Affected Unsecured Claim, other than the Secured Noteholders and the Convenience Creditors, shall become entitled to its Individual Unsecured Plan Entitlement on the Plan Implementation Date without any further steps or actions by the Applicants, such Affected Unsecured Creditor or any other Person.
- (b) From and after the Plan Implementation Date, and until all Unsecured Plan Entitlement Proceeds have been distributed in accordance with the Plan, Cline shall maintain a register of the Individual Unsecured Plan Entitlements as well as the address and notice information set forth on each applicable Affected Unsecured Creditor's Notice of Claim or Proof of Claim. Any applicable Affected Unsecured Creditor whose address or notice information changes shall be solely responsible for notifying Cline of such change. Cline shall also record on the register the aggregate amount of any applicable Disputed Distribution Claims. Within ten (10) Business Days following the Plan Implementation Date, the Applicants shall notify each Affected Unsecured Creditor with an Allowed

Affected Unsecured Claim of such Affected Unsecured Creditor's Individual Unsecured Plan Entitlement as at the Plan Implementation Date.

- (c) On the Unsecured Plan Entitlement Date, Cline shall calculate the amount of the Unsecured Plan Entitlement Proceeds to be paid to each applicable Affected Unsecured Creditor with an Allowed Unsecured Claim. Cline shall also calculate the amount of the Unsecured Plan Entitlement Proceeds that are not to be distributed as a result of Disputed Distribution Claims that remain outstanding, if any. Cline shall then distribute the applicable amount by way of cheque sent by prepaid ordinary mail to each Affected Unsecured Creditor with an Allowed Affected Unsecured Claim (other than the Secured Noteholders and the Convenience Creditors who, for greater certainty, shall have no Individual Unsecured Plan Entitlement). With respect to any portion of the Unsecured Plan Entitlement Proceeds that are reserved in respect of Disputed Distribution Claims, Cline shall segregate such amounts to and hold such amounts in the Disputed Distribution Claims Reserve.

4.3 Distribution Mechanics with respect to Convenience Claims

On the Plan Implementation Date, under the supervision of the Monitor, Cline shall pay each Convenience Creditor with an Allowed Convenience Claim the amount that is required to be paid to each such Creditor under this Plan by way of cheque sent by prepaid ordinary mail to the address set forth on such Convenience Creditor's Notice of Claim or Proof of Claim. Under the supervision of the Monitor, Cline shall also calculate the aggregate amount of Convenience Claims that are Disputed Distribution Claims on the Plan Implementation Date and shall segregate such amounts and hold such amounts in the Disputed Distribution Claims Reserve.

4.4 Distribution Mechanics with respect to the WARN Act Plan Entitlement

- (a) Each WARN Act Plaintiff with an Allowed WARN Act Claim shall become entitled to its Individual WARN Act Plan Entitlement on the Plan Implementation Date without any further steps or actions by the Applicants, such WARN Act Plaintiffs or any other Person.
- (b) From and after the Plan Implementation Date, and until all WARN Act Plan Entitlement Proceeds have been distributed in accordance with the Plan, Cline shall maintain a register of the Individual WARN Act Plan Entitlements as well as the address and notice information set forth on each applicable WARN Act Plaintiff's Proof of Claim. Any applicable WARN Act Plaintiff whose address or notice information changes shall be solely responsible for notifying Cline of such change. Cline shall also record on the register the aggregate amount of any applicable Disputed Distribution Claims. Within ten (10) Business Days following the Plan Implementation Date, the Applicants shall notify each WARN Act Plaintiff with an Allowed WARN Act Claim of such WARN Act Plaintiff's WARN Act Plan Entitlement as at the Plan Implementation Date.

- (c) On the WARN Act Plan Entitlement Date, Cline shall calculate the amount of the WARN Act Plan Entitlement Proceeds to be paid to each applicable WARN Act Plaintiff with an Allowed WARN Act Claim. Cline shall also calculate the amount of the WARN Act Plan Entitlement Proceeds that are not to be distributed as a result of Disputed Distribution Claims that remain outstanding, if any. Cline shall then distribute the applicable amount by way of cheque sent by prepaid ordinary mail to each WARN Act Plaintiff with an Allowed WARN Act Claim. With respect to any portion of the WARN Act Plan Entitlement Proceeds that are reserved in respect of Disputed Distribution Claims, Cline shall segregate such amounts to and hold such amounts in the Disputed Distribution Claims Reserve.

4.5 Modifications to Distribution Mechanics

Subject to the consent of the Monitor, the Applicants shall be entitled to make such additions and modifications to the process for making distributions pursuant to the Plan (including the process for delivering and/or registering the New Cline Common Shares and/or the Secured Noteholders' respective entitlements to the New Secured Debt) as the Applicants deem necessary or desirable in order to achieve the proper distribution and allocation of consideration to be distributed pursuant to the Plan, and such additions or modifications shall not require an amendment to the Plan or any further Order of the Court.

4.6 Cancellation of Certificates and Notes

Following completion of the steps in the sequence set forth in section 5.3, all debentures, notes (including the Secured Notes), certificates, agreements, invoices and other instruments evidencing Affected Claims, Secured Note Obligations or Equity Interests (other than the Existing New Elk Units owned by Cline and the North Central Shares owned by New Elk, which are unaffected by the Plan and which shall remain outstanding) will not entitle any holder thereof to any compensation or participation other than as expressly provided for in the Plan and will be cancelled and will be null and void. Notwithstanding the foregoing, if and to the extent the Indenture Trustee is required to transfer consideration issued pursuant to this Plan to the Secured Noteholders, then the Indentures shall remain in effect solely for the purpose of and to the extent necessary to: (i) allow the Indenture Trustee to make such distributions to the Secured Noteholders on the Initial Distribution Date and each subsequent Distribution Date (if applicable); and (ii) maintain all of the protections the Indenture Trustee enjoys pursuant to the Indentures, including its lien rights with respect to any distributions under the Plan, until all distributions are made to the Secured Noteholders hereunder. For greater certainty, any and all obligations of the Applicants and the Cline Companies (as guarantor, surety or otherwise) under and with respect to the Secured Notes and the Indentures, including the Secured Note Obligations, shall be extinguished on the Plan Implementation Date and shall not continue beyond the Plan Implementation Date.

4.7 Currency

Unless specifically provided for in the Plan or the Sanction Order, all monetary amounts referred to in the Plan shall be denominated in Canadian dollars and, for the purposes of distributions under the Plan, Claims shall be denominated in Canadian dollars and all payments and distributions provided for in the Plan shall be made in Canadian dollars. Any Claims

denominated in a foreign currency shall be converted to Canadian dollars at the Bank of Canada noon exchange rate in effect at the Filing Date.

4.8 Interest

Interest shall not accrue or be paid on Affected Claims on or after the Filing Date, and no holder of an Affected Claim shall be entitled to interest accruing on or after the Filing Date.

4.9 Allocation of Distributions

All distributions made to Creditors pursuant to the Plan shall be allocated first towards the repayment of the principal amount in respect of such Creditor's Claim and second, if any, towards the repayment of all accrued but unpaid interest in respect of such Creditor's Claim.

4.10 Treatment of Undeliverable Distributions

If any Creditor's distribution under this Article 4 is returned as undeliverable (an "**Undeliverable Distribution**"), no further distributions to such Creditor shall be made unless and until the Applicant is notified by such Creditor of such Creditor's current address, at which time all such distributions shall be made to such Creditor. All claims for Undeliverable Distributions must be made on or before the date that is six months following the final Distribution Date, after which date any entitlement with respect to such Undeliverable Distribution shall be forever discharged and forever barred, without any compensation therefor, notwithstanding any federal, state or provincial laws to the contrary, at which time any such Undeliverable Distributions shall be returned to Cline. Nothing contained in the Plan shall require the Applicant to attempt to locate any Person to whom a distribution is payable. No interest is payable in respect of an Undeliverable Distribution. Unless otherwise expressly agreed by the Monitor and the Applicants in writing, any distribution under the Plan on account of the Secured Notes shall be deemed made when delivered to Marret, CDS, the CDS Participants or the Indenture Trustee, as applicable.

4.11 Withholding Rights

The Applicants, the Monitor and, to the extent CDS or the Indenture Trustee are required to transfer consideration to Secured Noteholders pursuant to this Plan, then CDS and the Indenture Trustee, shall be entitled to deduct and withhold from any consideration payable to any Person such amounts as the Applicants, the Monitor, CDS or the Indenture Trustee, as applicable, are required to deduct and withhold with respect to such payment under the Canadian Tax Act, or other Applicable Laws, or entitled to withhold under section 116 of the Canadian Tax Act or corresponding provision of provincial or territorial law. To the extent that amounts are so withheld or deducted, such withheld or deducted amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such withholding was made, provided that such amounts are actually remitted to the appropriate Taxing Authority. The Applicants, the Monitor CDS and/or the Indenture Trustee, as applicable, are hereby authorized to sell or otherwise dispose of such portion of any such consideration in their possession as is necessary to provide sufficient funds to the Applicants, the Monitor, CDS and/or the Indenture Trustee, as applicable, to enable them to comply with such deduction or withholding requirement or entitlement, and the Applicants, the Monitor, CDS and/or the Indenture Trustee, as applicable,

shall notify the Person thereof and remit to such Person any unapplied balance of the net proceeds of such sale.

4.12 Fractional Interests

No fractional interests of New Cline Common Shares (“**Fractional Interests**”) will be issued under the Plan. Recipients of New Cline Common Shares will have their entitlements adjusted downwards to the nearest whole number of New Cline Common Shares to eliminate any such Fractional Interests and no compensation will be given for any Fractional Interests.

4.13 Calculations

All amounts of consideration to be received hereunder will be calculated to the nearest cent (\$0.01). All calculations and determination made by the Monitor and/or the Applicants and agreed to by the Monitor for the purposes of and in accordance with the Plan, including, without limitation, the allocation of consideration, shall be conclusive, final and binding upon the Affected Creditors and the Applicants.

ARTICLE 5 RECAPITALIZATION

5.1 Corporate Actions

The adoption, execution, delivery, implementation and consummation of all matters contemplated under the Plan involving corporate actions of the Applicants will occur and be effective as of the Plan Implementation Date, and shall be deemed to be authorized and approved under the Plan and by the Court, where applicable, as part of the Sanction Order, in all respects and for all purposes without any requirement of further action by shareholders, directors or officers of the Applicants. All necessary approvals to take actions shall be deemed to have been obtained from the directors, officers or the shareholders of the Applicants, as applicable, including the deemed passing by any class of shareholders of any resolution or special resolution and any shareholders’ agreement or agreement between a shareholder and another Person limiting in any way the right to vote shares held by such shareholder or shareholders with respect to any of the steps contemplated by the Plan shall be deemed to have no force or effect.

5.2 Issuance of Plan Consideration

(1) New Cline Common Shares

On the Plan Implementation Date, in the sequence set forth in section 5.3 and under the supervision of the Monitor, Cline shall issue the Agreed Number of New Cline Common Shares, and such New Cline Common Shares shall be allocated and distributed in the manner set forth in the Plan.

(2) New Secured Debt

On the Plan Implementation Date, in the sequence set forth in section 5.3 and under the supervision of the Monitor, (i) the New Credit Agreement shall become effective in accordance with its terms and the Applicants shall become bound to satisfy their obligations thereunder and

(ii) the entitlements to the New Secured Debt shall be allocated among the Secured Noteholders in the manner and in the amounts set forth in the Plan.

(3) Unsecured Plan Entitlement

On the Plan Implementation Date, in the sequence set forth in section 5.3 and under the supervision of the Monitor, the Unsecured Plan Entitlements shall become effective and the Individual Unsecured Plan Entitlements shall be allocated in the manner and in the amounts set forth in the Plan.

(4) Convenience Claim Payments

On the Plan Implementation Date, in the sequence set forth in section 5.3 and under the supervision of the Monitor, Cline shall pay the applicable amounts to the Convenience Creditors with Allowed Convenience Claims and reserve the applicable amounts into the Disputed Claims Reserve in respect of Convenience Creditors with Disputed Distribution Claims, in each case in the manner and in the amounts set forth in the Plan.

(5) WARN Act Plan Entitlement

On the Plan Implementation Date, in the sequence set forth in section 5.3 and under the supervision of the Monitor, the WARN Act Plan Entitlement shall become effective and the Individual WARN Act Plan Entitlements shall be allocated in the manner and in the amounts set forth in the Plan.

5.3 Sequence of Plan Implementation Date Transactions

The following steps and compromises and releases to be effected in the implementation of the Plan shall occur, and be deemed to have occurred in the following order in five minute increments (unless otherwise noted), without any further act or formality on the Plan Implementation Date beginning at the Effective Time:

- (a) all Existing Options shall be cancelled and terminated without any liability, payment or other compensation in respect thereof;
- (b) the Stock Option Plans shall be terminated;
- (c) Cline shall issue to each Secured Noteholder its Secured Noteholder's Share of the New Cline Common Shares and the Applicants shall become bound to satisfy their obligations in respect of the New Secured Debt, all in accordance with section 3.4(1), in full consideration for the irrevocable, final and full compromise and satisfaction of the Secured Noteholders Allowed Claim and all Secured Noteholder Obligations;
- (d) simultaneously with step 5.3(c), and in accordance with sections 3.4(2) and 5.2(4), Cline shall pay to each Convenience Creditor with an Allowed Affected Unsecured Claim the amount in cash that it is entitled to receive pursuant to section 3.4(2)(b) in full consideration for the irrevocable, final and full

compromise and satisfaction of such Convenience Creditor's Affected Unsecured Claim;

- (e) simultaneously with step 5.3(c), Cline shall reserve the applicable amount of cash in respect of Convenience Claims that are Disputed Distribution Claims and shall hold such cash in the Disputed Distribution Claims Reserve;
- (f) simultaneously with step 5.3(c), and in accordance with sections 3.4(2) and 5.2(3), each Affected Unsecured Creditor with an Allowed Affected Unsecured Claim that is not a Convenience Creditor or a Secured Noteholder shall become entitled to its Individual Unsecured Plan Entitlement (as it may be adjusted based on the final determination of Disputed Distribution Claims in the manner set forth herein) in full consideration for the irrevocable, final and full compromise and satisfaction of such Affected Unsecured Creditor's Affected Unsecured Claim;
- (g) simultaneously with step 5.3(c), and in accordance with sections 3.4(3) and 5.2(5), each WARN Act Plaintiff with an Allowed WARN Act Claim shall become entitled to its Individual WARN Act Plan Entitlement (as it may be adjusted based on the final determination of Disputed Distribution Claims in the manner set forth herein) in full consideration for the irrevocable, final and full compromise and satisfaction of such WARN Act Claim;
- (h) the Articles shall be altered to, among other things, (i) consolidate the issued and outstanding Cline Common Shares (including, for the avoidance of doubt, Cline Common Shares that are Existing Cline Shares and New Cline Common Shares issued pursuant to Section 5.3(c)) on the basis of the Consolidation Ratio; and (ii) provide for such additional changes to the rights and conditions attached to the Cline Common Shares as may be agreed to by the Applicants, the Monitor and Marret (on behalf of the Secured Noteholders);
- (i) any fractional Cline Common Shares held by any holder of Cline Common Shares immediately following the consolidation of the Cline Common Shares referred to in section 5.3(h) shall be cancelled without any liability, payment or other compensation in respect thereof, and the Articles shall be altered as necessary to achieve such cancellation;
- (j) all Equity Interests (for greater certainty, not including any Cline Common Shares that remain issued and outstanding immediately following the cancellation of fractional interests in section 5.3(i)) shall be cancelled and extinguished without any liability, payment or other compensation in respect thereof and all Equity Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without any liability, payment or other compensation in respect thereof, provided that, notwithstanding anything to the contrary herein, the Existing New Elk Units shall not be cancelled or extinguished and shall remain outstanding and solely owned by Cline and the Existing North Central Shares shall not be cancelled or extinguished and shall remain outstanding and solely owned by New Elk;

- (k) Cline shall pay in cash all fees and expenses incurred by the Indenture Trustee, including its reasonable legal fees, in connection with the performance of its duties under the Indentures and the Plan;
- (l) subject only to section 4.6 hereof, all of the Secured Notes, the Indentures and all Secured Note Obligations shall be deemed to be fully, finally, irrevocably and forever compromised, released, discharged cancelled and barred;
- (m) all Affected Claims remaining after the step referred to in section 5.3(l) shall be fully, finally, irrevocably and forever compromised, released, discharged cancelled and barred without any liability, payment or other compensation in respect thereof; and
- (n) the releases set forth in Article 7 shall become effective.

The steps described in sub-sections (h) and (i) of this section 5.3 will be implemented pursuant to section 6(2) of the CCAA and shall constitute a valid alteration of the Articles pursuant to a court order under the BCBCA.

5.4 Issuances Free and Clear

Any issuance of any securities or other consideration pursuant to the Plan will be free and clear of any Encumbrances.

5.5 Stated Capital

The aggregate stated capital for purposes of the BCBCA for the New Cline Common Shares issued pursuant to the Plan will be as determined by the new board of directors of Cline appointed pursuant to the Sanction Order.

ARTICLE 6 PROCEDURE FOR DISTRIBUTIONS REGARDING DISPUTED DISTRIBUTION CLAIMS

6.1 No Distribution Pending Allowance

An Affected Creditor holding a Disputed Distribution Claim will not be entitled to receive a distribution under the Plan in respect of such Disputed Distribution Claim or any portion thereof unless and until, and then only to the extent that, such Disputed Distribution Claim becomes an Allowed Claim.

6.2 Disputed Distribution Claims

- (a) On the Plan Implementation Date, under the supervision of the Monitor, an amount equal to each Disputed Distribution Claim of the Convenience Creditors shall be reserved and held by Cline, in the Disputed Distribution Claims Reserve, for the benefit of the Convenience Creditors with Allowed Convenience Claims, pending the final determination of the Disputed Distribution Claim in accordance with the Claims Procedure Order and the Plan.

- (b) On the Unsecured Plan Entitlement Date, distributions of Unsecured Plan Entitlement Proceeds in relation to a Disputed Distribution Claim of any Affected Unsecured Creditor (other than Convenience Creditors and Secured Noteholders) in existence at the Unsecured Plan Entitlement Date will be reserved and held by Cline, in the Disputed Distribution Claims Reserve, for the benefit of the Affected Unsecured Creditors (other than Convenience Creditors and Secured Noteholders) with Allowed Affected Unsecured Claims until the final determination of the Disputed Distribution Claim in accordance with the Claims Procedure Order and the Plan.
- (c) On the WARN Act Plan Entitlement Date, distributions of WARN Act Plan Entitlement Proceeds in relation to a Disputed Distribution Claim of WARN Act Plaintiff in existence at the Unsecured Plan Entitlement Date will be reserved and held by Cline, in the Disputed Distribution Claims Reserve, for the benefit of the WARN Act Plaintiffs with Allowed WARN Act Claims until the final determination of the Disputed Distribution Claim in accordance with the Claims Procedure Order and the Plan.
- (d) To the extent that any Disputed Distribution Claim becomes an Allowed Affected Unsecured Claim in accordance with the Claims Procedure and it is a Convenience Claim, Cline shall distribute (on the next Distribution Date), under the supervision of the Monitor, the applicable amount of such Allowed Claim to the holder of such Allowed Claim in accordance with section 3.4(2)(b) hereof from the Disputed Distribution Claims Reserve.
- (e) To the extent that any Disputed Distribution Claim becomes an Allowed Affected Unsecured Claim in accordance with the Claims Procedure Order and it is not a Convenience Claim or the Claim of a Secured Noteholder, the applicable Affected Unsecured Creditor shall become entitled to its applicable Individual Unsecured Plan Entitlement, and if this occurs after the Unsecured Plan Entitlement Date, Cline shall distribute (on the next Distribution Date) to the holder of such Allowed Claim an amount from the Disputed Distribution Claims Reserve equal to the applicable Affected Unsecured Creditor's Individual Unsecured Plan Entitlement.
- (f) To the extent that any Disputed Distribution Claim becomes an Allowed WARN Act Claim in accordance with the Claims Procedure Order, the applicable WARN Act Plaintiff shall become entitled to its Individual WARN Act Plan Entitlement, and if this occurs after the WARN Act Plan Entitlement Date, Cline shall distribute (on the next Distribution Date) to the holder of such Allowed Claim an amount from the Disputed Distribution Claims Reserve equal to the applicable WARN Act Plaintiff's Individual WARN Act Plan Entitlement.
- (g) At any applicable time, Cline shall be permitted, with the consent of the Monitor, to release and retain for itself any amounts in the Disputed Distribution Claims Reserve that were reserved to pay Convenience Claims that have been definitively not been Allowed in accordance with the Claims Procedure Order.

- (h) Prior to any Distribution Date and under the supervision of the Monitor, Cline shall re-calculate the Individual Unsecured Plan Entitlements and the Individual WARN Act Plan Entitlements of the Affected Unsecured Creditors (other than Convenience Creditors and Secured Noteholders) and WARN Act Plaintiffs having Distribution Claims, in each case to reflect any applicable Disputed Distribution Claims that were definitively not Allowed, and such Creditors shall become entitled to their re-calculated Individual Unsecured Plan Entitlements and the Individual WARN Act Plan Entitlements, as applicable. If this occurs after the Unsecured Plan Entitlement Date or the WARN Act Plan Entitlement Date, as applicable, Cline shall (on the next Distribution Date) distribute to such Creditors the applicable amounts from the Disputed Distribution Claims Reserve as are necessary to give effect to their re-calculated Individual Unsecured Plan Entitlements and the Individual WARN Act Plan Entitlements, as applicable.
- (i) On the date that all Disputed Distribution Claims have been finally resolved in accordance with the Claims Procedure Order, Cline shall, with the consent of the Monitor, release all remaining cash, if any, from the Disputed Distribution Claims Reserve and shall be entitled to retain such cash.

ARTICLE 7 RELEASES

7.1 Plan Releases

On the Plan Implementation Date, in accordance with the sequence set forth in section 5.3, (i) the Applicants, the Applicants' employees and contractors, the Directors and Officers, the Cline Companies and (ii) the Monitor, the Monitor's counsel, the Indenture Trustee, Marret (on behalf of the Secured Noteholders and in its individual corporate capacity), the Secured Noteholders, the Company Advisors, the Noteholder Advisors and each and every present and former shareholder, affiliate, subsidiary, director, officer, member, partner, employee, auditor, financial advisor, legal counsel and agent of any of the foregoing Persons (each of the Persons named in (i) or (ii) of this section 7.1, in their capacity as such, being herein referred to individually as a "**Released Party**" and all referred to collectively as "**Released Parties**") shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, Encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature, including claims for contribution or indemnity which any Creditor or other Person may be entitled to assert, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the later of the Plan Implementation Date and the date on which actions are taken to implement the Plan, that constitute or are in any way relating to, arising out of or in connection with any Claims, any Director/Officer Claims and any indemnification obligations with respect thereto, the Secured Notes and related guarantees, the Indentures, the Secured Note Obligations, the Equity Interests, the Stock Option Plans, the New Cline Common Shares, the New Secured Debt, the New Credit Agreement, the Unsecured Plan Entitlement, the WARN Act Plan Entitlement, any payments to Convenience Creditors, the

business and affairs of the Applicants whenever or however conducted, the administration and/or management of the Applicants, the Recapitalization, the Plan, the CCAA Proceeding, the Chapter 15 Proceeding or any document, instrument, matter or transaction involving any of the Applicants or the Cline Companies taking place in connection with the Recapitalization or the Plan (referred to collectively as the “**Released Claims**”), and all Released Claims shall be deemed to be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, all to the fullest extent permitted by Applicable Law; provided that nothing herein will waive, discharge, release, cancel or bar (x) the right to enforce the Applicants’ obligations under the Plan, (y) the Applicants from or in respect of any Unaffected Claim or any Claim that is not permitted to be released pursuant to section 19(2) of the CCAA, or (z) any Director or Officer from any Director/Officer Claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA.

7.2 Limitation on Insured Claims

Notwithstanding anything to the contrary in section 7.1, Insured Claims shall not be compromised, released, discharged, cancelled or barred by the Plan, provided that from and after the Plan Implementation Date, any Person having an Insured Claim shall be irrevocably limited to recovery in respect of such Insured Claim solely from the proceeds of the applicable Insurance Policies, and Persons with an Insured Claim shall have no right to, and shall not, directly or indirectly, make any claim or seek any recoveries in respect thereof from the Applicants, any of the Cline Companies, any Director or Officer or any other Released Party, other than enforcing such Person's rights to be paid by the applicable insurer(s) from the proceeds of the applicable Insurance Policies.

7.3 Injunctions

All Persons are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any and all Released Claims, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any of the Released Parties; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against any of the Released Parties or their property; (iii) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Released Parties or their property; or (iv) taking any actions to interfere with the implementation or consummation of the Plan; provided, however, that the foregoing shall not apply to the enforcement of any obligations under the Plan. For greater certainty, the provisions of this section 7.3 shall apply to Insured Claims in the same manner as Released Claims, except to the extent that the rights of such Persons to enforce such Insured Claims against an insurer in respect of an Insurance Policy are expressly preserved pursuant to section 3.5(c) and/or section 7.2, and provided further that, notwithstanding the restrictions on making a claim that are set forth in sections 3.5(c) and 7.2, any claimant in respect of an Insured Claim that was duly filed with the Monitor by the Claims Bar Date shall be permitted to file a statement of claim in respect thereof to the extent necessary solely for the purpose of preserving such claimant’s ability to pursue such Insured Claim against an insurer in respect of an Insurance Policy in the manner authorized pursuant to section 3.5(c) and/or section 7.2.

ARTICLE 8 COURT SANCTION

8.1 Application for Sanction Order

If the Required Majorities of the Affected Creditors in each Voting Class approve the Plan, the Applicants shall apply for the Sanction Order on or before the date set for the hearing of the Sanction Order or such later date as the Court may set.

8.2 Sanction Order

The Applicants shall seek a Sanction Order that, among other things:

- (a) declares that (i) the Plan has been approved by the Required Majorities of Affected Creditors in each Voting Class in conformity with the CCAA; (ii) the activities of the Applicants have been in reasonable compliance with the provisions of the CCAA and the Orders of the Court made in this CCAA Proceeding in all respects; (iii) the Court is satisfied that the Applicants have not done or purported to do anything that is not authorized by the CCAA; and (iv) the Plan and the transactions contemplated thereby are fair and reasonable;
- (b) declares that as of the Effective Time, the Plan and all associated steps, compromises, transactions, arrangements, releases and reorganizations effected thereby are approved pursuant to section 6 of the CCAA, binding and effective as herein set out upon and with respect to the Applicants, all Affected Creditors, the Directors and Officers, any Person with a Director/Officer Claim, the Released Parties and all other Persons named or referred to in or subject to Plan;
- (c) declares that the steps to be taken and the compromises and releases to be effective on the Plan Implementation Date are deemed to occur and be effected in the sequential order contemplated by section 5.3 on the Plan Implementation Date, beginning at the Effective Time;
- (d) declare that the releases effected by this Plan shall be approved and declared to be binding and effective as of the Plan Implementation Date upon all Affected Creditors and all other Persons affected by this Plan and shall enure to the benefit of such Persons;
- (e) declares that, subject to performance by the Applicants of their obligations under the Plan and except as provided in the Plan, all obligations, agreements or leases to which any of the Applicants or Cline Companies is a party on the Plan Implementation Date shall be and remain in full force and effect, unamended, as at the Plan Implementation Date and no party to any such obligation or agreement shall on or following the Plan Implementation Date, accelerate, terminate, refuse to renew, rescind, refuse to perform or otherwise disclaim or resiliate its obligations thereunder, or enforce or exercise (or purport to enforce or exercise)

any right or remedy under or in respect of any such obligation or agreement, by reason:

- (i) of any event which occurred prior to, and not continuing after, the Plan Implementation Date, or which is or continues to be suspended or waived under the Plan, which would have entitled such party to enforce those rights or remedies;
- (ii) that the Applicants have sought or obtained relief or have taken steps as part of the Plan or under the CCAA or Chapter 15;
- (iii) of any default or event of default arising as a result of the financial condition or insolvency of the Applicants;
- (iv) of the effect upon the Applicants of the completion of any of the transactions contemplated by the Plan; or
- (v) of any compromises, settlements, restructurings, recapitalizations or reorganizations effected pursuant to the Plan,

and declares that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any non-competition agreement or obligation, provided that such agreement shall terminate or expire in accordance with the terms thereof or as otherwise agreed by the Applicants and the applicable Persons;

- (f) authorizes the Monitor to perform its functions and fulfil its obligations under the Plan to facilitate the implementation of the Plan;
- (g) subject to payment of any amounts secured thereby, declares that each of the Charges shall be terminated, discharged and released upon a filing of the Monitor of a certificate confirming the termination of the CCAA Proceedings;
- (h) provides advice and directions with respect to the distribution mechanics in respect of the New Cline Common Shares and the Secured Noteholders' respective entitlements to the New Secured Debt, as both are referred to in section 4.1(b);
- (i) declares that the Applicants and the Monitor may apply to the Court for advice and direction in respect of any matters arising from or under the Plan; and
- (j) declares the Persons to be appointed to the boards of directors of the Applicants on the Plan Implementation Date shall be the Persons named on a certificate to be filed with the Court by the Applicants prior to the Plan Implementation Date, provided that such certificate and the Persons listed thereon shall be subject to the prior consent of Marret (on behalf of the Secured Noteholders).

ARTICLE 9
CONDITIONS PRECEDENT AND IMPLEMENTATION

9.1 Conditions Precedent to Implementation of the Plan

The implementation of the Plan shall be conditional upon satisfaction of the following conditions prior to or at the Effective Time, each of which is for the benefit of the Applicants and may be waived only by the Applicants, provided that the conditions in paragraphs (a), (b) and (c) of this section 9.1 shall also be for the benefit of Marret (on behalf of the Secured Noteholders) and may be waived only by the mutual agreement of both the Applicants and Marret:

- (a) all definitive agreements in respect of the Recapitalization and the new (or amended) Articles, by-laws and other constating documents, and all definitive legal documentation in connection with all of the foregoing shall be in a form satisfactory to the Applicants and Marret (on behalf of the Secured Noteholders);
- (b) the New Credit Agreement governing the New Secured Debt, together with all guarantees and security agreements contemplated thereunder, shall have been entered into and become effective, subject only to the implementation of the Plan, and all required filings related to the security as contemplated in the security agreements shall have been made;
- (c) the terms of the New Cline Common Shares and the New Credit Agreement shall be satisfactory to the Applicants and Marret (on behalf of the Secured Noteholders);
- (d) there shall not be in effect any preliminary or final decision, order or decree by a Governmental Entity, no application shall have been made to any Governmental Entity, and no action or investigation shall have been announced, threatened or commenced by any Governmental Entity, in consequence of or in connection with the Recapitalization or the Plan that restrains, impedes or prohibits (or if granted could reasonably be expected to restrain, impede or inhibit), the Recapitalization or the Plan or any part thereof or requires or purports to require a variation of the Recapitalization or the Plan;
- (e) the Plan shall have been approved by the Required Majorities of each Voting Class;
- (f) all orders made and judgments rendered by any competent court of law, and all rulings and decrees of any competent regulatory body, agent or official in relation to the CCAA Proceeding, the Chapter 15 Proceeding, the Recapitalization or the Plan shall be satisfactory to the Applicants, including all court orders made in relation to the Recapitalization, and without limiting the generality of the foregoing:
 - (i) the Sanction Order shall have been made on terms acceptable to the Applicants, and it shall have become a Final Order;

- (ii) the Sanction Order shall have been recognized and deemed binding and enforceable in the United States pursuant to an Order of the US Court in the Chapter 15 Proceeding on terms acceptable to the Applicants, and such Order shall have become a Final Order; and
- (iii) any other Order deemed necessary by the Applicants for the purpose of implementing the Recapitalization shall have been made on terms acceptable to the Applicants, and any such Order shall have become a Final Order;
- (g) all material agreements, consents and other documents relating to the Recapitalization and the Plan shall be in form and in content satisfactory to the Applicants;
- (h) any and all court-imposed charges on any assets, property or undertaking of the Applicants shall have been discharged as at the Effective Time on terms acceptable to the Applicants, acting reasonably;
- (i) all Material filings under Applicable Laws shall have been made and any Material regulatory consents or approvals that are required in connection with the Recapitalization shall have been obtained and, in the case of waiting or suspensory periods, such waiting or suspensory periods shall have expired or been terminated;
- (j) all securities of the Applicants, when issued and delivered, shall be duly authorized, validly issued and fully paid and non-assessable and the issuance thereof shall be exempt from all prospectus and registration requirements of Applicable Laws;
- (k) all necessary filings in respect of the alteration of the Articles shall have been made on terms providing that they will become effective in accordance with and at the times of section 5.3(h) and 5.3(i); and
- (l) all fees and expenses owing to the Company Advisors and the Noteholder Advisors as of the Plan Implementation Date shall have been paid, and the Applicants shall be satisfied that adequate provision has been made for any fees and expenses due or accruing due to the Company Advisors and the Noteholder Advisors from and after the Plan Implementation Date.

9.2 Monitor's Certificate

Upon delivery of written notice from the Company Advisors (on behalf of the Applicants) of the satisfaction or waiver of the conditions set out in section 9.1, the Monitor shall forthwith deliver to the Company Advisors a certificate stating that the Plan Implementation Date has occurred and that the Plan is effective in accordance with its terms and the terms of the Sanction Order. As soon as practicable following the Plan Implementation Date, the Monitor shall file such certificate with the Court and with the US Court.

ARTICLE 10 GENERAL

10.1 Binding Effect

The Plan will become effective on the Plan Implementation Date. On the Plan Implementation Date:

- (a) the treatment of Affected Claims and Released Claims under the Plan shall be final and binding for all purposes and shall be binding upon and enure to the benefit of the Applicants, all Affected Creditors, any Person having a Released Claim and all other Persons directly or indirectly named or referred to in or subject to Plan and their respective heirs, executors, administrators and other legal representatives, successors and assigns;
- (b) all Affected Claims shall be forever discharged and released;
- (c) all Released Claims shall be forever discharged and released;
- (d) each Affected Creditor, each Person holding a Released Claim and each of the Existing Shareholders shall be deemed to have consented and agreed to all of the provisions of the Plan, in its entirety; and
- (e) each Affected Creditor and each Person holding a Released Claim shall be deemed to have executed and delivered to the Applicants and to the Released Parties, as applicable, all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety.

10.2 Waiver of Defaults

From and after the Plan Implementation Date, all Persons shall be deemed to have waived any and all defaults of the Applicants then existing or previously committed by any of the Applicants, or caused by any of the Applicants, by any of the provisions in the Plan or steps or transactions contemplated in the Plan or the Recapitalization, or any non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, instrument, credit document, indenture, note, lease, guarantee, agreement for sale or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and any of the Applicants, and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith shall be deemed to have been rescinded and of no further force or effect, provided that nothing shall be deemed to excuse the Applicants from performing their obligations under the Plan or be a waiver of defaults by any of the Applicants under the Plan and the related documents.

10.3 Deeming Provisions

In the Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

10.4 Non-Consummation

The Applicants reserve the right to revoke or withdraw the Plan at any time prior to the Plan Implementation Date. If the Applicants revoke or withdraw the Plan, or if the Sanction Order is not issued or if the Plan Implementation Date does not occur, (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan and any document or agreement executed pursuant to the Plan shall be deemed null and void, and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall (i) constitute or be deemed to constitute a waiver or release of any Claims by or against any of the Applicants or any other Person; (ii) prejudice in any manner the rights of the Applicants or any other Person in any further proceedings involving any of the Applicants; or (iii) constitute an admission of any sort by any of the Applicants or any other Person.

10.5 Modification of the Plan

- (a) The Applicants reserve the right, at any time and from time to time, to amend, restate, modify and/or supplement the Plan, provided that any such amendment, restatement, modification or supplement must be contained in a written document and (i) if made prior to or at the Meetings, communicated to the Affected Creditors prior to or at the Meetings; and (ii) if made following the Meetings, approved by the Court following notice to the Affected Creditors.
- (b) Notwithstanding section 10.5(a), any amendment, restatement, modification or supplement may be made by the Applicants with the consent of the Monitor and Marret (on behalf of the Secured Noteholders), without further Court Order or approval, provided that it concerns a matter which, in the opinion of the Applicants, acting reasonably, is of an administrative nature required to better give effect to the implementation of the Plan and the Sanction Order or to cure any errors, omissions or ambiguities and is not materially adverse to the financial or economic interests of the Affected Creditors.
- (c) Any amended, restated, modified or supplementary plan or plans of compromise or arrangement filed with the Court and, if required by this section, approved by the Court, shall, for all purposes, be and be deemed to constitute the Plan.
- (d) Notwithstanding anything to the contrary herein or in the Plan, if the requisite quorum is not present at the WARN Act Plaintiffs Meeting or if it is determined in accordance with the Claims Procedure Order that there are no Voting Claims in the WARN Act Plaintiffs Class, the Applicants shall be entitled, but not required, to amend the Plan without further Order of the Court to combine the WARN Act Plaintiffs Class with the Affected Unsecured Creditors Class on such terms as may be set forth in such amended Plan (including on the basis that the WARN Act Plan Entitlement shall not be payable under the Plan), in which case the Applicants shall have no further obligation to hold the WARN Act Plaintiffs Meeting or otherwise seek a vote of the WARN Act Plaintiffs Class with respect to the resolution to approve the Plan or any other matter.

- (e) Without limiting the generality of anything in this section 10.5, if (i) the Plan is not approved by the Required Majorities of the Affected Unsecured Creditors Class, or (ii) the Applicants determine, in their discretion, that the Plan may not be approved by the Required Majorities of the Affected Unsecured Creditors Class, then the Applicants are permitted, without any further Order, to file an amended and restated Plan (the “**Alternate Plan**”) with the attributes described on Schedule B to the Plan and to proceed with a meeting of the Secured Noteholders Class for the purpose of considering and voting on the resolution to approve the Alternate Plan, in which case the Applicants and the Monitor will have no obligation whatsoever to proceed with the Unsecured Creditors Meeting or the WARN Act Plaintiff’s Meeting.

- (f) Notwithstanding the references herein to the New Credit Agreement and the New Secured Debt Agent, the Applicants and Marret, with the consent of the Monitor, shall be entitled to modify the form and structure of the New Secured Debt and the manner in which the New Secured Debt is held by the Secured Noteholders to allow such debt to be issued as secured notes or in such other form as may be agreed by the Applicants and Marret with the consent of the Monitor, provided that such modifications do not affect the material economic attributes of the New Secured Debt. In the event of the foregoing, no formal amendment to the Plan (or the Alternate Plan, as applicable) shall be required and the steps and provisions of this Plan (and any Alternate Plan) pertaining to the New Secured Debt shall be read so as to give effect to such modified form and structure of the New Secured Debt.

10.6 Marret and the Secured Noteholders

For the purposes of the Plan, so long as Marret exercises sole investment discretion and control over the all of the Secured Noteholders, then the Applicants, the Company Advisors, the Monitor, the Indenture Trustee, CDS and all other interested parties with respect to the Plan shall be entitled to rely on confirmation from Marret or the Noteholder Advisors that the Secured Noteholders have agreed to, waived, consented to or approved a particular matter, even if such confirmation would otherwise require the action or agreement of the Indenture Trustee.

10.7 Paramountcy

From and after the Effective Time on the Plan Implementation Date, any conflict between:

- (a) the Plan or any Order in the CCAA Proceeding or the Chapter 15 Proceeding; and

- (b) the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, trust indenture, note, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Affected Creditors and the Applicants as at the Plan Implementation Date or the notice of articles, articles or bylaws of the Applicants at the Plan Implementation Date;

will be deemed to be governed by the terms, conditions and provisions of the Plan and the applicable Order, which shall take precedence and priority, provided that any settlement agreement executed by the Applicants and any Person asserting a Claim or a Director/Officer Claim that was entered into from and after the Filing Date shall be read and interpreted in a manner that assumes such settlement agreement is intended to operate congruously with, and not in conflict with, the Plan.

10.8 Severability of Plan Provisions

If, prior to the Sanction Date, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Applicants and with the consent of the Monitor, shall have the power to either (a) sever such term or provision from the balance of the Plan and provide the Applicants with the option to proceed with the implementation of the balance of the Plan, (b) alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted; or (c) withdraw the Plan. Provided that the Applicants proceed with the implementation of the Plan, then notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

10.9 Responsibilities of the Monitor

FTI Consulting Canada Inc. is acting in its capacity as Monitor in the CCAA Proceeding and as foreign representative in the Chapter 15 Proceeding with respect to the Applicants, the CCAA Proceedings and this Plan and not in its personal or corporate capacity, and will not be responsible or liable for any obligations of the Applicants under the Plan or otherwise.

10.10 Different Capacities

Persons who are affected by the Plan may be affected in more than one capacity. Unless expressly provided to the contrary herein, a Person will be entitled to participate hereunder in each such capacity. Any action taken by a Person in one capacity will not affect such Person in any other capacity, unless expressly agreed by the Applicants and the Person in writing or unless its Claims overlap or are otherwise duplicative.

10.11 Notices

Any notice or other communication to be delivered hereunder must be in writing and reference the Plan and may, subject as hereinafter provided, be made or given by personal delivery, ordinary mail or by facsimile or email addressed to the respective parties as follows:

If to the Applicants:

c/o Cline Mining Corporation
161 Bay Street
26th Floor
Toronto, Ontario, Canada
M5J 2S1

Attention: Matthew Goldfarb
Fax: (416) 572-2094
Email: mgoldfarb@clinemining.com

with a copy to:

Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario M5H 2S7

Attention: Robert Chadwick / Logan Willis
Fax: (416) 979-1234
Email: rchadwick@goodmans.ca / lwillis@goodmans.ca

If to Marret or the Secured Noteholders:

Marret Asset Management Inc.
200 King Street West, Suite 1902
Toronto, Ontario M5H 3T4

Attention: Dorothea Mell
Fax: (647) 439-6471
Email: dmell@marret.com

with a copy to:

Davies Ward Phillips & Vineberg LLP
155 Wellington Street West
Toronto, Ontario M5V 3J7

Attention: Jay A. Swartz
Fax: (416) 863-5520
Email: jswartz@dwpv.com

If to an Affected Creditor (other than Marret or the Secured Noteholders), to the mailing address, facsimile address or email address provided on such Affected Creditor's Notice of Claim or Proof of Claim;

If to the Monitor:

FTI Consulting Canada Inc.

TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Pamela Luthra
Fax: (416) 649-8101
Email cline@fticonsulting.com

with a copy to:

Osler, Hoskin & Harcourt LLP
100 King Street West,
Toronto, Ontario M5X 1B8

Attention: Marc Wasserman / Michael De Lellis
Fax: 416.862.6666
Email: mwasserman@osler.com / mdelellis@osler.com,

or to such other address as any party may from time to time notify the others in accordance with this section. Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered, faxed or sent before 5:00 p.m. (Toronto time) on such day; otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day.

10.12 Further Assurances

Each of the Persons directly or indirectly named or referred to in or subject to Plan will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Plan and to give effect to the transactions contemplated herein.

DATED as of the 3rd day of December, 2014.

SCHEDULE A

SUMMARY OF TERMS OF NEW SECURED DEBT

- \$55,000,000 aggregate principal amount.
- Cline is the borrower and New Elk and North Central are the guarantors of the New Secured Debt.
- 7-year term.
- Interest equal to the aggregate of:
 - (i). base interest at a rate of 0.01% per annum payable annually; and
 - (ii). additional interest payable quarterly equal to 5% of the consolidated operating revenues of the Applicants for the preceding fiscal quarter, provided that such additional interest shall only be applicable if the consolidated operating revenues of the Applicants exceed \$1.25 million in such preceding fiscal quarter, and provided further that such additional interest shall not exceed 11.99% per annum of the principal amount of the New Secured Debt in any year.
- Subject to 10.5(f) of the Plan, the New Secured Debt will be governed by (i) the New Credit Agreement between the Applicants and Marret (as administrative and collateral agent for the Secured Noteholders) and (ii) guarantees of the New Secured Debt executed by New Elk and North Central, in each case in form and in content satisfactory to the Applicants and Marret.
- The New Credit Agreement will contain a prepayment premium equal to 10% of the aggregate principal amount of the New Secured Debt, payable if the New Secured Debt is repaid or accelerated at any time prior to its stated maturity.
- Other than as set out herein or as may be agreed by the Applicants and Marret in writing, the material financial terms of the Credit Agreement are to be substantially similar to the terms of the trust indenture in respect of the 2011 Notes.
- The New Secured Debt will be secured by a first-ranking security interest in all or substantially all of the assets and property of Cline, New Elk and North Central.
- Each of the Secured Noteholders will be entitled to its Secured Noteholder's Share of the New Secured Debt, as described in the Plan.
- Marret Asset Management Inc. will act as the administrative and collateral agent in respect of the New Secured Debt and the corresponding security on behalf of the Secured Noteholders.

SCHEDULE B

ALTERNATE PLAN – SUMMARY OF TERMS

- All unsecured Claims and all WARN Act Claims:
 - (i). are treated as Unaffected Claims;
 - (ii). are not entitled to vote or attend any creditors' meeting in respect of the Alternate Plan, including the Meeting of Secured Noteholders Class;
 - (iii). receive no distributions or consideration of any kind whatsoever under the Alternate Plan.
- The only Affected Creditors under the Alternate Plan are the Secured Noteholders.
- The only Voting Class under the Alternate Plan is the Secured Noteholders Class.
- The New Cline Common Shares, the New Secured Debt, the Unsecured Plan Entitlement, the payments to Convenience Creditors and the WARN Act Plan Entitlement will not be distributed or established or become payable under the Alternate Plan.
- The Alternate Plan would provide that all assets and property of the Applicants will be transferred to an entity designated by the Secured Noteholders and/or Marret (on behalf of the Secured Noteholders), free and clear of all claims and encumbrances, in exchange for the cancellation of the Secured Notes and a release of all Secured Noteholder Obligations.

SCHEDULE "C"
TO THE INFORMATION STATEMENT
MEETINGS ORDER



Court File No. CV-14-10781-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE REGIONAL) WEDNESDAY, THE 3RD
)
SENIOR JUSTICE MORAWETZ) DAY OF DECEMBER, 2014

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT
ACT, R.S.C. 1985, c. C-36, AS AMENDED***

**AND IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF
CLINE MINING CORPORATION, NEW ELK COAL COMPANY LLC AND
NORTH CENTRAL ENERGY COMPANY**

MEETINGS ORDER

THIS MOTION made by Cline Mining Corporation, New Elk Coal Company LLC and North Central Energy Company (collectively, the “Applicants”) for an Order granting the relief set out in the Applicants’ Notice of Motion, including, *inter alia*:

- a) authorizing the Applicants to file with the Court a plan of compromise and arrangement of the Applicants under the *Companies’ Creditors Arrangement Act* (the “CCAA”); and
- b) authorizing and directing the Applicants to call meetings of their creditors to consider and vote upon the plan of compromise and arrangement filed by the Applicants,

was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Affidavit of Matthew Goldfarb sworn December 2, 2014 (the “Goldfarb Affidavit”) and the pre-filing report of FTI Consulting Canada Inc. (the “Pre-Filing Report”) in its capacity as proposed Court-appointed monitor of

the Applicants (the “**Monitor**”), and on hearing from counsel for the Applicants, the Monitor, and Marret Asset Management Inc. (on behalf of the beneficial holders of the Secured Notes (as defined below), in such capacity, “**Marret**”) and such other counsel as were present, no one else appearing although duly served as appears from the affidavit of service, filed.

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion herein be and is hereby abridged and that the Notice of Motion is properly returnable today and service thereof upon any person other than those on the Service List be and is hereby dispensed with.

DEFINITIONS

2. **THIS COURT ORDERS** that, unless otherwise noted, capitalized terms shall be as defined in this Order or in the Plan of Compromise and Arrangement in respect of the Applicants, which is attached as Exhibit F to the Goldfarb Affidavit (as it may be amended in accordance with its terms, the “**Plan**”).

MONITOR’S ROLE

3. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under (i) the CCAA, (ii) the Initial Order, and (iii) the Claims Procedure Order, is hereby directed and empowered to take such other actions and fulfill such other roles as are authorised by this Meetings Order.
4. **THIS COURT ORDERS** that: (i) in carrying out the terms of this Meetings Order, the Monitor shall have all the protections given to it by the CCAA, the Initial Order, the Claims Procedure Order, or as an officer of the Court, including the stay of proceedings in its favour; (ii) the Monitor shall incur no liability or obligation as a result of carrying out the provisions of this Meeting Order, save and except for any gross negligence or wilful misconduct on its part; (iii) the Monitor shall be entitled to rely on the books and records of the Applicants and any information provided by the Applicants without

independent investigation; and (iv) the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

PLAN OF COMPROMISE AND ARRANGEMENT

5. **THIS COURT ORDERS** that the Plan be and is hereby accepted for filing with the Court, and that the Applicants are authorized to seek approval of the Plan by the Creditors holding Voting Claims (as defined in the Claims Procedure Order) or Disputed Voting Claims (as defined in the Claims Procedure Order) (each an “**Eligible Voting Creditor**”) at the Meetings (as hereinafter defined) in the manner set forth herein.
6. **THIS COURT ORDERS** that the Applicants be and are hereby authorized to amend, modify and/or supplement the Plan, provided that any such amendment, modification or supplement shall be made in accordance with the terms of Article 10.5 of the Plan.

NOTICE OF MEETINGS

7. **THIS COURT ORDERS** that each of the following in substantially the forms attached to this Order as Schedules “A”, “B”, “C” and “D”, respectively, are hereby approved:
 - (a) the Applicants’ information statement (the “**Information Statement**”);
 - (b) the form of notice of the Meetings and Sanction Hearing (the “**Notice of Meetings**”);
 - (c) the form of proxy for Eligible Voting Creditors other than Secured Noteholders (the “**Creditors Proxy**”); and
 - (d) the form of proxy for Secured Noteholders (the “**Secured Noteholders Proxy**”)(collectively, the “**Information Package**”).
8. **THIS COURT ORDERS** that, notwithstanding paragraph 7 above, but subject to paragraph 6, the Applicants and the Monitor may from time to time make such minor changes to the documents in the Information Package as the Applicants and the Monitor

consider necessary or desirable or to conform the content thereof to the terms of the Plan, this Order or any further Orders of the Court.

9. **THIS COURT ORDERS** that, as soon as practicable after the granting of this Order, the Monitor shall cause a copy of the Information Package (and any amendments made thereto in accordance with paragraph 8 hereof), this Order, and the Pre-Filing Report to be posted on the Monitor's Website. The Monitor shall ensure that the Information Package (and any amendments made thereto in accordance with paragraph 8 hereof) remains posted on the Monitor's Website until at least one (1) Business Day after the Plan Implementation Date.
10. **THIS COURT ORDERS** that, as soon as practicable after the granting of this Order, the Monitor shall send the Information Package (without the Secured Noteholders Proxy) to all Creditors (other than Secured Noteholders) known to the Monitor and the Applicants as of the date of this Order by regular mail, facsimile, courier or e-mail at the last known address (including fax number or email address) for such Creditors set out in the books and records of the Applicants. Notwithstanding the foregoing, any materials, including the Information Package, to be delivered to Creditors by the Applicants or the Monitor shall be deemed to be duly delivered to the WARN Act Plaintiffs if they have been delivered to WARN Act Class Action Counsel.
11. **THIS COURT ORDERS** that, as soon as practicable following the receipt of a request therefor, the Monitor shall send a copy of the Information Package (without the Secured Noteholders Proxy) by registered mail, facsimile, courier or e-mail, to each Creditor (other than Secured Noteholders) who, no later than three (3) Business Days prior to the applicable Meeting (or any adjournment thereof), makes a written request for it.
12. **THIS COURT ORDERS** that, as soon as practicable after the granting of this Order, the Monitor shall use reasonable efforts to cause the Notice of Meetings (substantially in the form attached hereto as **Schedule "B"**) to be published for a period of one (1) Business Day in The Globe and Mail (National Edition), the Denver Post and the Pueblo Chieftain, provided that the Monitor shall be entitled to make such amendments or abridgments to

the Notice of Meetings as are reasonable, in its discretion, for the purpose of publishing the Notice of Meetings in the foregoing newspapers.

SECURED NOTEHOLDERS SOLICITATION PROCESS

13. **THIS COURT ORDERS** that the record date for the purposes of determining which Secured Noteholders are entitled to receive notice of the Secured Noteholders Meeting and vote at the Secured Noteholders Meeting with respect to their Secured Noteholder's Allowed Secured Claim (as herein defined) and to receive notice of the Unsecured Creditors Meeting and vote at the Unsecured Creditors Meeting with respect to their Secured Noteholder's Allowed Unsecured Claim (as herein defined) shall be 5:00 p.m. (Toronto time) on the date of the initial CCAA Order granted by this Court in these proceedings (the "**Secured Noteholder Voting Record Date**"), without prejudice to the right of the Applicants, in consultation with the Monitor, to set any other record date or dates for the purpose of distributions under the Plan or other purposes.
14. **THIS COURT ORDERS** that on or before the Business Day following the date hereof, the Monitor shall provide an electronic copy of the Information Package (other than the Creditors Proxy) to Marret on behalf of all Secured Noteholders, and such delivery shall be deemed to be effective delivery thereof to all Secured Noteholders, without any requirement for the delivery of the Information Package to Computershare Trust Company of Canada as indenture trustee of the Secured Notes (the "**Trustee**") or to CDS participant holders of the Secured Notes (the "**CDS Participants**").
15. **THIS COURT ORDERS** that upon receiving the Information Package from the Monitor, Marret shall do the following:
 - (a) forward the Information Package to the beneficial Secured Noteholders in accordance with the usual practice of Marret for dealing with the beneficial Secured Noteholders;
 - (b) solicit from each of the beneficial Secured Noteholders its instructions with respect to voting at the Meetings; and

- (c) submit to the Monitor a master voting list (the “**Master Voting List**”) in a form satisfactory to the Applicants and the Monitor. The master voting list shall set out the principal amount of 2011 Notes and the principal amount of 2013 Notes held by each beneficial Secured Noteholder (identified by name) as well as the position of each beneficial Secured Noteholder (identified by name) as to voting in favour of or against the Plan with respect to (i) its Secured Noteholder’s Allowed Secured Claim and (ii) its Secured Noteholder’s Allowed Unsecured Claim. The Master Voting List will contain a representation, in a form satisfactory to the Applicants and the Monitor, duly executed by the Marret, that the Master Voting List is a true summary of the position of the beneficial Secured Noteholders.

Once the Monitor has received the Master Voting List from Marret, the Monitor will record the votes for each applicable beneficial Secured Noteholder in accordance with that Master Voting List. The Monitor may amend the Information Package to make those materials consistent with any other vote solicitation process for Secured Noteholders as may be deemed appropriate by the Monitor in consultation with counsel for the Applicants and Marret. For greater certainty, any votes cast on behalf of the Secured Noteholders and recorded pursuant to this paragraph 15 shall be deemed to be valid without any further action by the Monitor, the Trustee or the CDS Participants.

16. **THIS COURT ORDERS** that with respect to votes to be cast at any Meetings by a Secured Noteholder, it is the beneficial holder of the Secured Notes (and for greater certainty not the registered holder of such Secured Notes or the CDS Participant, who is entitled to cast such votes as an Eligible Voting Creditor. Each beneficial Secured Noteholder that casts a vote at the Meetings in accordance with this Order shall be counted as an individual Creditor for each Voting Class in which it casts such vote. For the purposes of voting at the Secured Noteholders Meeting and the Unsecured Noteholders Meeting, the votes recorded on the Master Voting List shall be accepted as if voted in person by the Secured Noteholders at the Secured Noteholders Meeting and the Unsecured Creditors Meeting, as applicable.

NOTICE SUFFICIENT

17. **THIS COURT ORDERS** that the publication of the Notice of Meetings in accordance with paragraph 12 above, the sending of a copy of the Information Package to Creditors in accordance with paragraph 10 above, the posting of the Information Package on the Monitor's Website in accordance with paragraph 9 above, and the provision of notice to Creditors in the manner set out in paragraphs 9 to 12 and 14 to 15 above, shall constitute good and sufficient service of this Order, the Plan and the Notice of Meetings on all Persons who may be entitled to receive notice thereof, or who may wish to be present in person or by proxy at the Meetings or in these proceedings, and no other form of notice or service need be made on such Persons and no other document or material need be served on such Persons in respect of these proceedings. Service shall be effective, in the case of mailing, three (3) Business Days after the date of mailing, in the case of service by courier, on the day after the courier was sent, in the case of any means of transmitted, recorded or electronic communication, when dispatched or delivered for dispatch and in the case of service by fax or e-mail, on the day the fax or e-mail was transmitted, unless such day is not a Business Day, or the fax or e-mail transmission was made after 5:00 p.m., in which case, on the next Business Day.

18. **THIS COURT ORDERS** that the non-receipt of a copy of the Information Package beyond the reasonable control of the Monitor, or any failure or omission to provide a copy of the Information Package as a result of events beyond the reasonable control of the Monitor (including, without limitation, any inability to use postal services) shall not constitute a breach of this Order, and shall not invalidate any resolution passed or proceedings taken at the WARN Act Plaintiffs Meeting, the Secured Noteholders Meeting or the Unsecured Creditors Meeting, but if any such failure or omission is brought to the attention of the Monitor, then the Monitor shall use reasonable efforts to rectify the failure or omission by the method and in the time most reasonably practicable in the circumstances.

THE MEETINGS

19. **THIS COURT ORDERS** that, subject to paragraph 48 hereof, the Applicants are authorized to hold Meetings of the following classes of Affected Creditors for the purpose of considering and voting on a resolution to approve the Plan (each a “**Voting Class**” and collectively, the “**Voting Classes**”), each as more particularly described in the Plan: (a) the Secured Noteholders Class; (b) the Affected Unsecured Creditors Class; and (c) the WARN Act Plaintiffs Class.

20. **THIS COURT ORDERS** that the Applicants are hereby authorized and directed to call, hold and conduct a separate meeting for each Voting Class at Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, Ontario, on January 21, 2015, at 10:00a.m. for the WARN Act Plaintiffs Class (the “**WARN Act Plaintiffs Meeting**”), 11:00 a.m. for the Affected Unsecured Creditors Class (the “**Unsecured Creditors Meeting**”) and 12:00 p.m. for the Secured Noteholders Class (the “**Secured Noteholders Meeting**” and, together with the Unsecured Creditors Meeting and the WARN Act Plaintiffs Meeting, the “**Meetings**” and each a “**Meeting**”), or as adjourned to such places and times as the Chair or Monitor may determine in accordance with paragraph 48 hereof, for the purposes of considering and voting on the resolution to approve the Plan and transacting such other business as may be properly brought before the applicable Meeting.

21. **THIS COURT ORDERS** that the only Persons entitled to notice of, attend or speak at the Meetings are the Eligible Voting Creditors (or their respective duly appointed proxyholders), representatives of the Monitor, the Applicants, Marret, all such parties’ financial and legal advisors, the Chair, Secretary and the Scrutineers, provided that an Eligible Voting Creditor (or its respective duly appointed proxyholder) and its financial and legal advisors shall only be entitled to notice of, attend or speak at a Meeting if such Eligible Voting Creditor is entitled to vote at the applicable Meeting in accordance with this Order. Any other person may be admitted to a Meeting only by invitation of the Applicants or the Chair.

AFFECTED UNSECURED CREDITORS CLASS

22. **THIS COURT ORDERS** that, for the purposes of voting at the Unsecured Creditors Meeting, each Affected Unsecured Creditor with a Voting Claim or a Disputed Voting Claim (including each beneficial Secured Noteholder with respect to its Secured Noteholder's Allowed Unsecured Claim (as defined below) and, for greater certainty, not including the WARN Act Plaintiffs) shall be entitled to one vote as a member of the Affected Unsecured Creditors Class.
23. **THIS COURT ORDERS** that each Affected Unsecured Creditor with a Voting Claim or a Disputed Voting Claim of not more than \$10,000 (other than Secured Noteholders and, for greater certainty, not including WARN Act Plaintiffs) shall be deemed to vote in favour of the Plan unless such Affected Unsecured Creditor has notified the Monitor in writing of its intention to vote against the Plan prior to the Unsecured Creditors Meeting and does vote against the Plan at the Unsecured Creditors Meeting (in person or by Proxy).
24. **THIS COURT ORDERS** that, for the purposes of voting at the Unsecured Creditors Meeting, the value of a vote cast by any Affected Unsecured Creditor (not including a Secured Noteholder with respect to its Secured Noteholder's Allowed Unsecured Claim and, for greater certainty, not including WARN Act Plaintiffs) shall be deemed equal to his, her or its unsecured Voting Claim.
25. **THIS COURT ORDERS** that, for the purposes of voting at the Unsecured Creditors Meeting, the value of a vote cast by any Secured Noteholder shall be deemed to be equal to its Secured Noteholder's Pro-Rata Share of the Secured Noteholders Allowed Unsecured Claim (as defined in the Claims Procedure Order) (such Secured Noteholder's Pro-Rata Share being its "**Secured Noteholder's Allowed Unsecured Claim**"). For the purposes of this Order, "**Secured Noteholder's Pro-Rata Share**" shall mean, with respect to each Secured Noteholder, the principal amount of Secured Notes held by such Secured Noteholder divided by the total aggregate principal amount of all Secured Notes, in each case as at the Secured Noteholder Voting Record Date.

26. **THIS COURT ORDERS** that, subject to paragraph 15, in order to cast votes on behalf of the Secured Noteholders at the Unsecured Creditors Meeting, Marret must provide the Master Voting List to the Monitor on or before 5:00 p.m. on the Business Day before the Unsecured Creditors Meeting. Notwithstanding the foregoing, the Chair shall have the discretion to accept for voting purposes a duly completed Master Voting List filed with the Chair (or the Chair's designee) at any time prior to the commencement of the Unsecured Creditors Meeting or any adjournment thereof.

WARN ACT PLAINTIFFS CLASS

27. **THIS COURT ORDERS** that, for the purposes of voting at the WARN Act Plaintiffs Meeting, each WARN Act Plaintiff with a Voting Claim or a Disputed Voting Claim shall be entitled to cast one vote as a member of the WARN Act Plaintiffs Class.
28. **THIS COURT ORDERS** that, for the purposes of voting at the WARN Act Plaintiffs Meeting, the value of a vote cast by any WARN Act Plaintiff shall be equal to such WARN Act Plaintiff's Voting Claim.

SECURED NOTEHOLDERS CLASS

29. **THIS COURT ORDERS** that, for the purposes of voting at the Secured Noteholders Meeting, each beneficial Secured Noteholder (with respect to its Secured Noteholder's Allowed Secured Claim (as defined below)) shall be entitled to one vote as a member of the Secured Noteholders Class.
30. **THIS COURT ORDERS** that, for the purposes of voting at the Secured Noteholders Meeting, the secured Voting Claim of any Secured Noteholder shall be deemed to be equal to its Secured Noteholder's Pro-Rata Share of the Secured Noteholders Allowed Secured Claim (as defined in the Claims Procedure Order) (such Secured Noteholder's Pro-Rata Share of any Secured Noteholders Allowed Secured Claim being its "**Secured Noteholder's Allowed Secured Claim**").
31. **THIS COURT ORDERS** subject to paragraph 15, in order to cast votes on behalf of the Secured Noteholders at the Secured Noteholders Meeting, Marret must provide the

Master Voting List to the Monitor on or before 5:00 p.m. on the Business Day before the Unsecured Creditors Meeting. Notwithstanding the foregoing, the Chair shall have the discretion to accept for voting purposes a duly completed Master Voting List filed with the Chair (or the Chair's designee) at any time prior to the Secured Noteholders Meeting or any adjournment thereof.

VOTING BY PROXIES

32. **THIS COURT ORDERS** that all Creditor Proxies submitted in respect of (i) the Unsecured Creditors Meeting (or any adjournment thereof) or (ii) the WARN Act Plaintiffs Meeting (or any adjournment thereof) must be (a) submitted by 5:00 p.m. at least one (1) Business Day prior to the Unsecured Creditors Meeting or the WARN Act Plaintiffs, as applicable; and (b) in substantially the form attached to this Order as Schedule "C" or in such other form acceptable to the Monitor or the Chair. The Monitor is hereby authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which any proxy is completed and executed, and may waive strict compliance with the requirements in connection with the deadlines imposed in connection therewith.
33. **THIS COURT ORDERS** that Affected Unsecured Creditors with Voting Claims or Disputed Voting Claims valued at not more than \$10,000 shall be entitled to submit a Creditors Proxy but, subject to paragraph 23 hereof, shall not be entitled to cast a vote on the Plan at the Meeting (either in person or by proxy).
34. **THIS COURT ORDERS** that, for greater certainty, Class Action Counsel (as defined in the Claims Procedure Order) shall be permitted to cast votes only on behalf of those WARN Act Plaintiffs who have duly appointed Class Action Counsel as their proxy pursuant to section 32 hereof.
35. **THIS COURT ORDERS** that the Secured Noteholders shall be entitled to vote at the Meetings pursuant to the process described in paragraph 15 hereof and pursuant to a duly submitted Secured Noteholders Proxy.

36. **THIS COURT ORDERS** that for the purpose of tabulating the votes cast on any matter that may come before the Meetings, the Chair shall be entitled to rely on any vote cast by a holder of a proxy that has been duly submitted to the Monitor in the manner set forth in this Meetings Order without independent investigation.
37. **THIS COURT ORDERS** that paragraphs 23, 26 and 31 to 36, and the instructions contained in the Creditors Proxy and the Secured Noteholders Proxy shall govern the submission of such documents and any deficiencies in respect of the form or substance of such documents filed with the Monitor.

TRANSFERS OR ASSIGNMENTS OF CLAIMS

38. **THIS COURT ORDERS** that an Affected Creditor other than a Secured Noteholder may transfer or assign the whole of its Affected Claim prior to the Meetings. If an Affected Creditor other than a Secured Noteholder transfers or assigns the whole of an Affected Claim to another Person, such transferee or assignee shall not be entitled to attend and vote the transferred or assigned Affected Claim at the applicable Meeting unless (i) the assigned Affected Claim is a Voting Claim or Disputed Claim, or a combination thereof, and (ii) satisfactory notice of and proof of transfer or assignment has been delivered to the Monitor in accordance with the Claims Procedure Order no later than seven (7) days prior to the date of the applicable Meeting.
39. **THIS COURT ORDERS** that nothing in this Order shall restrict the Secured Noteholders who have beneficial ownership of a Claim in respect of the Secured Notes from transferring or assigning such Claim, in whole or in part, and any such transfer or assignment shall be governed by the provisions of the Plan and the Claims Procedure Order, provided that nothing in this paragraph 39 shall limit or restrict the application of the Secured Noteholder Voting Record Date and paragraphs 13 to 15 hereof.

DISPUTED VOTING CLAIMS

40. **THIS COURT ORDERS** that, in the event that an Affected Unsecured Creditor, a WARN Act Plaintiff or a Secured Noteholder holds a Claim that is a Disputed Voting Claim as at the date of the Unsecured Creditors Meeting, the WARN Act Plaintiffs

Meeting or the Secured Noteholders Meeting, as applicable, such Creditor may attend the Unsecured Creditors Meeting, the WARN Act Plaintiffs Meeting or the Secured Noteholders Meeting, as applicable, and such Disputed Voting Claim may be voted at such Meeting by such Creditor (or its duly appointed proxyholder) in accordance with the provisions of this Order, without prejudice to the rights of the Applicants, the Monitor or the holder of the Disputed Voting Claim with respect to the final determination of the Disputed Claim for distribution purposes, and such vote shall be separately tabulated as provided herein, provided that votes cast in respect of any Disputed Voting Claim shall not be counted for any purpose, unless, until and only to the extent that such Disputed Voting Claim is finally determined to be a Voting Claim.

ENTITLEMENT TO VOTE AT THE MEETINGS

41. **THIS COURT ORDERS** that, for greater certainty, and without limiting the generality of anything in this Order, a Person holding an Unaffected Claim is not entitled to vote on the Plan in respect of such Unaffected Claim at any Meeting and, except as otherwise permitted herein, shall not be entitled to attend a Meeting.
42. **THIS COURT ORDERS** that, subject to paragraphs 38 and 39, the only Persons entitled to vote at the Unsecured Creditors Meeting in person or by proxy are Affected Unsecured Creditors with Voting Claims or Disputed Voting Claims, the only Persons entitled to vote at the WARN Act Plaintiffs Meeting in person or by proxy are WARN Act Plaintiffs with Voting Claims or Disputed Voting Claims, and the only Persons entitled to vote at the Secured Noteholders Meeting in person or by proxy are Secured Noteholders with Voting Claims or Disputed Voting Claims.
43. **THIS COURT ORDERS** that, notwithstanding anything to the contrary herein, any Person with a Claim that meets the definition of "equity claim" under section 2(1) of the CCAA shall have no right to, and shall not, vote at the Meetings in respect of such Claim.

PROCEDURE AT THE MEETINGS

44. **THIS COURT ORDERS** that Paul Bishop, or another representative of the Monitor, designated by the Monitor, shall preside as the chair of the Meetings (the "**Chair**") and,

subject to this Meetings Order or any further Order of the Court, shall decide all matters relating to the conduct of the Meetings.

45. **THIS COURT ORDERS** that a person designated by the Monitor shall act as secretary at each Meeting (the “**Secretary**”) and the Monitor may appoint scrutineers for the supervision and tabulation of the attendance, quorum and votes cast at each Meeting (the “**Scrutineers**”). The Scrutineers shall tabulate the votes in respect of all Voting Claims and Disputed Claims, if any, at each Meeting.
46. **THIS COURT ORDERS** an Eligible Voting Creditor that is not an individual may only attend and vote at a Meeting if it has appointed a proxyholder to attend and act on its behalf at such Meeting.
47. **THIS COURT ORDERS** that the quorum required at each Meeting shall be one Creditor with a Voting Claim present at such Meeting in person or by proxy. If the requisite quorum is not present at a Meeting, then such Meeting shall be adjourned by the Chair to such time and place as the Chair deems necessary or desirable.
48. **THIS COURT ORDERS** that, subject to 47, a Meeting shall be adjourned to such date, time and place as may be designated by the Chair or the Monitor, if:
 - (a) the requisite quorum is not present at such Meeting; or
 - (b) prior to or during the Meeting, the Chair or the Monitor, in consultation with the Applicants, otherwise decides to adjourn such Meeting.

The announcement of the adjournment by the Chair at such Meeting (if the adjournment is during a Meeting) and written notice to the Service List with respect to such adjournment shall constitute sufficient notice of the adjournment and neither the Applicants nor the Monitor shall have any obligation to give any other or further notice to any Person of the adjourned Meeting. Notwithstanding anything to the contrary herein or in the Plan, if the requisite quorum is not present at the WARN Act Plaintiffs Meeting or if it is determined in accordance with the Claims Procedure Order that there are no Voting Claims in the WARN Act Plaintiffs Class, the Applicants shall be entitled, but not

required, to amend the Plan without further Order of the Court to combine the WARN Act Plaintiffs Class with the Affected Unsecured Creditors Class on such terms as may be set forth in such amended Plan (including on the basis that the WARN Act Plan Entitlement shall not be payable under the Plan), in which case the Applicants shall have no further obligation to hold the WARN Act Plaintiffs Meeting or otherwise seek a vote of the WARN Act Plaintiffs Class with respect to the resolution to approve the Plan or any other matter.

49. **THIS COURT ORDERS** every question submitted to a Meeting, except to approve the Plan resolution, shall be decided by a vote of a majority in value of the Creditors with Voting Claims present in person or by proxy at such Meeting.
50. **THIS COURT ORDERS** that the Chair be and is hereby authorized to direct a vote at each Meeting, by such means as the Chair may consider appropriate, with respect to: (i) a resolution to approve the Plan and any amendments thereto; and (ii) any other resolutions as the Chair may consider appropriate in consultation with the Applicants.
51. **THIS COURT ORDERS** that the Monitor shall keep separate tabulations of votes cast at each Meeting in respect of:
 - (a) Voting Claims; and
 - (b) Disputed Voting Claims, if applicable.
52. **THIS COURT ORDERS** that following the votes at the Meetings, the Scrutineers shall tabulate the votes in each Voting Class and the Monitor shall determine whether the Plan has been accepted by the majorities of that Voting Class required pursuant to section 6 of the CCAA (the “Required Majorities”).
53. **THIS COURT ORDERS** that the Monitor shall file a report with this Court after the Meetings or any adjournment thereof, as applicable, with respect to the results of the votes, including:
 - (a) whether the Plan has been accepted by the Required Majorities in each Voting Class;

- (b) whether the votes cast in respect of Disputed Voting Claims, if applicable, would affect the result of that vote; and
- (c) for reporting purposes only, the impact of the votes cast in respect of the Secured Noteholders Allowed Unsecured Claim on the vote of the Affected Unsecured Creditors Class.

54. **THIS COURT ORDERS** that if (i) the Plan is not accepted by the Required Majorities of the Affected Unsecured Creditors Class or the WARN Act Plaintiffs Class or (ii) the Applicants determine, in their discretion, that the Plan may not be accepted by the Required Majorities of the Affected Unsecured Creditors Class or the WARN Act Plaintiffs Class or is otherwise unlikely to succeed for any reason whatsoever, then the Applicants are permitted, without further Order of this Court, to file an amended and restated plan (the “**Alternate Plan**”) with the attributes described on Schedule “B” to the Plan and to proceed with a meeting of the Secured Noteholders Class for the purpose of considering and voting on the resolution to approve the Alternate Plan, in which case the Applicants and the Monitor will have no obligation whatsoever to proceed with the Unsecured Creditors Meeting or the WARN Act Plaintiffs Meeting. The procedures to be followed in respect of the Secured Noteholders Meeting and the Sanction Hearing in respect of the Alternate Plan and the entitlement of Secured Noteholders to vote at such Secured Noteholders Meeting shall be governed, with any necessary modifications, in accordance with the provisions of this Order. Notwithstanding the foregoing, if agreed by the Applicants, Marret and the Monitor, the Secured Noteholders Meeting and the Sanction Hearing may proceed on the originally scheduled dates set forth in this Order, and the Monitor may rely on any duly completed Master Voting List and any Secured Noteholder Proxy previously received from or on behalf of the Secured Noteholders in respect of the Plan, without the Applicants or the Monitor being required to distribute the Alternate Plan and solicit votes on the Alternate Plan to all beneficial Secured Noteholders in the manner described in this Order.
55. **THIS COURT ORDERS** that a copy of the Monitor’s Report regarding the Meetings and the Plan shall be posted on the Monitor’s Website prior to the Sanction Hearing.

56. **THIS COURT ORDERS** that if the votes cast by the holders of Disputed Voting Claims would affect whether the Plan has been approved by the Required Majorities, the Monitor shall report this to the Court in accordance with paragraph 53 of this Order, in which case (i) the Applicants may proceed with an Alternate Plan in the manner described in paragraph 54; (ii) the Applicants or the Monitor may request this Court to direct an expedited determination of any material Disputed Voting Claims, as applicable, (iii) the Applicants may request that this Court defer the date of the Sanction Hearing, (iv) the Applicants may request that this Court defer or extend any other time periods in this Order or the Plan, and/or (v) the Applicants or the Monitor may seek such further advice and direction as may be considered appropriate.
57. **THIS COURT ORDERS** that the result of any vote conducted at a Meeting of a Voting Class shall be binding upon all Creditors of that Voting Class, whether or not any such Creditor was present or voted at the Meeting.

SANCTION HEARING AND ORDER

58. **THIS COURT ORDERS** that if the Plan has been accepted by the Required Majorities in each Voting Class, or if the Alternate Plan has been accepted by the Required Majorities in the Secured Noteholders Class, the Applicants are authorized to bring a motion seeking the Sanction Order on January 28, 2015, or as soon thereafter as the matter can be heard (the "Sanction Hearing"). ^{27 4D}
59. **THIS COURT ORDERS** that service of the Notice of Meetings and the posting of this Order to the Monitor's Website pursuant to paragraphs 9 to 12 hereof shall constitute good and sufficient service of notice of the Sanction Hearing upon all Persons who may be entitled to receive such service and no other form of service or notice need be made on such Persons and no other materials need be served on such Persons in respect of the Sanction Hearing unless they have served and filed a Notice of Appearance in these proceedings.
60. **THIS COURT ORDERS** that any Person (other than the Applicants, the Monitor and Marret) wishing to receive materials and appear at the Sanction Hearing shall serve upon

the lawyers for each of the Applicants, the Monitor and all other parties on the Service List and file with this Court a Notice of Appearance by no later than 5:00 p.m. (Toronto time) on the date that is seven (7) days prior to the Sanction Hearing.

61. **THIS COURT ORDERS** that any Person who wishes to oppose the motion for the Sanction Order shall serve upon the lawyers for each of the Applicants and the Monitor and upon all other parties on the Service List, and file with this Court, a copy of the materials to be used to oppose the motion for the Sanction Order by no later than 5:00 p.m. (Toronto time) on the date that is seven (7) days prior to the Sanction Hearing.
62. **THIS COURT ORDERS** that the Applicants are authorized to adjourn the Sanction Hearing with the prior consent of the Monitor, and if the Sanction Hearing is adjourned, only those Persons who are listed on the Service List (including those Persons who have complied with paragraph 60 of this Order) shall be served with notice of the adjourned date of the Sanction Hearing.

GENERAL

63. **THIS COURT ORDERS** that the Applicants and the Monitor may, in their discretion, generally or in individual circumstances, waive in writing the time limits imposed on any Creditor under this Order if each of the Applicants and the Monitor deem it advisable to do so, without prejudice to the requirement that all other Creditors must comply with the terms of this Order.
64. **THIS COURT ORDERS** that any notice or other communication to be given pursuant to this Order by or on behalf of any Person to the Monitor shall be in writing and will be sufficiently given only if by mail, courier, e-mail, fax or hand-delivery addressed to:

FTI Consulting Canada Inc., Court-appointed Monitor of Cline Mining Corporation, New Elk Coal Company LLC and North Central Energy Company
Claims Process

79 Wellington Street West
TD South Tower
Suite 2010, P.O. Box 104

Toronto, ON M5K 1G8
Attention: Pamela Luthra

Fax: (416) 649.8101
Email cline@fticonsulting.com

65. **THIS COURT ORDERS** that notwithstanding any provision herein to the contrary, the Monitor shall be entitled to rely upon any communication given pursuant to this Meetings Order (including any delivery of Creditor Proxies, Secured Noteholder Proxies and Master Voting List).
66. **THIS COURT ORDERS** that if any deadline set out in this Order falls on a day other than a Business Day, the deadline shall be extended to the next Business Day.
67. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court to amend, vary, supplement or replace this Order or for advice and directions concerning the discharge of their respective powers and duties under this Order or the interpretation or application of this Order.
68. **THIS COURT ORDERS** that any interested party, other than the Applicants or the Monitor, that wishes to amend or vary this Order shall be entitled to appear or bring a motion before this Court on a date to be set by this Court upon the granting of this Order (the "Comeback Date"), and any such interested party shall give notice to any other party or parties likely to be affected by the order sought in advance of the Comeback Date.
69. **THIS COURT ORDERS** that subject to any further Order of this Court, in the event of any conflict, inconsistency, ambiguity or difference between the provisions of the Plan and this Order, the terms, conditions and provisions of the Plan shall govern and be paramount, and any such provision of this Order shall be deemed to be amended to the extent necessary to eliminate any such conflict, inconsistency, ambiguity or difference.

EFFECT, RECOGNITION AND ASSISTANCE

70. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada, outside Canada and against all Persons against whom it may be enforceable.
71. **THIS COURT REQUESTS** the aid and recognition of other Canadian and foreign Courts, tribunal, regulatory or administrative bodies, including any Court or administrative tribunal of any Federal or State Court or administrative body in the United States of America, to act in aid of and to be complementary to this Court in carrying out the terms of this Order where required. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.



ENTERED AT / INSCRIT À TORONTO
ON / BOOKED:
LE / DANS LE REGISTRE NO..

DEC 3 - 2014

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