Court File No. CV14-10781-00CL

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

Applicants

MOTION RECORD
(Plan Sanction Motion Returnable January 27, 2015)

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Applicants

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TAB 1

Court File No. CV14-10781-00CL

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

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NOTICE OF MOTION

(Motion for Plan Sanction Returnable January 27, 2015)

Cline Mining Corporation, New Elk Coal Company LLC and North Central Energy Company (collectively, the "**Applicants**") will make a motion before a judge of the Ontario Superior Court of Justice on January 27, 2015 at 10:00 a.m., or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR AN ORDER substantially in the form attached at Tab 3 of the Motion Record, *inter alia*:

1. sanctioning the Applicants' Amended and Restated Plan of Compromise and Arrangement dated January 20, 2015 (the "**Plan**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**");

2. extending the Stay Period, as defined in the Initial Order of this Court granted on December 3, 2014, to and including April 1, 2015; and

3. such further and other relief as this Court deems just.

THE GROUNDS FOR THE MOTION ARE:

1. capitalized terms used but not otherwise defined herein have the meaning given to them in the Affidavit of Matthew Goldfarb sworn January 21, 2015 (the "**Goldfarb Affidavit**");

2. on December 3, 2014, the Court granted the Initial Order, *inter alia*, (i) granting a stay of proceedings under the CCAA in respect of the Applicants until December 31, 2014, (ii) appointing FTI Consulting Canada Inc. as CCAA Monitor in respect of the Applicants (the "**Monitor**"), and (iii) authorizing the Monitor to act as the foreign representative of the Applicants in the United States pursuant to Chapter 15, Title 11 of the United States Bankruptcy Code;

3. on December 3, 2014, the Court also granted the Claims Procedure Order, approving a claims process for the identification and determination of claims against the Applicants, and the Meetings Order, authorizing the Applicants to file the Plan and to call, hold and conduct meetings of their creditors whose claims are to be affected by the Plan;

4. the Stay Period was subsequently extended to and including March 1, 2015 by an Order of this Court dated December 22, 2014;

5. on January 14, 2015, the Monitor, as foreign representative of the Applicants, obtained a Recognition Order of the U.S. Court recognizing the CCAA proceedings as "foreign main proceedings" within the meaning of the Bankruptcy Code and giving full force and effect in the United States to the Initial Order, the Claims Procedure Order and the Meetings Order;

6. as detailed in the Second Report of the Monitor dated January 14, 2015 (the "**Monitor's Second Report**"), the Applicants, with the assistance of the Monitor, carried out the Claims Procedure in accordance with the terms of the Claims Procedure Order;

7. discussions between counsel to the Applicants and Class Action Counsel to the WARN Act Plaintiffs, with the support of the Monitor and Marret (on behalf of the Secured Noteholders), have led to the development of a resolution of the WARN Act Claims

asserted in the Claims Procedure to be effectuated as part of the Recapitalization (the "**WARN Act Resolution**");

8. these resolution terms represent an enhancement of the consideration offered to the WARN Act Plaintiffs in the plan of compromise and arrangement of the Applicants filed December 3, 2014 (the "**Original Plan**");

9. in order to reflect the terms of the WARN Act Resolution and to address certain related administrative matters, the Applicants have made certain amendments to the Original Plan, which amendments were supported by the Monitor and Marret (on behalf of the Secured Noteholders) and are in compliance with the amendment provisions set forth in the Original Plan and the Meetings Order;

10. the Plan, if implemented, will maintain the Cline Group as a unified corporate enterprise, substantially reduce the Applicants' secured indebtedness and near term interest expense and will result in recoveries for unsecured creditors that they could not otherwise expect to receive in any other bankruptcy, receivership or debt enforcement scenario;

11. the Plan provides for a compromise of, and consideration for, all Allowed Affected Claims, including a limited recovery for unsecured creditors and the WARN Act Plaintiffs;

12. the Plan provides for releases of certain parties that were negotiated as part of the overall framework of compromises in the Plan and which facilitate the successful completion of the Plan and the Recapitalization;

13. the Meetings of Affected Creditors to consider and vote on the Plan were held on January 21, 2015 and the Affected Creditors approved the Plan, as follows:

    (a) 100% in number and 100% in value of the Secured Noteholders Class (consisting of 16 Secured Noteholders),

    (b) 100% in number and 100% in value of the Affected Unsecured Creditors Class (consisting of 16 Secured Noteholders, 62 Convenience Creditors and 4 other Affected Unsecured Creditors), and

(c) 100% in number and 100% in value of the WARN Act Plaintiffs Class (consisting of the two representative plaintiffs in the WARN Act Class Action);

14. the five persons having Disputed Claims did not vote at the Meetings in person or by proxy, so results of the votes taken at the Meetings would not change based on the inclusion or exclusion of Disputed Claims in the voting results;

15. the Applicants believe that the Recapitalization is in the best interests of the Applicants and their stakeholders, and the Plan is supported by Marret (on behalf of the Secured Noteholders) and all of the Applicants' creditors that voted in person or by proxy at the Meetings;

16. the Monitor has concluded that the Plan is the best viable, going-concern alternative available to the Applicants in the circumstances;

17. the Applicants have acted and continue to act in good faith and with due diligence and have complied with the requirements of the CCAA and the Orders of this Court;

18. the Plan is fair, reasonable and equitable in the circumstances and the Applicants submit that the sanctioning of the Plan by this Court is justified and appropriate at this time;

19. subject to Court approval, the Applicants hope to implement the Plan as expeditiously as possible;

20. the factors that could affect the timing of the implementation of the Plan include the time needed to achieve recognition of the Plan Sanction Order in the Chapter 15 Proceedings and the time needed to complete the corporate steps and other conditions to Plan implementation;

21. the Applicants believe that an extension of the Stay Period to April 1, 2015 is prudent in the circumstances in order to provide the Applicants with additional time, if necessary, to implement the Plan and to avoid any additional time and expense of having to return to this Court at a later date to seek an extension of the Stay Period beyond its existing expiry of March 1, 2015;

22. the Applicants' cash flow forecast, attached to the Goldfarb Affidavit, indicates that the Applicants will have access to sufficient financial resources to meet their post-filing obligations during the requested extended Stay Period;

23. the Applicants' creditors will not suffer any material prejudice if the Stay Period is extended;

24. the provisions of the CCAA and the inherent and equitable jurisdiction of this Court;

25. Rules 1.04, 1.05, 2.03, 3.02, 16, and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and

26. such further and other grounds as counsel may advise and this Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of this Motion:

1. the Goldfarb Affidavit and the exhibits attached thereto;

2. the Monitor's Second Report and Third Report and any appendices attached thereto; and

3. such further and other materials as counsel may advise and this Court may permit.

Date: January 21, 2015

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Court File No: CV14-10781-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

NOTICE OF MOTION

(Plan Sanction Motion
Returnable January 27, 2015)

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TAB 2

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Applicants

AFFIDAVIT OF MATTHEW GOLDFARB

(sworn January 21, 2015)

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Applicants

AFFIDAVIT OF MATTHEW GOLDFARB

(sworn January 21, 2015)

I, Matthew Goldfarb, in the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

I. INTRODUCTION

1. I am the Chief Restructuring Officer and acting Chief Executive Officer of Cline Mining Corporation ("**Cline**"). I was appointed to serve in such capacities as of December 11, 2013 and January 15, 2014, respectively. As such, I have personal knowledge of the matters to which I depose in this affidavit. Where I do not possess personal knowledge, I have stated the source of my information and, in all such cases, believe it to be true.

2. This affidavit is sworn in support of a motion by Cline, New Elk Coal Company LLC and North Central Energy Company (collectively, the "**Applicants**") for an Order (the "**Sanction Order**"), among other things:

(a) sanctioning the Applicants' Amended and Restated Plan of Compromise and Arrangement dated January 20, 2015 (the "**Plan**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"); and

(b) extending the Stay Period, as defined in the Initial Order of this Court granted December 3, 2014 (the "**Initial Order**"), to and including April 1, 2015.

Capitalized terms used but not otherwise defined herein have the meanings given to them in the Plan. A copy of the Plan is attached hereto as Exhibit "A".

3. The Plan includes certain amendments to the plan of compromise and arrangement filed December 3, 2014 (the "**Original Plan**"). The principal effect of these amendments is to enhance the recovery to members of the WARN Act Plaintiffs Class. A blackline showing the revisions to the Original Plan is attached hereto as Exhibit "B".

4. The Plan and the recapitalization transaction to be implemented pursuant to the Plan (the "**Recapitalization**") are the result of significant efforts by the Applicants to achieve a resolution of their financial challenges. If implemented, the Recapitalization will maintain the Cline Group as a unified corporate enterprise and result in an improved capital structure to enable the Cline Group to better withstand prolonged weakness in the global market for metallurgical coal. In particular, the Recapitalization will result in a reduction of over $55 million of secured debt and significantly reduce the Applicants' interest expense in the near term.

5. The Applicants and their boards of directors believe that the Plan and the Recapitalization achieve the best available outcome for the Applicants and their stakeholders in the circumstances. The Recapitalization, if implemented, will preserve certain tax attributes within the restructured companies, preserve various mining rights and permits and provide a limited recovery for unsecured creditors that they could not expect to receive under any other bankruptcy or debt enforcement scenario.

6. The Recapitalization is supported by Marret Asset Management Inc. ("**Marret**"), on behalf of the Secured Noteholders, which are the only parties with a remaining economic interest in the business and assets of the Applicants. The Plan has received the approval of the requisite majorities of the Applicants' creditors as required by the Meetings Order and the CCAA. In particular, the Plan was approved by 100% in number and 100% in value of creditors voting in each of the Secured Noteholders Class, the Affected Unsecured Creditors Class and the WARN Act Plaintiffs Class.

7. The Monitor concluded in the Second Report of the Monitor dated January 14, 2015 (the "**Monitor's Second Report**") that the Original Plan was the best viable, going-concern alternative in the circumstances and that the Original Plan was fair and reasonable. Given that the Plan enhances the recoveries offered to the WARN Act Plaintiffs in the Original Plan, it is my understanding that the Monitor's conclusions in the Monitor's Second Report would also apply to the Plan and that the Monitor supports the sanction of the Plan by this Court.

8. The Applicants have worked diligently to complete the Recapitalization as efficiently and expeditiously as possible and have achieved a broad base of support for the Plan among their stakeholders, including the support of Marret (on behalf of the Secured Noteholders), the

representative plaintiffs in the WARN Act Class Action and other unsecured creditors who voted to approve the Plan. The Applicants and their advisors have begun the internal planning and preparations necessary to implement the Plan and complete the Recapitalization. If this Court grants approval of the Plan pursuant to the Sanction Order, the Applicants hope to implement the Plan and complete the Recapitalization in approximately 30 days.

9. For the reasons set forth in this affidavit, the Applicants are of the view that the Plan is fair and reasonable and offers a considerably greater benefit to the Applicants' stakeholders than any other restructuring, sale or debt enforcement alternatives available to the Applicants. Accordingly, the Applicants respectfully request that this Court approve the Plan and grant the other relief requested in the proposed Sanction Order.

II. BACKGROUND

10. As described in detail in my affidavit of December 2, 2014 (the "**Initial Affidavit**"), the Applicants, along with Raton Basin Analytical LLC ("**Raton Basin**" and, together with the Applicants, the "**Cline Group**"), are in the business of locating, exploring and developing mineral resource properties, with a particular focus on metallurgical coal and gold (the "**Cline Business**").

11. Further background details regarding the Applicants and the Cline Business are provided in the Initial Affidavit, a copy of which (without exhibits) is attached hereto as Exhibit "C".

III. CCAA PROCEEDINGS

12. On December 3, 2014, the Applicants sought protection from their creditors under the CCAA and obtained the Initial Order, which granted, among other things, a stay of proceedings

in respect of the Applicants and appointed FTI Consulting Canada Inc. as the Monitor (the "**Monitor**").

13. On December 3, 2014, this Court also granted: (i) an Order (the "**Claims Procedure Order**") establishing a process for the identification and determination of claims against the Applicants and their present and former directors and officers (the "**Claims Procedure**"); and (ii) an Order authorizing the Applicants to file the Original Plan and to convene meetings of their affected creditors (the "**Meetings**") to consider and vote on the Original Plan (as it may be amended) (the "**Meetings Order**").

14. Notice of the CCAA proceedings, the Claims Procedure, the Original Plan and the Meetings was provided by the Monitor in accordance with the requirements of the CCAA, the Initial Order, the Claims Procedure Order and the Meetings Order, including the mailing of a Claims Package to each of the Applicants' Known Creditors (as such terms are defined in the Claims Procedure Order) and the publishing of required notices in the Globe and Mail, the Denver Post and the Pueblo Chieftain.

15. This Court set a "**Comeback Date**" of December 22, 2014 at which interested parties could appear before the Court to raise any issues or concerns with the Initial Order, the Claims Procedure Order or the Meetings Order; however, no such issues or concerns were raised on the Comeback Date. On the Comeback Date, this Court extended the Stay Period to and including March 1, 2015.

IV. CHAPTER 15 PROCEEDINGS

16. On December 3, 2014, the Monitor, as foreign representative of the Applicants, commenced ancillary proceedings (the "**Chapter 15 Proceedings**") in the United States by filing petitions under Chapter 15, Title 11 of the United States Bankruptcy Code (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Colorado (the "**U.S. Court**"). By the petitions, the Monitor sought an order (the "**Recognition Order**") recognizing the CCAA Proceedings as "foreign main proceedings" within the meaning of the Bankruptcy Code and giving full force and effect in the United States to the Initial Order, the Claims Procedure Order and the Meetings Order. No objections to the Recognition Order were received by the U.S. Court prior to the deadline for such objections on January 9, 2015. The U.S. Court entered the Recognition Order on January 14, 2015.

17. Notice of the initiation of the Chapter 15 Proceedings was provided by mail to all known creditors of the Applicants and counsel to the WARN Act Plaintiffs and other potential individual WARN Act Plaintiffs, to the extent that the names and addresses of such WARN Act Plaintiffs were ascertainable from the Applicants' records. Notices of the Chapter 15 Proceedings were also published in the Wall Street Journal, the Denver Post and the Pueblo Chieftain. Notice of the entry of the Recognition Order was given to all creditors and parties in interest or their counsel of record as required pursuant to the notice requirements in the Recognition Order.

18. If the Sanction Order is granted by this Court, I am informed by Paul Bishop that the Monitor, as foreign representative of the Applicants, will seek to have the Sanction Order recognized by the U.S. Court as soon as possible following the granting of the Sanction Order.

To this end, the Monitor filed a motion with the U.S. Court on January 12, 2015 for a hearing in respect of an order of the U.S. Court recognizing and enforcing the Sanction Order if such Sanction Order is granted by this Court.

V. CLAIMS PROCEDURE

19. As discussed in the First Report of the Monitor dated December 16, 2014 (the "**Monitor's First Report**") and the Monitor's Second Report, the Applicants, with the assistance of the Monitor, carried out the Claims Procedure in accordance with the terms of the Claims Procedure Order. The Applicants and the Monitor have diligently pursued all steps and requirements in connection with the Claims Procedure.

20. As detailed in the Monitor's Second Report, the Claims Procedure resulted in Claims being filed against the Applicants as follows:

(a) $92.674 million of claims in respect of the Secured Noteholders Allowed Secured Claim;

(b) $21.202 million in Affected Unsecured Claims, consisting of the Secured Noteholders Allowed Unsecured Claim of $17.5 million and other unsecured claims of $3.702 million; and

(c) $4.203 million in WARN Act Claims.

21. The Claims Procedure resulted in five Disputed Claims in respect of Affected Unsecured Claims, which remain unresolved. As further described below, none of the persons holding Disputed Claims voted in person or by proxy at the Affected Unsecured Creditors Meeting.

22. The treatment of a portion of the Secured Noteholders Allowed Claim as unsecured is supported by the results of the comprehensive sale process initiated by Moelis & Company LLC in the summer of 2014 (the "**Sale Process**") which did not result in any offers or expressions of interest for the Applicants or the Cline Business. The Sale Process is more fully described in the Initial Affidavit. The results of the Sale Process and the current state of the metallurgical coal market, which continues to be in a protracted period of oversupply, indicate that there is no realistic prospect of the Cline Group achieving a sale of the Cline Business at the present time at values that would enable the payment in full of the Secured Noteholders Allowed Claim. The Monitor has stated in the Monitor's Second Report that the obligations owed by the Applicants in respect of the Secured Notes appear to exceed the realizable value of the Cline Group at the present time.

23. As detailed in the Monitor's Second Report, there were no Director/Officer Claims submitted in the Claims Procedure.

VI. THE RECAPITALIZATION AND THE PLAN

(A) The Recapitalization

24. The Recapitalization is the product of extensive discussions between the Applicants and Marret (on behalf of the Secured Noteholders) to achieve a restructuring that is in the best interests of the Applicants and that maximizes value for the Applicants' stakeholders. If implemented, the Recapitalization would:

(a) maintain the Cline Group as a unified corporate enterprise;

(b) reduce the Applicants' secured indebtedness by in excess of $55 million;

(c) significantly reduce the Applicants' annual interest expense in the near term;

(d) resolve the WARN Act Class Action, which represents a contingent unsecured liability in excess of $4 million;

(e) preserve certain tax attributes within the restructured companies;

(f) keep the Applicants' mining rights and permits in good standing, avoiding the need to transfer, re-negotiate or re-apply for such rights and permits;

(g) provide a limited recovery for unsecured creditors that they could not expect to receive under any other bankruptcy or debt enforcement scenario; and

(h) result in an improved capital structure to enable the Cline Group to better withstand prolonged weakness in the price of metallurgical coal.

(B) <u>Amendments to the Plan</u>

25. The Recapitalization is to be achieved pursuant to the Plan. The Applicants filed the Original Plan on December 3, 2014 pursuant to the Meetings Order. The terms of the Original Plan were summarized in my Initial Affidavit at paragraphs 123 to 128 and in the Monitor's pre-filing report to the Court dated December 2, 2014.

26. On January 13, 2015, counsel to the WARN Act Plaintiffs in the class action proceedings (the "**Class Action Counsel**") submitted a class Proof of Claim on behalf of 307 WARN Act Plaintiffs in the aggregate amount of US$3.7 million. Class Action Counsel also indicated that the WARN Act Plaintiffs were not prepared to vote in favour of the Original Plan without an enhancement of the recovery for the WARN Act Plaintiffs. With the support of Marret and the

Monitor, I directed counsel to the Applicants to engage with Class Action Counsel to determine whether it would be possible to resolve the WARN Act Claim as part of the overall Recapitalization and to achieve support for the Recapitalization from the WARN Act Plaintiffs.

27. Discussions between counsel to the Applicants and Class Action Counsel, with input from Marret and the Monitor, have ultimately led to the development of a proposed resolution (the "**WARN Act Resolution**") of the WARN Act Claim as part of the Plan. Pursuant to the Plan, all WARN Act Claims will be fully and forever compromised, released and discharged in respect of the Applicants in exchange for (a) a $90,000 cash payment to be made on the Plan Implementation Date (the "**WARN Act Cash Payment**"); and (b) an unsecured, non-interest-bearing entitlement to receive $120,000 in cash on the date that is eight years from the Plan Implementation Date (the "**WARN Act Plan Entitlement**"). These payments are to be made directly to Class Action Counsel. Certain reasonable fees, costs and expenses arising from the WARN Act Class Action case will be funded out of the WARN Act Cash Payment and the WARN Act Plan Entitlement in amounts to be determined by agreement of Class Action Counsel and the representative plaintiffs in the WARN Act Class Action. Class Action Counsel will then be responsible for distributing all remaining amounts to the WARN Act Plaintiffs.

28. This resolution provides for an enhanced recovery for the WARN Act Plaintiffs Class of $210,000 (with $90,000 paid on the Plan Implementation Date), as opposed to the recovery offered in the Original Plan of $100,000 payable in eight years from the Plan Implementation Date. On January 20, 2015, the Applicants reached agreement with Class Action Counsel on the terms of the WARN Act Resolution and the amendments needed to address the resolution in the Plan.

29. Consequently, the Original Plan was amended to reflect the terms of the WARN Act Resolution and to address certain administrative matters with respect to the WARN Act Resolution, including the distribution mechanics with respect to the WARN Act Cash Payment and the requirement for Class Action Counsel to take all steps and actions required to terminate and discontinue the WARN Act Class Action.

30. The Applicants served the amended Plan on the service list on January 20, 2015. Notice to all Affected Creditors that had submitted Proofs of Claim, Notices of Dispute or voting proxies was provided by email on January 20, 2015. The amended Plan was also posted on the Monitor's website in advance of the Meetings. A copy of the Notice of Amendment (without schedules) is attached hereto as Exhibit "D".

31. The Applicants believe that the WARN Act Resolution is in the best interests of the Cline Group, as it resolves longstanding litigation in respect of the Applicants, avoids potential delay in the completion of the Recapitalization and ensures that the restructured Cline Group will have no ongoing liability with respect to the WARN Act Class Action. Additionally, the WARN Act Resolution does not impact the value of consideration to be received by Affected Unsecured Creditors under the Plan.

32. All of the amendments to the Original Plan are supported by the Monitor and Marret (on behalf of the Secured Noteholders) and are in compliance with the Plan amendment provisions set forth in the Original Plan and the Meetings Order. As discussed further below, the representative plaintiffs in the WARN Act Class Action voted in favour of the Plan, as amended, at the WARN Act Plaintiffs Meeting.

(C) The Amended Plan

33. In developing the Plan, the Applicants sought to, among other things, maximize value for their stakeholders and achieve a fair balance among their Affected Creditors, having regard to the deficiency faced by the Secured Noteholders. The purposes of the Plan include:

(a) to implement a recapitalization of the Applicants that will significantly reduce their secured indebtedness and near-term interest expense;

(b) to provide for a compromise of, and consideration for, all Allowed Affected Claims, including a limited recovery for unsecured creditors and the WARN Act Plaintiffs;

(c) to effect a release and discharge of all Affected Claims and Released Claims; and

(d) to ensure the continuation of the Applicants with a recapitalized balance sheet and a sustainable capital structure.

34. The principal terms of the Plan, as amended, are summarized as follows:

(a) the Plan is filed on a consolidated basis in respect of the Applicants;

(b) the Plan provides for three separate classes of creditors, namely the Secured Noteholders Class, the Affected Unsecured Creditors Class and the WARN Act Plaintiffs Class;

(c) the Plan apportions the aggregate Secured Noteholders' claim between the Secured Noteholders Allowed Secured Claim, which is $92,673,897 for purposes of the Plan, and the Secured Noteholders Allowed Unsecured Claim, which is

$17,500,000 for purpose of the Plan and which represents the Secured Noteholders' unsecured deficiency claim;

(d) the Secured Noteholders Allowed Secured Claim will be compromised, released and discharged in exchange for new Cline common shares representing 100% of the equity in Cline, and new indebtedness in favour of the Secured Noteholders evidenced by a credit agreement with a term of seven years in the principal amount of $55 million, bearing interest at 0.01% per annum plus an additional variable interest payable only once the Applicants have achieved certain operating revenue targets;

(e) the claims of Affected Unsecured Creditors, which exclude the WARN Act Plaintiffs but include the Secured Noteholders Allowed Unsecured Claim, will be compromised, released and discharged in exchange for each such Affected Unsecured Creditor's *pro rata* share of an unsecured, subordinated, non-interest bearing entitlement to receive $225,000 from Cline on the date that is eight years from the date the Plan is implemented (the "**Unsecured Plan Entitlement**");

(f) notwithstanding the Secured Noteholders Allowed Unsecured Claim, the Secured Noteholders will waive their entitlement to the proceeds of the Unsecured Plan Entitlement, and all such proceeds will be available for distribution to the other Affected Unsecured Creditors with valid claims who are entitled to the Unsecured Plan Entitlement, allocated on a *pro rata* basis;

(g) all Affected Unsecured Creditors with valid claims of up to $10,000 will, instead of receiving their *pro rata* share of the Unsecured Plan Entitlement, be paid in

cash for the full value of their claim, provided that this cash payment will not apply to any Secured Noteholder with respect to its Secured Noteholders Allowed Unsecured Claim;

(h) all WARN Act Claims will be compromised, released and discharged in exchange for the payment on the Plan Implementation Date of the WARN Act Cash Payment in the amount of $90,000, and an unsecured, subordinated, non-interest bearing entitlement to receive $120,000 on the date that is eight years from the Plan Implementation Date, provided that, in each case, certain reasonable fees, costs and expenses arising from the WARN Act Class Action case will be funded from such consideration once received by Class Action Counsel;

(i) certain claims against the Applicants, including Employee Priority Claims, Government Priority Claims, claims covered by insurance, certain prior-ranking secured claims of equipment providers and the secured claim of Bank of Montreal in respect of corporate credit card payables, will remain unaffected by the Plan;

(j) existing equity interests in Cline will be cancelled for no consideration; and

(k) the shares of New Elk and North Central will not be affected by the Recapitalization and will remain owned by Cline and New Elk, respectively.

35. The Applicants expect that Persons who have an economic interest in the Applicants, when considered as a whole, will derive a greater benefit from the implementation of the Plan than they would from any other restructuring, sale or debt enforcement alternatives.

36. Pursuant to the Plan, creditors of the Applicants will be either Affected Creditors, who will be affected by the terms of the Plan, or Unaffected Creditors, who will not be affected by the Plan. Unaffected Creditors will not receive any consideration or distributions under the Plan in respect of their Unaffected Claims.

37. I am advised by counsel that certain government claims, which are referred to in the Plan as Government Priority Claims, and certain employee claims, which are referred to in the Plan as Employee Priority Claims, cannot be compromised under the CCAA. Accordingly, such Claims are treated as Unaffected Claims under the Plan and will not be compromised and will be paid as required by the CCAA. The Applicants do not maintain any pension plans and accordingly there are no pension-related claims affected by the Plan.

38. If the Plan is approved by this Court, the Applicants intend to proceed expeditiously to implement the Plan and complete the Recapitalization. I am informed by Paul Bishop that the Monitor, as foreign representative of the Applicants, will also seek to obtain, as soon as possible, an order of the U.S. Court recognizing the Sanction Order and the Plan in the Chapter 15 Proceedings. Subject to the timing of an order of the U.S. Court recognizing the Sanction Order, the Applicants hope to complete the Recapitalization within approximately 30 days from the approval of the Plan by this Court.

(D) <u>Releases under the Plan</u>

39. The Plan provides for the release of certain parties (the "**Released Parties**"), including (i) the Applicants, all current and former Directors and Officers and employees and contractors of the Applicants and (ii) the Monitor, the Indenture Trustee and Marret and their respective legal counsel, the financial and legal advisors to the Applicants and other parties employed by or

associated with the parties listed in subparagraph (ii), in each case in respect of claims that constitute or relate to, *inter alia*, any Claims, any Director/Officer Claims and any claims arising from or connected to the Plan, the Recapitalization, the CCAA Proceedings, the Chapter 15 Proceedings, the business or affairs of the Applicants or certain other related matters.

40. The Plan does not release: (i) the right to enforce the Applicants' obligations under the Plan; (ii) 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 (iii) 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. Further, the Plan does not release Insured Claims, provided that any recourse in respect of such Claims is limited to proceeds, if any, of the Applicants' applicable Insurance Policies.

41. The release of Director/Officer Claims against the released Directors and Officers is integral to the Plan. The releases of the released Directors and Officers were negotiated as part of the overall framework of compromises in the Plan. The released Directors and Officers consist of parties who, in the absence of the Plan releases, could make Claims for indemnification or contribution against the Applicants. The released Directors and Officers include members of the boards of directors and senior management of the Applicants who have been involved in the Applicants' restructuring, before or during the CCAA Proceedings, including the extensive exploration of recapitalization alternatives and the development and negotiation of the Recapitalization and the Plan. As outlined in the Monitor's Second Report, there were no Director/Officer Claims submitted in the Claims Procedure.

42. In addition, the other Released Parties, including employees and contractors of the Applicants, the Monitor, the Indenture Trustee and Marret and their respective legal counsel, and financial and legal advisors to the Applicants, have contributed in a tangible and meaningful way to the Plan and, in the absence of the Plan releases, could make claims for contribution or indemnification against the Applicants. Accordingly, in my view, the release of such parties is necessary to ensure the successful overall restructuring of the Applicants.

43. The releases provided for in the Plan were contained in the Original Plan filed with the Court on December 3, 2014 and attached to the Meetings Order. The Information Statement, which summarized and described the terms of the releases, was posted on the Monitor's website and sent to all Creditors, including Marret (on behalf of the Secured Noteholders), the WARN Act Class Action Counsel (on behalf of the WARN Act Plaintiffs) and any Creditor who made a request for a copy of such Information Package. This notification process ensured that the Applicants' Creditors had knowledge of the nature and effect of the releases.

44. Overall, I believe that the releases provided for in the Plan are integral to the framework of compromises in the Plan and are fair and reasonable in the circumstances. In the absence of the releases, the Applicants would not expect to have been able to achieve the support from its stakeholders that now exists in favour of the Plan. The Applicants are not aware of any objections to the releases provided for in the Plan.

VII. MEETINGS

45. The Meetings Order authorized the Applicants to convene a meeting of the Secured Noteholders, a meeting of the Affected Unsecured Creditors and a meeting of WARN Act Plaintiffs to consider and vote on the Plan.

46. The Meetings Order approved the forms of the Information Package and required the Monitor, as soon as practicable after the granting of the Meetings Order, to post a copy of the Information Package on its website and send a copy of the Information Package to all creditors known to the Applicants. As outlined in my affidavit sworn December 15, 2014 and in the Monitor's First Report, the Applicants and the Monitor have complied with the notice, mailing and other requirements set forth in the Meetings Order. Also, interested parties were given notice of the amendments to the Original Plan, as described above.

47. The Meetings were held on January 21, 2015. I understand that the Monitor will be providing a comprehensive review of the results of the Meetings in the Monitor's Third Report. In brief, the resolution to approve the Plan was passed by the required majorities in all three classes of creditors. The Affected Creditors approved the Plan by the following majorities:

Secured Noteholders Class: 100% in number and 100% in value (consisting of 16 Secured Noteholders).

Affected Unsecured Creditors Class: 100% in number and 100% in value (consisting of 16 Secured Noteholders, 62 Convenience Creditors and 4 other Affected Unsecured Creditors).

WARN Act Plaintiffs Class: 100% in number and 100% in value (consisting of the two representative plaintiffs in the WARN Act Class Action).

48. The Claims Procedure resulted in five Disputed Claims in respect of Affected Unsecured Claims. Although persons with Disputed Claims were permitted to vote at the Meetings, none

of them voted in person or by proxy. Consequently, the results of the votes taken would not change based on the inclusion or exclusion of Disputed Claims in the voting results.

VIII. REQUEST FOR COURT APPROVAL OF THE PLAN

49. Since the curtailment of full scale mining activities at the New Elk Mine in July 2012, the Applicants have been faced with an unsustainable financial position. The prolonged downturn in the metallurgical coal market and the Applicants' inability to derive sustainable revenue from the New Elk Mine has rendered the Applicants unable to meet their financial obligations and unable to obtain additional or alternative financing.

50. In an effort to identify a sale or merger transaction as a means to generate sufficient proceeds to satisfy their obligations and to maximize value for their stakeholders, the Applicants undertook a comprehensive review of their alternatives, including the Sale Process initiated in the summer of 2014. Despite contacting a wide-variety of potential purchasers as part of the Sale Process, no expressions of interest have been obtained to date for the purchase of the Cline Business. Based on the results of the Sale Process to date and the current industry-wide challenges in the metallurgical coal market, it is apparent that the amounts owing under the Secured Notes exceed the realizable value of the Cline Business at this time.

51. With the assistance of their professional advisors, the Applicants engaged in discussions with representatives of Marret regarding a consensual recapitalization of the Applicants that would avoid a debt enforcement scenario and maintain the Cline Group as a unified corporate enterprise. Ultimately, these discussions resulted in the proposed Recapitalization that is to be implemented pursuant to the Plan.

52. The Applicants believe that the Plan offers a superior economic result for all stakeholders than could be realized through other alternatives, including a debt enforcement scenario. If the Indenture Trustee was to enforce its security in respect of the Secured Notes, the Secured Noteholders would suffer a considerable shortfall in the amounts owed to them and there would be no recovery for the Applicants' unsecured creditors or the WARN Act Plaintiffs. The Recapitalization is a preferable outcome because it preserves value within the Cline Group and provides a limited recovery for the Applicants' unsecured creditors and the WARN Act Plaintiffs, who would otherwise receive no recovery in a security enforcement scenario.

53. In the circumstances, the Applicants' boards of directors believe that the Recapitalization is in the best interests of the Applicants and their stakeholders. The Plan is supported by Marret (on behalf of the Secured Noteholders) and by all of Applicants' creditors that voted in person or by proxy at the Meetings, including the representative plaintiffs in the WARN Act Class Action.

54. Throughout the course of the CCAA Proceedings, the Applicants have acted in good faith and with due diligence. The Applicants have complied with the requirements of the CCAA and the Orders of this Court. The proposed Recapitalization is in the best interests of the Applicants and their stakeholders and is preferable to other available outcomes. The Recapitalization is broadly supported by the Applicants' stakeholders and has the unanimous support of the Secured Noteholders, represented by Marret, who hold the remaining economic interest in the Cline Business.

55. As outlined in the Monitor's Second Report, the Monitor has concluded that the Original Plan represented the best viable, going-concern alternative available to the Applicants in the

circumstances and was fair and reasonable, and I understand that the Monitor's conclusion has not changed based on the amendments to enhance the recovery for the WARN Act Plaintiffs Class.

56. Accordingly, I believe that the Plan is fair, reasonable and equitable in the circumstances.

IX. EXTENSION OF STAY PERIOD

57. The Applicants have made excellent progress towards the completion of the Recapitalization and have continued to act diligently and in good faith in respect of all matters relating to the CCAA Proceedings. The Stay Period contained in the Initial Order covered the period from the date of the Initial Order until and including December 31, 2014, and this Court granted an Order on December 22, 2014 extending the Stay Period to and including March 1, 2015.

58. Subject to Court approval, the Applicants intend to implement the Plan as expeditiously as possible. If the Plan is sanctioned by this Court at the sanction hearing, the Applicants hope to implement the Plan on or prior to March 1, 2015. However, the Applicants believe that it is prudent to request an extension of the Stay Period at this time to provide for additional time to implement the Plan in the event that any additional time becomes necessary. In particular, additional time may be necessary to obtain recognition of the Sanction Order by the U.S. Court in the Chapter 15 Proceedings or to deal with the transactions, documents and corporate steps needed to implement the Plan. Obtaining an extension of the Stay Period at this time avoids the time and expense that would need to be incurred if the Applicants were required to return to Court before March 1, 2015 to seek an extension of the Stay Period.

59. Accordingly, the Applicants are requesting an extension of the Stay Period until April 1, 2015. If the Applicants implement the Recapitalization and the Plan within the anticipated timeframe, they intend to return to court to seek an Order terminating the CCAA stay of proceedings and address other matters relating to the conclusion of these proceedings.

60. The cash flow forecast attached hereto as Exhibit "E" projects that the Applicants will have access to all necessary financial resources during the extended Stay Period.

X. CONCLUSION

61. The Applicants and their boards of directors believe that the Plan and the Recapitalization achieve the best available outcome for the Applicants and their stakeholders. The Plan will result in an improved capital structure that will enable the Cline Group to better withstand the current downturn in the metallurgical coal market and will maximize value for the Applicants and their stakeholders.

62. I understand that the Monitor and Marret (on behalf of the Secured Noteholders) are supportive of the relief sought in the Sanction Order. For the reasons set out herein, I respectfully request that this Court grant the Sanction Order.

SWORN before me at the City of Toronto, in the Province of Ontario, on January 21, 2015.

A Commissioner for taking affidavits
Name: Bradley Wiffen
LSUC # 64279L

MATTHEW GOLDFARB

THIS IS EXHIBIT "A"

TO THE AFFIDAVIT OF MATTHEW GOLDFARB

SWORN BEFORE ME ON JANUARY 21, 2015

Commissioner for taking affidavits

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

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

AMENDED AND RESTATED
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

January 20, 2015

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AMENDED AND RESTATED
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 filed a Plan of Compromise and Arrangement dated December 3, 2014 pursuant to the Meetings Order (as defined below) (the "**Original Plan**");

AND WHEREAS, following discussions with counsel for the WARN Act Plaintiffs, Marret and the Monitor, the Applicants have agreed to make certain amendments to the Original Plan to address the settlement of the WARN Act Claims;

AND WHEREAS the Applicants file this amended and restated 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 Depositary 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.

"**Class Action Counsel**" means The Gardner Firm, P.C., in its capacity as counsel to James Gerard Jr. and Michael Cox, on behalf of themselves and all others who are alleged to be similarly situated, in the WARN Act Class Action.

"**Class Action Initial Expense Reimbursement**" means an amount to be agreed by Class Action Counsel and James Gerard Jr. and Michael Cox, as representative plaintiffs in the WARN Act Class Action, in respect of: the reasonable attorneys fees, expenses and costs of the WARN Act Plaintiffs' counsel; the reasonable local attorneys fees, expenses and costs incurred by the WARN Act Plaintiffs' counsel; and class representative fees, expenses and costs in connection with the WARN Act Class Action. The Class Action Initial Expense Reimbursement is to be paid on the Plan Implementation Date and shall not exceed $90,000 (being the maximum amount of the WARN Act Cash Payment).

"**Class Action Second Expense Reimbursement**" means an amount to be agreed by Class Action Counsel and James Gerard Jr. and Michael Cox, as representative plaintiffs in the WARN Act Class Action, in respect of the reasonable attorneys fees and expenses of the WARN Act Plaintiffs' counsel. The Class Action Second Expense Reimbursement is to be paid on the WARN Act Plan Entitlement Date and shall not exceed $120,000 (being the maximum amount of the WARN Act Plan Entitlement).

"**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(l)(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 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.

"**Original Plan**" has the meaning ascribed thereto in the recitals.

"**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 this Amended and Restated 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 Cash Payment**" means the cash payment in the amount of $90,000 less the Class Action Initial Expense Reimbursement, which cash payment is to be made to the Class Action Counsel on the Plan Implementation Date for the benefit of WARN Act Plaintiffs with Allowed WARN Act Claims.

"**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 simliarly 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 Share**" means, at the relevant time, with respect to each WARN Act Plaintiff with an Allowed WARN Act Claim, the applicable share of such WARN Act Plaintiff in the distributions to be made to the WARN Act Plaintiffs with Allowed WARN Act Claims hereunder, as determined by Class Action Counsel in accordance with the parameters of the WARN Act Class Action.

"**WARN Act Plan Entitlement**" means the unsecured, non-interest-bearing entitlement of the WARN Act Plaintiffs with Allowed WARN Act Claims to receive $120,000 less the amount of the Class Action Second Expense Reimbursement in cash (collectively, and not individually) from New Elk 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;

(g) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. (Toronto time) on such Business Day;

(h) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;

(i) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time

to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation; and

(j) references to a specified "article" or "section" shall, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specified article or section of the Plan, whereas the terms "the Plan", "hereof', "herein", "hereto", "hereunder" and similar expressions shall be deemed to refer generally to the Plan and not to any particular "article", "section" or other portion of the Plan and include any documents supplemental hereto.

1.3 Successors and Assigns

The Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person or party directly or directly named or referred to in or subject to Plan.

1.4 Governing Law

The Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of the Plan and all proceedings taken in connection with the Plan and its provisions shall be subject to the jurisdiction of the Court, provided that the Chapter 15 Proceeding shall be subject to the jurisdiction of the U.S. Court.

1.5 Schedules

The following are the Schedules to the Plan, which are incorporated by reference into the Plan and form a part of it:

Schedule "A"	New Secured Debt – Summary of Terms
Schedule "B"	Alternate Plan – Summary of Terms

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

If the Required Majorities of the WARN Act Plaintiffs Class vote to approve the Plan at the WARN Act Plaintiffs Meeting and the Plan is implemented in accordance with its terms, then:

(a) the Proof of Claim dated January 13, 2015 filed by Class Action Counsel in respect of the WARN Act Claims shall be deemed to be Allowed as an aggregate Distribution Claim in the amount set forth on such Proof of Claim, provided that the WARN Act Claims (including the associated attorneys' fees included therein) shall be deemed to be unsecured and to have no security or priority status, and the 307 individuals identified in such Proof of Claim shall be deemed to be WARN Act Plaintiffs with Allowed WARN Act Claims in amounts to be determined by Class Action Counsel in accordance with the parameters of the WARN Act Class Action, with all such amounts totalling the aggregate amount set forth on such Proof of Claim;

(b) 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:

(i) each WARN Act Plaintiff with an Allowed WARN Act Claim shall become entitled on the Plan Implementation Date to the following:

(A) its Individual WARN Act Plan Entitlement (which, for greater certainty, shall not be payable until the WARN Act Plan Entitlement Date); and

(B) its WARN Act Plaintiff's Share of the WARN Act Cash Payment (which for greater certainty shall be payable to Class Action Counsel, for the benefit of the WARN Act Plaintiffs, on the Plan Implementation Date); and

(ii) New Elk shall pay the Class Action Initial Expense Reimbursement to Class Action Counsel on the Plan Implementation Date.

All WARN Act Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date, provided that neither the foregoing nor the provisions of Article 7 hereof releases any defendants presently named in the WARN Act Class Action other that the Applicants. Forthwith following the Plan Implementation Date, Class Action Counsel shall irrevocably terminate and discontinue the WARN Act Class Action against the Applicants and no Person shall take any steps or actions against the Applicants in furtherance of a WARN Act Claim. Forthwith following the Plan Implementation Date, the Applicants shall provide Class Action Counsel with addresses and social security numbers of the individual WARN Act Plaintiffs to the extent that such information is available based on the Applicants' books and records for the purpose of enabling Class Action Counsel to make distributions to such individuals.

(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 Plain 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 and the WARN Act Cash Payment

(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, Class Action Counsel or any other Person.

(b) On the WARN Act Plan Entitlement Date, New Elk shall pay an amount equal to the WARN Act Plan Entitlement to Class Action Counsel for the benefit of the WARN Act Plaintiffs with Allowed WARN Act Claims. Class Action Counsel shall distribute such amounts among the applicable WARN Act Plaintiffs. New Elk shall also pay the Class Action Second Expense Reimbursement to Class Action Counsel on the WARN Act Plan Entitlement Date. The WARN Act Plan Entitlement payment and the Class Action Second Expense Reimbursement shall be paid to Class Action Counsel in a single check or wire transfer of $120,000.

(c) On the Plan Implementation Date, New Elk shall pay an amount equal to the WARN Act Cash Payment to Class Action Counsel for the benefit of WARN Act Plaintiffs with Allowed WARN Act Claims. Class Action Counsel shall distribute all such amounts among the applicable WARN Act Plaintiffs with Allowed WARN Act Claims. New Elk shall also pay the Class Action Initial Expense Reimbursement to Class Action Counsel on the Plan Implementation Date. The WARN Act Cash Payment and the Class Action Initial Expense Reimbursement shall be paid to Class Action Counsel in a single check or wire transfer of $90,000.

(d) The Applicants and the Monitor shall have no responsibility or liability whatsoever for determining the allocation of the WARN Act Plan Entitlement or the WARN Act Cash Payment among the WARN Act Plaintiffs or for ensuring payments from Class Action Counsel to the WARN Act Plaintiffs.

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, and any distribution under the Plan to the WARN Act Plaintiffs shall be deemed made when delivered to Class Action Counsel. With respect to distributions to be made by Class Action Counsel to WARN Act Plaintiffs with Allowed WARN Act Claims: (i) Class Action Counsel shall not be responsible or liable for any undeliverable distributions to WARN Act Plaintiffs who cannot be located based on deficiencies in the address information to be provided by the Applicants pursuant to section 3.4(3) hereof; and (ii) if any

distributions to the WARN Act Plaintiffs are returned as undeliverable or the applicable WARN Act Plaintiff cannot reasonably be located, and no claim has been made for such distribution by such WARN Act Plaintiff within six months following the WARN Act Plan Entitlement Date, then Class Action Counsel shall be permitted to donate such amounts to a cy-près recipient in accordance with customary class action practice in the United States.

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 posssession 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 and WARN Act Cash Payment

On the Plan Implementation Date, in the sequence set forth in section 5.3 and under the supervision of the Monitor: (i) 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; and (ii) New Elk shall make the WARN Act Cash Payment to Class Action Counsel for the benefit of WARN Act Plaintiffs with Allowed WARN Act Claims.

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), in accordance with sections 3.4(3) and 5.2(5), and in full consideration for the irrevocable, final and full compromise and satisfaction of such WARN Act Claim: (i) each WARN Act Plaintiff with an Allowed WARN Act Claim shall become entitled to its Individual WARN Act Plan Entitlement and (ii) New Elk shall pay the WARN Act Cash Payment to Class Action Counsel for the benefit of the WARN Act Plaintiffs with Allowed WARN Act Claims, and simultaneously therewith, New Elk shall pay the Class Action Initial Expense Reimbursement;

(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) 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.

(d) 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.

(e) 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.

(f) Prior to any Distribution Date and under the supervision of the Monitor, Cline shall re-calculate the Individual Unsecured Plan Entitlements of the Affected Unsecured Creditors (other than Convenience Creditors and Secured Noteholders), 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. If this occurs after the Unsecured 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.

(g) 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 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.

7.4 Applicants' Release of Class Action Counsel

On the Plan Implementation Date, any and all claims of the Applicants against Class Action Counsel, Lankenau & Miller LLP and/or Himelfarb Proszanski and any other counsel of record for the WARN Act Plaintiffs in the WARN Act Class Action, in their capacity as counsel to the WARN Act Plaintiffs, shall be released, discharged, cancelled and barred automatically and without any further act or formality, provided that nothing herein shall waive, discharge, release, cancel or bar the obligations of Class Action Counsel to make any distributions to WARN Act Plaintiffs with Allowed WARN Act Claims that they are required to make pursuant to the Plan.

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 20th day of January, 2015.

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 intrest 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.

THIS IS EXHIBIT "B"

TO THE AFFIDAVIT OF MATTHEW GOLDFARB

SWORN BEFORE ME ON JANUARY 21, 2015

Commissioner for taking affidavits

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

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

AMENDED AND RESTATED
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**~~

January 20, 2015

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AMENDED AND RESTATED
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 filed a Plan of Compromise and Arrangement dated December 3, 2014 pursuant to the Meetings Order (as defined below) (the "**Original Plan**");

AND WHEREAS, following discussions with counsel for the WARN Act Plaintiffs, Marret and the Monitor, the Applicants have agreed to make certain amendments to the Original Plan to address the settlement of the WARN Act Claims;

AND WHEREAS the Applicants file this amended and restated 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 Depositary 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.

"**Class Action Counsel**" means The Gardner Firm, P.C., in its capacity as counsel to James Gerard Jr. and Michael Cox, on behalf of themselves and all others who are alleged to be similarly situated, in the WARN Act Class Action.

"**Class Action Initial Expense Reimbursement**" means an amount to be agreed by Class Action Counsel and James Gerard Jr. and Michael Cox, as representative plaintiffs in the WARN Act Class Action, in respect of: the reasonable attorneys fees, expenses and costs of the WARN Act Plaintiffs' counsel; the reasonable local attorneys fees, expenses and costs incurred by the WARN Act Plaintiffs' counsel; and class representative fees, expenses and costs in connection with the WARN Act Class Action. The Class Action Initial Expense Reimbursement is to be paid on the Plan Implementation Date and shall not exceed $90,000 (being the maximum amount of the WARN Act Cash Payment).

"**Class Action Second Expense Reimbursement**" means an amount to be agreed by Class Action Counsel and James Gerard Jr. and Michael Cox, as representative plaintiffs in the WARN Act Class Action, in respect of the reasonable attorneys fees and expenses of the WARN Act Plaintiffs' counsel. The Class Action Second Expense Reimbursement is to be paid on the WARN Act Plan Entitlement Date and shall not exceed $120,000 (being the maximum amount of the WARN Act Plan Entitlement).

"**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(l)(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.

"**Original Plan**" has the meaning ascribed thereto in the recitals.

"**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~~this Amended and Restated 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 Cash Payment**" means the cash payment in the amount of $90,000 less the Class Action Initial Expense Reimbursement, which cash payment is to be made to the Class Action

Counsel on the Plan Implementation Date for the benefit of WARN Act Plaintiffs with Allowed WARN Act Claims.

"**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 simliarly 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~~ with an Allowed WARN Act Claim, the applicable share of such WARN Act Plaintiff ~~divided by (y) the total amount of all~~in the distributions to be made to the WARN Act Plaintiffs with Allowed WARN Act Claims ~~and Disputed Distribution Claims of WARN Act Plaintiffs~~hereunder, as determined by Class Action Counsel in accordance with the parameters of the WARN Act Class Action.

"**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~~120,000 less the amount of the Class Action Second Expense Reimbursement in cash (collectively, and not individually) from ~~Cline~~New Elk 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;

(g) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. (Toronto time) on such Business Day;

(h) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;

(i) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation; and

(j) references to a specified "article" or "section" shall, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specified article or section of the Plan, whereas the terms "the Plan", "hereof', "herein", "hereto", "hereunder" and similar expressions shall be deemed to refer generally to the Plan and not to any particular "article", "section" or other portion of the Plan and include any documents supplemental hereto.

1.3 Successors and Assigns

The Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person or party directly or directly named or referred to in or subject to Plan.

1.4 Governing Law

The Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of the Plan and all proceedings taken in connection with the Plan and its provisions shall be subject to the jurisdiction of the Court, provided that the Chapter 15 Proceeding shall be subject to the jurisdiction of the U.S. Court.

1.5 Schedules

The following are the Schedules to the Plan, which are incorporated by reference into the Plan and form a part of it:

Schedule "A"	New Secured Debt – Summary of Terms
Schedule "B"	Alternate Plan – Summary of Terms

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

If the Required Majorities of the WARN Act Plaintiffs Class vote to approve the Plan at the WARN Act Plaintiffs Meeting and the Plan is implemented in accordance with its terms, then:

(a) the Proof of Claim dated January 13, 2015 filed by Class Action Counsel in respect of the WARN Act Claims shall be deemed to be Allowed as an aggregate Distribution Claim in the amount set forth on such Proof of Claim, provided that the WARN Act Claims (including the associated attorneys' fees included therein) shall be deemed to be unsecured and to have no security or priority status, and the 307 individuals identified in such Proof of Claim shall be deemed to be WARN Act Plaintiffs with Allowed WARN Act Claims in amounts to be determined by Class Action Counsel in accordance with the parameters of the WARN Act Class Action, with all such amounts totalling the aggregate amount set forth on such Proof of Claim;

(b) ~~In~~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.~~:

(i) each WARN Act Plaintiff with an Allowed WARN Act Claim shall become entitled on the Plan Implementation Date to the following:

(A) its Individual WARN Act Plan Entitlement (which, for greater certainty, shall not be payable until the WARN Act Plan Entitlement Date); and

(B) its WARN Act Plaintiff's Share of the WARN Act Cash Payment (which for greater certainty shall be payable to Class Action Counsel, for the benefit of the WARN Act Plaintiffs, on the Plan Implementation Date); and

(ii) New Elk shall pay the Class Action Initial Expense Reimbursement to Class Action Counsel on the Plan Implementation Date.

All WARN Act Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date, provided that neither the foregoing nor the provisions of Article 7 hereof releases any defendants presently named in the WARN Act Class Action other that the Applicants. Forthwith following the Plan Implementation Date, Class Action Counsel shall irrevocably terminate and discontinue the WARN Act Class Action against the Applicants and no Person shall take any steps or actions against the Applicants in furtherance of a WARN Act Claim. Forthwith following the Plan Implementation Date, the Applicants shall provide Class Action Counsel with addresses and social security numbers of the individual WARN Act Plaintiffs to the extent that such information is available based on the Applicants' books and records for the purpose of enabling Class Action Counsel to make distributions to such individuals.

(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 Plain 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 and the WARN Act Cash Payment

(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, Class Action Counsel 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.~~

(b) ~~(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.~~New Elk shall pay an amount equal to the WARN Act Plan Entitlement to Class Action Counsel for the benefit of the WARN Act Plaintiffs with Allowed WARN Act Claims. Class Action Counsel shall distribute such amounts among the applicable WARN Act Plaintiffs. New Elk shall also pay the Class Action Second Expense Reimbursement to Class Action Counsel on the WARN Act Plan Entitlement Date. The WARN Act Plan Entitlement payment and the Class Action Second Expense Reimbursement shall be paid to Class Action Counsel in a single check or wire transfer of $120,000.

(c) On the Plan Implementation Date, New Elk shall pay an amount equal to the WARN Act Cash Payment to Class Action Counsel for the benefit of WARN Act Plaintiffs with Allowed WARN Act Claims. Class Action Counsel shall distribute all such amounts among the applicable WARN Act Plaintiffs with Allowed WARN Act Claims. New Elk shall also pay the Class Action Initial Expense Reimbursement to Class Action Counsel on the Plan Implementation Date. The WARN Act Cash Payment and the Class Action Initial Expense Reimbursement shall be paid to Class Action Counsel in a single check or wire transfer of $90,000.

(d) The Applicants and the Monitor shall have no responsibility or liability whatsoever for determining the allocation of the WARN Act Plan Entitlement or the WARN Act Cash Payment among the WARN Act Plaintiffs or for ensuring payments from Class Action Counsel to the WARN Act Plaintiffs.

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, and any distribution under the Plan to the WARN Act Plaintiffs shall be deemed made when delivered to Class Action Counsel. With respect to distributions to be made by Class Action Counsel to WARN Act Plaintiffs with Allowed WARN Act Claims: (i) Class Action Counsel shall not be responsible or liable for any undeliverable distributions to WARN Act Plaintiffs who cannot be located based on deficiencies in the address information to be provided by the Applicants pursuant to section 3.4(3) hereof; and (ii) if any distributions to the WARN Act Plaintiffs are returned as undeliverable or the applicable WARN Act Plaintiff cannot reasonably be located, and no claim has been made for such distribution by such WARN Act Plaintiff within six months following the WARN Act Plan Entitlement Date, then Class Action Counsel shall be permitted to donate such amounts to a cy-près recipient in accordance with customary class action practice in the United States.

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 posssession 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 and WARN Act Cash Payment

On the Plan Implementation Date, in the sequence set forth in section 5.3 and under the supervision of the Monitor~~,~~: (i) 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; and (ii) New Elk shall make the WARN Act Cash Payment to Class Action Counsel for the benefit of WARN Act Plaintiffs with Allowed WARN Act Claims.

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), and in full consideration for the irrevocable, final and full compromise and satisfaction of such WARN Act Claim: (i) 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~~and (ii) New Elk shall pay the WARN Act Cash Payment to Class Action Counsel for the benefit of the WARN Act Plaintiffs with Allowed WARN Act Claims, and simultaneously therewith, New Elk shall pay the Class Action Initial Expense Reimbursement;

(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.~~

(c) ~~(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.

(d) ~~(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.~~

(e) ~~(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.

(f) ~~(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~~.

(g) ~~(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.

7.4 Applicants' Release of Class Action Counsel

On the Plan Implementation Date, any and all claims of the Applicants against Class Action Counsel, Lankenau & Miller LLP and/or Himelfarb Proszanski and any other counsel of record for the WARN Act Plaintiffs in the WARN Act Class Action, in their capacity as counsel to

the WARN Act Plaintiffs, shall be released, discharged, cancelled and barred automatically and without any further act or formality, provided that nothing herein shall waive, discharge, release, cancel or bar the obligations of Class Action Counsel to make any distributions to WARN Act Plaintiffs with Allowed WARN Act Claims that they are required to make pursuant to the Plan.

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~~20th day of ~~December, 2014.~~January, 2015.

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 intrest 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.

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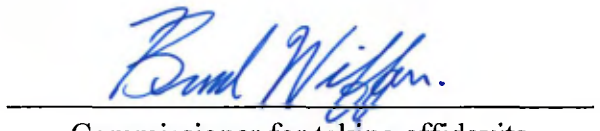
6414355

THIS IS EXHIBIT "C"

TO THE AFFIDAVIT OF MATTHEW GOLDFARB

SWORN BEFORE ME ON JANUARY 21, 2015



Commissioner for taking affidavits

Court File No. _____

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

Applicants

AFFIDAVIT OF MATTHEW GOLDFARB
(sworn December 2, 2014)

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Applicants

AFFIDAVIT OF MATTHEW GOLDFARB
(sworn December 2, 2014)

I, Matthew Goldfarb, in the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

I. INTRODUCTION

1. I am the Chief Restructuring Officer and acting Chief Executive Officer of Cline Mining Corporation ("**Cline**"). I was appointed to serve in such capacities as of December 11, 2013 and January 15, 2014, respectively. My responsibilities include, among other things, managing the business and affairs of Cline and its subsidiaries and evaluating and implementing strategic alternatives, including negotiating with various creditors and stakeholders. As such, I have personal knowledge of the matters to which I depose in this affidavit. Where I do not possess personal knowledge, I have stated the source of my information and, in all such cases, believe it to be true.

2. This affidavit is sworn in support of an application for an Order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the

"**CCAA**") in respect of Cline, New Elk Coal Company LLC ("**New Elk**") and North Central Energy Company ("**North Central**" and, together with Cline and New Elk, the "**Applicants**").

3. This Affidavit is also sworn in support of a motion by the Applicants for:

(a) an order establishing a process for the identification and determination of claims against the Applicants and their present and former directors and officers (the "**Claims Procedure Order**"); and

(b) an order authorizing the Applicants to file a plan of compromise and arrangement and to convene meetings of their affected creditors to consider and vote on the plan of compromise and arrangement (the "**Meetings Order**").

4. If this Court grants the Initial Order, the Applicants request that this Court hear the motion for the Claims Procedure Order and the Meetings Order immediately following the granting of the Initial Order.

5. The Applicants, along with Raton Basin Analytical LLC ("**Raton Basin**" and, together with the Applicants, the "**Cline Group**"), are in the business of locating, exploring and developing mineral resource properties, with a particular focus on gold and metallurgical coal (the "**Cline Business**").

6. The Cline Group is headquartered in Toronto, Ontario. Cline is incorporated under the laws of British Columbia and its shares were publicly listed on the Toronto Stock Exchange (the "**TSX**") until Cline voluntarily delisted the shares on June 21, 2013. The Cline Group has interests in resource properties in Canada, the United States and Madagascar. Most of the Cline

Group's properties remain in the development stage; however, the New Elk metallurgical coal mine in Colorado (the "**New Elk Mine**") became operational in December 2010.

7. As described in detail below, the Cline Group has experienced financial challenges that have necessitated a recapitalization of the Applicants under the CCAA. The New Elk Mine became operational at the beginning of a protracted downturn in the global metallurgical coal markets and has been unable to operate profitably due to continuing adverse market conditions that have negatively affected the entire industry. In July 2012, the Cline Group largely suspended mining operations at the New Elk Mine to reduce costs and minimize losses. This suspension of mining operations was intended to be temporary. However, the price of metallurgical coal, which is heavily influenced by the demand for and production of steel, has worsened materially, and global overcapacity has made it difficult to reduce existing inventories. Accordingly, the New Elk Mine remains on a care and maintenance program at this time.

8. Since the Cline Group's other resource investments remain at the development stage, the Cline Group's current inability to derive revenue from the New Elk Mine has rendered the Applicants unable to meet their financial obligations as they become due. Cline is in default of its 2011 series 10% senior secured notes (the "**2011 Notes**") as well as its 2013 series 10% senior secured notes (the "**2013 Notes**", and collectively with the 2011 Notes, the "**Secured Notes**"). Total obligations of $110,173,897 are owed in respect of the Secured Notes as of December 1, 2014. The Secured Notes matured on June 15, 2014 and remain unpaid. The Applicants do not have the ability to repay the Secured Notes.

9. The Secured Notes are issued by Cline and guaranteed by New Elk and North Central. The indenture trustee in respect of the Secured Notes, Computershare Trust Company of Canada

("**Computershare**" or the "**Trustee**"), holds a first-ranking security interest over substantially all of the assets, property and undertakings of Cline, New Elk and North Central and is now in a position to enforce that security.

10. In an effort to maximize value for their stakeholders, the Applicants undertook a comprehensive sale process in respect of the Cline Group in the spring and summer of 2014 (the "**Sale Process**"), as more fully explained in section III(C) of this affidavit. Based on the results of the Sale Process and the current industry-wide challenges in the metallurgical coal markets, it is apparent that the amounts owing under the Secured Notes exceed the realizable value of the Cline Business at the present time, meaning there would be no recovery for unsecured creditors if the Trustee were to enforce its security in respect of the Secured Notes. Consequently, the beneficial holders of the Secured Notes (the "**Secured Noteholders**") are the only parties with a remaining economic interest in the Cline Business and the assets of the Applicants.

11. All of the Secured Notes are held by beneficial owners whose investments are managed by Marret Asset Management Inc. ("**Marret**"). I am advised by Marret and do verily believe that Marret has the ability to exercise all powers and rights of the Secured Noteholders.

12. With the assistance of its professional advisors, Cline has engaged in discussions with representatives of Marret regarding a consensual recapitalization of the Applicants. These discussions have ultimately resulted in a proposed recapitalization transaction that is supported by Marret (on behalf of all of the Secured Noteholders) (the "**Recapitalization**"). If implemented, the Recapitalization would:

(a) maintain the Cline Group as a unified corporate enterprise;

(b) reduce the Applicants' secured indebtedness by in excess of $55 million;

(c) reduce the Applicants' annual interest expense in the near term;

(d) preserve certain tax attributes within the restructured companies;

(e) provide a limited recovery for unsecured creditors that they could not expect to receive under any other bankruptcy or debt enforcement scenario; and

(f) effectuate a reduced debt structure to enable the Cline Group to better withstand prolonged weakness in the price of metallurgical coal.

13. It is contemplated that the Recapitalization would be implemented pursuant to a plan of compromise and arrangement under the CCAA (the "**Plan**") that is recognized in the United States under Chapter 15, Title 11 of the United States Code.

14. Cline and Marret (on behalf of the Secured Noteholders) have entered into a Support Agreement dated December 2, 2014, which sets forth the principal terms of the proposed Recapitalization. Based on Marret's agreement to the Recapitalization (on behalf of the Secured Noteholders), the Applicants have achieved support from the creditors with a remaining economic interest in the Applicants, representing in excess of 95% of the total indebtedness of the Applicants.

15. The Applicants believe that the Recapitalization is the optimal value-maximizing transaction in the circumstances, and that it is preferable for the Applicants and their stakeholders to proceed with the Recapitalization on a consensual basis rather than for the Applicants to become subject to an involuntary debt and security enforcement process, which would destroy value for the Secured Noteholders and leave nothing for the Applicants' unsecured creditors.

16. The Applicants are seeking the Initial Order, the Claims Procedure Order and the Meetings Order at this time in order to stabilize their financial situation and to proceed with the Recapitalization as efficiently and expeditiously as possible.

17. Having reviewed and considered the alternatives, the Applicants and their boards of directors have determined that it is in the best interests of the Applicants to seek protection under the CCAA and to move forward with the Recapitalization in order to provide the Cline Group with a stable financial footing that will enable the Applicants to withstand the current market challenges.

II. BACKGROUND REGARDING THE CLINE GROUP

(A) Corporate Structure

18. The Cline Group is in the business of locating, exploring and developing mineral resource properties. The principal resources of interest to the Cline Group are gold, metallurgical coal and iron ore. The Cline Group's properties include mineral rights and developments in Canada, the United States and Madagascar.

19. A copy of the corporate organizational chart of the Cline Group is attached hereto as Exhibit "A".

(i) Cline Mining Corporation

20. Cline is a public company incorporated under the laws of British Columbia, with its registered head office located in Vancouver, British Columbia. Cline commenced business under the laws of Ontario in 2003 and its principal business office, which serves as the head office and nerve centre of the Cline Group, is located in Toronto, Ontario.

21. Prior to June 21, 2013, Cline's shares were publicly-listed on the TSX. After having been placed on remedial listing review by the TSX, Cline made a voluntary application for de-listing that was accepted by the TSX, and its shares were de-listed from the TSX at the close of trading on June 21, 2013.

22. Since Cline's shares were traded publicly, I am not aware of the identities of the beneficial owners of Cline's shares. I have been advised by Marret and do verily believe that Marret does not hold any equity interest in Cline at this time.

23. The current directors of Cline are Sandra Rosch, V. James Sardo and me, Matthew Goldfarb.

24. Cline owns an interest in a gold exploration property located near Wawa, Ontario (the "**Cline Lake Gold Project**"). In addition to this direct, wholly-owned interest, Cline owns minority interests in (i) Iron Ore Corporation of Madagascar SARL ("**IOCM**") (25%), (ii) Strike Minerals Inc. (12.5%[1]) and (iii) UMC Energy plc ("**UMC**") (5.02%), which is an energy resource exploration company listed on the London Stock Exchange AIM market with interests in oil and uranium. Cline also owns all of the shares of New Elk, its direct, wholly-owned subsidiary.

25. The Cline Lake Gold Project is presently in the exploration stage.

26. Until recently, Cline was also engaged in the exploration of coal mining properties in British Columbia, where it held two coal licenses and had submitted two additional applications for coal licenses issued by the Province of British Columbia. However, those licenses were

[1] The amount of this equity interest is subject to a dispute and is alleged by other parties to be less than 12.5%.

revoked and the applications were cancelled by the Province after the Province passed legislation limiting mining activities in the watershed area in which the related projects were situated. Cline subsequently filed a civil claim against the Province seeking a declaration that Cline's rights in respect of the coal mining licenses and applications had been expropriated. In April 2014, Cline and the Province entered into a settlement agreement pursuant to which Cline agreed to abandon the coal mining licenses and applications in return for a $9.8 million payment by the Province. Cline has used the settlement proceeds to fund the operations of the Cline Business during the summer and fall of 2014 and anticipates that it will be able to continue using the remaining settlement proceeds to fund its ongoing costs during these CCAA proceedings, subject to the approval of cash flow budgets by Marret. The Applicants' projected cash flows are discussed below in section IV(C) of this affidavit.

(ii) Cline Subsidiaries

27. Cline is the direct or indirect parent company of New Elk, North Central, and Raton Basin.

28. New Elk is a limited liability company incorporated pursuant to the laws of the State of Colorado. Cline is the sole shareholder of New Elk. New Elk holds mining rights in the New Elk Mine, located in southern Colorado. The lands on which the New Elk Mine is situated are owned and controlled by a number of parties, including New Elk, North Central and the State of Colorado. The rights to mine the coal at the New Elk Mine are held by New Elk pursuant to a coal mining lease with the State of Colorado (the "**DOW Lease**") and an underground coal lease with XTO Energy Inc. (the "**XTO Lease**"). New Elk is a guarantor of Cline's obligations in respect of the Secured Notes.

29. North Central is a corporation incorporated pursuant to the laws of the State of Colorado. Cline acquired 100% of the capital stock of North Central on July 12, 2010 and subsequently assigned its entire ownership interest in North Central to New Elk. New Elk is the sole shareholder of North Central. North Central holds a fee simple interest in certain coal parcels on which the New Elk Mine is situated. North Central is a guarantor of Cline's obligations in respect of the Secured Notes.

30. Raton Basin is a corporation incorporated pursuant to the laws of the State of Colorado. New Elk is the sole shareholder of Raton Basin. Raton Basin is inactive and has no material assets or liabilities.

31. New Elk and North Central are Applicants in these proceedings. Raton Basin is not an applicant in these proceedings.

(B) Overview of the Cline Business

(i) The Cline Business and its Principal Markets

32. The Cline Business is focused on locating, exploring and developing mineral resource properties, primarily with respect to gold, metallurgical coal and iron ore. The Cline Group also has an interest in oil and uranium exploration through its small minority interest in UMC.

Gold Exploration

33. Cline is engaged in gold exploration at its Cline Lake Gold Project in Wawa, Ontario.

34. The land on which the Cline Lake Gold Project is situated is leased from the Government of Ontario pursuant to a lease originally issued in 1996 and extended to August 31, 2017. The

gold mine on the property dates to the early 1930s and Cline acquired its interest in 2008. Cline has completed an extensive drilling program on the property and has identified seven significant new gold zones and the potential for future exploration work.

35. The next step for the Cline Lake Gold Project is the more advanced, underground evaluation of certain reserves, including the new gold zones identified through recent drilling. The cost of this development phase is estimated at $12.5 million and is thus dependant on a successful restructuring of the Applicants and the generation of additional working capital for the Cline Group.

Coal Production

36. The primary revenue-capable asset of the Cline Business is the New Elk Mine. The New Elk Mine was acquired by Cline on July 25, 2008. The coal mine originally opened in 1951 and was operated by a number of other owners until 1989, after which time it lay dormant until its acquisition by New Elk. The New Elk Mine is located near the town of Trinidad in southern Colorado and consists of a metallurgical coal reserve, underground mine developments, a surface coal preparation plant, mining equipment and related infrastructure. The New Elk Mine has the necessary permits to mine and produce coal and to transport the coal to a nearby rail-loading facility, as well as all required environmental permits.

37. Under New Elk ownership, miners first went underground at the New Elk Mine in April 2010. Over the next year, additional coal seams were discovered and testing of various coal deposits was undertaken. In August 2011, the first commercial delivery of coal from the New Elk Mine was made.

38. Unfortunately, as coal production at the New Elk Mine was commencing, the global market for metallurgical coal entered a protracted downturn. Metallurgical coal markets are influenced by the level of crude steel production, which in turn is largely dependent on global economic conditions. Recessionary forces in the global economy reduced global demand for metallurgical coal and resulted in a precipitous decline of nearly 65% in its price, from US$330 per metric tonne in April 2011 to US$119 in November 2014.

39. In response to these developments, mining operations at the New Elk Mine were largely suspended on July 11, 2012 in an effort to reduce costs and minimize losses during the depressed market. This suspension of mining operations was meant to be temporary, and the Cline Group intended to resume operations once existing inventories had been depleted, metallurgical coal prices had recovered and sustainable off-take arrangements had been put in place. However, it has not been possible to put economically-feasible off-take arrangements in place given that metallurgical coal prices have worsened significantly and there is significant global overcapacity. In light of these challenges, operations at the New Elk Mine remain substantially curtailed.

Iron Ore Interests

40. Cline holds a 25% interest in IOCM, a corporation incorporated pursuant to the laws of Madagascar. IOCM holds four greenfield exploration permits and one advanced stage permitted exploration project in the Bekisopa iron ore properties in south-central Madagascar (the "**Bekisopa Iron Ore Project**"). Extensive geophysical airborne and ground surveys have revealed known and expected deposits of iron ore at the Bekisopa Iron Ore Project. Iron ore is principally used in the steelmaking process and thus demand for iron ore is generally influenced by the same factors that influence demand for metallurgical coal.

41. Until recently, IOCM was a wholly-owned subsidiary of Cline. On June 19, 2014, Cline sold 75% of its equity interest in IOCM to India Pacific Resources Limited ("**India Pacific**"). India Pacific has assumed management control of IOCM and is responsible for funding all expenditures of IOCM until such time as India Pacific has made the final purchase price payment to Cline in the amount of US$175,000 and is prepared to move into the project's development phase.

(ii) Employees

42. The workforces of the Applicants are presently reduced as a result of the temporary production halt at the New Elk Mine and the Cline Group's financial inability to continue developing its other projects. At present, the Cline Group directly employs 19 people. The officers of the Cline Group are engaged as independent consultants. The Cline Group is heavily dependent on a relatively small number of key personnel. The Cline Group engages other contractors and consultants from time to time to work on specific projects and for administrative, accounting, legal and other services as required. None of the Cline Group's personnel are unionized.

(iii) Centre of Main Interests

43. The Applicants in these proceedings are Cline, New Elk and North Central.

44. Cline is incorporated pursuant to the laws of, and has its registered head office in, British Columbia. Cline commenced business in Ontario over a decade ago and its principal business office, which serves as the head office of the Cline Group, is located in Toronto, Ontario (the "**Toronto Head Office**").

45. New Elk is incorporated as a limited liability corporation under the laws of the State of Colorado and is a wholly-owned subsidiary of Cline. North Central is a Colorado corporation and is a wholly-owned subsidiary of New Elk. Both New Elk and North Central are integrated members of the Cline Group.

46. The Cline Group is managed from the Toronto Head Office as a seamless group from a corporate, strategic and management perspective.

47. The centre of main interests of the Cline Group, including all of the Applicants in this proceeding, is in Ontario, Canada, as evidenced by the following:

(a) the corporate head office and the nerve centre of the Cline Group is located in Toronto, Ontario;

(b) Cline, the parent of the Cline Group and the principal borrower/obligor under the Secured Notes, is a Canadian entity;

(c) New Elk and North Central rely nearly exclusively on Cline, their Canadian parent, to finance their operations and are liable as guarantors for Cline's obligations in respect of the Secured Notes;

(d) until June 2013, the shares of Cline were publicly-listed on the Toronto Stock Exchange, and the most recent annual general meeting of Cline was held in Toronto, Ontario;

(e) corporate-level decision making for the Cline Group, including decisions with respect to New Elk, North Central and the New Elk Mine, are undertaken by the executive management of Cline;

(f) the majority of the executive management of the Cline Group, including the management of New Elk and North Central, is shared;

(g) I serve on the boards of directors of all three of the Applicants, and the Chief Financial Officer of Cline, Paul Haber, also serves on the board of directors of North Central;

(h) the Cline Group's major contracts, including those of New Elk and North Central, were approved at the corporate level by the executive management of Cline;

(i) a substantial portion of the administrative functions in respect of the Cline Group, including information technology, general accounting, financial reporting, budgeting, and human resource functions related to the Applicants, are carried out at the Toronto Head Office;

(j) the Secured Notes are the principal source of financing for the Cline Group – representing in excess of 95% of the Cline Group's liabilities – and all of the Secured Notes are held by beneficial owners whose investments are managed by Marret, which is based in Toronto, Ontario;

(k) I am advised by representatives of Marret and verily believe that approximately 97% of the Secured Notes are beneficially held by Secured Noteholders that are domiciled in Canada;

(l) the Trustee of the Secured Notes, Computershare, is located in Toronto, Ontario;

(m) the 2011 Indenture and the 2013 Indenture (each as hereinafter defined) are governed by the laws of the Province of Ontario;

(n) New Elk is treated as a branch of Cline (and not as a separate taxable corporation) for U.S. federal income tax purposes;

(o) Cline operates a centralized cash management system from the Toronto Head Office (details of which are outlined in section II(C)(iii) of this affidavit), pursuant to which Cline, as parent company, approves the expenditures of all members of the Cline Group, advances funds for all such expenditures, controls and monitors the consolidated cash balance of the Cline Group and provides reporting on the Cline Group's cash balances to the board of directors of Cline;

(p) the Applicants all have Canadian bank accounts with the Bank of Montreal located in Toronto, Ontario;

(q) Cline prepares consolidated financial statements that incorporate the financial results and position of the entire Cline Group, including New Elk and North Central; and

(r) the consolidated financial statements are specified in the 2011 Indenture and the 2013 Indenture as the relevant financial information for determining Cline's compliance with certain financial covenants relating to the Secured Notes.

48. Based on the factors listed above and my knowledge as Acting Chief Executive Officer and Chief Restructuring Officer of Cline, I believe that the Cline Group operates as an integrated enterprise centered out of Toronto, Ontario, Canada.

(C) Financial Position of the Cline Group

(i) Financial Statements

49. Copies of the Cline Group's unaudited financial statements for the quarter ended August 31, 2014, its audited financial statements for the year ended November 30, 2013 and its unaudited financial statements for the quarters ended February 28, 2014 and May 31, 2014 are attached hereto as Exhibit "B".

(ii) Assets and Liabilities of the Cline Group

Assets

50. The Cline Group prepares its financial statements on a consolidated basis. As at August 31, 2014, which is the date of the Cline Group's most recent financial statements, the Cline Group had assets with a stated book value of approximately $156 million. This included cash of $9 million, reclamation deposits held by the State of Colorado of $6 million, and mineral properties under development with a book value for accounting purposes of $135 million (all amounts approximate).

51. For the year ended November 30, 2013, Cline recognized an impairment loss of $164 million on the New Elk Mine. Even with this write-down, it is my belief, based on the results of the Sale Process in respect of the Cline Group and the current state of the metallurgical coal market, that the actual realizable value of the Cline Group's assets is materially less than the

book value reported on the balance sheet for accounting purposes, and is in fact materially less than the amounts owing in respect of the Secured Notes.[2]

Liabilities

52. As at August 31, 2014, the Cline Group's liabilities amounted to approximately $99 million. The primary secured liabilities at that time were:

(a) 2011 Notes in the principal amount of $71,381,900, plus accrued and unpaid interest and other amounts. The 2011 Notes have an annual interest rate of 10% and matured on June 15, 2014; and

(b) 2013 Notes in the principal amount of $12,340,998, plus accrued and unpaid interest and other amounts. The 2013 Notes have an annual interest rate of 10% and matured on June 15, 2014.

53. As at December 1, 2014, the total amount owing in respect of the Secured Notes, including accrued and unpaid interest and other amounts, is $110,173,897.

54. In addition, the Cline Group has certain obligations outstanding in respect of leased equipment used at its New Elk Mine. As at August 31, 2014, the Cline Group had loans for construction equipment outstanding in the principal amount of $654,174. Under the terms of the loans, Cline is obligated to remit monthly payments of $33,850 until March 2016.

[2] The Cline Group's financial statements for the quarter ended August 31, 2014 included a going concern note indicating that the circumstances surrounding the Cline Group cast significant doubt as to its ability to continue as a going concern and ultimately the appropriateness of the use of accounting principles applicable to a going concern business.

55. Presently, the Applicants are aware of approximately $3.7 million in other unsecured claims, including accounts payable relating to ordinary course trade payables.

Contingent Claims

56. A class action lawsuit was filed against New Elk on February 1, 2013 alleging that New Elk violated the U.S. federal Worker Adjustment and Retraining Notification Act (the "**WARN Act**") by failing to provide personnel at the New Elk Mine with at least sixty days advance written notice of the significant curtailment of production at the New Elk Mine (the "**WARN Act Class Action**"). The plaintiffs (the "**WARN Act Plaintiffs**") are seeking judgment for alleged unpaid wages, salary, commissions, bonuses, and pension and other amounts, together with interest, legal fees and costs. On October 3, 2013, the WARN Act Plaintiffs filed an amended complaint that, among other things, added Cline as a defendant in the lawsuit on the basis that Cline and New Elk are an integrated "single employer" based on, among other things, Cline's control of New Elk, the common management of Cline and New Elk and New Elk's reliance on Cline for financing. New Elk and Cline dispute the allegation that there was a violation of the WARN Act and are vigorously defending themselves against the allegations. The WARN Act Class Action has not been certified as of the date hereof.

57. In addition to the WARN Act Class Action, the Cline Group is aware of a number of other contingent litigation claims that have been asserted against it. The total presently-quantifiable amount claimed by the plaintiffs in the claims other than the WARN Act Class Action is less than $1 million. To my knowledge, the plaintiffs in the WARN Act Class Action have not particularized the amounts alleged to be owing in that case.

(iii) Centralized Cash Management System

58. The Cline Group has a centralized cash management system, such that the cash resources of the entire Cline Group are managed by Cline at the Toronto Head Office. Invoices for all expenditures incurred by members of the Cline Group are reviewed at the Toronto Head Office by the accounting department. Once approved, two signatures are required before payment is issued, and all invoices and material payments are confirmed with the Acting Chief Executive Officer of Cline or, in his absence, the Chairperson of the Cline board of directors.

59. The operations of New Elk and North Central are funded by Cline, which transfers cash to the applicable subsidiary, when necessary, after Cline approves the proposed expenditure to be made by such subsidiary. New Elk and North Central, as applicable, then pay the applicable expenditure with the funds provided by Cline.

60. The Cline Group's cash balance is managed online with the Bank of Montreal from the Toronto Head Office. Cline monitors and has control over all of the cash accounts of members of the Cline Group. Cline maintains a U.S.-dollar bank account with BMO Harris Bank in Chicago, Illinois, and New Elk and North Central maintain Canadian dollar bank accounts with Bank of Montreal in Toronto, Ontario. Cline reports the cash balances of the Cline Group on a weekly basis to the board of directors of Cline.

(D) Secured Obligations of the Cline Group

(i) 2011 Notes

61. Cline is the issuer of the 2011 Notes, which are a first-ranking secured obligation. The 2011 Notes have an interest rate of 10% per annum payable semi-annually on June 15th and

December 15th of each year. The aggregate principal amount of the 2011 Notes issued by Cline was $71,381,900. The 2011 Notes matured on June 15, 2014 and remain unpaid. The obligations of Cline in respect of the 2011 Notes are guaranteed by New Elk and North Central.

62. The 2011 Notes are governed by a Trust Indenture dated December 13, 2011, as amended by a series of seven supplemental indentures (as amended, the "**2011 Indenture**"). The 2011 Notes were issued in four installments, as follows: US$25 million were issued on February 27, 2012 pursuant to the first supplemental indenture; US$25 million were issued on April 30, 2012 pursuant to the second supplemental indenture; US$13 million were issued on January 11, 2013 pursuant to the fourth supplemental indenture; and US$2.5 million were issued on April 11, 2013 pursuant to the fifth supplemental indenture. Pursuant to the seventh supplemental indenture dated May 23, 2014, all amounts payable in respect of the 2011 Secured Notes became payable in Canadian dollars using the Canadian dollar/U.S. dollar Bank of Canada exchange rate on May 22, 2014.

63. Computershare acts as trustee (in such capacity, the "**2011 Trustee**") on behalf of the beneficial holders of the 2011 Notes (the "**2011 Noteholders**"). Marret manages and exercises sole discretion and control over all of the 2011 Noteholders.

64. All amounts owing in respect of the 2011 Notes are now immediately due and payable.

(ii) 2013 Notes

65. Cline is the issuer of the 2013 Notes, which are a first-ranking secured obligation that rank *pari passu* with the 2011 Notes. The 2013 Notes have an interest rate of 10% per annum payable semi-annually on June 15th and December 15th of each year. The aggregate principal

amount of the 2013 Notes issued by Cline was $12,340,998. The 2013 Notes matured on June 15, 2014 and remain unpaid. The obligations of Cline in respect of the 2013 Notes are guaranteed by New Elk and North Central.

66. The 2013 Notes are governed by a Trust Indenture dated July 8, 2013, as amended by a series of three supplemental indentures (as amended, the "**2013 Indenture**"). The 2013 Notes were issued in three installments: 2013 Notes in the principal amount of $9,490,998 were issued on July 8, 2013 pursuant to the first supplemental indenture; 2013 Notes in the principal amount of $1,100,000 were issued on October 11, 2013 pursuant to the second supplemental indenture; and 2013 Notes in the principal amount of $1,750,000 were issued on November 14, 2013 pursuant to the third supplemental indenture. Computershare acts as trustee (in such capacity, the "**2013 Trustee**") on behalf of the beneficial holders of the 2013 Notes (the "**2013 Noteholders**").

67. Marret manages and exercises sole discretion and control over all of the 2013 Noteholders.

68. All amounts owing in respect of the 2013 Notes are now immediately due and payable.

(iii) Security in respect of the 2011 Notes and 2013 Notes

Cline Security in Favour of the Trustee

69. As security for the payment of all obligations in respect of the 2011 Notes and the 2013 Notes, Cline granted security interests in favour of the 2011 Trustee and 2013 Trustee (as applicable) over substantially all of its real and personal property, pursuant to the following documents (collectively, the "**Cline Security Documents**"):

(a) general security agreements governed by the laws of Ontario in favour of each of the 2011 Trustee and the 2013 Trustee, granting a security interest in all of Cline's personal property; and

(b) mining lease debentures governed by the laws of Ontario in favour of each of the 2011 Trustee and the 2013 Trustee, registered on title to the Cline Lake Gold Project on December 14, 2011 and July 22, 2013, respectively.

70. Pursuant to the terms of the Cline Security Documents, Cline pledged to the 2011 Trustee and the 2013 Trustee its equity interest in New Elk represented by 1,000 units, its equity interest in UMC represented by 12,272,667 ordinary shares (the "**UMC Shares**") and its equity interest in Strike Minerals Inc. represented by 2,000,000 common shares, and delivered the corresponding original share and unit certificates and irrevocable stock transfer powers. The original share and unit certificates, with the exception of the UMC Shares, are currently held by the Trustee.

71. In December 2013, at the request of Cline, the 2011 Trustee, the 2013 Trustee and Marret agreed to release their respective security interests in the UMC Shares for the purpose of enabling Cline to sell the UMC Shares to a third party. The UMC Shares have not been sold by Cline at this time.

72. The security interests of the 2011 Trustee and the 2013 Trustee created by the Cline Security Documents have been registered under the *Personal Property Security Act* (Ontario), the *Personal Property Security Act* (British Columbia) and the *Uniform Commercial Code* (including in the states of Colorado and Kansas). Attached as Exhibit "C" are summaries of the security registrations against the Applicants in Ontario, British Columbia, Colorado and Kansas.

73. In connection with the issuance by Cline of 2013 Notes on July 8, 2013, Bennett Jones LLP, in its capacity as Ontario counsel to Cline, prepared a title opinion dated July 22, 2013 (the "**Bennett Jones Opinion**") with respect to the lands on which the Cline Lake Gold Project is located (the "**Cline Lake Lands**"). The Bennett Jones Opinion concluded that, subject only to certain specified encumbrances, Cline had a good and marketable leasehold title to the Cline Lake Lands. Other than an encumbrance for a "caution and grant of right of way" in favour of Great Lakes Power Distribution Inc., the only encumbrances listed in the Bennett Jones Opinion are in favour of the Trustee and Marret (in respect of the security interests in favour of Marret discussed below). Based on the results of the Bennett Jones Opinion, I understand that there are no encumbrances on the Cline Lake Lands that would rank in priority to the security interests of the Trustee and Marret in the Cline Lake Lands.

Subsidiary Security in Favour of the Trustee

74. The obligations in respect of the Secured Notes are guaranteed by New Elk and North Central, both of which have executed guarantees in favour of the 2011 Trustee and the 2013 Trustee. As security for the payment of the Secured Notes, New Elk and North Central granted security interests in favour of the 2011 Trustee and 2013 Trustee (as applicable) over all of their real and personal property, pursuant to the following documents (collectively, the "**Subsidiary Security Documents**"):

(a) pledge and security agreements of New Elk and North Central in favour of each of the 2011 Trustee and the 2013 Trustee, granting a security interest in all personal property of New Elk and North Central, including a pledge of New Elk's 100% equity interest in North Central represented by 100 common shares of

North Central and New Elk's 100% membership interest in Raton Basin represented by a membership certificate. The original share and membership certificates and corresponding irrevocable transfer powers are held by the Trustee; and

(b) mortgages and assignments of production and proceeds from New Elk and North Central in favour of each of the 2011 Trustee and the 2013 Trustee, registered on title to the New Elk Mine on May 17, 2012 and July 16, 2013, respectively, granting the Trustee a security interest in, *inter alia*, the freehold and leasehold interests held by New Elk and North Central in the New Elk Mine, all coal and other minerals existing at the New Elk Mine and all operating equipment and facilities at the New Elk Mine.

75. Notice of the security interests of the 2011 Trustee and the 2013 Trustee created by the Subsidiary Security Documents have been registered under the *Uniform Commercial Code*, including in the State of Colorado.

76. In connection with the issuance by Cline of the Secured Notes, Cline engaged the Denver, Colorado office of Holland & Hart LLP to prepare the following Colorado title opinions (collectively, the "**Colorado Title Opinions**") in respect of the lands on which the New Elk Mine is located (the "**New Elk Lands**"):

(a) Opinion dated January 11, 2013 and updated July 8, 2013 with respect to the lands leased by New Elk from the State of Colorado pursuant to the DOW Lease;

(b) Opinion dated July 8, 2013 and updated July 11, 2013 with respect to the lands leased by New Elk from XTO Energy Inc. pursuant to the XTO Lease; and

(c) Opinion dated July 8, 2013 and updated July 11, 2013 with respect to the lands owned by North Central.

77. The Colorado Title Opinions conclude that the only encumbrances in respect of the New Elk Lands are a number of "Mortgage, Security Agreement, Assignment of Production and Proceeds, Financing Statement and Fixture Filing" registrations from New Elk and North Central to and for the benefit of the Trustee and Marret (in respect of the security interests in favour of Marret discussed below). Based on the results of the Colorado Title Opinions, I understand that there are no encumbrances on the New Elk Lands that would rank in priority to the security interests of the Trustee and Marret in the New Elk Lands.

(iv) Security in Favour of Marret

78. As security for any obligations owed to Marret pursuant to the 2011 Indenture and the 2013 Indenture, and the guarantee of such obligations by New Elk and North Central, Cline, New Elk and North Central granted security interests in favour of Marret over their real and personal property, pursuant to the following documents (collectively, the "**Marret Security Documents**"):

(a) general security agreements governed by the laws of Ontario in favour of Marret, granting Marret a security interest in all of Cline's personal property;

(b) mining lease debentures governed by the laws of Ontario in favour of Marret, registered on title to the Cline Lake Gold Project on July 22, 2013;

(c) pledge and security agreements of New Elk and North Central granting Marret a security interest in all personal property of New Elk and North Central, including a pledge of New Elk's 100% equity interest in North Central represented by 100 common shares of North Central and New Elk's 100% membership interest in Raton Basin represented by a membership certificate; and

(d) mortgages and assignments of production and proceeds from New Elk and North Central in favour of Marret, registered on title to the New Elk Mine on July 16, 2013, granting Marret a security interest in, *inter alia*, the freehold and leasehold interests held by New Elk and North Central in the New Elk Mine, all coal and other minerals existing at the New Elk Mine and all operating equipment and facilities at the New Elk Mine.

79. Notice of the security interests in favour of Marret created by the Marret Security Documents have been registered under the *Personal Property Security Act* (Ontario), the *Personal Property Security Act* (British Columbia) and the *Uniform Commercial Code* (in the United States).

80. The Applicants are not aware of any amounts presently owing directly to Marret at this time, other than the amounts owed in respect of the Secured Notes held or controlled by Marret.

(v) Intercreditor Agreement

81. The 2011 Trustee, the 2013 Trustee, Marret, Cline, New Elk and North Central are parties to an intercreditor agreement dated July 8, 2013 (the "**Intercreditor Agreement**") that governs the priority of security interests in the real and personal property of the Applicants (the

"**Collateral**") as between the 2011 Noteholders, the 2013 Noteholders and Marret. The Intercreditor Agreement provides that the security interests of the 2011 Noteholders and the 2013 Noteholders in the Collateral rank *pari passu* for all purposes. It further provides that, as between the Secured Noteholders and Marret, the Secured Noteholders have a first-ranking and senior security interest in the Collateral and Marret has a second-ranking and subordinated security interest in the Collateral.

82. In summary, the material secured interests against the Applicants consist of: (i) ranking first, the security over substantially all assets and property of the Applicants held by the Trustee (on behalf of the Secured Noteholders) in respect of the 2011 Notes and the 2013 Notes and (ii) ranking second, the security over substantially all assets and property of the Applicants held by Marret in respect of any claims of Marret against the Applicants in relation to the Secured Notes.

(vi) Other Security

83. There are also certain secured interests in specific pieces of equipment used by the Applicants. As further described below, it is proposed that the secured claims relating to specific pieces of equipment would be unaffected in the Plan, and it is contemplated that they will not be primed by any Court-ordered charges in the proposed Initial Order.

84. Bank of Montreal also has a security interest in certain accounts of Cline to secure the repayment of amounts owing on corporate credit cards issued to Cline by the Bank of Montreal (up to a maximum amount of approximately $230,000). Cline continues to use corporate credit cards in the ordinary course of business, so this secured interest would be unaffected in the Plan and will not be primed by any Court-ordered charges in the proposed Initial Order.

III. ASSESSMENT OF STRATEGIC ALTERNATIVES AND RESTRUCTURING EFFORTS TO DATE

(A) Performance of the Cline Business

85. The business of exploring and developing mining properties is subject to a number of risks, most notably the cyclicality of global resource prices. While the Cline Group holds a variety of resource interests, the New Elk metallurgical coal mine is presently the sole asset of the Cline Group with earnings-generating capability. Accordingly, the performance of the Cline Business is significantly affected by volatility in the price of metallurgical coal. Metallurgical coal markets have undergone a protracted period of low prices in recent years due to broader challenges in the global economy and a global oversupply of metallurgical coal.

86. Following the Cline Group's acquisition of the New Elk Mine in 2008, the Cline Group made significant progress towards the rehabilitation, development and ultimate operation of the mine. New coal seams had been identified, various mining permits and surface transportation approvals had been obtained, and the first commercial coal delivery at the mine occurred in August 2011. Further exploration and testing since that time identified additional coal reserves, and on July 6, 2012 the Cline Group released a technical report noting a 59% increase in the measured and indicated coal resources at the New Elk Mine.

87. However, just as production at the New Elk Mine was beginning, conditions in the broader coal industry deteriorated significantly. Metallurgical coal prices in the first two quarters of 2012 decreased sharply as a result of shrinking demand, and the industry was saddled with excess capacity. On July 11, 2012, mining operations at the New Elk Mine were largely suspended. As noted above, this curtailment of operations was originally intended to be

temporary; however, market conditions in the coal industry have continued to worsen and the suspension of full-scale mining activities is largely still in effect.

88. Management continues to identify, control and reduce operating costs across the Cline Group to historically low levels. The Cline Group has developed a new mining plan for the New Elk Mine, creating a significantly lower cost model to address market realities. The Cline Group is attempting to undertake limited mining activities at the New Elk Mine to service regional industrial demand from cement kilns in Colorado and New Mexico, though it has not yet been determined whether such limited mining activities can achieve a sustainable operating profit. The Cline Lake Gold Project remains in the exploration stage, with further development being postponed until the Cline Group is able to access sufficient capital to proceed with additional underground evaluation. In the short term, management of the Cline Group is focused on maintaining sufficient funding to meet its working capital requirements during these proceedings, keeping its mineral claims and title in good standing and completing the Recapitalization as efficiently and expeditiously as possible.

(B) Challenges with Financing Arrangements

89. The suspension in July 2012 of full-scale mining activities at the Cline Group's only earnings-capable project has made it impossible for the Cline Group to meet its financial commitments as they become due. In late 2012, when it became apparent that Cline would be unable to make a semi-annual interest payment in respect of the 2011 Notes on December 15, 2012, Cline entered into discussions with Marret (on behalf of the 2011 Noteholders) regarding a possible forbearance of the 2011 Noteholders' rights and access to additional debt financing. Those discussions culminated in a forbearance agreement dated December 24, 2012, pursuant to

which the 2011 Trustee (at Marret's direction) agreed to temporarily forbear from demanding repayment of the 2011 Notes outstanding at that time in exchange for, among other things, a forbearance and restructuring fee in the amount of US$2,500,000 and the execution of a commitment letter (the "**Commitment Letter**") between Cline and Marret, as agent for the 2011 Noteholders, providing for a financial restructuring of the Cline Group.

90. Pursuant to the Commitment Letter dated December 24, 2012, Marret committed to purchase a total of US$9.5 million principal amount of additional 2011 Notes, consisting of US$7.0 million of 2011 Notes to be purchased by January 11, 2013 and US$2.5 million of 2011 Notes to be purchased on a later date to be determined by the parties.

91. The parties also agreed pursuant to the Commitment Letter to proceed with a Marret-sponsored recapitalization plan (the "**Marret Plan**") unless, by April 30, 2013, Cline was able to implement a different recapitalization transaction that satisfied certain conditions (the "**Cline Transaction**").

92. Pursuant to the fourth supplemental indenture, also dated December 24, 2012, Cline issued additional 2011 Notes in the principal amount of US$13 million, US$2.5 million of the proceeds of which was used to satisfy the December 2012 interest payment. Following the issuance of the 2011 Notes under the fourth supplemental indenture, 2011 Notes with a total principal amount of US$63 million were outstanding.

93. On April 1, 2013, Cline announced that it had entered into a subscription agreement with Portpool Investments Ltd. for an equity recapitalization of the Cline Group, the terms of which would constitute a "Cline Transaction" for the purposes of the Commitment Letter. Cline vigorously pursued that transaction; however, Cline did not receive the $2.5 million non-

refundable deposit from Portpool Investments Ltd. by April 10, 2013 as required by the subscription agreement, and as a result the equity recapitalization did not proceed.

94. On April 11, 2013, Cline issued additional 2011 Notes in the principal amount of US$2.5 million pursuant to the fifth supplemental indenture. Since the "Cline Transaction" was not implemented by the deadline in the Commitment Letter, Cline took the initial steps to proceed with the Marret Transaction by negotiating a recapitalization of the Cline Group. On April 25, 2013, Cline and Marret entered into an agreement (the "**Recapitalization Agreement**") setting out the terms of the proposed transaction. Cline filed a preliminary short form prospectus dated April 25, 2013 with respect to the transactions contemplated by the Recapitalization Agreement. However, the transactions contemplated in the Recapitalization Agreement did not proceed, and the preliminary short form prospectus was ultimately withdrawn on June 3, 2013.

95. Cline was unable to make a required semi-annual interest payment in respect of the 2011 Notes in the approximate amount of US$3.3 million due June 17, 2013. On June 17, 2013, the 2011 Trustee (at the direction of the Secured Noteholders) entered into a second forbearance agreement with Cline, New Elk and North Central pursuant to which the 2011 Trustee agreed to forbear from taking any action to enforce certain of its rights under the 2011 Indenture until June 30, 2013 (subsequently extended until July 12, 2013), provided that Cline continued to discuss alternate financing with Marret on behalf of the 2011 Noteholders.

96. On July 8, 2013, an alternate financing with Marret was achieved when Cline issued 2013 Notes pursuant to the 2013 Indenture in the principal amount of $9,490,998, $3,300,998 of which was used to pay the June 2013 interest payment in respect of the 2011 Notes. Cline

secured additional needed funding by issuing 2013 Notes in the principal amounts of $1.1 million on October 11, 2013 and $1.75 million on November 14, 2013.

97. On December 16, 2013, Cline was unable to make a semi-annual interest payment in the amount of approximately US$3.3 million in respect of the 2011 Notes and a semi-annual interest payment in the amount of approximately $552,000 in respect of the 2013 Notes. Upon the instructions of Marret, the Trustee entered into new forbearance agreements with Cline, New Elk and North Central (collectively, the "**Forbearance Agreements**") in respect of certain events of default, including the failure to make the December 2013 interest payments in respect of the Secured Notes. Pursuant to the Forbearance Agreements, the Trustee (at the direction of the Secured Noteholders) agreed to forbear from demanding repayment of the amounts owing under the 2011 Indenture and the 2013 Indenture and from enforcing the security held by each of them until January 16, 2014 or such later date as Marret may agree in writing.

98. The Secured Notes matured on June 15, 2014 and remain unpaid. Through a series of amendments and extensions, the Forbearance Agreements were extended to November 28, 2014 and it was agreed that the Forbearance Agreements would also apply to the Applicants' failure to make the required June 15, 2014 interest payments and to repay the Secured Notes on maturity.

99. The Forbearance Agreements expired on November 28, 2014. On December 2, 2014, Marret confirmed that the Secured Noteholders had given instructions to the Trustee to accelerate the Secured Notes. The Secured Notes are now immediately due and payable and, subject to instructions from Marret and the Support Agreement described below, the Trustee is now in a position to enforce its rights and remedies against Cline, New Elk and North Central.

100. Over the past several months, the Cline Group and its advisors have engaged in discussions with Marret and its advisors regarding a restructuring or sale of the Cline Group that would be acceptable to Marret. These discussions resulted in the Sale Process (described below) and, ultimately, following the inability to generate interest in the Cline Group through the Sale Process, a Support Agreement between Cline and Marret pursuant to which Cline has agreed to initiate these CCAA proceedings and pursue the Recapitalization with the support of Marret.

101. Despite the Applicants' significant efforts to resolve their financial difficulties, the Applicants can no longer continue without restructuring their affairs under the CCAA.

(C) Sale Process

102. In April 2014, as part of its pursuit and assessment of solutions to its financial challenges, Cline engaged Moelis & Company LLC ("**Moelis**") to act as Cline's investment banking advisor for the purpose of pursuing a Sale Process in respect of the Cline Business. The objective of the Sale Process was to identify and pursue a sale or merger transaction as a means to generate sufficient proceeds to satisfy the obligations owing in respect of the Secured Notes and the Cline Group's other financial obligations. It was contemplated that a sale of the Cline Business could be completed either as part of a restructuring or as an alternative to a restructuring of the Cline Group.

103. Cline selected Moelis to conduct the Sale Process due to, among other things, its excellent market reputation and expertise in the metals and mining industries. Moelis is an independent investment bank with extensive experience in recapitalization and restructuring sales and transactions. I understand from representatives of Moelis that since 2008, Moelis has advised on over US$425 billion of restructuring transactions, in which it has advised on over 180

assignments throughout Canada, the United States, Europe, the Middle East and Asia Pacific. Moelis has consistently been ranked as a top-tier financial restructuring advisor in the United States, and it has extensive expertise advising on strategic transactions in resource-based industries.

104. Prior to the formal commencement of the Sale Process, Moelis worked with management of the Applicants to gain an understanding of the Applicants' business, assets, operations and marketplace. Moelis identified potential purchasers of the Cline Business and reviewed recent completed and attempted sales of similar businesses to assess the market for such businesses and the comparative advantages and challenges of the Cline Business.

105. After this review of the Cline Business and the market, Moelis worked with the Cline Group's management to develop a confidential information memorandum (the "**CIM**") for prospective purchasers to review upon execution of a confidentiality agreement. Moelis also prepared a teaser document to be sent to potential purchasers on a confidential basis to generate further interest in the Cline Business.

106. Moelis contacted a broad range of potential purchasers, including 29 strategic and financial players, to assess their initial interest in purchasing the Cline Business. In response to these initial discussions, Moelis sent teaser documents to 23 of the potential purchasers.

107. Ultimately, 15 potential purchasers entered into confidentiality agreements and nine were provided with the CIM. I understand from representatives of Moelis that Moelis has had further discussions with these nine potential purchasers to highlight the acquisition opportunity and to respond to questions posed by the potential purchasers with respect to the Cline Business. There was no minimum amount required for bidding in the Sale Process.

108. The potential purchasers have now had several weeks to review the CIM, seek further information from the Applicants and Moelis and to decide whether they were interested in pursuing further discussion with respect to a potential purchase of or investment in the Cline Business. Unfortunately, the Cline Group has not received any indications of interest from prospective purchasers.

109. Six of the nine potential purchasers have expressly declined to pursue a purchase of the Cline Business and I believe it is unlikely that the other three parties that received the CIM are interested in pursuing a purchase of the Cline Group at this time given that they have not expressed any such interest in the preceding several weeks.

110. I understand from representatives of Moelis that, in the course of the Sale Process, Moelis obtained feedback with respect to the current market realities facing the Cline Group. The global hard coking coal benchmark price reached highs of US$330 per metric tonne shortly after the New Elk Mine commenced operations in December 2010; however, over the past four years, prices have fallen by nearly 65%, to under US$120 per metric tonne. I understand from representatives of Moelis that the potential purchasers indicated that they viewed it as unlikely that the New Elk Mine could be operated profitably at this time given the presently depressed price of metallurgical coal and the challenges facing the Cline Group, and that potential financial buyers indicated that were not prepared to operate the New Elk Mine on a cash flow negative basis for an indeterminate period of time.

111. These industry-wide challenges have led to diminished interest among purchasers for coal-related assets. Additionally, the market glut of coal-related assets for sale – including assets owned by Cliffs Natural Resources, Patriot Coal Corporation, SunCoke Energy Inc., Mechel

OAO, Walter Energy Inc. and James River Coal Company – makes it difficult to obtain a favourable price for the Cline Business. Until metallurgical coal prices improve and the New Elk Mine can produce coal at a positive cash margin, market interest in the New Elk Mine is unlikely to increase. Since the New Elk Mine is the only asset of the Cline Group with the potential to generate revenue in the near term, weakness in the value of the mine translates into weakness in the overall value of the Cline Business.

112. Based on the results of the Sale Process and my discussions with Moelis, and having regard to the historically low prices for metallurgical coal and the broader industry-wide challenges in the global metallurgical coal markets, there is no realistic prospect of the Cline Group achieving a sale of the Cline Business at the present time at values that would enable the Cline Group to satisfy its obligations in respect of the Secured Notes.

113. The amount of the obligations in respect of the Secured Notes exceeds the realizable value of the Cline Group at the present time. I understand that the practical implications of this are that (i) the Secured Noteholders would suffer a significant shortfall in the amounts owed to them if they were to enforce their security; (ii) there would be no residual value left over to pay the Cline Group's unsecured creditors or the WARN Act Plaintiffs if the Cline Group's secured creditors were to enforce their security; and (iii) the existing equity interests in Cline have no economic value.

IV. CCAA PROCEEDINGS

(A) Cline Group is Insolvent

114. Despite its extensive efforts to date, the Cline Group has been unable resolve its financial difficulties.

115. The Applicants are facing an impending liquidity crisis, with no reasonable prospect of generating operating earnings in the near term. Cline is immediately required to pay $110,173,897 in respect of the Secured Notes. The Cline Group does not have the ability to pay these amounts. Consequently, without a CCAA stay of proceedings and Marret's support for the Recapitalization, the Trustee (at the direction of the Secured Noteholders) would be in a position to enforce its security over the assets and property of Cline, New Elk and North Central.

116. The aggregate value of the Applicants' assets, property and undertaking, taken at fair value, is not sufficient to enable the Applicants to pay their obligations, due and accruing due. The Applicants are therefore insolvent.

117. The Applicants and their boards of directors have thoroughly considered the circumstances and the alternatives available to the Applicants. In exercise of their business judgement, they have determined that the filing by the Applicants for protection under the CCAA is necessary at this time and the pursuit of the Recapitalization is in the best interests of the Applicants.

(B) Stay of Proceedings under the CCAA

118. At this time, I believe that, without the benefit of CCAA protection, there could be a significant erosion of the value of the Cline Group to the detriment of all stakeholders. In

particular, a debt enforcement against the Applicants could result in the loss of tax attributes and the need to transfer or re-apply for various exploration, mining and environmental permits that are currently held by the Cline Group. This would impair value that can be preserved in a CCAA restructuring and would lead to a lower recovery for both Secured Noteholders and unsecured creditors of the Applicants, who would be expected to receive no recovery in a debt-enforcement or bankruptcy scenario.

119. The Applicants are seeking CCAA protection to permit them to pursue a restructuring of the Cline Business with a view to maximizing its value for the benefit of their stakeholders. The stay of proceedings is necessary to maintain the stability and value of the Cline Business while the Applicants undertake the Recapitalization.

(C) Funding of the Cline Group

120. The Cline Group's principal use of cash during this period will consist of the costs associated with ongoing payments made in the ordinary course, including employee, independent contractor and officer compensation, rent, utility services, and general and administrative expenses. The Cline Group must also make periodic payments in order to keep its mining and exploration licenses in good standing. The Cline Group is obligated to remit annual land lease, railroad lease, and royalty payments of US$520,877 and annual water lease payments of US$105,000 in respect of the New Elk Mine. The costs associated with the New Elk Mine reflect that the mine is largely non-operational and is being maintained under a care and maintenance program.

121. In addition to the regular course expenditures listed above, the Cline Group will also incur professional fees and disbursements in connection with these proceedings and the

Recapitalization. The Applicants are seeking to complete the Recapitalization as quickly and efficiently as reasonably possible in order to minimize restructuring and transactional costs during the CCAA proceedings. The Applicants anticipate that their existing cash levels will provide the Cline Group with sufficient liquidity during the CCAA proceedings.

122. The Applicants' 13-week cash flow projections are attached hereto as Exhibit "D".

(D) Recapitalization of the Cline Group

123. The Cline Group, together with its advisors, has engaged in discussions with Marret (on behalf of the Secured Noteholders) regarding a consensual recapitalization of the Cline Group. Ultimately, these discussions resulted in the proposed Recapitalization. Cline and Marret have entered into the Support Agreement, pursuant to which Marret (on behalf of the Secured Noteholders) has agreed to support the Recapitalization and the Plan. A copy of the Support Agreement is attached hereto as Exhibit "E".

124. The terms of the Recapitalization are set out in the Plan, a copy of which is attached hereto as Exhibit "F". The material terms of the Recapitalization include the following:

(a) the Plan is filed on a consolidated basis in respect of the Applicants;

(b) the Plan provides for three separate classes of creditors, namely the Secured Noteholders Class, the Affected Unsecured Creditors Class and the WARN Act Plaintiffs Class (each as defined below);

(c) the Plan apportions the aggregate Secured Noteholders' claim between the portion of that claim that is secured (the "**Secured Noteholders Allowed Secured Claim**") and the portion of that claim that represents an unsecured deficiency

claim (the "**Secured Noteholders Allowed Unsecured Claim**"), and, for purposes of the Plan, the Secured Noteholders Allowed Secured Claim is $92,673,897 and the Secured Noteholders Allowed Unsecured Claim is $17,500,000;

(d) the Secured Noteholders Allowed Secured Claim will be compromised, released and discharged in exchange for new Cline common shares representing 100% of the equity in Cline, and new indebtedness in favour of the Secured Noteholders evidenced by a credit agreement with a term of seven years in the principal amount of $55,000,000, bearing interest at 0.01% per annum plus an additional variable interest payable only once the Applicants have achieved certain operating revenue targets;

(e) the claims of affected unsecured creditors (the "**Affected Unsecured Creditors**"), which exclude the WARN Act Plaintiffs but include the Secured Noteholders Allowed Unsecured Claim, will be compromised, released and discharged in exchange for each such Affected Unsecured Creditor's *pro rata* share of an unsecured, subordinated, non-interest bearing entitlement to receive $225,000 from Cline on the date that is eight years from the date the Plan is implemented (the "**Unsecured Plan Entitlement**");

(f) notwithstanding the Secured Noteholders Allowed Unsecured Claim, the Secured Noteholders will waive their entitlement to the proceeds of the Unsecured Plan Entitlement, and all such proceeds will be available for distribution to the other

Affected Unsecured Creditors with valid claims who are entitled to the Unsecured Plan Entitlement, allocated on a *pro rata* basis;

(g) all Affected Unsecured Creditors with valid claims of up to $10,000 will, instead of receiving their *pro rata* share of the Unsecured Plan Entitlement, be paid in cash for the full value of their claim and will be deemed to vote in favour of the Plan unless they indicate otherwise, provided that this cash payment will not apply to any Secured Noteholder with respect to its Secured Noteholders Allowed Unsecured Claim;

(h) all WARN Act Claims will be compromised, released and discharged in exchange for an unsecured, subordinated, non-interest bearing entitlement to receive $100,000 from Cline on the date that is eight years from the date the Plan is implemented (the "**WARN Act Plan Entitlement**");

(i) certain claims against the Applicants, including claims covered by insurance, certain prior-ranking secured claims of equipment providers and the secured claim of Bank of Montreal in respect of corporate credit card payables, will remain unaffected by the Plan;

(j) existing equity interests in Cline will be cancelled for no consideration; and

(k) the shares of New Elk and North Central will not be affected by the Recapitalization and will remain owned by Cline and New Elk, respectively.

125. The Plan provides that if it is not approved by the required majorities of both the Unsecured Creditors Class and the WARN Act Plaintiffs Class, or the Applicants determine that

such approvals are not forthcoming, the Applicants are permitted to withdraw the Plan and file an amended and restated plan (the "**Alternate Plan**") without further order of the Court. The Alternate Plan would provide, *inter alia*, that all unsecured claims and all WARN Act Claims against the Applicants are treated as unaffected claims, the only voting class under the Alternate Plan is the Secured Noteholders Class, and all assets of the Applicants will be transferred to an entity designated by the Secured Noteholders in exchange for a release of the Secured Noteholders Allowed Secured Claim.

126. If implemented, the Recapitalization would result in a reduction of over $55 million in interest-bearing debt and would reduce the Applicants' annual interest expense in the near term.

127. I understand from the Cline Group's professional advisors that secured creditors frequently pursue an asset transfer transaction under a debt enforcement process in circumstances where the secured debts of the debtor company exceed the realizable value of the business. In reviewing its alternatives, the Applicants ultimately determined that they and their stakeholders would be best served by attempting to complete the Recapitalization under the CCAA with ancillary recognition under Chapter 15, in order to preserve certain tax attributes and exploration, mining and environmental permits owned or held by the Cline Group. Accordingly, the Applicants are of the view that pursuing the Recapitalization pursuant to a CCAA plan of arrangement, which would preserve and maintain all assets within the existing Cline Group corporate entities, is in the best interests of the Applicants and their stakeholders.

128. In addition, I believe that the Recapitalization is preferable to other alternatives because it provides a limited recovery for the Applicants' unsecured creditors and the WARN Act Plaintiffs, who would otherwise receive no recovery in a security enforcement or asset sale

scenario (since the amounts owed in respect of the Secured Notes exceed the value of the Applicants' property).

(E) Payments for Goods and Services

129. The Applicants have identified certain business relationships with independent contractors and agents, experts, accountants, advisors and counsel (the "**Assistants**") as critical to the successful operation of the Cline Business and the successful implementation of the Recapitalization. The continued service of the Applicants' employees is also critical. These parties may discontinue ongoing services if the Applicants cease to pay them in the ordinary course. In addition, the Cline Group must also make periodic payments in order to keep its mining and exploration development permits in good standing. Accordingly, to avoid any disruption that would impair the successful restructuring of the Cline Business, the Applicants are seeking authorization in the Initial Order to continue to make ongoing payments in respect of these obligations, regardless of whether such obligations arose before or after the commencement of these CCAA proceedings.

130. In addition, the Applicants are seeking authority in the Initial Order to continue to pay during the CCAA proceedings all reasonable expenses and capital expenditures necessary for the preservation of the Cline Business or the property of the Applicants and to make payment for goods and services supplied to the Cline Group, including pre-CCAA obligations if, in the opinion of the Applicants and with the consent of the Monitor, the supplier of goods or services is critical to the Cline Business.

(F) Monitor

131. The Applicants are seeking the appointment of FTI Consulting Canada Inc. as the proposed CCAA monitor in these proceedings (the "**Monitor**"). FTI is a recognized leader in the financial restructuring industry and has consented to act as the Monitor. A copy of its consent is attached at Tab "5" of the Application Record.

132. In connection with its appointment, it is contemplated that a Court-ordered charge over the assets, property and undertaking of the Applicants (the "**Administration Charge**") would be granted in favour of the Monitor, its legal counsel, counsel to the Applicants, the Chief Restructuring Officer of the Applicants and counsel to Marret in respect of their fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel and advisors, over the assets, property and undertaking of the Applicants. The proposed Administration Charge is in an aggregate amount of $350,000.

133. All of the beneficiaries of the Administration Charge have contributed, and continue to contribute, to the recapitalization of the Applicants. The Applicants have sought to ensure that there is no unwarranted duplication of roles so as to minimize the professional fees associated with the Recapitalization.

(G) Directors' and Officers' Charge

134. The directors and officers of the Applicants have been actively involved in the attempts to address the Applicants' current financial circumstances and difficulties, including through the exploration of alternatives, communicating with Marret and other stakeholders and participating in the negotiation of the proposed Recapitalization.

135. The directors and officers have been mindful of their duties with respect to the supervision and guidance of the Applicants in advance of these CCAA proceedings. Nevertheless, it is my understanding, based on advice from counsel, that in certain circumstances, directors and officers can be held personally liable for certain corporate obligations, including in connection with payroll remittances, harmonized sales taxes, goods and services taxes, workers compensation remittances, etc. Furthermore, I understand it may be possible for directors and officers of a corporation to be held personally liable for certain unpaid employment-related obligations.

136. Cline maintains an insurance policy with AIG Insurance Company of Canada in respect of the potential liability of directors and officers of the Applicants (the "**D&O Insurance Policy**"). Cline has also deposited approximately $45,000 with AIG Insurance Company of Canada as a pre-payment for a run-off directors and officers insurance policy that is expected to be purchased at a later date. The D&O Insurance Policy insures the directors and officers of the Applicants for certain claims that may arise against them in their capacity as directors and/or officers of the Applicants; however, the D&O Insurance Policy contains several exclusions and limitations to the coverage provided, and there is a potential for there to be insufficient coverage in respect of the potential director and officer liabilities.

137. The directors and officers of the Applicants have expressed their desire for certainty with respect to potential personal liability if they continue in their current capacities. In order to continue to carry on business during the CCAA proceedings and in order to conduct the Recapitalization most effectively, the Applicants require the active and committed involvement of the members of their boards of directors and senior officers.

138. The Applicants request a Court-ordered charge (the "**Directors' Charge**") in the amount of $500,000 over the assets, property and undertaking of the Applicants to indemnify their directors and officers in respect of liabilities they may incur during the CCAA proceedings in their capacities as directors and officers. The amount of the Directors' Charge has been calculated based on the estimated exposure of the directors and officers of the Applicants and has been reviewed with the prospective Monitor. The proposed Directors' Charge would apply only to the extent that the directors and officers do not have coverage under the D&O Insurance Policy.

(H) <u>Priorities of Charges</u>

139. It is contemplated that the priorities of the various charges set out herein will be as follows:

(a) First – the Administration Charge; and

(b) Second – the Directors' Charge.

140. The Initial Order sought by the Applicants provides for the Administration Charge and the Directors' Charge (collectively, the "**Charges**") to rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any person, notwithstanding the order of perfection or attachment, except for any validly perfected security interest listed on Schedule "A" to the proposed Initial Order. The secured creditors that are affected by the Charges, namely the Trustee and Marret, have been given notice of these CCAA proceedings and the relief being requested in the Initial Order.

141. The Applicants believe the amount of the Charges is fair and reasonable in the circumstances.

(I) Chapter 15 Proceedings

142. The Applicants believe that the Recapitalization of the Cline Group ought to be dealt with primarily in a single forum. Since, as outlined in section II(B)(iii) of this Affidavit, the Cline Group operates as an integrated enterprise with its interests centred in Toronto, Canada, I am of the view that it is appropriate for CCAA proceedings in Toronto, Canada to be the primary court-supervised proceedings in respect of the Cline Group. However, the Applicants and the proposed Monitor are of the view that the Recapitalization of the Cline Group is likely to require judicial approval in the United States to address the assets and obligations of the Cline Group in the United States.

143. Accordingly, the Applicants, with the assistance of the Monitor as foreign representative, intend to commence proceedings in respect of the Applicants pursuant to Chapter 15, Title 11 of the United States Code ("**Chapter 15 Proceedings**"). The proposed Initial Order authorizes the Monitor to act as the foreign representative in respect of the CCAA proceedings and, if deemed advisable by the Monitor and the Applicants, to apply for recognition of the CCAA proceedings in Chapter 15 Proceedings in the United States.

(J) Postponement of Annual General Meeting

144. I am advised by counsel that Cline is presently required under the *Business Corporations Act* (British Columbia) to hold an annual general meeting of its shareholders. The previous annual general meeting of Cline was held on August 15, 2013, and Cline was therefore

statutorily required to hold an annual meeting on or before November 15, 2014. I believe that it would serve no purpose for Cline to hold an annual general meeting of shareholders in the present circumstances because the shareholders do not have an economic interest in Cline as a result of its insolvency, and preparing for and holding an annual general meeting of shareholders would result in unnecessary costs and divert the attention of senior management away from implementing the proposed Recapitalization. Accordingly, Cline is seeking relief in the Initial Order to be relieved of any obligation to call and hold an annual general meeting of its shareholders until the completion of these proceedings or further Order of the Court.

(K) Marret and the Trustee

145. As noted above, Marret exercises sole discretion and control over the Secured Noteholders. Accordingly, to simplify and expedite dealings between the Cline Group and the Secured Noteholders during these proceedings, Marret has confirmed that the Secured Noteholders have directed the Trustee to stand down from its obligations in respect of the Secured Notes and to allow Marret to exercise all powers and authorities ordinary exercised by the Trustee in respect of the Secured Notes. To that end, the Applicants, with the support of Marret, are seeking a paragraph in the Initial Order to authorize and give effect to those arrangements.

(L) Claims Procedure Order and Meetings Order

146. The Applicants will be bringing a motion, seeking to proceed immediately, for a Claims Procedure Order authorizing and directing the Applicants to undertake a process (the "**Claims Procedure**") to identify and determine all affected claims against the Applicants and their

present and former directors and officers for voting and distribution purposes with respect to the Plan.

147. Also, the Applicants will be bringing a motion, seeking to proceed immediately, for a Meetings Order authorizing and directing the Applicants to file the Plan with the Court and to convene meetings of their affected creditors to vote on a resolution to approve the Plan and any amendments thereto.

148. The Applicants are seeking the Claims Procedure Order and the Meetings Order at this stage because they wish to effectuate the Recapitalization as efficiently as possible. Completing the Recapitalization in a timely manner is in the best interests of all stakeholders of the Applicants and will ensure that the Cline Group has a reduced debt structure to enable the Cline Group to better withstand prolonged weakness in the market for its resources.

149. Each of the proposed Claims Procedure Order and Meetings Order contains a "Comeback Clause" allowing interested parties who wish to amend or vary the applicable Order to appear before the Court or bring a motion before the Court on a date to be set by the Court.

(ii) Claims Procedure Order

150. In this section, defined terms not defined herein will be as defined in the Claims Procedure Order.

151. The draft Claims Procedure Order provides a process for identifying and determining claims against the Applicants and their directors and officers, including, *inter alia*, the following:

(a) Cline and Marret, shall determine the aggregate of all amounts owing by the Applicants under the 2011 Indenture and the 2013 Indenture in respect of the

Secured Notes up to the Filing Date, such amounts being collectively the Secured Noteholders Allowed Claim;

(b) the Secured Noteholders Allowed Claim will be apportioned between the Secured Noteholders Allowed Secured Claim and the Secured Noteholders Allowed Unsecured Claim (being the amount of the Secured Noteholders Allowed Claim that is designated as unsecured having regard to the value of the security held by the 2011 Trustee and 2013 Trustee), as set out in the Claims Procedure Order, and as described below;

(c) the Monitor will send a Claims Package to all Known Creditors, which Claims Package shall include a Notice of Claim specifying the Known Creditor's Claim against the Applicants for voting and distribution purposes, and specifying whether the Known Creditor's claim is secured or unsecured;

(d) the Claims Procedure Order contains provisions allowing a Known Creditor to dispute its Claim as determined in the applicable Notice of Claim for either voting or distribution purposes or with respect to whether such Claim is secured or unsecured, and sets out a procedure for resolving such disputes;

(e) the Monitor will publish a notice to creditors in The Globe and Mail (National Edition), the Denver Post and the Pueblo Chieftain to solicit Claims against the Applicants by potential claimants who are as yet unknown to the Applicants;

(f) the Monitor will deliver a Claims Package to any Unknown Creditor who makes a request therefor prior to the Claims Bar Date containing a Proof of Claim to be

completed by such Unknown Creditor and filed with the Monitor prior to the Claims Bar Date;

(g) the proposed Claims Bar Date for Proofs of Claim for Unknown Creditors and for Notices of Dispute in the case of Known Creditors is January 13, 2015 (which is 42 days following the date of the Claims Procedure Order, assuming that Order is granted at this time);

(h) the Claims Procedure Order contains provisions allowing the Applicants to dispute a Proof of Claim as against an Unknown Creditor and provides a procedure for resolving such disputes for either voting or distribution purposes or with respect to whether such claim is secured or unsecured;

(i) the Claims Procedure Order allows the Applicants to allow a Claim for purposes of voting on the Plan without prejudice to whether that Claim has been accepted for purposes of receiving distributions under the Plan;

(j) where the Applicants or the Monitor send a notice of disclaimer or resiliation to any Creditor after the Filing Date, such notice shall be accompanied by a Claims Package allowing such Creditor to make a claim against the Applicants in respect of a Restructuring Period Claim;

(k) the Restructuring Period Claims Bar Date, in respect of claims arising as on or after the Applicants' date of CCAA filing shall be seven (7) days after the day such a Restructuring Period Claim arises;

(l) for purposes of the matters set out in the Claims Procedure Order in respect of any WARN Act Claims: (i) the WARN Act Plaintiffs will be treated as Unknown Creditors since the Applicants are not aware of (and have not quantified) any bona fide claims of the WARN Act Plaintiffs; and (ii) Class Action Counsel shall be entitled to file Proofs of Claim, Notices of Dispute of Revision and Disallowance, receive service and notice of materials and to otherwise deal with the Applicants and the Monitor on behalf of the WARN Act Plaintiffs, provided that Class Action Counsel shall require an executed proxy in order to cast votes on behalf of any WARN Act Plaintiffs at the WARN Act Plaintiffs' Meeting;

(m) Creditors may file a Proof of Claim with respect to a Director/Officer Claim; and

(n) interested parties who wish to amend or vary the Claims Procedure Order may appear before the Court or bring a motion before the Court on a date to be set by the Court.

152. The Claims Procedure Order is designed to identify the Claims of all possible Creditors in a manner that preserves the rights of such Creditors while allowing the Applicants to proceed expeditiously.

(iii) Meetings Order

153. The draft Meetings Order provides that the Applicants are authorized to file the Plan and to convene meetings of their affected creditors to consider and vote on the Plan as follows:

(a) a meeting of the Secured Noteholders (the "**Secured Noteholders Class**");

(b) a meeting of affected unsecured creditors other than claimants with WARN Act Claims (the "**Affected Unsecured Creditors Class**"); and

(c) a meeting of any claimants in respect of WARN Act Claims (the "**WARN Act Plaintiffs Class**").

154. The Secured Noteholders Class will consist of the Secured Noteholders in respect of the portion of their claims against the Applicants that is to be treated as secured. Each Secured Noteholder will be entitled to vote its *pro rata* portion of that amount in the Secured Noteholders Class.

155. The Affected Unsecured Creditors Class consists of all of the unsecured creditors of the Applicants who are to be affected by the Plan, including the Secured Noteholders in respect of the remaining unsecured balance of their claims (i.e. the portion of their claims that is to be treated as unsecured), but excluding any WARN Act Plaintiff in respect of a WARN Act Claim. Each Secured Noteholder will be entitled to vote its *pro rata* portion of the Secured Noteholders Allowed Unsecured Claim in the Affected Unsecured Creditors Class. The Affected Unsecured Creditors Class also includes the second-ranking secured claims of Marret (in its individual capacity), if any. The claims of Marret would be treated as unsecured because they rank below the Secured Notes, which will already suffer a deficiency in the value of their available security.

156. The Affected Unsecured Creditors Class will include a convenience class of unsecured creditors with Affected Unsecured Claims of up to $10,000 who will be paid in cash in full of their Affected Unsecured Claims and who will be deemed to vote in favour of the Plan, as members of the Affected Unsecured Creditors Class, unless they indicate otherwise.

157. The WARN Act Plaintiffs Class consists of all WARN Act Plaintiffs in the WARN Act Class Action who may assert WARN Act Claims against the Applicants.

158. I believe that this classification of creditors is fair having regard to the creditors' legal interests, the remedies available to them, and the extent to which they would recover their claims by exercising those remedies. In addition, all of the creditors in the Affected Unsecured Creditors Class have no security enforcement remedy in respect of the claims to be voted in that class, either because they have no security interest in the Applicants at all or because the value of the Applicants' assets is insufficient to satisfy the secured claims against them. All of the claims in the Affected Unsecured Creditors Class are similar in that they would remain unpaid in the event of a security enforcement or liquidation scenario.

159. The WARN Act Plaintiffs Class consists of contingent litigation creditors who assert (or who may assert) claims against Cline and New Elk in an uncertified class action proceeding. The WARN Act Claims have not been proven and are contested by the Applicants.

160. It is proposed that the Meetings will be held at Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, Ontario on January 21, 2015 at 10:00 a.m. for the WARN Act Plaintiffs Class, 11:00 a.m. for the Affected Unsecured Creditors Class, and 12:00 p.m. for the Secured Noteholders Class.

161. The draft Meetings Order provides for, *inter alia*, the following in respect of the governance of the Meetings (defined terms not otherwise defined herein shall have the meaning given to those terms in the Plan):

(a) an officer of the Monitor shall preside as the chair of the Meetings;

(b) the only parties 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, the Secretary, the Scrutineers, and such other parties as may be admitted to a Meeting only by invitation of the Applicants or the Chair;

(c) only Creditors with Voting Claims or their duly appointed proxyholders are entitled to vote at the Meetings; provided that, in the event a Creditor holds a Claim that is a Disputed Voting Claim as at the date of a Meeting, such Disputed Voting Claim may be voted at the applicable Meeting (by the applicable Creditor or its proxyholder) but shall be tabulated separately and shall not be counted for any purpose unless, until, and only to the extent that such Claim is ultimately determined to be a Voting Claim;

(d) each WARN Act Plaintiff or its proxyholder shall be entitled to cast an individual vote on the Plan as part of the WARN Act Plaintiffs Class and Class Action Counsel shall be permitted to cast votes on behalf of those WARN Act Plaintiffs who have duly appointed Class Action Counsel as their proxy pursuant to the terms of the Meetings Order;

(e) the quorum for each Meeting is one Creditor with a Voting Claim, provided that if there are no WARN Act Plaintiffs voting in the WARN Act Plaintiffs Class, the Applicants will have the right to combine the WARN Act Plaintiffs Class with the Affected Unsecured Creditors Class and proceed without a vote of the WARN

Act Plaintiffs Class, in which case there shall be no WARN Act Plan Entitlement under the Plan;

(f) the Monitor shall keep separate tabulations of votes in respect of:

(i) Voting Claims; and

(ii) Disputed Voting Claims, if any;

(g) the Scrutineers shall tabulate the vote(s) taken at each Meeting and determine whether the Plan has been accepted by the required majorities of the Secured Noteholders Class, the Affected Unsecured Creditors Class and the WARN Act Plaintiffs Class;

(h) if the approval or non-approval of the Plan may be affected by the votes cast in respect of the Disputed Voting Claims, if any, as determined by the Monitor, the Applicants and the Monitor may seek directions from this Court; and

(i) the results of the vote conducted at the Meetings shall be binding on each creditor of the Applicants whether or not such creditor is present in person or by proxy or voting at a Meeting.

162. The Applicants may elect to proceed with the Meetings notwithstanding that the resolution of Claims in accordance with the Claims Procedure may not be complete. As noted above, the Meetings Order, if approved, authorizes and directs the Monitor to tabulate votes in respect of Voting Claims separately from votes in respect of Disputed Voting Claims, if any. If the approval or non-approval of the Plan may be affected by the votes cast in respect of Disputed Voting Claims, if any, then only if the Disputed Voting Claims are ultimately determined to be

Voting Claims, in whole or in part, will such Claims, in whole or in part, as applicable, be counted for purposes of determining whether the requisite majorities of the Secured Noteholders Class, the Affected Unsecured Creditors Class and the WARN Act Plaintiffs Class have voted to approve the Plan. This way, the Meetings can proceed concurrently with the conclusion of the Claims Procedure.

163. By proceeding with the Meetings concurrently with the conclusion of the Claims Procedure, the Applicants hope to move more expeditiously towards the implementation of the Recapitalization and the conclusion of the Recapitalization.

164. The Meetings Order includes a comeback provision providing interested parties who wish to amend or vary the Meetings Order with the ability to appear before the Court or bring a motion before the Court on a date to be set by the Court.

165. Marret has confirmed that it supports the Recapitalization and the Plan on behalf of the Secured Noteholders and it has entered into the Support Agreement to that effect.

166. The class of unsecured creditors of the Applicants is relatively small, and most of the Applicants' known unsecured creditors are knowledgeable about the operations of the Applicants. As a result, I believe the counterparties would not be prejudiced by the timeframes being proposed in the requested Claims Procedure Order and Meetings Order.

(iv) Fairness of Plan and the Recapitalization

167. The Applicants have considered a number of factors in deciding to move forward with the Recapitalization, the Plan and the relief sought under the CCAA, including:

(a) the industry-wide challenges facing the metallurgical coal market, including historically low prices for metallurgical coal;

(b) the results of the Sale Process, including the fact that no offers or expressions of interest for the Cline Group were received in the Sale Process;

(c) the Secured Notes are now past due, Marret has advised that the Secured Noteholders have directed the Trustee to accelerate the Secured Notes and the Trustee (at the direction of the Secured Noteholders) is in a position to enforce its security;

(d) the fact that Marret (on behalf of the Secured Noteholders) has forbeared on its rights for an extended period of time to allow the Applicants to consider and pursue alternatives and has allowed the Cline Group to use its cash collateral to fund the Cline Group during that time; however, Marret is not prepared to forbear and support the Cline Group any longer in the absence of the Recapitalization;

(e) the Applicants have achieved the support of Marret, which represents the Applicants' largest creditor group and the creditors with the remaining economic interest in the Cline Group;

(f) the Plan would provide for limited recoveries for Affected Unsecured Creditors and WARN Act Plaintiffs, who would otherwise expect to receive nothing in a debt enforcement or liquidation scenario; and

(g) the Applicants do not presently have any other viable alternative for continuing the Cline Business other than the Recapitalization.

168. In light of these considerations, the Applicants have concluded that the terms of the Recapitalization and the Plan are fair and reasonable in the circumstances.

V. CONCLUSION

169. The Applicants are currently in an unsustainable financial position. The Cline Group has a number of valuable interests in mineral properties but currently lacks the financial capacity to develop and operate them. The depressed global market for metallurgical coal and the ongoing suspension of full-scale coal mining activities at the New Elk Mine has led to the inability of the Applicants to satisfy their obligations in respect of the Secured Notes and has rendered the Applicants insolvent. In order to avoid a debt enforcement scenario and the accompanying loss of value, the Cline Group has negotiated the Recapitalization and achieved the support of Marret (on behalf of the Secured Noteholders). The Applicants have determined that it is in the best interests of the Applicants and their stakeholders to seek protection under the CCAA and to move forward with the Recapitalization as efficiently and expeditiously as possible. Accordingly, I swear this Affidavit in support of the relief sought by the Applicants.

SWORN before me in the City of Toronto, in the Province of Ontario, on December 2, 2014.

A Commissioner for taking affidavits
Name:

MATTHEW GOLDFARB

THIS IS EXHIBIT "D"

TO THE AFFIDAVIT OF MATTHEW GOLDFARB

SWORN BEFORE ME ON JANUARY 21, 2015

Commissioner for taking affidavits

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

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

NOTICE OF PLAN AMENDMENT
AFFECTING WARN ACT PLAINTIFFS

The Applicants hereby give notice of certain amendments to the Plan of Compromise and Arrangement dated December 3, 2014 (the "**Plan**") that affect members of the WARN Act Plaintiffs Class. An amended and restated Plan has been filed with the Court, which provides for the amendments set out on Schedule "A" hereto (the "**Amended Plan**"). The amendments are summarized as follows:

- If the Required Majorities of the WARN Act Plaintiffs Class vote to approve the Plan at the WARN Act Plaintiffs Meeting and the Plan is implemented in accordance with its terms, then the Proof of Claim filed by Class Action Counsel on behalf of the WARN Act Plaintiffs will be accepted as an unsecured Distribution Claim, and each WARN Act Plaintiff with an Allowed WARN Act Claim shall be entitled to the following:

    - its applicable share of a payment of $120,000, less an expense reimbursement amount relating to certain attorneys fees and other costs incurred on behalf of the WARN Act Plaintiffs in the Class Action, which payment is to be made on or prior to the date that is eight years from the Plan Implementation Date; and

    - its applicable share of a cash payment in the amount of $90,000 less an expense reimbursement amount relating to certain attorneys fees and other costs incurred on behalf of the WARN Act Plaintiffs in the Class Action, which payment is to be made on the Plan Implementation Date.

  In each case, the expense reimbursement amount is to be determined by agreement among Class Action Counsel and the representative plaintiffs in the WARN Act Class Action.

- All payments to be made to the WARN Act Plaintiffs with allowed claims pursuant to the Plan shall be made to Class Action Counsel for the benefit of the WARN Act Plaintiffs

with allowed claims, and Class Action Counsel will be responsible for allocating and distributing such payments to the WARN Act Plaintiffs.

- Certain other amendments were made to the Plan to address the distribution mechanics relating to the foregoing payments and to ensure the provisions of the Plan interact appropriately with the WARN Act Class Action case.

Please note that the foregoing is a summary only, and reference should be made to the Amended Plan for the specifics of the amendments made to the Plan. Capitalized terms used but not defined herein shall have the meaning given to them in the Amended Plan.

DATED at Toronto, Ontario this 20th day of January, 2015.

THIS IS EXHIBIT "E"

TO THE AFFIDAVIT OF MATTHEW GOLDFARB

SWORN BEFORE ME ON JANUARY 21, 2015

Brad Wilson.

Commissioner for taking affidavits

Cline Mining Corporation

APPLICANTS 13-WEEK CASH FLOW FORECAST

(CAD in thousands)

Week Ending	25-Jan-15	1-Feb-15	8-Feb-15	15-Feb-15	22-Feb-15	1-Mar-15	8-Mar-15	15-Mar-15	22-Mar-15	29-Mar-15	5-Apr-15	
Forecast Week	1	2	3	4	5	6	7	8	9	10	11	Total
Cash Flow from Operations												
Receipts	-	308.8	-	-	-	21.9	-	-	20.0	-	-	350.7
Operating Disbursements	(280.1)	(305.5)	(128.6)	(42.7)	(129.4)	(212.8)	(225.6)	(329.5)	(127.5)	(455.2)	(153.6)	(2,390.4)
Operating Cash Flows	**(280.1)**	**3.3**	**(128.6)**	**(42.7)**	**(129.4)**	**(190.9)**	**(225.6)**	**(329.5)**	**(107.5)**	**(455.2)**	**(153.6)**	**(2,039.7)**
Restructuring/ Non-Recurring Disbursements	(443.3)	(159.9)	(56.0)	(52.8)	(52.8)	(70.8)	(34.1)	(34.1)	(34.1)	(52.1)	(34.1)	(1,024.0)
Projected Net Cash Flow	**(723.3)**	**(156.6)**	**(184.6)**	**(95.6)**	**(182.2)**	**(261.7)**	**(259.7)**	**(363.5)**	**(141.5)**	**(507.3)**	**(187.7)**	**(3,063.7)**
Beginning Cash Balance	**8,346.6**	**7,623.3**	**7,466.7**	**7,282.1**	**7,186.5**	**7,004.4**	**6,742.7**	**6,483.0**	**6,119.4**	**5,977.9**	**5,470.6**	8,346.6
Ending Cash Balance	**7,623.3**	**7,466.7**	**7,282.1**	**7,186.5**	**7,004.4**	**6,742.7**	**6,483.0**	**6,119.4**	**5,977.9**	**5,470.6**	**5,282.9**	**5,282.9**

Notes:

[1] The purpose of this cash flow forecast is to determine the liquidity requirements of the Applicants during the forecast period.

[2] The Applicants operations at the New Elk Mine are currently under care and maintenance. Anticipated Receipts are the result of HST refunds and the sale of coal in inventory.

[3] Forecast Operating Disbursement assumptions are based on existing Accounts Payable, vendor payment terms, payroll funding dates, board of director fee arrangements and terms of property leases, among others.

[4] Restructuring/Non-Recurring Disbursements include professional fees associated with the CCAA Proceedings, the Applicants' restructuring efforts, and certain non-recurring tax liabilities. Professional fee disbursement assumptions are based on budgeted time and expenses for the various legal and financial advisors expected to participate in the CCAA Proceedings.

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

Applicants

Court File No: CV14-10781-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE-
(COMMERCIAL LIST)

Proceeding commenced at Toronto

AFFIDAVIT OF MATTHEW GOLDFARB
(Sworn January 21, 2015)

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Lawyers for the Applicants

6405063

TAB 3

Court File No. CV14-10781-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE REGIONAL	**)**	**TUESDAY, THE 27TH**
	)	
SENIOR JUSTICE MORAWETZ	**)**	**DAY OF JANUARY, 2015**

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

PLAN SANCTION ORDER

THIS MOTION made by 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**") for an Order (the "**Plan Sanction Order**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), sanctioning the Amended and Restated Plan of Compromise and Arrangement dated January 20, 2015, which is attached as Schedule "A" hereto (and as it may be further amended, varied or supplemented from time to time in accordance with the terms thereof, the "**Plan**"), was heard on January 27, 2015 at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Affidavit of Matthew Goldfarb sworn January 21, 2015 (the "**Goldfarb Affidavit**"), filed, the second report (the "**Second Report**") and third report (the "**Third Report**") of FTI Consulting Canada Inc., in its capacity as monitor of the Applicants (the "**Monitor**"), filed, and on hearing the submissions of counsel for each of the Applicants, the Monitor, Marret Asset Management Inc. (on behalf of the Applicants' secured noteholders), and such other counsel as were present, no one else appearing although duly served as appears from the affidavit of service, filed.

DEFINED TERMS

1. **THIS COURT ORDERS** that any capitalized terms not otherwise defined in this Plan Sanction Order shall have the meanings ascribed to such terms in the Plan and the Meetings Order granted by this Court on December 3, 2014 (the "**Meetings Order**"), as applicable.

SERVICE, NOTICE AND MEETING

2. **THIS COURT ORDERS** that the time for service of the Notice of Motion, the Motion Record in support of this motion, the Second Report and the Third Report be and are hereby abridged and validated so that the motion is properly returnable today and service upon any interested party other than those parties served is hereby dispensed with.

3. **THIS COURT ORDERS AND DECLARES** that there has been good and sufficient notice, service and delivery of the Meetings Order, the Information Package and the Plan to all Persons upon which notice, service and delivery was required, and that the Meetings were duly convened and held on January 21, 2015, in conformity with the CCAA and the Meetings Order.

SANCTION OF THE PLAN

4. **THIS COURT DECLARES** that the relevant Voting Classes of Affected Creditors of the Applicants are the Secured Noteholders Class, the Affected Unsecured Creditors Class and the WARN Act Plaintiffs Class and that the Plan has been approved by the Required Majorities of Affected Creditors in each Voting Class, as required by the Meetings Order, and in conformity with the CCAA.

5. **THIS COURT DECLARES** that the activities of the Applicants have been in compliance with the provisions of the CCAA, the Initial Order granted by this Court on December 3, 2014 (the "**Initial Order**"), the Claims Procedure Order granted by this Court on December 3, 2014 (the "**Claims Procedure Order**") and the Meetings Order (together with the Initial Order and the Claims Procedure Order, the "**Orders**"), the Court is satisfied that the Applicants have not done or purported to do anything that is not

authorized by the CCAA and the Plan and the transactions contemplated thereby are fair and reasonable.

6. **THIS COURT ORDERS AND DECLARES** that the Plan is hereby sanctioned and approved pursuant to section 6 of the CCAA.

PLAN IMPLEMENTATION

7. **THIS COURT ORDERS** that each of the Applicants and the Monitor are authorized and directed to take all steps and actions, and do all things, necessary or appropriate to implement the Plan in accordance with its terms and to enter into, execute, deliver, complete, implement and consummate all of the steps, transactions, distributions, deliveries, allocations and agreements contemplated by the Plan. All payments and distributions to be made by the Applicants to the WARN Act Plaintiffs pursuant to the Plan shall be made to Class Action Counsel, and Class Action Counsel shall allocate and distribute such payments in accordance with the Plan. Neither the Applicants nor the Monitor shall incur any liability as a result of acting in accordance with the terms of the Plan and the Plan Sanction Order.

8. **THIS COURT ORDERS AND DECLARES** that the Plan and all associated steps, compromises, transactions, arrangements, releases and reorganizations effected thereby shall be deemed to be implemented, binding and effective in accordance with the provisions of the Plan as of the Plan Implementation Date, and the steps required to implement the Plan, including without limitation the release of all Affected Claims, Released Director/Officer Claims and Released Claims in accordance with the terms of the Plan, shall be deemed to occur and to take effect in the sequential order and at the times contemplated in section 5.3 of the Plan, without any further act or formality, on the Plan Implementation Date, beginning at the Effective Time.

9. **THIS COURT ORDERS** that, pursuant to section 6(2) of the CCAA, the Articles of Cline shall be amended on the Plan Implementation Date in accordance with the provisions of, and as required to implement, the Plan. 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) of the Plan shall be cancelled without any liability, payment or other compensation in respect thereof and all Equity Interests (for greater certainty, not including any Cline Common Shares that remain issued and outstanding immediately following the cancellation of fractional interests pursuant to section 5.3(i) of the Plan) shall be cancelled without any liability, payment or other compensation in respect thereof.

10. **THIS COURT ORDERS** that upon the satisfaction or waiver of the conditions precedent set out in section 9.1 of the Plan in accordance with the terms of the Plan, as confirmed by the Applicants and Marret or their counsel in writing, the Monitor is authorized and directed to deliver to counsel to the Applicants a certificate substantially in the form attached hereto as Schedule "B" (the "**Monitor's Certificate**") signed by the Monitor, certifying that the Plan Implementation Date has occurred and that the Plan is effective in accordance with its terms and the terms of the Plan Sanction Order. The Monitor shall file the Monitor's Certificate with this Court and the U.S. Court promptly following the Plan Implementation Date.

11. **THIS COURT ORDERS** that, subject to the payment of any amounts secured by the Charges that remain owing on the Plan Implementation Date, if any, each of the Charges shall be terminated, discharged and released on the Plan Implementation Date.

EFFECT OF PLAN AND CCAA ORDERS

12. **THIS COURT ORDERS** that, from and after the Plan Implementation Date, the Plan shall inure to the benefit of and be binding upon the Applicants, the Released Parties, the Affected Creditors, the Directors and Officers, any Person with a Director/Officer Claim or a Released Claim, and all other Persons and parties named or referred to in or affected by the Plan, including, without limitation, their respective heirs, administrators, executors, legal representatives, successors, and assigns.

13. **THIS COURT ORDERS** that, without limiting the provisions of the Claims Procedure Order, any Person that did not file a Proof of Claim, a Notice of Dispute or a Notice of Dispute of Revision or Disallowance, as applicable, by the Claims Bar Date, the

Restructuring Period Claims Bar Date or such other bar date provided for in the Claims Procedure Order, as applicable, whether or not such Person received direct notice of the claims process established by the Claims Procedure Order, shall be and is hereby forever barred from making any Claim or any Director/Officer Claim and shall not be entitled to any consideration under the Plan, and such Person's Claim or Director/Officer Claim, as applicable, shall be and is hereby forever barred and extinguished.

14. **THIS COURT ORDERS AND 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 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) that the Applicants sought or obtained relief or have taken steps in connection with the Plan or under the CCAA; (ii) of any default or event of default arising as a result of the financial condition or insolvency of the Applicants on or prior to the Plan Implementation Date; (iii) of the effect upon the Applicants of the completion of any of the transactions contemplated under the Plan; or (iv) of any compromises, settlements, restructurings, recapitalizations or reorganizations effected pursuant to the Plan.

THE MONITOR

15. **THIS COURT ORDERS** that the activities and conduct of the Monitor prior to the date hereof in relation to the Applicants, the CCAA Proceedings, and in conducting and administering the Meetings on January 21, 2015 be and are hereby ratified and approved.

16. **THIS COURT ORDERS** that the pre-filing report of the Monitor dated December 2, 2015, the first report of the Monitor dated December 16, 2015 and the Second Report, and the conduct and activities of the Monitor as described therein are hereby approved.

17. **THIS COURT ORDERS** that the fees and disbursements of the Monitor and Osler, Hoskin & Harcourt LLP, as counsel to the Monitor, as described in the Third Report be and hereby are approved.

18. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA and the powers provided to the Monitor herein and in the Orders and the Plan, shall be and is hereby authorized, directed and empowered to perform its functions and fulfill its obligations under the Plan to facilitate the implementation of the Plan.

19. **THIS COURT ORDERS** that the Monitor has satisfied all of its obligations up to and including the date of this Plan Sanction Order, and that: (i) in carrying out the terms of this Plan Sanction Order and the Plan, the Monitor shall have all the protections given to it by the CCAA, the Initial Order, the Meetings Order, the Claims Procedure Order, and 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 Plan Sanction Order and/or the Plan and in performing its duties as Monitor in the CCAA Proceedings, 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, or with respect to any such information disclosed to or provided by the Monitor, including with respect to reliance thereon by any Person.

20. **THIS COURT ORDERS** that as of the Effective Time on the Plan Implementation Date, the Monitor shall be discharged and released from its duties other than those obligations, duties and responsibilities: (i) necessary or required to give effect to the terms of the Plan and this Plan Sanction Order, (ii) in relation to the claims procedure and all matters relating thereto as set out in the Claims Procedure Order, and (iii) in connection with the completion by the Monitor of all other matters for which it is

responsible in connection with the Plan or pursuant to the Orders of this Court made in the CCAA Proceedings.

21. **THIS COURT ORDERS** that upon completion by the Monitor of its duties in respect of the Applicants pursuant to the CCAA, the Plan and the Orders, the Monitor may file with the Court a certificate stating that all of its duties in respect of the Applicants pursuant to the CCAA, the Plan and the Orders have been completed and thereupon, FTI Consulting Canada Inc. shall be deemed to be discharged from its duties as Monitor and released of all claims relating to its activities as Monitor.

BOARD OF DIRECTORS OF CLINE

22. **THIS COURT ORDERS AND DECLARES** that those persons listed on a certificate to be filed with the Court by the Applicants prior to the Plan Implementation Date shall be deemed to be appointed as the board of directors of Cline on the Plan Implementation Date, provided that such certificate and the persons listed thereon shall be subject to the prior written consent of Marret, on behalf of the Secured Noteholders. Concurrently with the appointment of such directors, all directors serving immediately prior to the Plan Implementation Date shall be deemed to resign (unless they are re-appointed in accordance with this paragraph).

EXTENSION OF THE STAY OF PROCEEDINGS

23. **THIS COURT ORDERS** that the Stay Period, as such term is defined in and used throughout the Initial Order, be and is hereby extended to and including 11:59 p.m. on April 1, 2015, and that all other terms of the Initial Order shall remain in full force and effect, unamended, except as may be required to give effect to this paragraph or otherwise provided in the Plan or this Plan Sanction Order.

EFFECT, RECOGNITION AND ASSISTANCE

24. **THIS COURT ORDERS** that the Applicants and the Monitor may apply to this Court for advice and direction with respect to any matter arising from or under the Plan or this Plan Sanction Order.

25. **THIS COURT ORDERS** that this Plan Sanction Order shall have full force and effect in all provinces and territories of Canada and abroad as against all persons and parties against whom it may otherwise be enforced.

26. **THIS COURT REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, or in any other foreign jurisdiction, to give effect to this Order or to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. 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 or the Monitor and their respective agents in carrying out the terms of this Order. Without limiting the generality of the foregoing, the Monitor is hereby authorized, as foreign representative of the Applicants to, if deemed advisable by the Monitor and the Applicants, apply for recognition of this Plan Sanction Order in any proceedings in the United States pursuant to Chapter 15, Title 11 of the United States Code.

GENERAL

27. **THIS COURT ORDERS** that this Plan Sanction Order shall be posted on the Monitor's Website at http://cfcanada.fticonsulting.com/cline and is only required to be served upon the parties on the Service List and those parties who appeared at the hearing of the motion for this Plan Sanction Order.

Schedule “A”

(Plan of Compromise and Arrangement)

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

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

AMENDED AND RESTATED
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

January 20, 2015

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AMENDED AND RESTATED
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 filed a Plan of Compromise and Arrangement dated December 3, 2014 pursuant to the Meetings Order (as defined below) (the "**Original Plan**");

AND WHEREAS, following discussions with counsel for the WARN Act Plaintiffs, Marret and the Monitor, the Applicants have agreed to make certain amendments to the Original Plan to address the settlement of the WARN Act Claims;

AND WHEREAS the Applicants file this amended and restated 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 Depositary 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.

"**Class Action Counsel**" means The Gardner Firm, P.C., in its capacity as counsel to James Gerard Jr. and Michael Cox, on behalf of themselves and all others who are alleged to be similarly situated, in the WARN Act Class Action.

"**Class Action Initial Expense Reimbursement**" means an amount to be agreed by Class Action Counsel and James Gerard Jr. and Michael Cox, as representative plaintiffs in the WARN Act Class Action, in respect of: the reasonable attorneys fees, expenses and costs of the WARN Act Plaintiffs' counsel; the reasonable local attorneys fees, expenses and costs incurred by the WARN Act Plaintiffs' counsel; and class representative fees, expenses and costs in connection with the WARN Act Class Action. The Class Action Initial Expense Reimbursement is to be paid on the Plan Implementation Date and shall not exceed $90,000 (being the maximum amount of the WARN Act Cash Payment).

"**Class Action Second Expense Reimbursement**" means an amount to be agreed by Class Action Counsel and James Gerard Jr. and Michael Cox, as representative plaintiffs in the WARN Act Class Action, in respect of the reasonable attorneys fees and expenses of the WARN Act Plaintiffs' counsel. The Class Action Second Expense Reimbursement is to be paid on the WARN Act Plan Entitlement Date and shall not exceed $120,000 (being the maximum amount of the WARN Act Plan Entitlement).

"**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(l)(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 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.

"**Original Plan**" has the meaning ascribed thereto in the recitals.

"**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 this Amended and Restated 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 Cash Payment**" means the cash payment in the amount of $90,000 less the Class Action Initial Expense Reimbursement, which cash payment is to be made to the Class Action Counsel on the Plan Implementation Date for the benefit of WARN Act Plaintiffs with Allowed WARN Act Claims.

"**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 simliarly 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 Share**" means, at the relevant time, with respect to each WARN Act Plaintiff with an Allowed WARN Act Claim, the applicable share of such WARN Act Plaintiff in the distributions to be made to the WARN Act Plaintiffs with Allowed WARN Act Claims hereunder, as determined by Class Action Counsel in accordance with the parameters of the WARN Act Class Action.

"**WARN Act Plan Entitlement**" means the unsecured, non-interest-bearing entitlement of the WARN Act Plaintiffs with Allowed WARN Act Claims to receive $120,000 less the amount of the Class Action Second Expense Reimbursement in cash (collectively, and not individually) from New Elk 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;

(g) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. (Toronto time) on such Business Day;

(h) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;

(i) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time

to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation; and

(j) references to a specified "article" or "section" shall, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specified article or section of the Plan, whereas the terms "the Plan", "hereof', "herein", "hereto", "hereunder" and similar expressions shall be deemed to refer generally to the Plan and not to any particular "article", "section" or other portion of the Plan and include any documents supplemental hereto.

1.3 Successors and Assigns

The Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person or party directly or directly named or referred to in or subject to Plan.

1.4 Governing Law

The Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of the Plan and all proceedings taken in connection with the Plan and its provisions shall be subject to the jurisdiction of the Court, provided that the Chapter 15 Proceeding shall be subject to the jurisdiction of the U.S. Court.

1.5 Schedules

The following are the Schedules to the Plan, which are incorporated by reference into the Plan and form a part of it:

Schedule "A"	New Secured Debt – Summary of Terms
Schedule "B"	Alternate Plan – Summary of Terms

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

If the Required Majorities of the WARN Act Plaintiffs Class vote to approve the Plan at the WARN Act Plaintiffs Meeting and the Plan is implemented in accordance with its terms, then:

(a) the Proof of Claim dated January 13, 2015 filed by Class Action Counsel in respect of the WARN Act Claims shall be deemed to be Allowed as an aggregate Distribution Claim in the amount set forth on such Proof of Claim, provided that the WARN Act Claims (including the associated attorneys' fees included therein) shall be deemed to be unsecured and to have no security or priority status, and the 307 individuals identified in such Proof of Claim shall be deemed to be WARN Act Plaintiffs with Allowed WARN Act Claims in amounts to be determined by Class Action Counsel in accordance with the parameters of the WARN Act Class Action, with all such amounts totalling the aggregate amount set forth on such Proof of Claim;

(b) 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:

(i) each WARN Act Plaintiff with an Allowed WARN Act Claim shall become entitled on the Plan Implementation Date to the following:

(A) its Individual WARN Act Plan Entitlement (which, for greater certainty, shall not be payable until the WARN Act Plan Entitlement Date); and

(B) its WARN Act Plaintiff's Share of the WARN Act Cash Payment (which for greater certainty shall be payable to Class Action Counsel, for the benefit of the WARN Act Plaintiffs, on the Plan Implementation Date); and

(ii) New Elk shall pay the Class Action Initial Expense Reimbursement to Class Action Counsel on the Plan Implementation Date.

All WARN Act Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred on the Plan Implementation Date, provided that neither the foregoing nor the provisions of Article 7 hereof releases any defendants presently named in the WARN Act Class Action other that the Applicants. Forthwith following the Plan Implementation Date, Class Action Counsel shall irrevocably terminate and discontinue the WARN Act Class Action against the Applicants and no Person shall take any steps or actions against the Applicants in furtherance of a WARN Act Claim. Forthwith following the Plan Implementation Date, the Applicants shall provide Class Action Counsel with addresses and social security numbers of the individual WARN Act Plaintiffs to the extent that such information is available based on the Applicants' books and records for the purpose of enabling Class Action Counsel to make distributions to such individuals.

(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 Plain 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 and the WARN Act Cash Payment

(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, Class Action Counsel or any other Person.

(b) On the WARN Act Plan Entitlement Date, New Elk shall pay an amount equal to the WARN Act Plan Entitlement to Class Action Counsel for the benefit of the WARN Act Plaintiffs with Allowed WARN Act Claims. Class Action Counsel shall distribute such amounts among the applicable WARN Act Plaintiffs. New Elk shall also pay the Class Action Second Expense Reimbursement to Class Action Counsel on the WARN Act Plan Entitlement Date. The WARN Act Plan Entitlement payment and the Class Action Second Expense Reimbursement shall be paid to Class Action Counsel in a single check or wire transfer of $120,000.

(c) On the Plan Implementation Date, New Elk shall pay an amount equal to the WARN Act Cash Payment to Class Action Counsel for the benefit of WARN Act Plaintiffs with Allowed WARN Act Claims. Class Action Counsel shall distribute all such amounts among the applicable WARN Act Plaintiffs with Allowed WARN Act Claims. New Elk shall also pay the Class Action Initial Expense Reimbursement to Class Action Counsel on the Plan Implementation Date. The WARN Act Cash Payment and the Class Action Initial Expense Reimbursement shall be paid to Class Action Counsel in a single check or wire transfer of $90,000.

(d) The Applicants and the Monitor shall have no responsibility or liability whatsoever for determining the allocation of the WARN Act Plan Entitlement or the WARN Act Cash Payment among the WARN Act Plaintiffs or for ensuring payments from Class Action Counsel to the WARN Act Plaintiffs.

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, and any distribution under the Plan to the WARN Act Plaintiffs shall be deemed made when delivered to Class Action Counsel. With respect to distributions to be made by Class Action Counsel to WARN Act Plaintiffs with Allowed WARN Act Claims: (i) Class Action Counsel shall not be responsible or liable for any undeliverable distributions to WARN Act Plaintiffs who cannot be located based on deficiencies in the address information to be provided by the Applicants pursuant to section 3.4(3) hereof; and (ii) if any

distributions to the WARN Act Plaintiffs are returned as undeliverable or the applicable WARN Act Plaintiff cannot reasonably be located, and no claim has been made for such distribution by such WARN Act Plaintiff within six months following the WARN Act Plan Entitlement Date, then Class Action Counsel shall be permitted to donate such amounts to a cy-près recipient in accordance with customary class action practice in the United States.

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 posssession 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 and WARN Act Cash Payment

On the Plan Implementation Date, in the sequence set forth in section 5.3 and under the supervision of the Monitor: (i) 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; and (ii) New Elk shall make the WARN Act Cash Payment to Class Action Counsel for the benefit of WARN Act Plaintiffs with Allowed WARN Act Claims.

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), in accordance with sections 3.4(3) and 5.2(5), and in full consideration for the irrevocable, final and full compromise and satisfaction of such WARN Act Claim: (i) each WARN Act Plaintiff with an Allowed WARN Act Claim shall become entitled to its Individual WARN Act Plan Entitlement and (ii) New Elk shall pay the WARN Act Cash Payment to Class Action Counsel for the benefit of the WARN Act Plaintiffs with Allowed WARN Act Claims, and simultaneously therewith, New Elk shall pay the Class Action Initial Expense Reimbursement;

(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) 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.

(d) 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.

(e) 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.

(f) Prior to any Distribution Date and under the supervision of the Monitor, Cline shall re-calculate the Individual Unsecured Plan Entitlements of the Affected Unsecured Creditors (other than Convenience Creditors and Secured Noteholders), 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. If this occurs after the Unsecured 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.

(g) 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 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.

7.4 Applicants' Release of Class Action Counsel

On the Plan Implementation Date, any and all claims of the Applicants against Class Action Counsel, Lankenau & Miller LLP and/or Himelfarb Proszanski and any other counsel of record for the WARN Act Plaintiffs in the WARN Act Class Action, in their capacity as counsel to the WARN Act Plaintiffs, shall be released, discharged, cancelled and barred automatically and without any further act or formality, provided that nothing herein shall waive, discharge, release, cancel or bar the obligations of Class Action Counsel to make any distributions to WARN Act Plaintiffs with Allowed WARN Act Claims that they are required to make pursuant to the Plan.

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 20th day of January, 2015.

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 intrest 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 "B"

Monitor's Certificate of Plan Implementation

Court File No. CV14-10781-00CL

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

CERTIFICATE OF FTI CONSULTING CANADA INC.
AS THE COURT-APPOINTED MONITOR OF CLINE MINING CORPORATION, NEW ELK COAL COMPANY LLC AND NORTH CENTRAL ENERGY COMPANY

(Plan Implementation)

All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Amended and Restated Plan of Compromise and Arrangement concerning, affecting and involving Cline Mining Corporation, New Elk Coal Company LLC and North Central Energy Company (collectively, the "**Applicants**") dated January 20, 2014 (the "**Plan**"), which is attached as Schedule "A" to the Plan Sanction Order of the Honourable Regional Senior Justice Morawetz made in these proceedings on January 27, 2015 (the "**Plan Sanction Order**"), as the Plan may be further amended, varied or supplemented from time to time in accordance with its terms.

Pursuant to section 9.2 of the Plan and paragraph 10 of the Plan Sanction Order, FTI Consulting Canada Inc. in its capacity as the Court-appointed monitor of the Applicants (the "**Monitor**") delivers this certificate to counsel to the Applicants (on behalf of the Applicants) and hereby certifies that:

1. The Monitor has received written confirmation from the Applicants and Marret (or their respective counsel) that the conditions precedent set out in section 9.1 of the Plan have been satisfied or waived, as applicable.

2. Pursuant to the terms of the Plan, the Plan Implementation Date has occurred.

3. The Plan is effective in accordance with its terms.

4. This Certificate will be filed with the Court.

DATED at the City of Toronto, in the Province of Ontario, this ___ day of ___, 2015.

FTI CONSULTING CANADA INC., in its capacity as Court-appointed Monitor of the Applicants

By:

Name: Paul Bishop

Title: Senior Managing Director

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

Court File No.: CV14-10781-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

PLAN SANCTION ORDER
(Returnable January 27, 2015)

Goodmans LLP
Barristers & Solicitors
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Canada M5H 2S7

Robert J. Chadwick (LSUC# 35165K)
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Tel: 416.979.2211
Fax: 416.979.1234

Lawyers for the Applicants

6404640

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

Applicants

Court File No.: CV14-10781-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE-
COMMERCIAL LIST

Proceeding commenced at Toronto

MOTION RECORD
(Plan Sanction Motion
Returnable January 27, 2015)

GOODMANS LLP
Barristers & Solicitors
333 Bay Street, Suite 3400
Toronto, Canada M5H 2S7

Robert J. Chadwick: LSUC#: 35165K
Logan Willis: LSUC#: 53894K
Bradley Wiffen: LSUC#: 64279L

Tel: (416) 979-2211
Fax: (416) 979-1234

Lawyers for the Applicants

6413989