Cautionary Note For Readers

The attached document is a definitive agreement between Grande Cache Coal Corporation and 1629835 Alberta Ltd. dated October 31, 2011.

This definitive agreement was negotiated at arm's length to provide contractual protections for the benefit of Grande Cache Coal Corporation and 1629835 Alberta Ltd. (including its associated entities) and not for the purpose of disclosure to investors or any other purpose. The terms of this agreement may be varied or amended. As well, exceptions to representations and warranties made by the applicable parties may be applicable, and information concerning those exceptions may have been communicated in written materials not otherwise filed with securities regulatory authorities and, therefore, such information may not be available to the public. **Accordingly, investors and potential investors are cautioned that it would be inappropriate to rely on this document in making an investment decision**.

ARRANGEMENT AGREEMENT

BETWEEN

1629835 ALBERTA LTD.

- AND -

GRANDE CACHE COAL CORPORATION

OCTOBER 31, 2011

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ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT dated effective as of October 31, 2011,

BETWEEN:

1629835 ALBERTA LTD., a corporation existing under the laws of the Province of Alberta (hereinafter referred to as "**Purchaser**")

AND

GRANDE CACHE COAL CORPORATION, a corporation existing under the laws of the Province of Alberta (hereinafter referred to as "**Company**")

RECITALS:

A. Purchaser wishes to acquire all of the issued and outstanding Company Common Shares;

B. Purchaser and Company intend to carry out the acquisition of Company Common Shares by way of a plan of arrangement under Section 193 of the ABCA, on the terms and conditions set forth in the Plan of Arrangement (attached hereto as Exhibit B).

C. The Company Board has unanimously approved the Arrangement, this Agreement and has determined that the Arrangement is in the best interests of Company, and has resolved unanimously to recommend that Company Shareholders vote in favour of the Arrangement Resolution.

D. Concurrently with the execution of this Agreement, and as a condition of, and inducement to the willingness of Purchaser to enter into this Agreement, all of the directors and officers of the Company have entered into Voting Agreements with Purchaser, each dated the date hereof.

E. Concurrently with the execution of this Agreement, and as a condition of, and inducement to the willingness of Company to enter into this Agreement, (i) Purchaser has entered into the Escrow Agreement and deposited with the escrow agent under the Escrow Agreement the amount of $100,000,000 as security for the performance of certain of its obligations under this Agreement, and (ii) Winsway has entered into the Winsway Agreement with Company.

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereto do hereby covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals hereto, the following defined terms have the meanings hereinafter set forth:

(a) "**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

(b) "**Acquisition Proposal**" means, with respect to Company, other than the transactions contemplated by this Agreement, the making of any proposal, inquiry or offer (written or oral) to Company, the Company

Shareholders or publically from any Person or group of Persons acting jointly or in concert after the date hereof and prior to the termination of this Agreement or consummation of the Arrangement, as applicable, whether in one transaction or a series of transactions, relating to:

(i) any direct or indirect sale, issuance or acquisition of shares or other equity interests (or securities convertible into or exercisable for such shares or interests) in Company representing 20% or more of the issued and outstanding voting securities in Company or rights or interests therein or thereto;

(ii) any direct or indirect acquisition or purchase (or any lease, long-term supply agreement or other arrangement having the same economic effect as an acquisition or purchase) of assets of Company representing 20% or more of the consolidated assets of Company or contributing 20% or more of the consolidated revenue of the Company;

(iii) an amalgamation, arrangement, merger, business combination, consolidation or other similar transaction involving Company;

(iv) a take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or other similar transaction involving Company; or

(v) any other transaction or arrangement similar to, or having the same effect or consequences as the foregoing or the consummation of which would reasonably be expected to impede, interfere with, prevent or materially delay the Arrangement or any other transaction contemplated by this Agreement;

(c) "**Agreement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this arrangement agreement (including the exhibits hereto) as supplemented, modified or amended, and not to any particular article, section, exhibit or other portion hereof;

(d) "**Applicable Canadian Securities Laws**" means, collectively, and as the context may require, the applicable securities legislation of each of the provinces and territories of Canada, and the rules, regulations, instruments, orders and policies published and/or promulgated thereunder, as such may be amended from time to time prior to the Effective Date;

(e) "**Applicable Laws**", means any domestic or foreign, federal, state, provincial or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority, and any terms and conditions of any grant of approval, permission, authority or license of any Governmental Authority as are applicable to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Person or persons or its or their business, undertaking, property or securities;

(f) "**ARC**" means an advance ruling certificate pursuant to Section 102 of the Competition Act;

(g) "**Arrangement**" means the arrangement under the provisions of Section 193 of the ABCA, on the terms and conditions set forth herein and in the Plan of Arrangement as supplemented, modified or amended;

(h) "**Arrangement Resolution**" means the special resolution of the Company Shareholders in respect of the Arrangement to be considered at the Company Meeting substantially in the form attached hereto as Exhibit "A" hereto;

(i) "**Articles of Arrangement**" means the articles of arrangement to be prepared by Company, with the cooperation, consultation and prior approval of Purchaser, acting reasonably, as provided for herein, in respect of the Arrangement required under Subsection 193(10) of the ABCA to be sent to the Registrar for filing after the Final Order has been granted, giving effect to the Arrangement;

(j) "**Budget**" means Company's operating and capital budget for the fiscal year 2012, together with all expenditures which have been approved by the Company Board prior to the date of this Agreement, copies of which have been provided to Purchaser;

(k) "**Business Day**" means a day other than a Saturday, Sunday or other day when banks in the City of Calgary, Alberta, Hong Kong or Tokyo, Japan are not generally open for business;

(l) "**Certificate**" means the certificate or other confirmation of filing to be issued by the Registrar pursuant to Subsection 193(11) of the ABCA giving effect to the Arrangement;

(m) "**Commissioner**" means the Commissioner of Competition under the Competition Act;

(n) "**Company**" means Grande Cache Coal Corporation, a corporation incorporated under the ABCA;

(o) "**Company Board**" means the board of directors of Company as it may be comprised from time to time;

(p) "**Company Common Shares**" means the common shares in the capital of Company;

(q) "**Company Damages Event**" has the meaning ascribed thereto in Section 6.3;

(r) "**Company Disclosure Letter**" means the disclosure letter dated October 31, 2011 from Company to Purchaser as may be amended or supplemented by agreement between Company and Purchaser prior to the Effective Time;

(s) "**Company Financial Statements**" means, collectively,

(i) the audited consolidated financial statements of Company as at and for the fiscal years ended March 31, 2011 and March 31, 2010, together with the notes thereto and the auditors' report thereon; and

(ii) the unaudited consolidated financial statements of Company as at and for the three month periods ended June 30, 2011 and 2010, together with the notes thereto;

(t) "**Company Information**" means the information included in the Information Circular describing Company and the business, operations and affairs of Company;

(u) "**Company In-the-Money Amount**" means an amount equal to $10.00 less the applicable exercise price in respect of each Company Option:

(v) "**Company Material Adverse Change**" or "**Company Material Adverse Effect**" means, with respect to Company, any change, effect, occurrence, circumstance, event or state of facts that individually or in the aggregate is or would reasonably be expected to be material and adverse to the business operations, results of operations, prospects, properties, assets, capitalization, condition (financial or otherwise) or liabilities, (whether absolute, accrued, conditional or otherwise) of Company and its subsidiaries, taken as a whole, and includes any change, effect, event, circumstance or state of facts that would or would reasonably be expected to prevent, materially delay or materially impede the ability of the Company or the Purchaser to consummate the transactions contemplated by this Agreement, other than any such change, effect, occurrence or event relating to or resulting from:

(i) the announcement of this Agreement or the transactions contemplated by this Agreement;

(ii) a change in the market price or trading volume of the Company Common Shares (it being understood that the causes underlying such change may be taken into account when determining whether a Company Material Adverse Change or Company Material Adverse Effect has occurred);

(iii) conditions affecting the coal mining industry generally in jurisdictions in which Company carries on business, including, without limitation, changes in royalties, Applicable Laws (or in the interpretation, application or non-application of Applicable Laws by any Governmental Authority) or Taxes;

(iv) any change in the market price of coal;

(v) general economic, financial, currency exchange, securities, capital, credit or commodity market conditions;

(vi) any local, regional, national or international, political or social conditions (including, the engagement by any country in hostilities, whether commenced before or after the date hereof, and whether or not pursuant to the declaration of a national emergency or war), or the occurrence of any military, militant or terrorist attack (or any escalation or worsening thereof);

(vii) any failure by Company to meet any public or private budgets, estimates, projections, forecasts, predictions or expectations regarding its revenues, earnings, cash flow or other financial performance or results of operations for any period, including pursuant to any draft financial reports provided by Company to Purchaser as set forth in the Company Disclosure Letter (it being understood that the causes underlying such failure may be taken into account when determining whether a Company Material Adverse Change or Company Material Adverse Effect has occurred);

(viii) any matter which has been publicly disclosed by Company in the Company Public Record or has been disclosed in the Company Disclosure Letter, in each case prior to the date of this Agreement; or

(ix) any action required by the terms of this Agreement or undertaken by Company at the request of or with the consent of Purchaser;

provided, however that the change or effect referred to in (iii), (v) or (vi) above does not disproportionately affect Company and its subsidiaries, taken as a whole, compared to other entities of similar size operating in the coal mining industry**,** in which case, the incremental disproportionate impact or impacts may be taken into account in determining whether there has been, or is reasonably expected to be, a Company Material Adverse Change or Company Material Adverse Effect;

(w) "**Company Meeting**" means the special meeting of Company Shareholders to be held to consider the Arrangement Resolution and related matters, and any adjournment(s) or postponements thereof;

(x) "**Company Option Exercise and Cancellation Agreements**" means agreements to be entered into between Company and each of the Company Optionholders, in form and substance acceptable to Purchaser, acting reasonably, whereby each Company Optionholder agrees to (i) conditionally exercise all Company Options held by such holder in accordance with their terms immediately prior to the Effective Time upon payment of the exercise price therefor and any withholding taxes applicable on such exercise; or (ii) surrender for cancellation, immediately prior to the Effective Time and upon payment of any applicable withholding taxes, all Company Options held by such Company Optionholder as a cashless exercise in consideration for the Company In-the-Money Amount, payable in cash by the Company;

(y) "**Company Optionholders**" means holders of Company Options;

(z) "**Company Option Plan**" has the meaning ascribed thereto in Section 2.6(b);

(aa) "**Company Options**" means the outstanding stock options of Company, whether or not vested, entitling the holders thereof to acquire Company Common Shares;

(bb) "**Company Plans**" has the meaning ascribed thereto in Section 4.2(hh);

(cc) "**Company Public Record**" means all information filed by or on behalf of Company after March 31, 2010 with the Securities Authorities, in compliance, or intended compliance, with any Applicable Laws;

(dd) "**Company Rights Plan**" means the shareholder protection rights plan agreement originally dated effective May 27, 2005 and amended and restated effective as of June 30, 2011 and August 5, 2011;

(ee) "**Company Shareholders**" means holders of Company Common Shares;

(ff) "**Company Statement of Financial Position**" has the meaning ascribed thereto in Section 4.2(z)(i);

(gg) "**Company Termination Fee**" has the meaning ascribed thereto in Section 6.3;

(hh) "**Competition Act**" means the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

(ii) "**Competition Act Approval"** means that any one of the following shall have occurred (i) the Commissioner shall have issued an ARC pursuant to Section 102 of the Competition Act in respect of the transactions contemplated by this Agreement which ARC shall remain in force, unamended, at the Effective Date, (ii) if applicable, the waiting period under Section 123(1) of the Competition Act shall have expired or been earlier terminated or waived and the Commissioner shall have advised the Parties that she does not, at that time, intend to make an application for an order under Section 92 of the Competition Act in respect of the transactions contemplated by this Agreement on terms and conditions satisfactory to the Parties, acting reasonably which advice shall not have been rescinded at the Effective Date, or (iii) the Commissioner shall have, pursuant to Section 113(c) of the Competition Act, waived the obligation of the Parties to provide notice of the transactions contemplated by this Agreement pursuant to Section 114(1) of the Competition Act, and advised the Parties that she does not, at that time, intend to make an application for an order under Section 92 of the Competition Act in respect of the transactions contemplated by this Agreement on terms and conditions satisfactory to the Parties, acting reasonably, which advice shall not have been rescinded at the Effective Date;

(jj) "**Confidentiality Agreement**" means the confidentiality agreement dated June 6, 2011, as amended, between Company and Winsway, Marubeni and Public Sector Pension Investment Board entered into in connection with the transaction contemplated herein;

(kk) "**Contract**" means, with respect to a Party, a contract, lease, instrument, note, bond, debenture, mortgage, agreement, arrangement or understanding, written or oral, to which such Party, or any of its subsidiaries, is a Party or under which such Party or any of its subsidiaries is bound or, to such Party's knowledge, affected, has unfulfilled obligations or contingent liabilities or is owed unfulfilled obligations, whether known or unknown, and whether asserted or not;

(ll) "**Court**" means the Court of Queen's Bench of Alberta;

(mm) "**Depositary**" means the depositary under the Arrangement, Computershare Trust Company of Canada or such other qualified Person as may be mutually agreed between the Parties;

(nn) "**Disclosed Personal Information**" has the meaning ascribed thereto in Section 4.3(b);

(oo) "**Dissent Rights**" means the rights of dissent granted in favour of registered Company Shareholders in respect of the Arrangement as described in the Plan of Arrangement;

(pp) "**distribution**" means "distribution" or "distribution to the public", as the case may be, as defined under Applicable Canadian Securities Laws; and "distribute" has a corresponding meaning;

(qq) "**Effective Date**" has the meaning ascribed thereto in Section 2.1(b);

(rr) "**Effective Time**" means 12:01 a.m. (Calgary time) on the Effective Date, or such other time on the Effective Date as may be agreed to in writing by the Company and the Purchaser;

(ss) "**Encumbrances**" means all mortgages, pledges, charges, liens, debentures, hypothecs, trust deeds, burdens, capital leases, assignments by way of security, security interests, conditional sales contracts or other title retention agreements or similar interests or instruments charging, or creating a security interest, and any agreements, leases, options, easements, rights of way, restrictions, executions or other charges or encumbrances (whether by Applicable Laws, contract or otherwise) against title;

(tt) "**Environmental Approvals**" means all permits, certificates, licences, authorizations, consents, instructions, registrations, directions or approvals issued or required by Governmental Authorities pursuant to Environmental Laws;

(uu) "**Environmental Laws**" means, with respect to any Person or its business, activities, property, assets or undertaking, all Applicable Laws, relating to environmental health or safety matters including legislation governing the storage, generation, use, handling, manufacture, processing, labelling, advertising, sale, display, transportation, treatment, reuse, recycling, release and disposal of Hazardous Substances;

(vv) "**Escrow Agreement**" means the escrow agreement dated as of the date hereof among Purchaser, Company and Osler, Hoskin & Harcourt LLP, at its office in Calgary, Alberta, as escrow agent;

(ww) "**Final Order**" means the order of the Court approving the Arrangement to be applied for by Company following the approval of the Arrangement Resolution at the Company Meeting and to be granted pursuant to Subsection 193(9) of the ABCA in respect of Company Shareholders, Company and Purchaser, as such order may be affirmed, amended or modified by the Court (with the consent of both Company and Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that such amendment is acceptable to both Company and Purchaser, each acting reasonably) on appeal;

(xx) "**GAAP**" means accounting principles generally accepted in Canada applicable to public companies at the relevant time, which, for greater certainty, means IFRS for financial periods in financial years beginning on or after January 1, 2011;

(yy) "**Governmental Authority**" means any

- (i) multinational, national, federal, provincial, state, regional, municipal, local or other government or any governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau ministry or agency, domestic or foreign;
- (ii) any subdivision, agent, commission, board or authority of any of the foregoing;
- (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; and
- (iv) any stock exchange including the TSX and the HKEX;

(zz) "**Governmental Authorization**" has the meaning ascribed thereto in Section 4.2(s);

(aaa) "**Hazardous Substances**" means any pollutant, contaminant, waste of any nature, hazardous substance, hazardous waste, hazardous material, toxic substance, dangerous substance or dangerous good as defined, judicially interpreted or identified in any Environmental Laws and any other chemical, material or substance, the presence of or exposure to which is prohibited, limited or regulated by any Governmental Authority under any Environmental Law;

(bbb) "**HKEX**" means The Stock Exchange of Hong Kong Limited;

(ccc) "**IFRS**" means Canadian generally accepted accounting principles for publicly accountable enterprises being International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board effective for financial periods beginning on or after January 1, 2011;

(ddd) "**Information Circular**" means the management information circular and proxy statement of Company, together with all appendices thereto to be mailed or otherwise distributed by Company to the Company Shareholders and such other securityholders of Company as may be required pursuant to the Interim Order in connection with the Company Meeting;

(eee) "**Interim Order**" means an interim order of the Court concerning the Arrangement under Subsection 193(4) of the ABCA, containing declarations and directions with respect to the Arrangement and the holding of the Company Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

(fff) "**Investment Canada Act**" means the *Investment Canada Act,* R.S.C. 1985, c. 28 (1st Supp.), as amended;

(ggg) "**Investment Canada Act Approval**" means the satisfaction or deemed satisfaction by the Minister of Industry under the Investment Canada Act that the Arrangement is likely to be of "net benefit to Canada" for purposes of the Investment Canada Act, on terms and conditions satisfactory to Purchaser, acting reasonably;

(hhh) "**IRD**" means the Investment Review Division of Industry Canada;

(iii) "**ITA**" means the *Income Tax Act (Canada),* R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations promulgated thereunder, as amended from time to time;

(jjj) "**Marubeni**" means Marubeni Corporation, a corporation existing under the laws of Japan;

(kkk) "**Mineral Rights**" has the meaning ascribed thereto in Section 4.2(x)(i);

(lll) "**Misrepresentation**", "**Material Change**" and "**Material Fact**" have the meanings ascribed thereto under the Applicable Canadian Securities Laws;

(mmm) "**NI 43-101**" means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators*;

(nnn) "**Outside Date**" means February 28, 2012 or such other date as the Parties may agree;

(ooo) "**Parties**" means, collectively, the parties to this Agreement, and "**Party**" means any one of them;

(ppp) "**Permits**" means any license, permit, certificate, consent, order, grant, approval, agreement, classification, restriction, registration or other authorization or, from or required by any Governmental Authority;

(qqq) "**Permitted Encumbrances**" means: (i) any overriding royalties, net profits interests or other similar Encumbrances applicable to the interests of Company in its properties or assets; (ii) easements, rights of way, servitudes or other similar rights, including, without limitation, rights of way for highways, railways, sewers, drains, gas or water mains, electric light, power, telephone or cable television towers, poles, and wires; (iii) the regulations and any rights reserved to or vested in any municipality or governmental, statutory or public authority to levy taxes or to control or regulate Company's interests in any manner; (iv) statutory exceptions to title and the reservations, limitations and conditions in any grants or transfers from the Crown of mines and minerals; (v) undetermined or inchoate liens incurred or created in the ordinary course of business as security for Company's share of the costs and expenses of the development or operation of any of its assets, which costs and expenses are not delinquent as of the Effective Time; (vi) undetermined or inchoate mechanics' liens and similar liens for which payment for services rendered or goods supplied is not delinquent as of the Effective Time; and (vii) liens granted in the ordinary course of business to a Governmental Authority respecting operations; and (b) any Encumbrances under Company's existing credit facilities;

(rrr) "**Person**" includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;

(sss) "**Plan of Arrangement**" means the plan of arrangement under the ABCA substantially in the form set forth in Exhibit "B" to this Agreement, as such plan of arrangement may be amended or supplemented from time to time in accordance with the terms thereof and hereof;

(ttt) "**Pre-Acquisition Reorganization**" has the meaning ascribed thereto in Section 3.7;

(uuu) "**Properties**" has the meaning ascribed thereto in Section 4.2(x)(i);

(vvv) "**Purchaser**" means 1629835 Alberta Ltd., a corporation incorporated under the ABCA;

(www) "**Purchaser Board**" means the board of directors of Purchaser, as it may be comprised from time to time;

(xxx) "**Purchaser Damages Event**" has the meaning ascribed thereto in Section 6.1;

(yyy) **"Purchaser Information"** means the information included in the Information Circular describing Purchaser and the business, operations and affairs of Purchaser as required by Applicable Laws and the Interim Order;

(zzz) **"Purchaser Letter of Credit"** means the irrevocable letter of credit in favour of the Company which provides for the payment by Purchaser of sufficient funds to pay in full the aggregate consideration for all of the Company Common Shares (excluding the amount deposited under the terms of the Escrow Agreement), which letter shall be in the form and substance acceptable to the Company, acting reasonably;

(aaaa) "**Purchaser Termination Fee**" has the meaning ascribed thereto in Section 6.1;

(bbbb) "**Registrar**" means the Registrar of Corporations or the Deputy Registrar of Corporations appointed pursuant to Section 263 of the ABCA;

(cccc) "**Securities Act**" means the *Securities Act,* R.S.A. 2000, c. S-4, as amended;

(dddd) "**Securities Authorities**" means, collectively, the securities commissions or similar securities regulatory authorities in each of the Provinces or Territories of Canada;

(eeee) "**subsidiary**" has the meaning ascribed thereto in the Securities Act (and shall include all trusts or partnerships directly or indirectly owned by Company or Purchaser, as the case may be);

(ffff) "**Superior Proposal**" means an unsolicited written *bona fide* Acquisition Proposal made after the date hereof from a Person (other than Purchaser) to acquire not less than 90% of the Company Common Shares or all or substantially all of the assets of the Company on a consolidated basis:

(i) that is not subject to a financing condition and in respect of which any financing required to complete such Acquisition Proposal is, in the reasonable opinion of the Company Board, then committed or has been confirmed in writing from the source of such financing to be available subject only to conditions the Company Board determines are reasonable;

(ii) that is capable of being completed in accordance with its terms without undue delay, taking into account all financial, legal regulatory and other aspects of such proposal and the Person making such proposal;

(iii) that did not result from a breach of Section 3.6 by Company;

(iv) that is not subject to any due diligence condition; and

(v) in respect of which the Company Board has determined in good faith (after the receipt of advice from its legal counsel with respect to (A) and its financial advisors with respect to (B)) that: (A) failure to recommend such Acquisition Proposal to Company Shareholders would be inconsistent with its fiduciary duties, and (B) such Acquisition Proposal, taking into account all of the terms and conditions thereof, if consummated in accordance with its terms, would reasonably be expected to result in a transaction more favourable to Company Shareholders from a financial point of view than the transactions contemplated by this Agreement (including after taking into account any modifications to this Agreement proposed by Purchaser as contemplated by Section 3.6(e));

(gggg) "**Tax**" or "**Taxes**" means any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever however denominated, including any interest, penalties, fines or other additions that may become payable in respect thereof, imposed by any Taxing Authority, whether computed on a separate, consolidated, unitary, combined or other basis, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and provincial income taxes), payroll and employee withholding taxes, employment insurance premiums, unemployment insurance, social insurance taxes, Canada Pension Plan contributions, sales and use taxes, value added taxes, *ad valorem* taxes, excise taxes, franchise taxes, gross receipts taxes, environmental taxes, capital taxes, production taxes, recapture, withholding taxes, employee health taxes, surtaxes, customs, import and export taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers' compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which Company (or any of its subsidiaries), is required to pay, withhold, remit or collect;

(hhhh) "**Tax Returns**" means all reports, estimates, elections, notices, filings, designations, forms, declarations of estimated tax, information statements and returns made, prepared, filed or required to be made, prepared or filed by Applicable Laws, in connection with any Taxes (including any attached schedules, attachments, supplements, appendices, exhibits, estimated tax returns, withholding tax returns, and information returns and reports);

(iiii) "**Taxing Authority**" means any Governmental Authority responsible for the imposition of any Tax (domestic or foreign);

(jjjj) "**Third Party Approvals**" has the meaning ascribed thereto in Section 5.2(h) and, for certainty, includes the Competition Act Approval and the Investment Canada Act Approval;

(kkkk) "**Third Party Beneficiaries**" has the meaning ascribed thereto in Section 10.12;

(llll) "**threatened**" when used in relation to legal action or any other matter, means that a demand or statement has been made or a notice has been given that such legal action or other matter is to be asserted, commenced, taken or otherwise pursued in the future;

(mmmm) "**TSX**" means the Toronto Stock Exchange;

(nnnn) "**United States**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

(oooo) "**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended, and the rules, regulations and orders promulgated thereunder;

(pppp) "**U.S. Securities Laws**" means the federal and state securities legislation of the United States and all rules, regulations and orders promulgated thereunder, as amended from time to time;

(qqqq) "**Voting Agreement**" means a voting agreement between Purchaser and each of the directors and executive officers of Company pursuant to which each such executive officer and director agrees to vote in favour of the Arrangement Resolution;

(rrrr) "**Winsway**" means Winsway Coking Coal Holdings Limited, a corporation existing under the laws of the British Virgin Islands;

(ssss) "**Winsway Agreement**" means the agreement between the Company and Winsway dated October 31, 2011;

(tttt) "**Winsway Meeting**" means the extraordinary meeting of the Winsway Shareholders, including any adjournment thereof, that is to be convened to consider and, if deemed advisable, approve the Winsway Resolution;

(uuuu) "**Winsway Resolution**" means the ordinary resolution to approve this Agreement and the transactions contemplated herein and in connection therewith to be considered by the Winsway Shareholders at the Winsway Meeting;

(vvvv) "**Winsway Shareholders**" means the registered holders of the ordinary shares of Winsway; and

(wwww) "**Winsway Voting Agreements**" means a voting agreement between Company and certain Winsway shareholders pursuant to which each of such Winsway shareholders agrees to vote in favour of the Winsway Resolution.

1.2 **Interpretation Not Affected by Headings, Etc.**

The division of this Agreement into articles, sections and subsections is for convenience of reference only and does not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement (including the Exhibits hereto) and not to any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

1.3 **Number and Gender; Derivatives**

Words importing the singular number include the plural and vice versa, and words importing the use of any gender include all genders. If a word is defined in this Agreement a grammatical derivative of that word shall have a corresponding meaning.

1.4 **Date for Any Action**

If any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day and a business day in the place where an action is required to be taken, such action is required to be taken on the next succeeding day which is a Business Day and a business day, as applicable, in such place.

1.5 **Entire Agreement**

This Agreement, the Confidentiality Agreement, the Company Disclosure Letter, the Escrow Agreement and the Winsway Agreement constitute the entire agreement between the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties with respect to the subject matter hereof.

1.6 Statute and Agreement References

Any reference in this Agreement to any statute or any section thereof shall, unless otherwise expressly stated, be deemed to be a reference to such statute or section as amended, restated or re-enacted from time to time. References to any agreement or document shall be to such agreement or document (together with all schedules and exhibits thereto), as it may have been or may hereafter be amended, supplemented, replaced or restated from time to time.

1.7 Currency

All sums of money that are referred to in this Agreement are expressed in lawful money of Canada unless otherwise noted.

1.8 Accounting Matters

In this Agreement, any reference to a calculation to be made or an action taken or to be taken in accordance with GAAP or IFRS will be deemed to be to the GAAP or the IFRS, as applicable, from time to time approved by the Canadian Institute of Chartered Accountants, the Canadian Accounting Standards Board or any successor institute and applicable to publicly accountable enterprises as at the date on which such calculation or action is made or taken or required to be made or taken.

1.9 Disclosure in Writing

Reference to disclosure in writing herein shall, in the case of disclosure to Purchaser be references to the Company Disclosure Letter or this Agreement, or in the case of disclosure to Company be references to this Agreement.

1.10 Interpretation Not Affected by Party Drafting

The Parties hereto acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement, and the Parties agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party will not be applicable in the interpretation of this Agreement.

1.11 Knowledge

Where any representation or warranty contained in this Agreement is qualified by reference to the knowledge of Company, it refers to the actual knowledge after reasonable inquiry of the President and Chief Executive Officer, the Vice President, Finance and Chief Financial Officer, Vice President, Business Development and Vice President, Operations and Development in respect of Company, in each case in their capacity as officers of Company and not in their personal capacity, as of the date of this Agreement and does not include any constructive, implied or imputed knowledge of Company or such individuals.

ARTICLE 2
THE ARRANGEMENT

2.1 Plan of Arrangement

(a) The Parties agree to carry out the Arrangement pursuant to which (among other things) each Company Shareholder (other than those Company Shareholders who have validly exercised Dissent Rights) shall receive, for each one (1) Company Common Share $10.00.

(b) The Plan of Arrangement may be amended to give effect to Section 3.7 in accordance with Section 7.2. On the third Business Day after the satisfaction or waiver of the conditions set forth in Article 5 (excluding conditions that, by their terms, cannot be satisfied until the Effective Date, but subject to the satisfaction or, where permitted, waiver of those conditions as of the Effective Date), unless another time or date is agreed to in writing by the Parties (the "**Effective Date**"), the Articles of Arrangement, the Final Order and such other documents as may be required to give effect to the Arrangement shall be filed with the Registrar who shall then issue the Certificate giving effect to the Arrangement whereupon the steps comprising the Plan of Arrangement will be deemed to occur in the order and in the manner set forth therein. The closing of the transactions contemplated hereby will take place at the offices of counsel to Purchaser or at such other location as may be agreed upon by the Parties.

(c) The Parties shall use their commercially reasonable efforts to cause the Effective Date to occur on or about February 10, 2012 or as soon thereafter as reasonably practicable and in any event by the Outside Date.

2.2 Interim Order

Subject to the terms of this Agreement, Company agrees that as soon as reasonably practicable after the date hereof, but in any event prior to December 9, 2011, Company shall apply in a manner reasonably acceptable to Purchaser pursuant to Section 193 of the ABCA and, in cooperation with Purchaser, acting reasonably, prepare, file and diligently pursue an application for the Interim Order, which shall provide, among other things:

(a) for the calling and the holding of the Company Meeting, including the record date for determining the Persons to whom notice of the Company Meeting is to be provided and for the manner in which notice is to be provided;

(b) that the securities of Company for which holders as at the record date established for the Company Meeting shall be entitled to vote on the Arrangement Resolution shall be the Company Common Shares;

(c) that all Company Shareholders as at the record date established for the Company Meeting shall be entitled to vote on the Arrangement Resolution, with each Company Shareholder being entitled to one vote for each Company Common Share held by it;

(d) that the requisite level of approval for the Arrangement Resolution for purposes of the ABCA shall be at least two-thirds of the aggregate votes cast on the Arrangement Resolution by those Company Shareholders present in person or represented by proxy and entitled to vote at the Company Meeting;

(e) that, in all other respects, the terms, restrictions and conditions of the constating documents of Company, including quorum requirements and all other matters, shall apply in respect of the Company Meeting, except as modified by the Interim Order;

(f) for the grant of the Dissent Rights;

(g) for the notice requirements with respect to the presentation of the application to the Court for the Final Order; and

(h) that the Company Meeting may be adjourned or postponed from time to time by Company without the need for additional approval of the Court.

2.3 The Company Meeting

(a) As promptly as practical following the execution of this Agreement and the issuance of the Interim Order, and in compliance with the Interim Order, Company agrees to convene and conduct the Company Meeting for the purpose of considering the Arrangement Resolution (and for no other purpose unless approved in writing by the Purchaser) on or before January 14, 2012 and except to the extent required for quorum purposes or as specifically contemplated herein not adjourn, postpone or cancel (or propose to adjourn, postpone or cancel) the Company Meeting without prior written consent of the Purchaser;

(b) The Company shall consult with the Purchaser in fixing the date of the Company Meeting and allow the Purchaser's representatives and legal counsel to attend the Company Meeting; and

(c) The Company shall advise the Purchaser, as the Purchaser may reasonably request and at least on a daily basis on each of the last ten business days prior to the Company Meeting, as to the aggregate tally of the proxies received by the Company in respect of the Arrangement Resolution.

2.4 **Information Circular**

Subject to the terms of this Agreement and receipt of the Interim Order, as promptly as practical following the execution of this Agreement, and in compliance with the Interim Order the Company's articles and by-laws and Applicable Laws (including Applicable Canadian Securities Laws):

(a) Purchaser will assist Company in the preparation of the Information Circular and provide to Company, in a timely and expeditious manner (and, in any event, on or before December 1, 2011), all information as may be required by Applicable Laws with respect to Purchaser for inclusion in the Information Circular and any amendments or supplements thereto, in each case complying in all material respects with all requirements of Applicable Laws on the date of issue thereof;

(b) Company shall prepare the Information Circular and Company shall ensure that the Information Circular does not contain a Misrepresentation and provides Company Shareholders (subject to Purchaser's compliance with Section 2.4(a)) with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them, in all cases ensuring compliance with all Applicable Canadian Securities Laws on the date of issue thereof;

(c) Purchaser and its legal counsel shall be given a reasonable opportunity to review and comment on drafts of the Information Circular and other documents related thereto, and reasonable consideration shall be given to any comments by Purchaser and its counsel, provided that all information relating solely to Purchaser included in the Information Circular shall be in form and content satisfactory to Purchaser, acting reasonably; and

(d) Company shall cause the Information Circular to be mailed to the Company Shareholders and such other securityholders of Company or other third parties as may be required pursuant to the Interim Order, and filed with applicable regulatory authorities and other Governmental Authorities in all jurisdictions where the same are required to be mailed and filed, in each case so as to permit the Company Meeting to be held within the time required by Section 2.3(a).

2.5 **Preparation of Filings**

(a) Purchaser and Company shall cooperate in:

(i) seeking the Interim Order and the Final Order, including by Purchaser providing Company on a timely basis any information required to be supplied by Purchaser concerning itself in connection therewith. Company shall provide legal counsel to Purchaser with reasonable opportunity to review and comment upon drafts of all material to be filed with the Court in connection with the Arrangement, and shall give reasonable consideration to all such comments; provided that all information relating solely to the Purchaser included in such documents shall be in form and content satisfactory to the Purchaser, acting reasonably. Company shall also provide legal counsel to Purchaser on a timely basis with copies of any notice of appearance and evidence served on Company or its legal counsel in respect of the application for the Final Order or any appeal therefrom. Subject to Applicable Laws, Company shall not file any material with the Court or any Governmental Authority in connection with the Arrangement or serve any such material, and shall not agree to modify or amend materials so filed or served, except with Purchaser's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed; provided that nothing herein shall require Purchaser to agree or consent to any increase in the consideration to be received by Company Shareholders or Company Optionholders or other modification or amendment to such filed or served materials that expands or increases Purchaser's obligations, or diminishes or limits Purchaser's rights, set forth in any such filed or served materials or under this Agreement; and

(ii) the taking of all such action as may be required under the ABCA, Applicable Canadian Securities Laws and the U.S. Securities Laws in connection with the transactions contemplated by this Agreement and the Plan of Arrangement.

(b) Each of Purchaser and Company shall promptly furnish to the other all information concerning it as may be required for the effectuation of the actions described in Section 2.1 and the foregoing provisions of this Section 2.5, and each covenants that no information furnished by it in connection with such actions or otherwise in connection with the consummation of the Arrangement and the other transactions contemplated by this Agreement will contain any Misrepresentation.

2.6 Employees, Employment Agreements and Company Options

(a) The severance payment disclosed in the Company Disclosure Letter, to the extent it becomes due pursuant to the terms of the employment agreement referred to therein, shall be made by the Company at the Effective Time. Company will not terminate the employment of an employee prior to the Effective Time without the consent of Purchaser, such consent not to be unreasonably withheld. Company will use reasonable commercial efforts to keep available the services of its officers and employees as a group, and will co-operate with Purchaser in connection with the implementation of any retention program that Purchaser may propose for key employees of Company to ensure the business of Company continues without interruption, it being understood that the costs of any payment made to eligible participants will be for the account of Purchaser.

(b) The Parties acknowledge that the Arrangement will result in a "change of control" for purposes of the Company's share option plan and the agreements thereunder (the "**Company Option Plan**") and Company executive and employee (if applicable) employment and other agreements. The Company Disclosure Letter sets forth all executive and employee employment and other agreements which contain "change of control" provisions and the payments, if any, required to be made as a result of the Arrangement under such agreements.

(c) The Parties agree that the Company Board may exercise its authority under the Company Option Plan to: (i) approve the accelerated vesting of all outstanding Company Options solely to allow holders to participate in the arrangements set forth in Company Option Exercise and Cancellation Agreements; and (ii) cause all the Company Options which have not been conditionally exercised or surrendered to terminate as of the Effective Time.

2.7 Effective Date

The Arrangement shall become effective at the Effective Time on the Effective Date.

2.8 Dissenting Shareholders

Registered Company Shareholders entitled to vote at the Company Meeting may exercise Dissent Rights with respect to their Company Common Shares in connection with the Arrangement pursuant to and in the manner set forth in the Plan of Arrangement and the Interim Order. Company shall promptly give Purchaser prompt notice of any written notice of a dissent, withdrawal of such notice, and any other instruments served pursuant to such Dissent Rights and received by Company and promptly provide Purchaser with copies of such notices and written objections and all other correspondence related thereto and, subject to Applicable Laws, shall consult with the Purchaser prior to communicating with any Company Shareholder exercising or purporting to exercise Dissent Rights in relation to the Arrangement Resolution.

2.9 **Voting Agreements; Winsway Voting Agreements**

Company has concurrent with the signing of this Agreement and the Winsway Agreement delivered to Purchaser the Voting Agreements and Winsway has concurrent with the signing of this Agreement and the Winsway Agreement delivered to Company the Winsway Voting Agreements. The Information Circular shall reflect the execution and delivery of the Voting Agreements and the agreement of the Company Shareholders who execute such agreements and covenant to vote in favour of the Arrangement at the Company Meeting.

ARTICLE 3
COVENANTS

3.1 **Covenants of Purchaser**

Purchaser covenants and agrees that, from the date of this Agreement until the Effective Date or termination of this Agreement, whichever is earlier, except with the prior written consent of Company, and except as otherwise permitted or contemplated by this Agreement (including the Plan of Arrangement) or required by Applicable Laws or any Governmental Authority:

(a) Purchaser will use its reasonable commercial efforts to satisfy or cause the satisfaction of the conditions set forth in Section 5.1 and Section 5.3 as soon as reasonably practicable, to the extent the satisfaction of the same is within the control of Purchaser;

(b) Purchaser will forthwith carry out the terms of the Interim Order and the Final Order to the extent applicable to it and will use its reasonable commercial efforts to assist Company in obtaining such orders;

(c) Purchaser shall not take any action, refrain from taking any action, or permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere with the consummation of the Arrangement in accordance with the terms and conditions herein;

(d) subject to Section 10.4, and except for non-substantive communications with third parties and communications to legal and other advisors of Purchaser, Purchaser will regularly, and in any event not less than weekly, inform the Company in writing as to the status of obtaining the approval of the HKEX and updates on communications with HKEX in respect of clearance of the information circular required by Winsway in connection with obtaining (i) all necessary approvals of the HKEX required in order for Purchaser and Company to complete the Arrangement, and (ii) the Winsway Resolution;

(e) Purchaser will make all necessary filings and applications under Applicable Laws, including Applicable Canadian Securities Laws and U.S. Securities Laws, required to be made on the part of Purchaser in connection with the transactions contemplated herein;

(f) except as contemplated herein, Purchaser shall not take any action that would render, or may reasonably be expected to render, any representation or warranty made by Purchaser in this Agreement untrue in any material respect;

(g) Purchaser shall promptly notify Company in writing of any change in any representation or warranty provided by Purchaser in this Agreement which change is or may be of such a nature as to render any representation or warranty misleading or untrue in any material respect and Purchaser shall in good faith discuss with Company any such change in circumstances (actual, anticipated, contemplated, or to the knowledge of Purchaser, threatened) which is of such a nature that there may be a reasonable question as to whether notice need be given to Company pursuant to this provision;

(h) Purchaser shall promptly advise Company in writing of any material breach by Purchaser of any covenant, obligation or agreement contained in this Agreement;

(i) Purchaser shall use its reasonable commercial efforts to obtain and maintain the Third Party Approvals applicable to it and provide the same to Company on or prior to the Effective Date;

(j) Purchaser shall, at the Effective Date deposit or cause to be deposited with the Depositary sufficient funds to pay in full the aggregate consideration for all the Company Common Shares to be acquired pursuant to the Arrangement; and

(k) Purchaser shall take all commercially reasonable actions to give effect to the transactions contemplated by this Agreement and the Plan of Arrangement.

3.2 **Additional Covenants of Purchaser**

Purchaser further covenants and agrees that:

(a) Purchaser will, or will cause the Company to maintain in effect without any reduction in amount or scope for six years from the Effective Time customary policies of directors' and officers' liability insurance providing protection comparable to the protection provided by the policies maintained by the Company that are in effect immediately prior to the Effective Time and providing protection in respect of claims arising from facts or events that occurred at or prior to the Effective Time; provided that the Purchaser and the Company will not be required, in order to maintain such directors' and officers' liability insurance policy, to pay an annual premium in excess of 200% of the cost of the existing policies; and provided further that if equivalent coverage cannot be obtained or can only be obtained by paying an annual premium in excess of 200% of such amount the Purchaser and the Company shall only be required to obtain as much coverage as can be obtained by paying an annual premium equal to 200% of such amount. Furthermore, prior to the Effective Time, the Company may, in the alternative, with the consent of the Purchaser, not to be unreasonably withheld, purchase run off directors' and officers' liability insurance for a period of up to six years from the Effective Time provided that the premiums will not exceed 200% of the premiums currently charged to the Company for directors' and officers' liability insurance, and in such event none of the Purchaser or Company will have any further obligation under this Section 3.2(a).

(b) if the Arrangement is completed, except with prior written consent of the affected director or officer, Purchaser shall not take any action to terminate or materially adversely affect any indemnity agreements or right to indemnity in favour of past or present directors and officers of Company pursuant to the provisions of the articles, bylaws or similar constating documents of Company or written indemnity agreements between Company and its past and present directors and officers or any indemnity agreements in favour of current directors and officers of Company that are in place as at the date hereof provided that in the case of indemnity agreements the Purchaser received copies of such indemnity agreements prior to entering into this Agreement; and

(c) subject to Applicable Law, at and after the Effective Time, Purchaser will cause Company and any successors to comply with the terms of the deposit escrow agreement included in the Company Disclosure Letter and the terms of all existing employment agreements in accordance with their terms, provided that no provision of this Section 3.2(c) shall (a) give any Company employees any right to continued employment or impair in any way the right of Company to terminate the employment of any employees, or (b) preclude Company from terminating or amending any such agreements in accordance with their terms.

3.3 **Covenants of Company Regarding the Arrangement**

Company covenants and agrees that, from the date of this Agreement until the Effective Date or termination of this Agreement, except with the prior written consent of Purchaser, and except as otherwise permitted or contemplated by this Agreement (including the Plan of Arrangement) or required by Applicable Laws or any Governmental Authority:

(a) Company will use its reasonable commercial efforts to satisfy or cause the satisfaction of the conditions set forth in Sections 5.1 and 5.2 as soon as practicable, to the extent the satisfaction of the same is within the control of Company;

(b) Company will forthwith carry out the terms of the Interim Order and the Final Order to the extent applicable to it;

(c) Company will make all necessary filings and applications under Applicable Laws, including Applicable Canadian Securities Laws and U.S. Securities Laws, if applicable, required to be made on the part of Company in connection with the transactions contemplated herein and shall take all reasonable action necessary to be in compliance with such Applicable Laws;

(d) Company will not take any action, refrain from taking any action, or permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere with or affect the consummation of the Arrangement and the transactions contemplated hereby;

(e) subject to Section 10.4, except for proxies and other non-substantive communications with securityholders, Company will furnish promptly to Purchaser or Purchaser's counsel, a copy of each notice, report, schedule or other document delivered, filed or received by Company in connection with: (i) the Arrangement; (ii) the Company Meeting; (iii) any filings under Applicable Laws in connection with this Agreement; and (iv) any dealings with Governmental Authorities in connection with the transactions contemplated hereby;

(f) Company shall not take any action, refrain from taking any action, or permit any action to be taken that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect;

(g) Company will notify Purchaser in writing of any Company Material Adverse Change or of any change in any representation or warranty provided by Company in this Agreement which change is or may be of such a nature as to render any representation or warranty provided by Company in this Agreement which change is or may be of such a nature as to render any representation or warranty misleading or untrue in any material respect and Company shall in good faith discuss with Purchaser any such change in circumstances (actual, anticipated, contemplated, or to the knowledge of the Company, threatened) which is of such a nature that there may be a reasonable question as to whether notice need be given to Purchaser pursuant to this provision.

(h) Company shall promptly advise Purchaser in writing of any breach by Company of any covenant, obligation or agreement contained in this Agreement;

(i) Company shall use its reasonable commercial efforts to obtain and maintain the Third Party Approvals and provide the same to Purchaser on or prior to the Effective Date;

(j) Company will provide Purchaser with all information and documentation reasonably requested in connection with obtaining the Third Party Approvals, provided that the obligations of Company with respect to the provision of information necessary for the HKEX approval and the associated meeting of the shareholders of Winsway shall be governed by the Winsway Agreement;

(k) Company shall solicit proxies to be voted at the Company Meeting in favour of the Arrangement Resolution at the Company Meeting, including if so requested in writing by Purchaser and at the sole cost of Purchaser, using dealer and proxy solicitation services and reasonably cooperating with any persons engaged by Purchaser at Purchaser's cost to solicit proxies in favour of the approval of the Arrangement Resolution;

(l) Company shall conduct the Company Meeting in accordance with the Interim Order and as otherwise required by Applicable Laws;

(m) Company will take all commercially reasonable actions to give effect to the transactions contemplated by this Agreement and the Plan of Arrangement;

(n) Subject to Purchaser's compliance with Section 2.4(a), Company shall ensure that the Information Circular complies with Applicable Laws and, without limiting the generality of the foregoing, that the Information Circular will not contain a Misrepresentation and provides Company Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them, and, in that regard, the Information Circular will set out the Purchaser Information in the form approved by Purchaser and the Company Information in the form approved by Company and shall include, without limitation:

  (i) any financial statements in respect of prior acquisitions made by Company or that are otherwise required to be included therein in accordance with Applicable Laws;

  (ii) the unanimous determination of the Company Board that the Arrangement is in the best interests of Company, and the unanimous recommendation that Company Shareholders vote in favour of the Arrangement;

  (iii) the respective opinions of UBS Securities Canada Inc. and Deutsche Bank Securities Inc. to the effect that, as of the dates of such opinions, and subject to the assumptions, limitations, qualifications and conditions set forth therein, the $10.00 per Company Common Share in cash to be received by the holders of Company Common Shares (other than the Purchaser or its affiliates) pursuant to this Agreement and the Plan of Arrangement was fair, from a financial point of view, to such holders; and

  (iv) a statement that each of the directors and officers of the Company have entered into Voting Agreements pursuant to which they have each agreed to vote in favour of the Arrangement Resolution;

(o) Company shall promptly advise Purchaser of the number of Company Common Shares for which Company receives notices of dissent or written objections to the Arrangement and provide Purchaser with copies of such notices and written objections, and subject to Applicable Laws, shall provide Purchaser with an opportunity to review and comment upon any written communications proposed to be sent by or on behalf of Company to any Company Shareholder exercising or purporting to exercise Dissent Rights in relation to the Arrangement Resolution and reasonable consideration shall be given to any comments made by Purchaser and its counsel prior to sending any such written communications. Company shall not make any payment or settlement offer, or agree to any such payment or settlement, prior to the Effective Time with respect to any such notice of dissent or purported exercise of Dissent Rights unless the Purchaser shall have given its prior written consent to such payment settlement offer or settlement, as applicable;

(p) Company shall ensure that it has available funds to permit the payment in the event of a Purchaser Damages Event and any other fees or expenses contemplated in this Agreement and it shall take all such actions as may be necessary to ensure it maintains such availability to ensure that it is able to pay any such amount when required; and

(q) Company shall ensure that all Company Options are either exercised or surrendered in the manner set forth herein or terminated, cancelled or expired unexercised.

3.4 **Covenants of Company Regarding the Conduct of Business**

Company covenants and agrees that, from the date of this Agreement until the Effective Date or termination of this Agreement, except with the prior written consent of Purchaser, and except as otherwise permitted or contemplated by this Agreement (including the Plan of Arrangement) or required by Applicable Laws or any Governmental Authority:

(a) the business of Company shall be conducted only in, and Company shall not take any action except in, the ordinary course of business consistent with past practices and in compliance with good industry practice and Applicable Laws;

(b) it will use its reasonable commercial efforts to (A) maintain and preserve its business organization, assets, properties and goodwill and (B) maintain satisfactory relationships with suppliers, agents, customers and others having business relationships with the Company or any of its subsidiaries;

(c) Company shall not, directly or indirectly do, or permit to occur, any of the following:

(i) amend its constating documents;

(ii) declare, set aside or pay any dividend or other distribution or make any other payment (whether in cash, shares or property) in respect of its outstanding securities;

(iii) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any Company Common Shares or other securities of Company, including, without limitation, any phantom interest or other right linked to the price of Company Common Shares, securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, Company Common Shares (other than the issuance of Company Common Shares pursuant to the exercise of Company Options outstanding on the date hereof in accordance with their terms or pursuant to the Company Option Exercise and Cancellation Agreements, this Agreement or the Arrangement);

(iv) redeem, purchase or otherwise acquire any of the outstanding Company Common Shares or other securities;

(v) amend the terms of any of its securities, including the Company Options, other than to accelerate the vesting of any unvested Company Options to allow holders to participate in the arrangements under the Company Option Exercise and Surrender Agreements and to cause all Company Options which have not been conditionally exercised or surrendered to terminate immediately prior to the Effective Time;

(vi) split, combine or reclassify any of the Company Common Shares;

(vii) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of Company;

(viii) reduce its stated capital; or

(ix) enter into or modify any Contract, commitment or arrangement with respect to any of the foregoing;

(d) except as provided for in the Budget or as permitted by this Agreement or the Arrangement (including, for greater certainty, payment by Company of all transaction costs related to the transactions contemplated hereby including all financial advisory, legal, accounting, engineering and any and all other costs and expenses of Company relating to the transactions contemplated by this Agreement), Company shall not, directly or indirectly, do or permit to occur any of the following:

(i) except for the sale of coal in the ordinary course of business, sell, pledge, lease, license, transfer, dispose of or encumber assets (including its Properties or Mineral Rights) having a value in excess of $3,000,000 in the aggregate;

(ii) except as provided in the Budget or as set forth in the Company Disclosure Letter, expend or commit to expend capital expenditures in excess of $3,000,000 in the aggregate, and provided that in the case of capital expenditures expended to address emergencies or other urgent matters involving the potential loss or damage to property or personal safety, Purchaser's consent shall not be required where it cannot be received in a reasonably expedient manner;

(iii) expend or commit to expend any amounts in the aggregate with respect to any operating expenses except to the extent such expenses are in the ordinary course of Company's business consistent with past practice;

(iv) except as contemplated by this Agreement, reorganize, amalgamate, merge or otherwise combine Company with any other Person;

(v) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer;

(vi) acquire any assets with an acquisition cost in excess of $3,000,000 in the aggregate;

(vii) incur any indebtedness or any other material liability or obligation, or issue any debt securities or assume, guarantee, endorse or otherwise become responsible for, the obligations of any other Person, or make any loans or advances, other than amounts incurred in the ordinary course of business consistent with past practice and not in the aggregate in excess of $3,000,000 or as set forth in the Budget;

(viii) extend, renew or replace any indebtedness for borrowed money;

(ix) pay, settle, discharge or satisfy any material claims, liabilities, litigation, lawsuits, arbitrations, proceedings or obligations other than as reflected or reserved against in the Company Financial Statements or otherwise in the ordinary course of business consistent with past practice;

(x) authorize, recommend or propose any release or relinquishment of any right under any material Contract other than in the ordinary course of business consistent with past practice;

(xi) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing Contract other than in the ordinary course of business consistent with past practice;

(xii) enter into or terminate any hedges, swaps or other financial instruments;

(xiii) enter, modify or terminate any Material Contracts; or

(xiv) authorize or propose any of the foregoing, or enter into or modify any Contract, agreement, commitment or arrangement to do any of the foregoing.

(e) Other than as contemplated by Section 2.6, Company shall not make any payment to any employee, officer or director outside of their ordinary compensation for services provided, except to the extent that any such entitlement to payment to a former employee or officer has accrued prior to the date hereof as disclosed in the Company Disclosure Letter;

(f) Company will make all necessary filings, including renewals, required under Governmental Authorizations held by Company or with respect to any Governmental Authorizations that Company has applied for;

(g) Company shall not:

(i) grant any officer or director an increase in compensation, bonus or other benefits;

(ii) take any action with respect to the amendment or grant of any "change of control", severance or termination pay policies, agreements or arrangements for any directors, officers or employees;

(iii) become a party to any employment agreement or to any written or oral policy, agreement, obligation or understanding (and for greater certainty, to any amendment to any of the foregoing) which contains any specific agreement as to notice of termination or severance pay in lieu thereof or which cannot be terminated without cause upon giving reasonable notice as may be implied by Applicable Laws, or which creates rights in respect of loss or termination of office or employment in relation to the Arrangement or which contains any specific agreement as to obligations arising on a change of control or as to notice of termination or severance pay in lieu thereof;

(iv) establish, adopt, enter into, amend or terminate (other than to permit accelerated vesting of currently outstanding Company Options or as provided herein) any incentive plan or the terms of any rights under existing incentive plans; nor

(v) advance any loan to any officer, director or any other party not at arm's length to Company;

(h) except as disclosed in the Company Disclosure Letter or as contemplated by Section 2.6(b), Company shall not adopt or amend or make any contribution to any bonus, employee benefit plan, profit sharing, option, common share, deferred compensation, insurance, incentive compensation, other compensation or other similar plan (or amend any outstanding rights thereunder), agreement, common share incentive or purchase plan, fund or arrangement for the benefit of directors, officers or employees, except as is necessary to comply with Applicable Laws or with respect to existing provisions of any such plans, programs, arrangements or agreements;

(i) Company shall use its reasonable commercial efforts to cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing satisfactory to Purchaser, acting reasonably, providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect, and Company will pay all premiums in respect of such insurance policies that become due after the date hereof;

(j) Company shall not make any amendment to outstanding Company Options without the prior written consent of Purchaser other than as may be required to accommodate the treatment of Company Options as contemplated by Section 2.6(b);

(k) Company shall:

(i) duly and on a timely basis file all Tax Returns required to be filed by it on or after the date hereof and all such Tax Returns will be true, complete and correct in all material respects;

(ii) timely pay all Taxes shown on such Tax Returns;

(iii) subject to Section 3.4(l), not make or revoke any actual or deemed election relating to Taxes, or file any amended Tax Returns;

(iv) not make a request for a Tax ruling or enter into any agreement with any Governmental Authority relating to Taxes;

(v) not settle any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes;

(vi) not make any changes in financial or Tax accounting methods, principles, policies or practices, except as required by GAAP or under Applicable Laws; and

(vii) properly reserve (and reflect such reserves in its books and records and financial statements) in accordance with GAAP, for all Taxes accruing in respect of Company which are not due or payable prior to the Effective Date;

(l) Company shall not make any Tax filings outside the ordinary course of business, including making, amending or rescinding any Tax Return, election or designation, without the consent of Purchaser, such consent not to be unreasonably withheld; and

(m) Company shall and shall cause its subsidiaries to use its reasonable commercial efforts to maintain and preserve all of its rights under the Mining Rights.

3.5 **Mutual Covenants Regarding the Arrangement**

From the date of this Agreement until the Effective Date or termination of this Agreement, each of Purchaser and Company will use its reasonable commercial efforts to: (i) satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder; (ii) not take, or cause to be taken, any action or cause anything to be done that would cause such obligations not to be fulfilled in a timely manner; and (iii) take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement, including:

(a) using reasonable commercial efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any agreements and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;

(b) using reasonable commercial efforts to effect all necessary registrations and filings and submissions of information requested by Governmental Authorities or required to be effected by it in connection with the Arrangement, and to obtain all necessary waivers, consents and approvals required to be obtained by it in connection with the Arrangement, including, without limitation, the Competition Act Approval and the Investment Canada Act Approval;

(c) in connection with the Competition Act Approval and the Investment Canada Act Approval:

(i) Purchaser and Company shall as promptly as reasonably practicable duly file with the Competition Bureau, a request for an ARC under Section 102 of the Competition Act and supply the Commissioner with such additional information as the Commissioner may request; and

(ii) Purchaser shall as promptly as reasonably practicable duly file with the IRD an application for review under Section 17 of the Investment Canada Act and supply such additional information (other than privileged information) which may be required in connection therewith pursuant to the Investment Canada Act, which filings will comply in all material respects with the requirements of the Investment Canada Act;

(iii) Purchaser and the Company shall (i) respond as promptly as reasonably practicable under the circumstances to any inquiries received from the Competition Bureau or the IRD for additional information or documentation and to all inquiries and requests received from such Governmental Authorities, (ii) not extend any waiting period under the Competition Act without the prior written consent of the other party (such consent not to be unreasonably withheld, conditioned or delayed) and (iii) not enter into any agreement with any Governmental Authority not to consummate the transactions contemplated hereby without the prior written consent of the other party (such consent not to be unreasonably withheld, conditioned or delayed);

(iv) in furtherance and not in limitation of the other covenants of the parties contained in this Section 3.5, if any objections are asserted or if any suit is instituted (or threatened to be instituted) by the Competition Bureau, the IRD or any other applicable Governmental Authority or any private party with respect to any of the transactions contemplated hereby that would prevent or materially impede, interfere with, hinder or delay the consummation of the transactions contemplated hereby, Purchaser shall use its reasonable best efforts, and cause its subsidiaries to use their reasonable best efforts, to resolve any such objections or suits so as to permit consummation of the transactions contemplated hereby, including by selling, holding separate or otherwise disposing of or conducting its business in a manner which would resolve such objections or suits, agreeing to sell, hold separate or otherwise dispose of or conduct its business in a manner which would resolve such objections or suits or permitting the sale, holding separate or other disposition of, any of its assets or the assets of its subsidiaries or the conducting of its business in a manner which would resolve such objections or suits; and

(d) to oppose, lift or rescind any injunction or restraining or other order seeking to stop, or otherwise adversely affecting its ability to consummate, the Arrangement and to defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging this Agreement or the consummation of the transactions contemplated hereby.

Each of Purchaser and Company will use its reasonable commercial efforts to cooperate with the other in connection with the performance by the other of their obligations under this Section 3.5 and this Agreement, including, without limitation, continuing to provide reasonable access to information and in the case of Company, to cooperate as promptly as reasonably practicable in all respects with Purchaser in connection with the application for review under Section 17 of the Investment Canada Act, and to maintain ongoing communications as between officers of Purchaser and Company, subject in all cases to the Confidentiality Agreement.

3.6 **Covenants Regarding Non-Solicitation**

(a) Company shall immediately cease and cause to be terminated all existing solicitations, encouragements, discussions and negotiations, with any parties (other than Purchaser) conducted before the date of this Agreement with respect to any actual or potential Acquisition Proposal. Company shall promptly request the return or destruction of all information provided to any third parties who have entered into a confidentiality agreement with Company relating to an Acquisition Proposal and shall use reasonable commercial efforts to ensure that such requests are honoured.

(b) Company shall not, directly or indirectly, do or authorize or permit any of its officers, directors or employees or any financial advisor, investment banker, lawyer or other representative retained by it to do, any of the following:

(i) solicit, assist, initiate, co-operate with or facilitate or knowingly encourage (in each case including by way of furnishing information, or permitting any visit to any facilities or properties) any inquiries or proposal regarding an Acquisition Proposal;

(ii) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish to any other Person any confidential information with respect to its business, properties, or operations in connection with an Acquisition Proposal, provided that, for greater certainty, Company may advise any Person making or proposing to make an Acquisition Proposal that such Acquisition Proposal does not constitute, and/or could not reasonably be expected to result in, a Superior Proposal when the Company Board has so determined (and such advice shall not constitute a breach of any provision of this Section 3.6);

(iii) terminate, waive, modify or release any Person from or otherwise forbear in the enforcement of, any rights or other benefits under confidentiality agreements, including, without limitation, any "standstill provisions" thereunder;

(iv) withdraw, modify or qualify, or propose to publicly withdraw, modify or qualify in any manner adverse to the Purchaser, the approval or recommendation of the Company Board of this Agreement or the Arrangement;

(v) accept, recommend, approve, agree to, endorse, or propose publicly to accept, recommend, approve, agree to, or endorse any Acquisition Proposal;

provided, however, that notwithstanding any other provision hereof, Company and its officers, directors, employees and any financial advisor, investment banker, lawyer or other representative retained by it may:

(vi) enter into or participate in any discussions or negotiations with, or respond to enquiries from, a Person who has made an unsolicited bona fide written Acquisition Proposal that the Company Board has determined constitutes or could reasonably be expected to result in a Superior Proposal;

(vii) subject to execution of a confidentiality and standstill agreement on terms no less favourable to Company in any material respect than those contained in the Confidentiality Agreement, furnish to a Person referred to in Section 3.6(b)(vi) information concerning Company and its business, properties and assets, if, prior to furnishing such information to such Person, Company provides notice to Purchaser to the effect that it is furnishing information to such Person together with a copy of the confidentiality and standstill agreement referenced above and, if not previously provided to Purchaser, copies of the information provided to such Person concurrently with the provision of such information to such Person; and

(viii) accept, recommend, approve or enter into an agreement (other than a confidentiality agreement as contemplated by Section 3.6(b)(vii)) to implement an Acquisition Proposal from a Person, but only if prior to such acceptance, recommendation, approval or implementation, the Company Board shall have determined that the Acquisition Proposal constitutes a Superior Proposal and Company complies with its obligations set forth in Section 3.6(d) and terminates this Agreement in accordance with Section 8.1(a)(iv) and concurrently therewith pays the Purchaser Termination Fee to Purchaser.

(c) Company shall within 24 hours notify Purchaser (at first orally and then in writing) of any Acquisition Proposal or inquiry that could reasonably be expected to lead to an Acquisition Proposal (or any amendment thereto) or any request for non-public information relating to Company or its assets, or any amendments to the foregoing. Such notice shall include a copy of any written Acquisition Proposal (and any amendment thereto) which has been received or, if no written Acquisition Proposal has been received, a description of the material terms and conditions of, and the identity of the Person making any inquiry, proposal, offer or request.

(d) Company shall give Purchaser, orally and in writing, at least five Business Days advance notice of any decision by the Company Board to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, which notice shall set out the reasonable determination of the Company Board of the financial value of the consideration offered by such Person to Company Shareholders under such Superior Proposal, shall confirm that the Company Board has determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the Person making the Superior Proposal and provide a copy thereof and any amendments thereto. During the five Business Day period commencing on the day following delivery of such notice, Company agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during such five Business Day period, if requested by Purchaser in writing, Company shall, and shall cause its financial and legal advisors to, negotiate in good faith with Purchaser and its financial and legal advisors to make such adjustments in the terms and conditions of this Agreement and the Arrangement as would enable Purchaser to proceed with the Arrangement as amended rather than the Superior Proposal. In the event Purchaser proposes to amend this Agreement and the Arrangement such that the Superior Proposal ceases to be a Superior Proposal and so advises the Company Board prior to the expiry of such five Business Day period, the Company Board shall not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement and Purchaser and Company shall enter into an amended version of this Agreement reflecting such proposed amendments.

(e) If required by Purchaser, Company shall, subsequent to the five Business Day notice period contemplated by Section 3.6(d) reaffirm its recommendation of the Arrangement by press release promptly in the event that (i) any Acquisition Proposal which is publicly announced is determined not to be a Superior Proposal; or (ii) the Parties have entered into an amended agreement pursuant to Section 3.6(d) which results in any Acquisition Proposal not being a Superior Proposal.

(f) Each successive modification of any Acquisition Proposal shall constitute a new Acquisition Proposal for purposes of this Section 3.6.

(g) Purchaser agrees that all information that may be provided to it by Company with respect to any Acquisition Proposal pursuant to this Section 3.6 shall be treated as if it were "**Evaluation Material**" as that term is defined in the Confidentiality Agreement and shall not be disclosed or used except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under this Agreement in legal proceedings.

(h) Company shall ensure that its officers, directors and employees and any investment bankers or other advisers or representatives retained by it are aware of the provisions of this Section 3.6 and shall be responsible for any breach of this Section 3.6 by any of them.

(i) Nothing in this Agreement shall prevent the Company Board from complying with Section 2.17 of Multilateral Instrument 62-104 and similar provisions under Applicable Canadian Securities Laws relating to the provision of directors' circulars in respect of an Acquisition Proposal.

3.7 **Pre-Acquisition Reorganization**

Subject to the terms and conditions of this Agreement, Company agrees that, upon request by Purchaser, Company shall reasonably cooperate with Purchaser and its tax advisors in structuring any Pre-Acquisition Reorganization (as defined below) in a tax effective manner and reasonably assist Purchaser and its tax advisors in making such investigations and enquiries with respect to Company in that regard, as Purchaser and its tax advisors shall consider necessary, acting reasonably: provided that Company shall not be obligated to consent or agree to any Pre-Acquisition Reorganization that (i) would have the effect of reducing the consideration to be received under the Arrangement by any of the Company Shareholders or Company Optionholders, (ii) would have the effect of imposing any incremental tax obligations on the Company Shareholders or Company Optionholders in connection with the Arrangement or a Pre-Acquisition Reorganization, (iii) would have an adverse effect on Company or its business or assets or impose any cost or expense on Company not reimbursed by Purchaser hereunder, (iv) would materially impede, delay or prevent consummation of the Arrangement (including by giving rise to litigation by third parties) (v) would require Company to obtain any additional approval of the Company Shareholders, nor will Company be obligated to consent or agree unless there is certainty that the Arrangement will be completed or unless the effectiveness of any Pre-Acquisition Reorganization is made conditional upon the completion of the Arrangement or is made part of the Arrangement through an amendment to the Plan of Arrangement as contemplated by Section 2.1(b). No Pre-Acquisition Reorganizations shall be considered in determining whether a representation, warranty or covenant of Company hereunder has been breached. Purchaser shall provide written prior notice to Company of any proposed Pre-Acquisition Reorganization at least fifteen (15) days prior to the anticipated Effective Date. If the Arrangement is not completed, Purchaser will forthwith reimburse Company for all fees and expenses (including any professional fees and expenses) incurred by Company and its subsidiaries in considering and effecting a Pre-Acquisition Reorganization and shall be responsible for and indemnify Company and its subsidiaries and their respective directors, officers, employees, agents and representatives from and against any losses, damages, expenses, claims, liabilities (including Tax liabilities), penalties or costs suffered or incurred by them as a result of or in connection with implementing, reversing or unwinding any Pre-Acquisition Reorganization that was effected prior to termination of the Agreement at Purchaser's request. The obligation of Purchaser to reimburse Company for all out-of-pocket fees and expenses and to indemnify Company and its subsidiaries for losses, damages, expenses, liabilities and costs as set out in this Section will be in addition to any other payment Purchaser may be obligated to make hereunder and, notwithstanding anything to the contrary herein, shall survive termination of this Agreement. The completion of any Pre-Acquisition Reorganization shall not be a condition of the completion of the Arrangement. "**Pre-Acquisition Reorganization**" means any reorganization of the corporate structure, capital structure, business, operations and assets of Company prior to the acquisition by Purchaser of all of the issued and outstanding Company Common Shares. Without limiting the generality of, and subject to the foregoing, Company agrees to co-operate with Purchaser in order to facilitate any such reorganization, amalgamation, transaction or Pre-Acquisition Reorganization which Purchaser determines would be advisable to enhance the tax efficiency of the combined corporate group and any anticipated dispositions and to provide such information on a timely basis and to assist in the obtaining of any such information in order to facilitate a successful completion of any such reorganization, amalgamations, transactions or Pre-Acquisition Reorganization as is reasonably requested by Purchaser.

3.8 **Provision of Information; Access**

Subject to Applicable Laws (including competition and antitrust law) and the terms of any Contracts, until the Effective Date or termination of this Agreement, (i) Company shall provide Purchaser and its representatives such reasonable access as Purchaser may reasonably require upon reasonable advance notice, during normal business hours, to its premises, books, contracts, records, computer systems, properties, employees and management personnel and shall furnish to Purchaser all information concerning its business, properties and personnel as Purchaser may reasonably request, which information shall remain subject to the Confidentiality Agreement, in order to permit Purchaser to be in a position to expeditiously and efficiently integrate the business and operations of Company immediately upon but not prior to the Effective Date, and (ii) Company will, in all material respects, conduct itself so as to keep Purchaser fully informed as to the material decisions required to be made or actions required to be taken with respect to the operation of its business.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 **Representations and Warranties of Purchaser**

Purchaser represents and warrants to and in favour of Company and acknowledges that Company is relying upon such representations and warranties in connection with the matters contemplated by this Agreement:

(a) <u>Organization and Qualification.</u> Purchaser has been duly incorporated and is validly subsisting under the Applicable Laws of its jurisdiction of formation and has the requisite power and authority to own its assets and properties as now owned and to carry on its business as now conducted.

(b) <u>Authority Relative to this Agreement.</u> Purchaser has the requisite corporate power and authority to execute this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by Purchaser of the transactions contemplated by the Arrangement have been duly authorized by the Purchaser Board and no other proceedings on the part of Purchaser are necessary to authorize this Agreement, the Arrangement or the other transactions contemplated herein. This Agreement has been duly executed and delivered by Purchaser and constitutes a legal, valid and binding obligation of Purchaser enforceable against it in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Applicable Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.

(c) <u>No Violations.</u>

(i) Neither the execution and delivery of this Agreement by Purchaser nor the consummation of the transactions contemplated by the Arrangement nor compliance by Purchaser with any of the provisions hereof will:

(A) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in the creation of any Encumbrance upon any of the properties or assets of Purchaser or cause any indebtedness to come due before its stated maturity or cause any credit to cease to be available, under any of the terms, conditions or provisions of: (1) articles or by-laws of Purchaser; or (2) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which Purchaser is a party or to which Purchaser, or any of Purchaser's properties or assets, may be subject or by which Purchaser is bound; or

(B) violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Purchaser or any of Purchaser's properties or assets

(except, in the case of each of clauses (A) and (B) above, for such violations, conflicts, breaches, defaults, terminations, accelerations or creations of Encumbrances (other than Permitted Encumbrances) which, or any consents, approvals or notices which if not given or received, would not, individually or in the aggregate, significantly impede the ability of Purchaser to consummate the transactions contemplated by the Arrangement); or

(C) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would, individually or in the aggregate, significantly impede the ability of Purchaser to consummate the transactions contemplated by the Arrangement; and

(ii) other than in connection with or in compliance with the provisions of Applicable Laws in relation to the completion of the Arrangement or which are required to be fulfilled post Arrangement, and except for the requisite approvals of the Court, Governmental Authorities (including the Competition Act Approval and the Investment Canada Act Approval):

(A) there is no legal impediment to Purchaser's consummation of the Arrangement; and

(B) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is required of Purchaser in connection with the consummation of the Arrangement, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals which, if not received, would not, individually or in the aggregate, significantly impede the ability of Purchaser to consummate the Arrangement.

(d) Litigation. There are no claims, actions, suits, proceedings, investigations, arbitrations, audits, grievances, assessments or reassessments in existence or pending or, to the knowledge of Purchaser, threatened, affecting or that would reasonably be expected to affect Purchaser or affecting or that would reasonably be expected to affect any of Purchaser's properties or assets at law or in equity or before or by any court or Governmental Authority which claim, action, suit, proceeding, investigation, arbitration, audit, grievance, assessment or reassessment involves a possibility of any judgment against or liability of Purchaser which would reasonably be expected to significantly impede the ability of Purchaser to consummate the Arrangement.

(e) Investment Canada Act. Purchaser is a "WTO investor" within the meaning of the Investment Canada Act.

(f) Financing. Purchaser has sufficient funds or committed financing available to effect the consummation of the Arrangement on the terms contemplated hereunder and to purchase all of the Company Common Shares to be acquired pursuant to the Arrangement and this Agreement and to pay all of its related fees and expenses.

(g) Escrow. Purchaser has concurrently with the execution of this Agreement or as soon as practicable thereafter deposited with the escrow agent under the Escrow Agreement the amount of $100,000,000 to secure the performance of its obligations under this Agreement, all in accordance with the terms and conditions set out in the Escrow Agreement.

(h) No Other Representations and Warranties. Except for the representations and warranties contained in this Agreement, Company acknowledges that neither Purchaser nor any other Person on behalf of Purchaser has made or is making any other express or implied representation or warranty with respect to Purchaser or its businesses, or with respect to any other information provided to Company or any of its representatives with respect to the transactions expressly contemplated by this Agreement or otherwise, unless and then only to the extent that any such information is expressly covered by a representation or warranty contained in this Agreement.

4.2 **Representations and Warranties of Company**

The Company represents and warrants to and in favour of Purchaser and acknowledges that Purchaser is relying upon such representations and warranties in connection with the matters contemplated by this Agreement and the consummation of the Arrangement:

(a) Organization and Qualification. Company has been duly incorporated and is validly subsisting under the Applicable Laws of its jurisdiction of formation and has the requisite power and authority to own its assets and properties as now owned and to carry on its business as now conducted. Company is duly registered or authorized to conduct its affairs or do business, as applicable, and is in good standing in each jurisdiction in which the character of its assets and properties, owned, leased, licensed or otherwise held, or the nature of its activities makes such registration or authorization necessary, except where the failure to be so registered or authorized would not, individually or in the aggregate, have a Company Material Adverse Effect. Copies of the constating documents of Company provided to Purchaser, together with all amendments to date, are accurate and complete as of the date hereof and have not been amended or superseded.

(b) Authority Relative to this Agreement. Company has the requisite corporate power and authority to execute this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by Company of the transactions contemplated by the Arrangement has been duly authorized by the Company Board and, subject to the requisite approval of the Company Shareholders and the obtaining of the Final Order, no other proceedings on the part of Company are necessary to authorize this Agreement or the Arrangement, other than the approval of the Information Circular by the Company Board. This Agreement has been duly executed and delivered by Company and constitutes a legal, valid and binding obligation of Company enforceable against it in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Applicable Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.

(c) Subsidiaries. Company does not hold any equity interest in any subsidiary, other than Smoky River Coal Inc. Smoky River Coal Inc. is inactive and has no assets or liabilities. Company owns directly all of the outstanding voting and equity securities of Smoky River Coal Inc., all of which shares are duly authorized, validly issued and fully paid and non-assessable, and owned by Company free and clear of all Encumbrances (other than Permitted Encumbrances), except pursuant to restrictions on transfer contained in the articles of such subsidiary.

(d) No Violations. Except as disclosed to Purchaser in the Company Disclosure Letter, or as contemplated by this Agreement:

(i) neither the execution and delivery of this Agreement by Company nor the consummation of the transactions contemplated by the Arrangement nor compliance by Company with any of the provisions hereof will:

(A) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in the creation of any Encumbrance (other than Permitted Encumbrances) upon any of the properties or assets of Company or cause any indebtedness to come due before its stated maturity or cause any credit to cease to be available, under any of the terms, conditions or provisions of: (1) articles or by-laws of Company; or (2) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other instrument or obligation to which Company is a party or to which it, or any of its properties or assets, may be subject or by which Company is bound; or

(B) violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Company or any of its properties or assets

(except, in the case of each of clauses (A) and (B) above, for such violations, conflicts, breaches, defaults, terminations, accelerations or creations of Encumbrances (other than Permitted Encumbrances) which, or any consents, approvals or notices which if not given or received, would not, individually or in the aggregate, have any Company Material Adverse Effect, or significantly impede the ability of Company to consummate the transactions contemplated by the Arrangement); or

(C) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would, individually or in the aggregate, have a Company Material Adverse Effect.

(ii) except for the requisite approvals of Company Shareholders, and the obtaining of the Interim Order, the Competition Act Approval, the Investment Canada Act Approval and the Final Order and filings under the ABCA:

(A) there is no legal impediment to Company's consummation of the Arrangement; and

(B) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is required of Company in connection with the consummation of the Arrangement, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals which, if not received, would not, individually or in the aggregate, have a Company Material Adverse Effect, or significantly impede the ability of Company to consummate the Arrangement.

(e) Litigation. There are no claims, actions, suits, proceedings, investigations, arbitrations, audits, grievances, assessments or reassessments in existence or pending or, to the knowledge of Company, threatened, affecting or that would reasonably be expected to affect Company or affecting or that would reasonably be expected to affect any of its properties or assets at law or in equity or before or by any court or Governmental Authority which claim, action, suit, proceeding, investigation, arbitration, audit, grievance, assessment or reassessment involves a possibility of any judgment against or liability of Company which would reasonably be expected to cause, individually or in the aggregate, a Company Material Adverse Change, or would significantly impede the ability of Company to consummate the Arrangement.

(f) Taxes, etc. Except to the extent that any matter referred to in this subparagraph does not, and would not reasonably be expected to, have a Company Material Adverse Effect:

(i) all Tax Returns required to be filed by or on behalf of Company or its subsidiaries for periods ended on and prior to the date of this Agreement have been duly filed on a timely basis and such tax returns are complete and correct in all material respects. All Taxes shown to be payable on such Tax Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis, and no other material Taxes are payable by Company of its subsidiaries with respect to items or periods covered by such Tax Returns;

(ii) each of Company and its subsidiaries has duly and timely paid or withheld and remitted to the appropriate Taxing Authority all Taxes, including any instalments or prepayments of Taxes, that are due and payable whether or not shown as being due on any Tax Return, or, where payment is not yet due, adequate accruals have been provided in conformity with GAAP in the Company Financial Statements for the period covered by such financial statements for any Taxes, including income taxes and related future taxes, if applicable, that have not been paid, whether or not shown as being due on any Tax Return. Company and its subsidiaries have, in all material respects, made adequate provision or disclosure in its books and records for any Taxes accruing in respect of any period subsequent to the period covered by such financial statements, whether or not shown as being due on any Tax Return;

(iii) Company has made available to Purchaser true and complete copies of: (A) income tax audit reports, statement of deficiencies, closing or other agreements received by Company or its subsidiaries or on behalf of Company or its subsidiaries relating to Taxes for any taxable period beginning within four years from the date hereof; and (B) any Tax Returns for Company or its subsidiaries for the taxable period since April 1, 2008;

(iv) no material deficiencies have been asserted in writing by any Governmental Authority with respect to Taxes of Company or its subsidiaries that have not yet been settled;

(v) neither Company nor any of its subsidiaries is party to any tax sharing, tax indemnity or tax allocation agreement or arrangement and Company neither has nor could have any material liabilities or obligations in respect of Taxes under any such tax sharing, tax indemnity or tax allocation agreement;

(vi) Company and each of its subsidiaries is resident in Canada for the purposes of the ITA; and

(vii) neither Company nor any of its subsidiaries is a party to any action or proceeding for assessment or collection of a material amount of Taxes, nor, to the knowledge of Company, has such an event been asserted in writing by any Governmental Authority or threatened against Company or any of its subsidiaries or any assets of Company or its subsidiaries. No waiver or extension of any statute of limitations is in effect with respect to material Taxes or material Tax Returns of Company or any of its subsidiaries. Except as set out in the Company Disclosure Letter, no audit by Taxing Authorities of Company or any of its subsidiaries is in process or to the knowledge of Company, pending.

(g) <u>Reporting Issuer Status.</u> Company is a "reporting issuer" in each of the Provinces of Canada (other than Quebec) and is in material compliance with all Applicable Canadian Securities Laws therein and the Company Common Shares are listed and posted for trading on the TSX. Company is not on the list of reporting issuers in default under Applicable Canadian Securities Laws in such jurisdictions or in default under any rules or regulations of, or agreement with, the TSX. No delisting, suspension of trading in or cease trading order with respect to the Company Common Shares is pending or, to the knowledge of Company, threatened. The documents and information comprising the Company Public Record did not at the respective times they were filed with the relevant Securities Authorities, contain any Misrepresentation, unless such document or information was subsequently corrected or superseded in the Company Public Record prior to the date hereof. Company has timely filed with the Securities Authorities all material forms, reports, schedules, statements and other documents required to be filed by Company with the Securities Authorities since becoming a "reporting issuer". Company has not filed any confidential material change report that, at the date hereof, remains confidential. Except as disclosed to Purchaser in the Company Disclosure Letter, neither the Company nor, to the knowledge of the Company, any of its directors or officers (in their capacities as directors and/or officers of the Company) are presently subject to continuous disclosure review or investigation by any Securities Authorities or the TSX and, to the knowledge of the Company, no such review is pending or to the knowledge of Company threatened.

(h) Capitalization. As of the date hereof, the authorized capital of Company consists of an unlimited number of Company Common Shares and an unlimited number of preferred shares, issuable in series. As of the date hereof, there are issued and outstanding 98,314,928 Company Common Shares and no other shares are issued and outstanding. Other than pursuant to the Company Rights Plan and pursuant to Company Options to acquire up to 4,340,352 Company Common Shares, there are no options, warrants or other rights, plans agreements or commitments of any nature whatsoever requiring the issuance, sale or transfer by Company of any securities of Company (including Company Common Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of Company (including Company Common Shares). All outstanding Company Common Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights and all Company Common Shares issuable upon the exercise of Company Options in accordance with the terms of such options will be duly authorized and validly issued as fully paid and non-assessable and will not be subject to any pre-emptive rights. Other than the Company Common Shares, there are no securities of Company outstanding which have the right to vote generally (or except for the Company Options are exercisable or convertible into or exchangeable for securities having the right to vote generally) with the Company Shareholders (other than as contemplated by Section 2.5(a)(i)) on any matter. The Company Disclosure Letter contains a complete list of all holders of Company Options and the exercise price, date of grant and vested amounts, where applicable.

(i) Equity Monetization Plans. Other than the Company Options and as set out in the Company Disclosure Letter, there are no outstanding stock appreciation rights, phantom equity, profit sharing plan or similar rights, agreements, arrangements or commitments payable to any employee of Company and which are based upon the revenue, value, income or any other attribute of Company.

(j) No Orders. No order, ruling or determination having the effect of suspending the sale of, or ceasing the trading of, the Company Common Shares or any other securities of Company has been issued by any Governmental Authority and is continuing in effect and no proceedings for that purpose have been instituted, are pending or, to the knowledge of Company, are contemplated or threatened under any Applicable Laws or by any Governmental Authority.

(k) Reports. The documents comprising the Company Public Record: (i) did not at the time filed with Securities Authorities or, as applicable, the time of becoming effective, contain any untrue statement of a material fact or omit any information required to be stated therein or necessary to make the statements therein, not misleading in light of the circumstances under which they were made; and (ii) included all documents required to be filed in accordance with Applicable Canadian Securities Laws with Securities Authorities and complied, in all material respects with Applicable Canadian Securities Laws.

(l) Company Financial Statements. (i) Company's audited consolidated financial statements as at and for the years ended March 31, 2011 and 2010 (including the notes thereto and related management's discussion and analysis) prepared in accordance with GAAP consistently applied and (ii) Company's unaudited consolidated financial statements as at and for the three month periods ended June 30, 2011 and 2010 (including the notes thereto and related management's discussion and analysis) were prepared in accordance with IFRS consistently applied, and in each case fairly present in all material respects the consolidated financial position, results of operations and cash flows of the Company as of the dates thereof and for the periods indicated therein. Any financial statements of the Company filed with a Governmental Authority pursuant to Applicable Canadian Securities Laws subsequent to the date hereof will be prepared in accordance with IFRS and will fairly present in all material respects the consolidated financial position, results of operations and cash flows of the Company as of the dates thereof and for the periods indicated therein. There have been no material changes in the Company's accounting policies since June 30, 2011.

(m) Books and Records. The financial books, records and accounts of Company, in all material respects, (i) have been maintained in accordance with good business practices on a basis consistent with prior years, other than as a result of the adoption of International Financial Reporting Standards, (ii) are stated in reasonable detail and accurately and fairly reflect the material transactions and dispositions of the assets of Company and (iii) accurately and fairly reflect the basis for the Company Financial Statements. The corporate records and minute books of Company have been maintained in material compliance with Applicable Laws and are complete and accurate in all material respects, and full access thereto has been provided to Purchaser with the exception of minutes and resolutions of the special committee of the Company Board.

(n) Mineral Information. All technical information set forth in Company's annual information form dated June 29, 2011 has been reviewed and verified by qualified persons that are independent of Company and all such information has been prepared in accordance with National Instrument 43-101 – *Standards for Disclosure for Mineral Projects* ("**NI 43-101**"). The methods used in estimating Company's mineral reserves and resources are in accordance with accepted mineral resource estimation practices and have been verified by mining experts using accepted guidelines and practices and the information upon which the estimates of reserves and resources was based, at the time of delivery thereof, was complete and accurate in all material respects and, other than due to mining activities on the Properties in the ordinary course of business, there have been no material adverse changes to such information since the date of delivery or preparation thereof and there has been no material reduction in the aggregate amount of estimated mineral reserves, estimated mineral resources or mineralized material of Company from the amounts set forth in Company's annual information form dated June 29, 2011.

(o) Technical Report. Company has duly filed with the relevant Securities Authorities in compliance with Applicable Canadian Securities Laws a technical report required by NI 43-101 in respect of the coal reserves and resources of the mineable coal deposits of Company dated June 27, 2011 (the "**Technical Report**") and the Technical Report complies in all material respects with the requirements of NI 43-101 prior to its amendment, effective June 30, 2011; prior to the issuance of such Technical Report, Company made available to the authors all information requested and such information for the purpose of preparing the Technical Report, to Company's knowledge, at the time such information was provided, did not contain any Misrepresentation, and Company has no knowledge of a material adverse change in any information provided to the authors since that date. To Company's knowledge, the Technical Report accurately and completely sets forth all material facts relating to Company's coal reserves and resources of the mineable coal deposits.

(p) Title to Intellectual Property. Company and its subsidiaries own or possess adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses and know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) necessary for the conduct of their respective businesses; and the conduct of their respective businesses will not conflict in any material respect with any such rights of others, and Company and its subsidiaries have not received any notice of any claim of infringement of or conflict with any such rights of others.

(q) No Undisclosed Relationships. No relationship, direct or indirect, exists between or among Company or any of its subsidiaries, on the one hand, and the directors, officers, shareholders, customers or suppliers of Company or any of its subsidiaries, on the other, that would be required by Applicable Canadian Securities Laws to be described in the Company Public Record and that is not so described.

(r) Absence of Certain Changes or Events. Except as a result of the adoption of International Financial Reporting Standards and except for the Arrangement or any action taken in accordance with this Agreement, since March 31, 2011:

(i) Company has conducted its business only in the ordinary course of business substantially consistent with past practice, other than as disclosed in the Company Public Record;

(ii) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) material to Company has been incurred other than in the ordinary course of business;

(iii) there has been no Company Material Adverse Change;

(iv) there has been no material damage, destruction or loss to the business or properties of the Company not covered by insurance; and

(v) Company has not, and to the knowledge of Company, no director, officer, employee or auditor of Company, has received or otherwise had or obtained knowledge of any fraud, material complaint, allegation, assertion or claim, whether written or oral, regarding fraud or the accounting or auditing practices, procedures, methodologies or methods of Company or its internal accounting controls.

(s) Registration, Exemption Orders, Licenses, etc. To the knowledge of Company, Company has obtained and is in compliance with all material licenses (including Mining Rights), permits, approvals, certificates, consents, orders, grants, registrations, recognition orders, exemption relief orders, no-action relief and other authorizations (including in connection with Environmental Laws) from any Governmental Authority necessary in connection with its business as it is now, individually or in the aggregate, being or proposed to be conducted (collectively, the "**Governmental Authorizations**"). Such Governmental Authorizations are in full force and effect in accordance with their terms, and no event has occurred or circumstance exists that (with or without notice or lapse of time) may constitute or result in a violation of any such Governmental Authorization. No proceedings are pending or, to the knowledge of Company, threatened, which could result in the revocation or limitation of any Governmental Authorization, and all steps have been taken and filings made on a timely basis with respect to each Governmental Authorization and its renewal.

(t) Compliance with Laws. The operations and business of Company is and has been carried out in compliance with and not in violation of any Applicable Laws, other than non-compliance or violation which would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect or would significantly impact the ability of Company to consummate the Arrangement, and Company has not received any notice of any alleged violation of any such Applicable Laws other than where such notice would not reasonably be expected to have a Company Material Adverse Effect or would significantly impact the ability of Company to consummate the Arrangement. In all material respects, all current assessments under Applicable Laws respecting workers compensation have been paid or accrued by the Company and Company has not been and is not subject to any special penalty assessment under such Applicable Laws which has not been paid.

(u) Confidentiality Agreements. All persons other than Purchaser to whom Company has provided non-public information in the 12 month period prior to the date hereof in connection with their consideration of a possible purchase of Company or a substantial portion of its assets or any other business combination or similar transaction with another Company have entered into confidentiality agreements with Company and Company has not waived the standstill or other material provisions of any of such agreements.

(v) Restrictions on Business Activities. There is no contract, agreement, arrangement, understanding, judgment, injunction or order binding upon Company that has or could reasonably be expected to have the effect of prohibiting, restricting or impairing its business or, individually or in the aggregate, have a Company Material Adverse Effect.

(w) Non-Arm's Length Transactions. Except as set out in the Company Disclosure Letter and except for amounts due as normal salaries and bonuses and in reimbursement of ordinary expenses, existing employment agreements and existing agreements respecting Company Options there are no Contracts or other transactions (including with respect to loans or other indebtedness) currently in place between Company, on the one hand, and (i) any officer, director or employee of, or consultant Company, (ii) any holder of record or beneficial owner of 10% or more of the voting securities of Company or (iii) any associate or affiliate of any such Person (collectively, "**Company Related Parties**"). No Company Related Party, owns, has or is entitled to any royalty, net profits interest, carried interest or any other Encumbrances or claims of any nature whatsoever which are based on production from the properties or assets of Company or any revenue or rights attributed thereto.

(x) Interest in Properties and Mineral Rights.

(i) All of Company's owned real properties and leasehold interests that are material to Company or the operation of its business (collectively, the "**Properties**") and all of Company's mineral interests and rights that are material to Company or the operation of its business (including any material claims, concessions, exploration licences, exploitation licences, prospecting permits, mining permits, mining licenses, mining leases and mining rights, drilling licenses and drilling rights) (collectively, the "**Mineral Rights**") are set out in the Company Disclosure Letter. Other than the Properties and the Mineral Rights set out in the Company Disclosure Letter, neither Company nor its subsidiary, owns or has any interest in any material real property or any material mineral interests and rights.

(ii) Except as set out in the Company Disclosure Letter:

(A) Except for Permitted Encumbrances, Company has good and marketable title to the Properties and the Mineral Rights, and is the sole legal and beneficial owner of all right, title and interest in and to the Properties and the Mineral Rights, free and clear of any Encumbrances;

(B) All of the Mineral Rights have been properly located and recorded in compliance with Applicable Law;

(C) The Properties and the Mineral Rights are in good standing under Applicable Laws and, to the knowledge of Company, all material work required to be performed and filed in respect thereof has been performed and filed, all material Taxes, rentals, fees, expenditures and other payments in respect thereof have been paid or incurred and all material filings in respect thereof have been made;

(D) The Mineral Rights do not expire or terminate prior to September 2015;

(E) Subject to the terms of the Mineral Rights, Company has the exclusive right to deal with the Properties and all of the Mineral Rights;

(F) No Person other than Company has any interest in the Properties or the Mineral Rights or the production or profits therefrom or any royalty in respect thereof or any right to acquire any such interest;

(G) Company has all surface rights and Mineral Rights that are required for the current state of exploration or development, including fee simple estates, leases, easements, rights of way and permits or licences from landowners or Governmental Authorities permitting the use of land by Company;

(H) There are no material restrictions on the power, capacity and authority of Company to use, transfer or exploit the Properties or any of the Mineral Rights, except pursuant to Applicable Law or the terms of the Mineral Rights;

(I) Company has not received any notice (written or oral) from any Governmental Authority of any revocation or intention to revoke any interest of the Company in any of the Properties or any of the Mineral Rights;

(J) For all Properties wherein current activity requires a Permit to conduct operations, the Company has obtained the necessary Permit and any required renewals or extensions and all such necessary Permits are in good standing;

(K) All leases pursuant to which Company leases (whether as lessee or lessor) any real property are in good standing, valid, and effective; and there is not, under any such leases, any existing or prospective default or event of default or event which with notice or lapse of time, or both, would constitute a default by Company which, individually or in the aggregate, would reasonably be expected to have a Company Material Adverse Effect and in respect to which Company has not taken adequate steps to prevent a default from occurring;

(L) There are no material adverse claims or challenges of any kind whatsoever, including without limitation, claims or challenges by native or aboriginal peoples or other third parties, against or to the ownership of, or title to, the Properties and the Mining Rights nor is there any basis therefor;

(M) The buildings and premises of Company that are used in its business are in good operating condition and repair, subject only to ordinary wear and tear; and

(N) All major items of operating equipment of Company are in good operating condition and in a state of reasonable maintenance and repair, ordinary wear and tear excepted, and are free from any known defects except as may be repaired by routine maintenance and such minor defects as do not substantially interfere with the continued use thereof in the conduct of normal operations.

(y) Operational Matters. Except as would not, individually or in the aggregate, have or reasonably be expected to have a Company Material Adverse Effect:

(i) all material rentals, royalties, overriding royalty interests, production payments, net profits, interest burdens, contract commitments, payments and obligations due and payable, or performable, as the case may be, on or prior to the date hereof under, with respect to, or on account of, any assets of Company have been: (A) duly paid; (B) duly performed; or (C) provided for prior for the date hereof; and

(ii) all material costs, expenses, and liabilities payable on or prior to the date hereof under the terms of any contracts and agreements to which Company is bound have been properly and timely paid, except for such expenses that are being currently paid prior to delinquency in the ordinary course of business.

(z) Absence of Undisclosed Liabilities. Company has no material liabilities of any nature (matured or unmatured, fixed or contingent), other than:

(i) those set forth or adequately provided for in the most recent statement of financial position and associated notes thereto included in the Company Financial Statements (the "**Company Statement of Financial Position**");

(ii) those incurred in the ordinary course of business since the date of the Company Statement of Financial Position and consistent with past practice; and

(iii) those incurred in connection with the execution of this Agreement.

(aa) No Guarantees or Indemnities. Company is not a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of Company and Applicable Law and other than indemnities in favour of purchasers of assets in purchase and sale agreements and underwriters and agents in connection with offerings of securities, the financial advisors engaged by Company for purposes of the transactions contemplated hereby, Company's registrar and transfer agent, indemnities and guarantees in favour of Company's bankers and indemnities to support Company's obligations pursuant to agreements entered into in the ordinary course of business), or any other like commitment of the obligations, liabilities (contingent or otherwise) of indebtedness of any other person.

(bb) Absence of Undisclosed Changes. There has not been any Material Change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Company on a consolidated basis from the position set forth in the Company Financial Statements (other than as have been disclosed in the Company Public Record) and Company has not incurred or suffered a Company Material Adverse Change since March 31, 2010 and since that date there have been no Material Facts, transactions, events or occurrences which would have a Company Material Adverse Effect which have not been disclosed in the Company Public Record.

(cc) No Defaults. Company is not in default under, and there exists no event, condition or occurrence which, after notice or lapse of time or both, would constitute such a default under (i) its Articles or by-laws, (ii) any judgement, decree or order applicable to it, or (iii) any contract, agreement or licence to which it is a party or by which it or any of its properties or assets is or may be bound or affected which would, if terminated or upon exercise of a right made available to a third party solely by a reason of such a default due to such default, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. Company is not in violation of any Applicable Laws which violation could reasonably be expected to have a Company Material Adverse Effect.

(dd) Flow Through Obligations. Company has not entered into any agreements or made any covenants with any parties with respect to the issuance of shares which are "flow-through shares" for the purposes of the *Income Tax Act* (Canada) or the incurring and renunciation of Canadian exploration expense or Canadian development expense, which amounts have not been fully expended and renounced as required thereunder.

(ee) Pre-emptive Rights. Company does not have any knowledge of any outstanding rights of first refusal or other pre-emptive rights of purchase which entitle any Person to acquire any of the rights, title, interests, property, licenses, assets or securities of Company that will be triggered or accelerated by the Arrangement.

(ff) Environmental. Except to the extent that any violation or other matter referred to in this subparagraph individually or in the aggregate does not, and would not reasonably be expected to, have a Company Material Adverse Effect:

(i) Company is not in violation of any applicable Environmental Laws;

(ii) Company has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all Hazardous Substances in compliance with Environmental Laws;

(iii) there have been no spills, releases, deposits or discharges of Hazardous Substances, or wastes into the earth, subsoil, underground waters, air or into any body of water or any municipal or other sewer or drain water systems by Company, or on or underneath any location which is or was currently or formerly owned, leased or otherwise operated by Company, that have not been fully remediated;

(iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Company which Company has notice;

(v) Company has not failed to report to the proper Governmental Authority the occurrence of any event which is required to be so reported by any Environmental Law;

(vi) Company holds all Environmental Approvals required in connection with the operation of its business and the ownership and use of such assets, all Environmental Approvals are in full force and effect, and Company has not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws or Environmental Approvals, or that any Environmental Approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;

(vii) there are no pending or, to the knowledge of Company, threatened claims, liens or Encumbrances (other than Permitted Encumbrances) resulting from Environmental Laws with respect to any of the properties of Company;

(viii) Company has not assumed or retained by contract or operation of law any losses, expenses, claims, damages or liabilities of any third-party pursuant to applicable Environmental Laws.

(ix) there are no environmental conditions or circumstances, such as the presence or release of any hazardous substance, on any property presently or, to the knowledge of Company, previously owned or leased by Company that could reasonably be expected to result in a Company Material Adverse Effect; and

(x) Company does not know of any reason that would preclude it from renewing or obtaining a reissuance of the Environmental Approvals required pursuant to any applicable Environmental Laws to operate and use any of Company's assets for their current purposes and uses.

(gg) Material Contracts. Except for this Agreement and purchase or sale orders entered into in the ordinary course of business, the Company Disclosure Letter lists all of the following Contracts, true and correct copies of which have been made available to Purchaser (the "**Material Contracts**"): (i) all Contracts containing any rights on the part of any Person to acquire mineral or other property rights from Company; (ii) all Contracts containing any rights on the part of Company to acquire mineral or other property rights from any Person; (iii) any Contract that purports to materially limit the right of Company to (A) engage in any line of business, or (B) compete with any Person or operate in any location, in each case in a manner that is material to Company; (iv) any Contract in respect of which the applicable transaction has not yet been consummated for the acquisition or disposition of assets or securities or other equity interests of another Person; (v) all Contracts pursuant to which Company will, or may reasonably be expected to, result in a requirement of Company to expend more than an aggregate of $3,000,000 or receive or be entitled to receive revenue of more than $3,000,000 in either case in the next 12 months, except for equipment leases or purchase agreements made or entered into in the ordinary course of business, any such Contract that may be cancelled, without any penalty or other liability to Company upon notice of 90 days or for acquisitions and dispositions of properties and assets in the ordinary course of business; (vi) all Contracts that if terminated would reasonably expected to have a Company Material Adverse Effect; (vii) any Contract that relates to indebtedness in excess of $3,000,000; (viii) is a financial risk management Contract such as currency, commodity, interest or equity related hedge or derivative Contract; (ix) is a shareholder, joint venture, alliance or partnership agreement; (x) all material patents, trademarks, copyrights and other intellectual property rights owned, licenses or used and all applications therefore; (xi) all material trade names and fictitious names used or held, whether and where such names are registered and where used; and (xii) all royalties, net profits interests and similar interests attaching to the interests of Company in its properties and assets. Each of such Material Contracts constitutes a legally valid and binding agreement of Company and, to the knowledge of Company, no party thereto is in default in the observance or performance of any term or obligation to be performed by it under any such contract or agreement, and no event has occurred which with notice or lapse of time or both would constitute such a default, in any such case which default or event would reasonably be expected to have a Company Material Adverse Effect;

(hh) Employee Benefit Plans. Other than as disclosed in the Company Disclosure Letter, the Company is not subject to and does not have any employee benefits, pension or other employee plan (collectively, the "**Company Plans**") covering active, former or retired employees of Company, any related trust agreement, annuity or insurance contract or other funding vehicle. Company has made available to the Purchaser true and correct copies of each Company Plan and any related trust agreement, annuity or insurance contract or other funding vehicle, and:

(i) each Company Plan has been established, maintained and administered in material compliance with its terms and is, to the extent required by Applicable Laws or contract, fully funded without having any deficit or unfunded actuarial liability or adequate provision has been made therefor;

(ii) all required employer contributions under any such plans have been made and the applicable funds have been funded in accordance with the terms thereof;

(iii) each Company Plan that is required or intended to be qualified under Applicable Laws or registered or approved by a Governmental Authority has been so qualified, registered or approved by the appropriate Governmental Authority, and to the knowledge of Company, nothing has occurred since the date of the last qualification, registration or approval that would reasonably be expected to adversely affect, or cause, the appropriate Governmental Authority to revoke such qualification, registration or approval;

(iv) there are no pending or, to the knowledge of Company, anticipated material claims against or otherwise involving any of the Company Plans and no suit, action or other litigation (excluding claims for benefits incurred in the ordinary course of Company Plan activities) has been brought against or with respect to any Company Plan;

(v) all material contributions, reserves or premium payments required to be made to the Company Plans have been made or provided for; and

(vi) Company has no material obligations for retiree health and life benefits under any Company Plan.

(ii) Union Matters.

(i) Other than as disclosed in the Company Disclosure Letter, no trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent holds bargaining rights with respect to any employees of Company or has applied to have Company certified or declared a related employer or successor employer pursuant to applicable labour legislation. Company is in material compliance with all collective agreements to which Company is a party and there are no material grievances, arbitrations or proceedings under such collective agreement or under applicable labour legislation, including unfair labour practice proceedings. To the knowledge of Company, no trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent is undertaking a campaign to unionize any employee of Company.

(ii) No strike, lock-out, work stoppage, or other material labour dispute is occurring. There are no threatened or, to the knowledge of Company, pending strikes, work stoppages, picketing, lock-outs, hand-billings, boycotts, slowdowns or similar labour related disputes pertaining to Company that could reasonably be expected to have a Company Material Adverse Effect.

(jj) Employment Agreements. Except as set forth in the Company Disclosure Letter:

(i) Company is not a party to any contracts of employment which provide for payments occurring on a change of control of Company or which are not terminable on the giving of reasonable notice under Applicable Laws;

(ii) Company will not become a party to any employment agreement or to any written or oral policy, agreement, obligation or understanding (and for greater certainty, to any amendment to any of the foregoing) which contains any specific agreement as to notice of termination or severance pay in lieu thereof or which cannot be terminated without cause upon giving reasonable notice as may be implied by Applicable Laws, or which creates rights in respect of loss or termination of office or employment in relation to the Arrangement or which contains any specific agreement as to obligations arising on a change of control or as to notice of termination or severance pay in lieu thereof; and

(iii) neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will: (a) result in any payment (including severance, unemployment compensation, parachute payment, bonus, retention, termination or otherwise) becoming due to any director, employee or independent contractor of Company; (b) materially increase any benefits otherwise payable; or (c) result in the acceleration of the time of payment or vesting of any such benefits.

(kk) Brokers and Finders. Company has not retained any financial advisor, broker, agent or finder or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby, except that UBS Securities Canada Inc. and Deutsche Bank Securities Inc. (collectively, the "**Financial Advisors**") have been retained as Company's financial advisors in connection with certain matters including the transactions contemplated hereby. The Company Disclosure Letter sets out the aggregate fees to be paid to the Financial Advisors under the terms of the agreements with the Financial Advisors.

(ll) Employment and Officer Obligations. Other than as disclosed in the Company Disclosure Letter, there are no existing health plans or pension obligations or other employment or consulting services agreements, termination, severance and retention plans or policies of Company, and there are no accrued bonuses payable to, any present or former employee, director or officer of Company.

(mm) Third Party Approvals. Except as contemplated by this Agreement or as set forth in the Company Disclosure Letter, there are no third party approvals required to be obtained by the Company in connection with this Arrangement, this Agreement and the transactions contemplated herein.

(nn) Fairness Opinion. The Company Board has received the oral opinions of UBS Securities Canada Inc. and Deutsche Bank Securities Inc., respectively, to the effect that, as of the dates of such opinions, and subject to the assumptions, limitations, qualifications and conditions set forth therein, the $10.00 per Company Common Share in cash to be received by the holders of Company Common Shares (other than the Purchaser or its affiliates) pursuant to this Agreement and the Plan of Arrangement was fair, from a financial point of view, to such holders.

(oo) Long Term and Derivative Transactions. Other than as disclosed in the Company Disclosure Letter, Company has no obligations or liabilities, direct or indirect, vested or contingent in respect of any rate swap transactions, basis swaps, forward rate transactions, commodity swaps, commodity options, equity or equity index swaps, equity or equity index options, bond options, interest rate options, foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross currency rate swap transactions, currency options, production sales transactions having terms greater than 90 days or any other similar transactions (including any option with respect to any of such transactions) or any combination of such transactions.

(pp) Insurance. Policies of insurance that are in force as of the date hereof naming Company as an insured adequately and reasonably cover all risks as are customarily covered by coal mining companies in the jurisdictions in which Company operates and having regard to the nature of the risk insured and the relative cost of obtaining insurance to protect Company's interests. All such policies shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated by this Agreement.

(qq) Board Approval. The Company Board has unanimously approved the Arrangement, this Agreement and has determined that the Arrangement is in the best interests of Company, and has resolved unanimously to recommend that Company Shareholders vote in favour of the Arrangement Resolution.

(rr) Rights Plans. Company does not have outstanding and will not implement any shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire Company Common Shares or other securities of Company or rights, entitlements or privileges in favour of any Person upon the entering into of this Agreement or in connection with the Arrangement, with the exception of the Company Rights Plan and the Company Option Plan and related Company Option agreements. The entering into of this Agreement does not trigger any rights to acquire securities of the Company under the Company Rights Plan.

(ss) Payments to Employees Etc. Each of Company and its subsidiaries has withheld from each payment made to any of its present or former employees, officers or directors, or to other persons, all amounts required by law or administrative practice to be withheld by it on account of income taxes, pension plan contributions, employment insurance premiums, employer health taxes and similar taxes, and levies, and has remitted such withheld amounts within the required time to the appropriate governmental entity. Each of Company and its subsidiaries has charged, collected and remitted on a timely basis all sales, goods and services, value-added and other commodity taxes as required under Applicable Laws on any sale, supply or delivery made by them. Each of Company and its subsidiaries has duly and timely withheld all Taxes and other amounts required by law to be withheld by it in respect of any amount paid or credited or deemed to be paid or credited by it to or for the account of or benefit of any non-resident person and has duly and timely remitted to the appropriate governmental authority such Taxes and other amounts required by law to be remitted by it.

(tt) Place of Principal Offices. Company is not incorporated in the United States, is not organized under the laws of the United States and does not have its principal office within the United States.

(uu) Location of Assets and U.S. Sales. All of the assets and property of Company including all entities "controlled by" Company for purposes of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, are located outside the United States and did not generate sales in or into the United States exceeding US$66.0 million during Company's most recent completed fiscal year.

(vv) Foreign Private Issuer. Company is a "foreign private issuer" within the meaning of Rule 405 of Regulation C under the U.S. Securities Act.

(ww) Investment Company. Company is not registered or required to be registered as an "investment company" pursuant to the *United States Investment Company Act* of 1940, as amended.

(xx) Exchange Act. No class of securities of Company is registered or required to be registered pursuant to Section 12 of the *United States Securities Exchange Act* of 1934, as amended, nor does Company have a reporting obligation pursuant to Section 15(d) of the U.S. Securities Act.

(yy) Transaction Costs. Company's estimate of the aggregate transaction costs related to the transaction contemplated hereby (including all financial advisory (inclusive of the amounts contemplated by Section 4.2(kk)), legal, accounting, engineering and any and all other costs and expenses of Company relating to the transactions contemplated by this Agreement (but excluding all financial advisory, legal, accounting, engineering and other costs and expenses in connection with any information or documents provided pursuant to Section 3.3(j) and, if requested by Purchaser in accordance with Section 3.3(k), the costs associated with using dealer and proxy solicitation services in connection with the Company Meeting) is $17.2 million.

(zz) Disclosure Controls. The management of the Company has established and maintained a system of disclosure controls and protocols designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under Applicable Canadian Securities Laws is recorded, processed, summarized and reported within the time period specified under Applicable Canadian Securities Laws. Such disclosure controls and protocols include controls and protocols designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under Applicable Canadian Securities Laws is accumulated and communicated to the Company's management, including its chief executive officer and chief financial officer (or persons performing similar functions), as appropriate to allow timely decisions regarding required disclosure.

(aaa) Internal Controls Over Financial Reporting. Company maintains internal control over financial reporting. Such internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS (and prior to April 1, 2011, in accordance with GAAP) and includes policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with IFRS (and prior to April 1, 2011, in accordance with GAAP), and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of the Company that could have a material effect on its financial statements. To the knowledge of the Company, prior to the date of this Agreement, there are no significant deficiencies in the design or operation of, or material weaknesses in, the internal controls over financial reporting of the Company that are reasonably likely to materially and adversely affect the ability of the Company to record, process, summarize and report financial information; and there is no fraud, whether or not material, that involves management or other employees who have a significant role in the internal control over financial reporting of the Company.

(bbb) Off-Balance Sheet Arrangements. Neither the Company nor any of its subsidiaries is a party to any off-balance sheet arrangements, as that term is understood under IFRS.

(ccc) No Other Representations and Warranties. Except for the representations and warranties contained in this Agreement, Purchaser acknowledges that neither Company nor any other Person on behalf of Company has made or is making any other express or implied representation or warranty with respect to Company, its subsidiary or their respective businesses, or with respect to any other information provided to Purchaser or any of its representatives with respect to the transactions expressly contemplated by this Agreement or otherwise, unless and then only to the extent that any such information is expressly covered by a representation or warranty contained in this Agreement.

4.3 **Privacy Issues**

(a) For the purposes of this Section 4.3, the following definitions shall apply:

(i) "**applicable law**" means, in relation to any Person, transaction or event, all applicable provisions of Applicable Laws by which such Person is bound or having application to the transaction or event in question, including applicable privacy laws;

(ii) "**applicable privacy laws**" means any and all applicable laws relating to privacy and the collection, use and disclosure of Personal Information in all applicable jurisdictions, including but not limited to the *Personal Information Protection and Electronic Documents Act* (Canada) and/or any comparable provincial law including the *Personal Information Protection Act* (Alberta);

(iii) "**authorized authority**" means, in relation to any Person, transaction or event, any (a) federal, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign, (b) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (c) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (d) other body or entity created wider the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, transaction or event; and

(iv) "**Personal Information**" means information (other than business contact information when used or disclosed for the purpose of contacting such individual in that individual's capacity as an employee or an official of an organization and for no other purpose) about an identifiable individual disclosed or transferred to Purchaser by Company in accordance with this Agreement and/or as a condition of the Arrangement.

(b) The Parties hereto acknowledge that they are responsible for compliance at all times with applicable privacy laws which govern the collection, use or disclosure of Personal Information disclosed to either Party pursuant to or in connection with this Agreement (the "**Disclosed Personal Information**").

(c) Prior to the completion of the Arrangement, neither Party shall use or disclose the Disclosed Personal Information for any purposes other than those related to the performance of this Agreement and the completion of the Arrangement. After the completion of the transactions contemplated herein, a Party may only collect, use and disclose the Disclosed Personal Information for the purposes for which the Disclosed Personal Information was initially collected from or in respect of the individual to which such Disclosed Personal Information relates or for the completion of the transactions contemplated herein, unless (a) either Party shall have first notified such individual of such additional purpose, and where required by applicable law, obtained the consent of such individual to such additional purpose, or (b) such use or disclosure is permitted or authorized by applicable law, without notice to, or consent from, such individual.

(d) Each Party acknowledges and confirms that the disclosure of the Disclosed Personal Information is necessary for the purposes of determining if the Parties shall proceed with the Arrangement, and that the Disclosed Personal Information relates solely to the carrying on of the business or the completion of the Arrangement.

(e) Each Party acknowledges and confirms that it has taken and shall continue to take reasonable steps to, in accordance with applicable law, prevent accidental loss or corruption of the Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection, storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of such Disclosed Personal Information.

(f) Subject to the following provisions, each Party shall at all times keep strictly confidential all Disclosed Personal Information provided to it, and shall instruct those employees or advisors responsible for processing such Disclosed Personal Information to protect the confidentiality of such information in a manner consistent with the Parties' obligations hereunder. Prior to the completion of the Arrangement, each Party shall take reasonable steps to ensure that access to the Disclosed Personal Information shall be restricted to those employees or advisors of the respective Party who have a bona fide need to access to such information in order to complete the Arrangement.

(g) Where authorized by applicable law, each Party shall promptly notify the other Party to this Agreement of all inquiries, complaints, requests for access, variations or withdrawals of consent and claims of which the Party is made aware in connection with the Disclosed Personal Information. To the extent permitted by applicable law, the Parties shall fully co-operate with one another, with the persons to whom the Personal Information relates, and any authorized authority charged with enforcement of applicable privacy laws, in responding to such inquiries, complaints, requests for access, variations or withdrawals of consent and claims.

(h) Upon the expiry or termination of this Agreement, or otherwise upon the reasonable request of either Party, the other Party shall forthwith cease all use of the Disclosed Personal Information acquired by it in connection with this Agreement and will return to the requesting Party or, at the requesting Party's request, destroy in a secure manner, the Disclosed Personal Information (and any copies thereof) in its possession.

ARTICLE 5
CONDITIONS PRECEDENT

5.1 Mutual Conditions Precedent

The respective obligations of the Parties to consummate the transactions contemplated hereby, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

(a) Interim Order. The Interim Order shall have been granted by December 9, 2011 in form and substance satisfactory to each of Purchaser and Company, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to Purchaser and Company, each acting reasonably, on appeal or otherwise.

(b) Arrangement Resolution. The Arrangement Resolution shall have been passed by the Company Shareholders in accordance with the Interim Order by the Outside Date.

(c) Final Order. The Final Order shall have been granted by the Outside Date in form and substance satisfactory to Purchaser and Company, acting reasonably and such order shall not have been set aside or modified in a manner unacceptable to Purchaser and Company, acting reasonably, on appeal or otherwise.

(d) Articles of Arrangement. The Articles of Arrangement to be filed by the Outside Date with the Registrar in accordance with the Arrangement shall be in form and substance satisfactory to each of Purchaser and Company, acting reasonably.

(e) Competition Act Approval. The Competition Act Approval shall have been obtained by the Outside Date.

(f) Investment Canada Act Approval. The Investment Canada Act Approval shall have been obtained by the Outside Date.

(g) Outside Date. The Effective Date shall be on or before the Outside Date.

(h) Waiting Periods. All domestic and foreign statutory and regulatory waiting periods applicable to the transactions contemplated by the Arrangement, shall have expired or have been terminated and no unresolved material objection or opposition shall have been filed, initiated or made during any applicable statutory or regulatory period.

(i) No Actions. No act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private Person in Canada or elsewhere, whether or not having the force of law and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which, in either case has had or, if the Arrangement was consummated, would result in a Company Material Adverse Effect or would materially impede the ability of the Parties to complete the Arrangement.

The foregoing conditions are for the mutual benefit of Purchaser on the one hand and Company on the other hand and may be waived, in whole or in part, jointly by the Parties at any time. If any of the foregoing conditions are not satisfied or waived on or before the Outside Date, then a Party may terminate this Agreement (save and except for Section 4.3 which shall survive such termination and remain in full force and effect) by written notice to the other Party in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of such terminating Party's breach of this Agreement.

5.2 **Additional Conditions to Obligations of Purchaser**

The obligation of Purchaser to consummate the transactions contemplated hereby, and in particular the Arrangement, is subject to the following conditions:

(a) Representations and Warranties. The representations and warranties of Company set forth in this Agreement shall be true and correct (for representations and warranties qualified as to materiality, true and correct in all respects, and for all other representations and warranties, true and correct in all material respects) as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of that specified date) and Company shall have provided to Purchaser a certificate of two senior officers certifying such accuracy on the Effective Date, provided that Company shall be entitled to cure any breach of a representation and warranty within five Business Days after receipt of written notice thereof from Purchaser (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date).

(b) Covenants. Company shall have complied in all material respects with its covenants herein, and Company shall have provided to Purchaser a certificate of two senior officers certifying compliance with such covenants; provided that Company shall be entitled to cure any breach of a covenant within five Business Days after receipt of written notice thereof from Purchaser (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date).

(c) No Company Material Adverse Change. Between the date hereof and the Effective Time, there shall not have occurred any Company Material Adverse Change.

(d) Board and Company Shareholder. Company shall have furnished Purchaser with:

(i) certified copies of the resolutions duly passed by the Company Board approving this Agreement and the consummation of the transactions contemplated hereby; and

(ii) certified copies of the resolution of the Company Shareholders, duly passed at the Company Meeting, approving the Arrangement Resolution.

(e) Dissent Rights. Holders of Company Common Shares representing not more than 5% of the Company Common Shares then outstanding shall have validly exercised, and not withdrawn, Dissent Rights.

(f) Resignations and Releases. Executed resignations and mutual releases, in a form substantially similar to that set forth in the Company Disclosure Letter shall have been received by Purchaser from all of the directors of Company (effective as of the Effective Time).

(g) Options. All Company Options shall have been exercised, surrendered or terminated at the Effective Time.

(h) Third Party Approvals. Purchaser shall have received all consents, waivers, permissions and approvals necessary to complete the Arrangement by or from relevant third parties and Governmental Authorities, on terms and conditions satisfactory to Purchaser, acting reasonably (collectively, the "**Third Party Approvals**").

(i) Winsway Approvals. Winsway shall have received all necessary approvals of the HKEX required in order for Purchaser and Company to complete the Arrangement and the Winsway Resolution shall have been passed by the Winsway Shareholders in accordance with Applicable Laws.

The conditions in this Section 5.2 are for the exclusive benefit of Purchaser and may be asserted by Purchaser regardless of the circumstances or may be waived by Purchaser in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Purchaser may have. If any of the foregoing conditions are not satisfied or waived, Purchaser may, in addition to any other remedies it may have at law or equity, terminate this Agreement (save and except for Article 6 and Section 4.3 which shall survive such termination and remain in full force and effect) provided that, prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, Purchaser has delivered a written notice to Company, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which Purchaser is asserting as the basis for the non-fulfillment of the applicable conditions precedent. More than one such notice may be delivered by Purchaser.

5.3 Additional Conditions to Obligations of Company

The obligation of Company to consummate the transactions contemplated hereby, and in particular the Arrangement, is subject to the following conditions:

(a) Representations and Warranties. The representations and warranties of Purchaser set forth in this Agreement shall be true and correct (for representations and warranties qualified as to materiality, true and correct in all respects, and for all other representations and warranties, true and correct in all material respects) as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which shall be determined as of that specified date), and Purchaser shall have provided to Company a certificate of two senior officers certifying such accuracy on the Effective Date, provided that Purchaser shall be entitled to cure any breach of a representation and warranty within five Business Days after receipt of written notice thereof from Company (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date).

(b) Covenants. Purchaser shall have complied in all material respects with its covenants herein, and Purchaser shall have provided to Company a certificate of two senior officers certifying compliance with such covenants; provided that Purchaser shall be entitled to cure any breach of a covenant within five Business Days after receipt of written notice thereof from Company (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date).

(c) Board Authorization. Purchaser shall have furnished Company with certified copies of the resolutions duly passed by the Purchaser Board approving this Agreement and the consummation of the transactions contemplated hereby.

(d) Purchaser Letter of Credit. Purchaser shall have furnished Company with the Purchaser Letter of Credit.

(e) Purchase Consideration. Purchaser shall have deposited or caused to be deposited with the Depositary sufficient funds to pay in full the aggregate consideration for all the Company Common Shares to be acquired pursuant to the Arrangement.

The conditions in this Section 5.3 are for the exclusive benefit of Company and may be asserted by Company regardless of the circumstances or may be waived by Company in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Company may have. If any of the foregoing conditions are not satisfied or waived, Company may, in addition to any other remedies it may have at law or equity, terminate this Agreement (save and except for Article 6 and Section 4.3 which shall survive such termination and remain in full force and effect), provided that, prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, Company has delivered a written notice to Purchaser, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which Company is asserting as the basis for the non-fulfillment of the applicable conditions precedent. More than one such notice may be delivered by Company.

5.4 Notice and Effect of Failure to Comply with Conditions

Each of Purchaser and Company shall give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof to the Effective Date of any event or state of facts which occurrence or failure would, or would be likely to: (i) cause any of the representations or warranties of such Party contained herein to be untrue or inaccurate in any material respect; or (ii) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any Party hereunder; provided, however, that no such notification will affect the representations or warranties of the Parties or the conditions to the obligations of the Parties hereunder.

5.5 Frustration of Conditions

Neither Company nor Purchaser may rely on the failure of any condition set forth in Section 5.1, 5.2 or 5.3, as the case may be, to be satisfied if such failure was caused by such Party's failure to perform any of its obligations under this Agreement, to act in good faith or to use its reasonable commercial efforts to complete the Arrangement, as required by and subject to Section 3.5.

5.6 **Satisfaction of Conditions**

The conditions set out in this Article 5 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the Parties, Articles of Arrangement are filed under the ABCA to give effect to the Arrangement.

ARTICLE 6
AGREEMENT AS TO DAMAGES AND OTHER ARRANGEMENTS

6.1 **Purchaser Damages**

If at any time after the execution of this Agreement and prior to its termination (and provided that there is no breach or non-performance by Purchaser of a material provision of this Agreement):

(a) the Company Board fails to unanimously recommend that holders of Company Common Shares vote in favour of the Arrangement or withdraws, amends, changes or qualifies, or proposes publicly to withdraw, amend, change or qualify, in any manner adverse to Purchaser, any of its recommendations or determinations referred to in Section 4.2(qq);

(b) the Company Board shall have failed to publicly reaffirm any of its recommendations or determinations referred to in Section 4.2(qq) in accordance with Section 3.6(e) or within five Business Days of any written request to do so by Purchaser (or, in the event that the Company Meeting to approve the Arrangement is scheduled to occur within such five Business Day period, prior to the scheduled date of such meeting);

(c) prior to the date of the Company Meeting, an Acquisition Proposal is publicly announced, proposed, offered or made to the Company Shareholders or to Company and the Company Shareholders do not approve the Arrangement or the Arrangement is not submitted for their approval and such Acquisition Proposal, an amended version thereof or any other Acquisition Proposal relating to Company is consummated within 9 months of the date the first Acquisition Proposal is publicly announced, proposed, offered or made;

(d) the Company Board accepts, recommends, approves or enters into a definitive agreement to implement a Superior Proposal;

(e) Company is in material non-compliance with any of its covenants or agreements in Section 3.6;

(f) Company is in non-compliance with any of its covenants made in this Agreement (other than a covenant in Section 3.6) where such non-compliance individually or in the aggregate causes or would reasonably be expected to cause a Company Material Adverse Change or Company Material Adverse Effect, and Company fails to cure such breach within five Business Days after receipt of written notice thereof from Purchaser (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); or

(g) Company is in breach of any representation or warranty made in this Agreement which breach individually or in the aggregate causes or would reasonably be expected to cause a Company Material Adverse Change or have a Company Material Adverse Effect, and Company fails to cure such breach within five Business Days after receipt of written notice thereof from Purchaser (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date);

(each of the above being a "**Purchaser Damages Event**"), then in the event of the termination of this Agreement pursuant to Article 8, Company shall pay to Purchaser $50,000,000 in the case of the events in Sections 6.1(a), 6.1(b), 6.1(c), 6.1(d) or 6.1(e) and $10,000,000 in the case of the events in Sections 6.1(f) and 6.1(g) (the "**Purchaser Termination Fee**") provided that any intentional breach of Section 6.1(f) shall require Company to pay to Purchaser $50,000,000, in all cases as liquidated damages in immediately available funds to an account designated by Purchaser within three Business Days after the first to occur of the events described above. Following a Purchaser Damages Event, but prior to payment of the Purchaser Termination Fee, Company shall and shall be deemed to hold such payment in trust for Purchaser.

6.2 **Purchaser Liquidated Damages**

Company acknowledges that the agreements contained in Section 6.1 and this Section 6.2 are an integral part of the transactions contemplated in this Agreement and that, without those agreements, Purchaser would not enter into this Agreement. Company acknowledges that the Purchaser Termination Fee set out in Section 6.1 is a payment of liquidated damages which are a genuine pre-estimate of the damages which Purchaser will suffer or incur as a result of the event giving rise to such damages and the resultant termination of this Agreement and is not a penalty. Company irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, Purchaser agrees that the payment of the amount pursuant to Section 6.1 is the sole monetary remedy of Purchaser.

Notwithstanding anything to the contrary in this Agreement, the Purchaser agrees that, to the extent it has incurred losses or damages in connection with this Agreement:

(a) the maximum aggregate liability of Company shall be limited to the Purchaser Termination Fee payable hereunder;

(b) in no event shall Purchaser attempt to recover any amount that in the aggregate is in excess of the Purchaser Termination Fee from the Company; and

(c) in no event shall the Purchaser attempt to recover any amount from any former, current or future direct or indirect equityholders, controlling persons, stockholders, directors, officer, employees, agents, affiliates, members, managers, general or limited partners or assignees of the Company.

The parties agree that the Purchaser shall not be entitled to an injunction or injunctions or other equitable relief to prevent breaches or threatened breaches of the provisions of this Agreement by Company or otherwise obtain specific performance by Company of any of such provisions and that the Purchaser's sole and exclusive remedy with respect to any such breach shall be the remedy set forth in Sections 6.1 and 6.2.

6.3 **Company Damages**

If at any time after the execution of this Agreement and prior to its termination (and provided that there is no breach or non-performance by Company of a material provision of this Agreement):

(a) Purchaser is in non-compliance with any of its covenants made in this Agreement where such non-compliance individually or in the aggregate materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Purchaser fails to cure such breach within five Business Days after receipt of written notice thereof from Company (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date);

(b) Purchaser is in breach of any representation or warranty made in this Agreement which breach individually or in the aggregate materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Purchaser fails to cure such breach within five Business Days after receipt of written notice thereof from Company (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date);

(c) Purchaser does not satisfy the condition set forth in Section 5.3(d) of this Agreement;

(d) Purchaser does not provide, or cause to be provided, the Depositary with sufficient funds to complete the transactions contemplated by this Agreement as required pursuant to Section 3.1(j);

(e) the Winsway Resolution is not passed by the Winsway Shareholders by the Outside Date or the Board of Directors of Winsway fails to recommend that holders of Winsway Shares vote in favour of the Winsway Resolution; or

(f) Winsway has not received all necessary approvals of the HKEX by the Outside Date required in order for Purchaser and Company to complete the Arrangement;

(each of the above being a "**Company Damages Event**"), then in the event of the termination of this Agreement pursuant to Article 8, Purchaser shall pay to Company (or to whom Company may direct in writing) $100,000,000 in the case of the event in Section 6.3(c), 6.3(d) or 6.3(e) and $10,000,000 in the case of the event in Section 6.3(a), 6.3(b), 6.3(f) (the "**Company Termination Fee**"), provided that any intentional breach of Section 6.3(a) or 6.3(b) shall require Purchaser to pay to Company (or to whom Company may direct in writing) $100,000,000, in all cases as liquidated damages in immediately available funds to an account designated by Company within three Business Days after the first to occur of the events described above. Following a Company Damages Event, but prior to payment of the Company Termination Fee, Purchaser shall and shall be deemed to hold such payment in trust for Company.

6.4 **Company Liquidated Damages**

Purchaser acknowledges that the agreements contained in Section 6.3 and this Section 6.4 are an integral part of the transactions contemplated in this Agreement and that, without those agreements, Company would not enter into this Agreement. Purchaser acknowledges that the Company Termination Fee set out in Section 6.3 is a payment of liquidated damages which are a genuine pre-estimate of the damages which Company will suffer or incur as a result of the event giving rise to such damages and the resultant termination of this Agreement and is not a penalty. Purchaser irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, Company agrees that the payment of the amount pursuant to Section 6.3 is the sole monetary remedy of Company.

Notwithstanding anything to the contrary in this Agreement, the Company agrees that, to the extent it has incurred losses or damages in connection with this Agreement:

(a) the maximum aggregate liability of Purchaser shall be limited to the Company Termination Fee payable hereunder;

(b) in no event shall Company attempt to recover any amount that in the aggregate is in excess of the Company Termination Fee from the Purchaser, Marubeni or Winsway; and

(c) in no event shall the Company attempt to recover any amount from any former, current or future direct or indirect equityholders, controlling persons, stockholders, directors, officer, employees, agents, affiliates, members, managers, general or limited partners or assignees of the Purchaser.

The parties agree that the Company shall not be entitled to an injunction or injunctions or other equitable relief to prevent breaches or threatened breaches of the provisions of this Agreement by Purchaser or otherwise obtain specific performance by Purchaser of any of such provisions and that the Company's sole and exclusive remedy with respect to any such breach shall be the remedy set forth in Sections 6.3 and 6.4.

ARTICLE 7
AMENDMENT

7.1 **Amendment**

This Agreement may at any time and from time to time before or after the holding of the Company Meeting be amended by written agreement of the Parties without, subject to Applicable Laws, further notice to or authorization on the part of the Company securityholders and any such amendment may, without limitation:

(a) change the time for performance of any of the obligations or acts of the Parties;

(b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;

(c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; or

(d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment reduces or materially adversely affects the consideration to be received by a Company Shareholder or Company Optionholder without approval by the affected securityholders given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

7.2 **Amendment of Plan of Arrangement**

(a) The Parties may by mutual agreement amend the Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment must be: (i) set out in writing; (ii) filed with the Court and, if made following the Company Meeting, approved by the Court; and (iii) communicated to holders of Company Common Shares.

(b) Other than as may be required under the Interim Order, any amendment to the Plan of Arrangement may be proposed by Company or Purchaser at any time prior to or at the Company Meeting (provided that the other Party shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Company Meeting, shall become part of the Plan of Arrangement for all purposes.

(c) Any amendment to the Plan of Arrangement that is approved by the Court following the Company Meeting shall be effective only if it is consented to by each of the Parties and is not adverse to the financial interests of any former holder of Company Common Shares.

ARTICLE 8
TERMINATION

8.1 **Termination**

(a) This Agreement may be terminated at any time prior to the Effective Date:

(i) by mutual written consent of Purchaser and Company;

(ii) as provided in Sections 5.1, 5.2 and 5.3;

(iii) by Purchaser upon the occurrence of a Purchaser Damages Event as provided in Section 6.1;

(iv) by Company upon the occurrence of a Purchaser Damages Event as provided in Section 6.1(d) (in accordance with Section 3.6(b)(viii) and provided Company has complied with its obligations set forth in Section 3.6(d)) and the payment by Company to Purchaser of the amount required by Section 6.1; or

(v) by Company upon the occurrence of a Company Damages Event as provided in Section 6.3.

(b) If this Agreement is terminated in accordance with the foregoing provisions of this Section 8.1, this Agreement shall forthwith become void and no Party shall have any liability or further obligation to the other Party hereunder except as provided in Article 6 and Section 4.3 and each Party's obligations under the Confidentiality Agreement, which shall survive such termination.

ARTICLE 9
NOTICES

9.1 Notices

All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed to have been duly given and received on the day it is delivered, provided that it is delivered on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if notice is delivered after 5:00 p.m. local time or if such day is not a Business Day then the notice shall be deemed to have been given and received on the next Business Day. Notice shall be sufficiently given if delivered (either in person, by courier service or other personal method of delivery), or if transmitted by facsimile or email to the Parties at the following addresses (or at such other addresses as shall be specified by any Party by notice to the other given in accordance with these provisions):

(a) in the case of Purchaser, to:

1629835 Alberta Ltd.
c/o Winsway Coking Coal Holdings Ltd.
Suite 4602A, Cheung Kong Center
2 Queen's Road Central, Hong Kong

Attention: Apolonius Struijk
Facsimile: +852 2555 7800
Email: paul@winsway.com

with a copy to:

Winsway Coking Coal Holdings Ltd.
Suite 4602A, Cheung Kong Center
2 Queen's Road Central, Hong Kong

Attention: Wen-Zhao Xie, Chief Financial Officer
Facsimile: +852 2555 7800
Email: jerryxie@winsway.com

and:

Marubeni Corporation
4-2, Ohtemachi 1-Chome,
Chiyoda-ku, Tokyo 100-8088, Japan

Attention: Koji Iwama, General Manager, Coal Department
Facsimile: +813 3282 2164
Email: iwama-k@marubeni.com

with a copy to:

Osler, Hoskin & Harcourt LLP
Suite 2500, TransCanada Tower
450 – 1st Street S.W.
Calgary, Alberta T2P 5H1

Attention: Donald M. Boykiw
Facsimile: (403) 260-7024
Email: dboykiw@osler.com

(b) in the case of Company, to:

Grande Cache Coal Corporation
Suite 1610, 800 – 5th Avenue S.W.
Calgary, Alberta T2P 3T6

Attention: Robert H. Stan, President and Chief Executive Officer
Facsimile: (403) 543-7092
Email: rhstan@gccoal.com

with a copy to:

Burnet, Duckworth & Palmer LLP
Suite 2400, 525 – 8th Avenue S.W.
Calgary, Alberta T2P 1G1

Attention: Fred Davidson
Facsimile: (403) 260-0332
Email: fdd@bdplaw.com

The date or time of receipt of any such notice will be deemed to be the date of delivery or the time such facsimile transmission or email is received.

ARTICLE 10
GENERAL

10.1 Non-Survival of Representations and Warranties.

The respective representations and warranties of the Parties contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms. This Section 10.1 shall not limit any undertaking, obligations covenant or agreement of whatever nature of a Party or any of its subsidiaries which, by its terms, contemplates performance after the Effective Time or date on which this Agreement is terminated, as the case may be.

10.2 Binding Effect

This Agreement shall be binding upon and enure to the benefit of the Parties hereto and their respective successors and permitted assigns.

10.3 Assignment

Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the Parties hereto without the prior written consent of the other Party hereto.

10.4 **Public Communications**

Each of Purchaser and Company agree to consult with each other prior to issuing any press releases or otherwise making public statements with respect to this Agreement or the Arrangement or making any filing with any Governmental Authority with respect thereto. Without limiting the generality of the foregoing, no Party shall issue any press release regarding the Arrangement, this Agreement or any transaction relating to this Agreement without first providing a draft of such press release to the other Party and reasonable opportunity for comment; provided, however, that the foregoing shall be subject to each Party's overriding obligation to make any such disclosure required in accordance with Applicable Laws. If such disclosure is required and the other Party has not reviewed or commented on the disclosure, the Party making such disclosure shall use all commercially reasonable efforts to give prior oral or written notice to the other Party, and if such prior notice is not possible, to give such notice promptly following such disclosure.

10.5 **Costs**

Except as otherwise expressly provided for in Section 3.7 and Article 6, all fees, costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such cost or expense, whether or not the Arrangement is completed.

10.6 **Severability**

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be severable therefrom and the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

10.7 **Further Assurances**

Each Party hereto shall, from time to time and at all times hereafter, at the request of the other Party hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments and provide all such further assurances as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

10.8 **Time of Essence**

Time shall be of the essence of this Agreement.

10.9 **Applicable Law and Enforcement**

This Agreement shall be governed, including as to validity, interpretation and effect, by the Applicable Laws of the Province of Alberta and the Applicable Laws of Canada applicable therein. The Parties hereby irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta located in Calgary, in respect of all matters arising out of this Agreement, without prejudice to the rights of the Parties to take proceedings in any other jurisdiction. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is, accordingly, agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the Province of Alberta having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity, subject to the provisions of this Agreement.

10.10 **Waiver**

Any Party may, on its own behalf only, (i) extend the time for the performance of any of the obligations or acts of the other Party, (ii) waive compliance with the other Party's agreements or the fulfillment of any conditions to its own obligations contained herein, or (iii) waive inaccuracies in the other Party's representations or warranties contained herein or in any document delivered by the other Party; provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party and, unless otherwise provided in the written waiver, will be limited to the specific breach or condition waived.

10.11 **No Liability**

No director or officer of Purchaser shall have any personal liability whatsoever to Company under this Agreement, or any other document delivered in connection with the transactions contemplated hereby on behalf of Purchaser. No director or officer of Company shall have any personal liability whatsoever to Purchaser under this Agreement, or any other document delivered in connection with the transactions contemplated hereby on behalf of Company.

10.12 **Third Party Beneficiaries**

The provisions of Section 3.2 are: (i) intended for the benefit of all such directors and officers and shall be enforceable by each of such persons and his or her heirs, executors, administrators and other legal representatives (collectively, the "**Third Party Beneficiaries**"**)** and Company shall hold the rights and benefits of such sections in trust for and on behalf of the Third Party Beneficiaries and Company hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the Third Party Beneficiaries; and (ii) are in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.

[Remainder of page left blank intentionally – signatures follow]

10.13 **Counterparts**

This Agreement may be executed by facsimile or other electronic signature and in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

1629835 ALBERTA LTD.

By: *(signed) "Apolonius Struijk"*
Apolonius Struijk
Director

By: *(signed) "Koji Iwama"*
Koji Iwama
Director

GRANDE CACHE COAL CORPORATION

By: *(signed) "Robert H. Stan"*
Robert H. Stan
President and Chief Executive Officer

EXHIBIT "A"

ARRANGEMENT RESOLUTION

BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE HOLDERS OF COMMON SHARES OF GRANDE CACHE COAL CORPORATION (THE "**CORPORATION**") THAT:

1. the arrangement under section 193 of the *Business Corporations Act* (Alberta) (the "**Arrangement**") substantially as set forth in the plan of arrangement (the "**Plan of Arrangement**") attached as Exhibit "B" to the Arrangement Agreement (as defined below), a copy of which is attached to Appendix "[•]" to the Information Circular of the Corporation dated [•], 2011 (the "**Information Circular**") accompanying the notice of meeting is hereby authorized, approved, ratified and confirmed;

2. the arrangement agreement between the Corporation and 1629835 Alberta Ltd. dated October 31, 2011 (the "**Arrangement Agreement**"), a copy of which is attached as Appendix "[•]" to the Information Circular accompanying the notice of meeting, with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 5 hereof, such approval to be evidenced conclusively by their execution and delivery of any such amendments or variations, is hereby authorized, approved, ratified and confirmed;

3. notwithstanding that this resolution has been duly passed and/or has received the approval of the Court of Queen's Bench of Alberta, the board of directors of the Corporation may, without further notice to or approval of the securityholders of the Corporation, subject to the terms of the Arrangement, (i) amend or terminate the Arrangement Agreement or the Plan of Arrangement or (ii) revoke this resolution at any time prior to the filing of articles of arrangement giving effect to the Arrangement;

4. any director or officer of the Corporation is hereby authorized, for and on behalf of the Corporation, to execute and deliver articles of arrangement and to execute, and, if, appropriate, deliver all other documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action; and

5. all actions heretofore taken by or on behalf of the Corporation in connection with any matter referred to in any of the foregoing resolutions which were in furtherance of the Arrangement are hereby approved, ratified and confirmed in all respects.

EXHIBIT "B"

PLAN OF ARRANGEMENT

PLAN OF ARRANGEMENT UNDER SECTION 193
OF THE
***BUSINESS CORPORATIONS ACT* (ALBERTA)**

ARTICLE 1
INTERPRETATION

1.1 In this Plan of Arrangement, the following terms have the following meanings:

(a) "**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

(b) "**Arrangement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to the arrangement pursuant to Section 193 of the ABCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;

(c) "**Arrangement Agreement**" means the agreement dated October 31, 2011, between Purchaser and Company with respect to the Arrangement and all amendments thereto;

(d) "**Arrangement Resolution**" means the special resolution of Company Shareholders in respect of the Arrangement to be considered at the Company Meeting substantially in the form attached as Exhibit "A" to the Arrangement Agreement;

(e) "**Articles of Arrangement**" means the articles of arrangement to be prepared by Company, with the cooperation, consultation and prior approval of Purchaser, acting reasonably, in respect of the Arrangement required under Subsection 193(10) of the ABCA to be sent to the Registrar for filing after the Final Order has been granted, giving effect to the Arrangement;

(f) "**Company**" means Grande Cache Coal Corporation., a corporation incorporated under the ABCA;

(g) "**Company Common Shares**" means the common shares in the capital of Company;

(h) "**Company Meeting**" means the special meeting of Company Shareholders to be held to consider the Arrangement Resolution and related matters, and any adjournment(s) thereof;

(i) "**Company Rights Plan**" means the shareholder protection rights plan agreement originally dated effective May 27, 2005 and amended and restated effective as of June 30, 2011 and August 5, 2011;

(j) "**Company Shareholders**" means holders of Company Common Shares;

(k) "**Certificate**" means the certificate or certificates or other confirmation of filing to be issued by the Registrar pursuant to Section 193(11) of the ABCA giving effect to the Arrangement;

(l) "**Court**" means the Court of Queen's Bench of Alberta;

(m) "**Depositary**" means Computershare Trust Company of Canada, a trust company licensed to carry on business in the Province of Alberta at its principal office in Calgary, Alberta;

(n) "**Dissenting Company Shareholders**" means registered Company Shareholders who validly exercise the rights of dissent provided to them under the Interim Order;

(o) "**Effective Date**" means the date the Arrangement is effective under the ABCA;

(p) "**Effective Time**" means the time at which the Articles of Arrangement are filed with the Registrar on the Effective Date and the Arrangement becomes effective;

(q) "**Final Order**" means the order of the Court approving the Arrangement to be applied for by Company following the approval of the Arrangement Resolution at the Company Meeting and to be granted pursuant to Subsection 193(9) of the ABCA in respect of Company Shareholders, Company, and Purchaser, as such order may be affirmed, amended or modified by the Court (with the consent of both Company and Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that such amendment is acceptable to both Company and Purchaser, each acting reasonably) on appeal;

(r) "**Information Circular**" means the management information circular and proxy statement of Company, together with all appendices thereto to be mailed or otherwise distributed by Company to the Company Shareholders and such other securityholders of Company as may be required pursuant to the Interim Order in connection with the Company Meeting;

(s) "**Interim Order**" means an interim order of the Court concerning the Arrangement under Subsection 193(4) of the ABCA, containing declarations and directions with respect to the Arrangement and the holding of the Company Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

(t) "**ITA**" means the *Income Tax Act (Canada),* R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations promulgated thereunder, as amended from time to time;

(u) "**Letter of Transmittal**" means the letter of transmittal accompanying the Information Circular sent to Company Shareholders pursuant to which holders of Company Common Shares are required to deliver certificates representing the Company Common Shares;

(v) "**Purchaser**" means 1629835 Alberta Ltd., a corporation incorporated under the ABCA; and

(w) "**Registrar**" means the Registrar of Corporations or the Deputy Registrar of Corporations appointed pursuant to Section 263 of the ABCA.

1.2 The division of this Plan of Arrangement into articles, sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.

1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles, sections and subsections are to articles, sections and subsections of this Plan of Arrangement.

1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.

1.5 Unless otherwise specified, all references to "dollars" or "$" means Canadian dollars. All amounts that are not expressed in Canadian dollars shall, where necessary, be converted into Canadian dollars using the exchange rate quoted by the Bank of Canada at noon on the Effective Date.

1.6 In the event that the date on which any action is required to be taken hereunder by any of the parties is not a business day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a business day in such place.

1.7 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

ARTICLE 2
ARRANGEMENT AGREEMENT

2.1 This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement.

2.2 This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issue of the Certificate, will become effective on, and be binding on and after, the Effective Time on: (i) all registered and beneficial Company Shareholders; (ii) Company; and (iii) Purchaser.

2.3 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence set out therein.

ARTICLE 3
ARRANGEMENT

3.1 Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality except as otherwise provided herein.

Termination of Company Rights Plan

(a) The Company Rights Plan shall be terminated and all issued and outstanding rights pursuant to the Company Rights Plan shall be cancelled without any liability, payment or other compensation in respect thereof;

Dissenting Company Shareholders

(b) the Company Common Shares held by Dissenting Company Shareholders who have validly exercised the rights of dissent provided to them under the Interim Order which remain valid immediately prior to the Effective Time shall, as of the Effective Time, be deemed to have been transferred to Company, free and clear of all liens, claims and encumbrances, and cancelled and, as of the Effective Time, such Dissenting Company Shareholders shall cease to have any rights as Company Shareholders, other than the right to be paid the fair value of their Company Common Shares in accordance with Article 4;

Acquisition of Company Common Shares by Purchaser

(c) each issued and outstanding Company Common Share (other than those held by Dissenting Company Shareholders) shall be transferred by the holder thereof without any further action on its part, free and clear of all liens, claims and encumbrances, to Purchaser in exchange for $10.00 in cash paid by Purchaser and Purchaser shall be deemed to be the legal and beneficial owner of such transferred Company Common Share free and clear of any liens, claims or encumbrances, and upon such transfer:

    (i) the holders of such Company Common Shares shall cease to be the holders of Company Common Shares and the names of such holders shall be removed from the register of holders of Company Common Shares with respect to all such Company Common Shares; and

    (ii) Purchaser shall become the holder of the Company Common Shares so transferred and shall be added to the register of holders of Company Common Shares as the registered holder of such shares.

ARTICLE 4
DISSENTING COMPANY SHAREHOLDERS

4.1 Each registered holder of Company Common Shares shall have the right to dissent with respect to the Arrangement in accordance with the Interim Order and this Article 4, provided that notwithstanding Section 191(5) of the ABCA, the written objection to the Arrangement referred to in Section 191(5) of the ABCA must be received by Company not later than 4:00 p.m. (Calgary time) on the date that is two business days prior to the date of the Company Meeting. A Dissenting Company Shareholder shall, at the Effective Time, cease to have any rights as a holder of Company Common Shares (other than as set forth herein) and shall only be entitled to be paid by Company the fair value of the holder's Company Common Shares. A Dissenting Company Shareholder who is entitled to be paid by Company the fair value of the holder's Company Common Shares shall be deemed to have transferred the holder's Company Common Shares, free and clear of all liens, claims and encumbrances, to Company for cancellation without any further act or formality as of the Effective Time, notwithstanding the provisions of Section 191 of the ABCA.

4.2 A Dissenting Company Shareholder who for any reason is not entitled to be paid the fair value of the holder's Company Common Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of Company Common Shares notwithstanding the provisions of Section 191 of the ABCA.

4.3 The fair value of the Company Common Shares shall be determined as of the close of business on the last business day before the day on which the Arrangement Resolution is approved by the holders of Company Common Shares.

4.4 In no event shall Company or Purchaser be required to recognize such Dissenting Company Shareholder as a Company Shareholder after the Effective Time and the names of such holders shall be removed from the register of Company Shareholders as at the Effective Time.

4.5 For greater certainty, in addition to any other restrictions in Section 191 of the ABCA, any person who votes (or instructs, or is deemed by submission of any incomplete proxy, to have instructed his , or her proxyholder to vote) in favour of the Arrangement Resolution shall not be entitled to dissent with respect to the Arrangement. In addition, a Dissenting Company Shareholder may only exercise dissent rights in respect of all, and not less than all, of its Company Common Shares.

ARTICLE 5
OUTSTANDING CERTIFICATES

5.1 Purchaser shall, as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Company Common Shares of a duly completed and executed Letter of Transmittal, such additional documents and instruments as the Depositary may reasonably require and the certificates representing such Company Common Shares, either:

(a) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Letter of Transmittal; or

(b) if requested by such holder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such holder;

a cheque for the aggregate consideration payable to such holder under the Arrangement.

5.2 Until deposited as contemplated by Section 5.1, each certificate that immediately prior to the Effective Time represented Company Common Shares shall be deemed after the Effective Time to represent only the right to receive upon such deposit the consideration and other property to which the holders of such Company Common Shares are entitled under the Arrangement, or as to those held by Dissenting Company Shareholders, other than those Dissenting Company Shareholders deemed to have participated in the Arrangement pursuant to

Section 4.2, to receive the fair value of the Company Common Shares represented by such certificates. Any such certificate formerly representing Company Common Shares not duly surrendered on or before the last business day prior to the third anniversary of the Effective Date shall cease to represent a claim by or interest of any former Company Shareholder of any kind or nature against Company or Purchaser. On such date, all consideration and other property to which such former holder was entitled shall be deemed to have been surrendered to Company or Purchaser, as applicable.

5.3 No Company Shareholder shall be entitled to receive any consideration with respect to such Company Common Shares other than the consideration and other property to which such holder is entitled to receive under the Arrangement and, for greater certainty, no such holder will be entitled to receive any interest, dividend, premium or other payment in connection therewith.

5.4 If any certificate which immediately prior to the Effective Time represented an interest in outstanding Company Common Shares, that were exchanged pursuant to Section 3.1 has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration and other property to which the holder is entitled pursuant to the Arrangement as determined in accordance with the Arrangement. The person who is entitled to receive such consideration and other property shall, as a condition precedent to the receipt thereof, give a bond satisfactory to Purchaser and its transfer agent in such form as is satisfactory to Purchaser and such transfer agent, each acting reasonably, or otherwise indemnify Company, Purchaser and the transfer agent, to the reasonable satisfaction of such parties, against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

ARTICLE 6
AMENDMENTS

6.1 Company and Purchaser may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be (i) set out in writing, (ii) approved by both parties, (iii) filed with the Court and, if made following the Company Meeting, approved by the Court, and (iv) communicated to Company Shareholders, if and as required by the Court.

6.2 Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Company or Purchaser at any time prior to or at the Company Meeting (provided that the other party shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Company Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

6.3 Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Company Meeting shall be effective only if it is consented to in writing by each of Company and Purchaser.

6.4 Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time effective only if it is consented to in writing by each of Purchaser and Company, provided that it concerns a matter which, in the reasonable opinion of each of Purchaser and Company, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial interests of any former holder of Company Common Shares.