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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

OR

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

For the transition period from to

Commission File No. 001-11155

WESTMORELAND COAL COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**23-1128670**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
9540 South Maroon Circle, Suite 300, Englewood, CO	**80112**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (855) 922-6463

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, par value $0.01 per share	NASDAQ Global Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☒
Non-Accelerated Filer (do not check is smaller reporting company)	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised accounting standards provided to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting common stock held by non-affiliates as of June 30, 2017 was $89,851,140.

There were 18,771,643 shares outstanding of the registrant’s common stock, $0.01 par value per share (the registrant’s only class of common stock), as of March 29, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement on Schedule 14A to be filed within 120 days after December 31, 2017, in connection with the Company’s 2018 Annual Meeting of Stockholders scheduled to be held on August 31, 2018, are incorporated by reference into Part III of this Annual Report on Form 10-K (“Annual Report” or “Form 10-K”).

WESTMORELAND COAL COMPANY
FORM 10-K
ANNUAL REPORT
TABLE OF CONTENTS

Cautionary Note Regarding Forward-Looking Statements

This Annual Report and materials we have filed or will file with the Securities and Exchange Commission (as well as information included in our other written or oral statements) contain or will contain certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on our expectations and assumptions at the time they are made and are not guarantees of future performance. Because forward looking statements relate to the future, they involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as “expects,” “intends,” “anticipates,” “believes,” “estimates,” “guides,” “provides guidance,” “provides outlook” and other similar expressions or future or conditional verbs such as “may,” “will,” “should,” “would,” “could,” and “might” are intended to identify such forward-looking statements. Readers of this Annual Report should not rely solely on the forward-looking statements and should consider all uncertainties and risks discussed in *Item 1A - Risk Factors* and throughout this Annual Report. The statements are only as of the date they are made, and the Company undertakes no obligation to update any forward-looking statement. Possible events or factors that could cause results or performance to differ materially from those expressed in our forward-looking statements include but are not limited to the following:

- Adverse impacts to our business, financial condition, results of operations and cash flows resulting from the ongoing capital structure review, including our possible filing for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code;
- Adverse impacts to our business as a result of the audit opinion of our independent auditor containing an explanatory paragraph referencing our conclusion that substantial doubt exists as to our ability to continue as a going concern;
- The impact of cross-acceleration and cross-default provisions between our debt and debt held by WMLP;
- Our substantial level of indebtedness and our ability to adhere to financial covenants contained within the agreements governing indebtedness;
- Our ability to generate sufficient cash flow;
- Existing and future environmental legislation and regulation affecting both our coal mining operations and our customers’ coal usage, governmental policies and taxes, including those aimed at reducing emissions of elements such as mercury, sulfur dioxides, nitrogen oxides, particulate matter or greenhouse gases;
- The concentration of revenues derived from a small number of customers, and the creditworthiness of those customers;
- Changes in our post-retirement medical benefit and pension obligations resulting from market volatility or changes in assumptions regarding our future expenses;
- Inaccuracies in our estimates of our coal reserves, reclamation and/or mine closure obligations;
- Potential limitations in obtaining bonding capacity and/or increases in our mining costs as a result of increased bonding expenses;
- Business interruptions, including unplanned equipment failures, geological, hydrological or other conditions, and competition and/or conflicts with other resource extraction activities, caused by external factors;
- Natural disasters and events, including blizzards, earthquakes, drought, floods, fire and storms, not all of which are covered by insurance;
- Potential title defects or loss of leasehold interests in our properties, which could result in unanticipated costs or an inability to mine the properties;
- Risks associated with cybersecurity and data leakage;
- Our ability to continue to acquire and develop coal reserves through acquisition and to raise the associated capital necessary to fund our expansion;
- Changes in our tax position resulting from ownership changes, our interest in WMLP, and changes in tax law;
- Risks associated with our interest in WMLP;
- The availability and costs of key supplies or commodities, such as transportation, key equipment and materials;
- Competition within our industry and with producers of competing energy sources;
- Our relationships with, and other conditions affecting, our customers, including how power prices and consumption patterns affect our customers’ decisions to run their plants;
- Changes in the export and import markets for coal products;
- Extensive government regulations both in the US. and Canada, including existing and potential future legislation, treaties and regulatory requirements;
- The impacts of climate change concerns;
- Our ability to obtain and/or renew operating permits;
- The potential failure to meet the continued listing requirements of the NASDAQ Capital Market;
- Our ability to effectively manage and integrate acquisitions;
- Risks associated with our business outside the United States;
- Other factors that are described under the heading “Risk Factors” found in this Annual Report on Form 10-K.

Unless otherwise specified, the forward-looking statements in this report speak as of the filing date of this Annual Report. Factors or events that could cause our actual results to differ may emerge from time-to-time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statements, whether because of new information, future developments or otherwise, except as may be required by law.

PART I

The words "we," "our," "the Company," or "Westmoreland," as used in this report, refer to Westmoreland Coal Company and its subsidiaries.

ITEM 1 — *BUSINESS.*

Overview

We produce and sell thermal coal primarily to investment grade utility customers under long-term, cost-protected contracts. Our focus is primarily on mine locations which allow us to employ dragline surface mining methods and take advantage of close customer proximity through mine-mouth power plants and strategically located rail transportation. At December 31, 2017, our U.S. coal operations were located in Montana, Wyoming, North Dakota, Texas, New Mexico and Ohio, and our Canadian coal operations were located in Alberta and Saskatchewan. We sold 49.7 million tons of coal in 2017.

Westmoreland Coal Company began mining in Westmoreland County, Pennsylvania in 1854 as a Pennsylvania corporation. In 1910, we incorporated in Delaware and continued our focus on coal operations in Pennsylvania and the Appalachian Basin. We moved our headquarters from Philadelphia, Pennsylvania to Colorado Springs, Colorado in 1995 and relocated the headquarters to Englewood, Colorado in November 2011.

Today, Westmoreland Coal Company is an energy company employing approximately 2,950 employees. We conduct our operations through our subsidiaries and our principal sources of cash are distributions from our operating subsidiaries. See *Exhibit 21.1 - Subsidiaries of the Registrant* for a list of our subsidiaries. As of December 31, 2017, our operations included 12 wholly-owned actively producing coal mines in the U.S. and Canada, a char production facility, and a 50% stake in an activated carbon plant. We also own the general partner of and, at December 31, 2017, own 93.94% of the total equity interest in, Westmoreland Resource Partners, LP ("WMLP"), which is a publicly traded limited partnership that owns and actively operates four mining complexes in Ohio and one mine in Wyoming. The following map shows our operations as of the date of this filing:

Restructuring Activities

On March 7, 2018, we announced that we have retained Centerview Partners as financial advisors and Alvarez & Marsal North America, LLC as restructuring advisors, to explore strategic alternatives to strengthen the Company's balance sheet and maximize the value of the Company, which may include, but not limited to, seeking reorganization under Chapter 11 of the U.S. Bankruptcy Code. We have engaged in discussions with certain stakeholders regarding strategic alternatives to restructure our balance sheet. We continue to retain Kirkland & Ellis LLP as our legal advisor to assist the Board and management team with the strategic review process.

Segment Information

We classify our business into six segments: Coal - U.S., Coal - Canada, Coal - WMLP, Power, Heritage and Corporate. Our principal operating segments for the year ended December 31, 2017 were our Coal - U.S., Coal - Canada, Coal - WMLP and Power segments, however, during the fourth quarter of 2017 we sold all of the assets that comprised our Power operating segment and terminated all related power agreements. Our two non-operating segments are Heritage and Corporate. Our Heritage segment primarily includes the costs of benefits we provide to former mining operation employees, and our Corporate segment consists primarily of corporate administrative expenses and business development expenses. In addition, the Corporate segment contains our captive insurance company, Westmoreland Risk Management Inc. ("WRMI"), through which we have elected to retain some of our operating risks.

Due to the Kemmerer Drop (see *Note 2 - Acquisitions* to the consolidated financial statements for details), segment results for all periods presented in the financial statements contained in this Annual Report reflect Kemmerer as part of the Coal - WMLP segment and not part of the Coal - U.S. segment.

See Note 19 - Business Segment Information to the consolidated financial statements for more information regarding revenue, operating income (loss) and total assets for each of our segments.

Coal Segments

General

Each of our mining segments focuses on coal markets where we take advantage of customer proximity and strategically located rail transportation. We sell substantially all of the coal that we produce to power generation facilities. The close proximity of our mines and coal reserves to our customers reduces transportation costs and, we believe, provides us with a significant competitive advantage with respect to retention of those customers. Most of our mines are in very close proximity to the customer's property, with economical delivery methods that include, in several cases, conveyor belt delivery systems linked to the customer's facilities. We typically enter into long-term, cost-protected supply contracts with our customers that range from one year up to fifteen years. Our current coal sales contracts have a weighted average remaining term of approximately six years. See our segment financial statements at *Note 19 - Business Segment Information* to the consolidated financial statements.

Properties

Our proven and probable coal reserves are those we believe can be economically and legally extracted or produced at the time of the filing of this Annual Report on Form 10-K. In determining whether our proven and probable coal reserves meet this economic and legal standard, we take into account, among other things, our potential ability or inability to obtain mining permits, the possible necessity of revising mining plans, changes in future cash flows caused by changes in estimated future costs, changes in mining permits, variations in quantity and quality of coal, and varying levels of demand and their effects on selling prices. The following table provides coal reserve quantities by segment from mines we own or control as of December 31, 2017:

	Coal - U.S.	Coal - Canada	Coal - WMLP[2]	Total
	(In thousands of tons)			
Coal reserves[1]:				
Proven	316,330	274,159	108,786	699,275
Probable	1,562	19,575	11,730	32,867
Total proven and probable reserves[3]	317,892	293,734	120,516	732,142
Permitted reserves	161,846	241,966	62,597	466,409
Current year production	18,843	22,462	6,642	47,947

1 The SEC Industry Guide 7 defines reserves as that part of a mineral deposit, which could be economically and legally extracted or produced at the time of the reserve determination. Proven and probable coal reserves are defined by SEC Industry Guide 7 as follows:

Proven (Measured) Reserves — Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geographic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

Probable (Indicated) Reserves — Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

2 Represents total reserves for WMLP, of which we are the general partner and owner of 93.94% of the total outstanding equity interests (as of December 31, 2017).

3 Reserve engineering is a process of estimating underground accumulations of coal that cannot be measured in an exact way. The accuracy of any reserve estimate depends on the quality of available data, the interpretation of such data and price and cost assumptions made by our reserve engineers. In addition, the results of mining, testing and production activities may justify revision of estimates that were made previously. If significant, such revisions would change the schedule of any further production and development of reserves. Accordingly, reserve estimates may differ from the quantities of coal that are ultimately recovered.

Substantially all of our properties and assets in the Coal - U.S. and Coal - Canada segments are encumbered by liens securing our and our subsidiaries’ outstanding indebtedness. See *Note 8 - Debt And Lines Of Credit* to the consolidated financial statements for explanation of defined debt terms below and additional encumbrance details. The holders of the 8.75% Notes and the lenders under the Term Loan hold first priority liens, on a *pari passu* basis, on substantially all of our and our wholly owned subsidiaries’ tangible and intangible assets (excluding certain equity interests, mineral rights, sales contracts, certain assets subject to existing liens and the San Juan Entities’ assets). The San Juan Entities’ assets are encumbered only by the San Juan Loan (see *Note 2 - Acquisitions* to the consolidated financial statements for details). Borrowings under the Revolver are secured by first priority liens on our and our wholly owned subsidiaries' accounts receivable, inventory and certain other specified assets, other than the San Juan Entities’ assets. WMLP assets are encumbered by the WMLP Term Loan (see *Note 2 - Acquisitions* to the consolidated financial statements for details). The WMLP assets secure the indebtedness of WMLP and its subsidiaries and are not part of the collateral with respect to the 8.75% Notes, the Term Loan, the San Juan Loan or the Revolver (See *Note 8 - Debt And Lines Of Credit* to the consolidated financial statements for details).

Table of Contents

The following tables provide information about mines in our Coal - U.S., Coal - Canada, and Coal - WMLP segments as of December 31, 2017 (all tons data presented in thousands):

Coal - U.S. Mines	Colstrip	Absaloka	Savage	San Juan	Jewett[1]	Beulah	Buckingham	Haystack[2]
Previously owned by	Entech, Inc., a subsidiary of Montana Power, purchased 2001	Washington Group International, Inc. as contract operator, ended contract in 2007	Knife River Corporation, a subsidiary of MDU Resources Group, Inc., purchased 2001	San Juan Coal Company, LLC, a subsidiary of BHP Billiton, purchased 2016	Entech, Inc., a subsidiary of Montana Power, purchased 2001	Knife River Corporation, a subsidiary of MDU Resources Group, Inc., purchased 2001	Clay & Bryan Graham, purchased 2015	Kiewit Mining Group, Inc., purchased 2017
Currently owned by	Western Energy Company	Westmoreland Resources Inc.	Westmoreland Savage Corporation	San Juan Coal Company	Texas Westmoreland Coal Co.	Dakota Westmoreland Corporation	Buckingham Coal Company, LLC	Haystack Coal Company
County, State	Rosebud & Treasure, Montana	Big Horn, Montana	Richland, Montana	San Juan, New Mexico	Leon & Freestone & Limestone, Texas	McLean & Oliver, North Dakota	Perry, Ohio	Uinta, Wyoming
Proven reserves	241,087	27,565	3,685	11,445	—	5,038	14,707	12,803
Probable reserves	—	—	—	—	—	—	1,562	—
Total reserves	241,087	27,565	3,685	11,445	—	5,038	16,269	12,803
Permitted reserves	89,014	27,565	3,685	11,445	—	1,065	16,269	12,803
2017 tons produced	8,636	3,566	273	5,327	—	432	609	N/A
Production capacity	13,300	7,500	400	9,000	N/A	2,500	1,000	N/A
2017 tons sold	8,630	3,573	273	6,110	—	437	944	N/A
2016 tons sold	8,812	4,157	309	5,417	3,690	948	729	N/A
2015 tons sold	9,626	5,844	271	N/A	3,357	2,136	1,246	N/A
Estimated mine life with current plan	2029	2022	2028	2022	N/A	2019	2040	2037
Lessor[3]	Fed Gov., State of MT, Great Northern Properties	Crow Tribe, Private parties	Fed Gov., Private parties	Fed Gov., State of NM	Private parties	Private parties, State of ND, Fed Gov.	BCC ownership, AEP, Private parties, State of OH	Private parties
Lease term	Varies	Through exhaustion	Varies	Varies	Varies	Varies	Varies	Through exhaustion
Coal seam	Rosebud	Rosebud-McKay	Pust	Fruitland No. 8	N/A	Schoolhouse, Beulah-Zap	Middle Kittanning	Adaville series
Coal type	Sub-bituminous	Sub-bituminous	Lignite	Sub-bituminous	N/A	Lignite	Bituminous	Sub-bituminous
Approx. heat content of reserves (BTU/lb.)	8,500	8,580	6,505	10,275	N/A	6,974	13,203	9,600
Approx. sulfur content of reserves (%)	0.69	0.61	0.45	1.04	N/A	0.61	2.23	0.31
Major customers[3]	Colstrip 1&2, Colstrip 3&4	Xcel Energy, Western Fuels Assoc.	Montana Dakota Utilities, Sidney Sugars	Public Service of New Mexico	N/A	Montana Dakota Utilities	AEP, Glatfelter	N/A
Delivery method	Truck, rail, conveyor belt	Truck, rail	Truck	Truck, conveyor belt	N/A	Rail	Truck, rail	N/A
Machinery	4 draglines, load-out facility	1 dragline, load-out facility	1 dragline	Longwall	1 dragline (customer owned), shovel	1 dragline, load-out facility	Prep plant, rail & truck load-out facility, 6 continuous miners	N/A
Gross Land, Mineral Rights, Property, Plant & Equipment (in millions)	$265.8	$166.3	$11.7	$216.4	$162.4	$84.4	$42.9	$7.1
Year complex opened	1968	1974	1958	1973	1985	1963	2007	N/A

1 Reclamation phase of mine life during 2017.
2 Reserves acquired for future development.
3 American Electric Power Company, Inc. (“AEP”).

Coal - Canada Mines	Paintearth	Genesee	Sheerness	Coal Valley	Poplar River	Estevan
Previously owned by	Sherritt International Corporation, purchased 2014					
Currently owned by	Prairie Mines & Royalty ULC					
City, Province	Forestburg, Alberta	Warburg, Alberta	Hanna, Alberta	Edson, Alberta	Coronach, Saskatchewan	Estevan, Saskatchewan
Proven reserves	18,071	72,283	16,759	4,859	45,001	117,186
Probable reserves	—	2,205	3,021	5,899	—	8,450
Total reserves	18,071	74,488	19,780	10,758	45,001	125,636
Permitted reserves	18,071	74,488	19,780	4,859	45,001	79,767
2017 tons produced	1,350	5,560	3,499	2,168	3,587	6,298
Production capacity	3,300	6,600	4,000	2,500	3,850	6,800
2017 tons sold	1,337	5,560	3,923	2,224	3,458	6,248
2016 tons sold	1,450	5,627	3,525	2,431	3,898	5,849
2015 tons sold	1,972	5,745	3,078	2,160	3,595	6,370
Estimated mine life with current plan	2029	2030	2026	2019	2029	2030
Lessor[4]	Crown, Freehold	Crown, Freehold	Crown	Crown	Crown, Freehold	SaskPower, Crown, Freehold, Mancal, Private Owners
Lease term	Varies	Varies	Varies	Varies	Varies	Varies
Coal seam	Battle River, Paintearth	Ardley Coal Zone	Sunnynook, Sheerness	Val D'Or, Arbour, Mynheer	Willow Bunch	Souris, Roche Percee, Estevan
Coal type	Sub-bituminous	Sub-bituminous	Sub-bituminous	Bituminous	Lignite	Lignite
Approx. heat content of reserves (BTU/lb.)	7,716	8,268	7,088	10,800	5,771	7,004
Approx. sulfur content of reserves (%)	0.44	0.22	0.54	0.30	<0.99	0.64
Major customers[4]	ATCO Power	Capital Power	ATCO Power, TransAlta	International & domestic	SaskPower	SaskPower
Delivery method	Trucks	Trucks	Trucks	Rail	Rail	Trucks
Machinery	1 dragline (customer owned)	2 draglines (customer owned), shovels	2 draglines (1 customer owned)	1 dragline, 2 shovels	2 draglines (1 customer owned)	4 draglines (1 customer owned)
Gross Land, Mineral Rights, Property, Plant & Equipment (in millions)	$25.7	$4.7	$51.0	$37.9	$54.6	$170.7
Year complex opened	1956	1988	1984	1978	1978	1973

[4] Alberta Power (2000) Ltd. ("ATCO Power"); Saskatchewan Power Corporation ("SaskPower").

Coal - WMLP Mines	Cadiz	Tuscarawas	Belmont	New Lexington	Noble[5]	Plainfield[5]	Muhlenberg[7]	Tusky[5, 8]	Kemmerer
Previously owned by	These mines were previously owned by Oxford Resource Partners, LP which is the predecessor entity to Westmoreland Resource Partners, LP.								Chevron Mining Inc., purchased 2012
Currently owned by	The Ohio mines are owned by Oxford Mining Company, LLC. The Muhlenberg mine located in Kentucky is owned by Oxford Mining Company - Kentucky, LLC.								Westmore-land Kemmerer, LLC
County, State	Jefferson, Harrison, Ohio	Columbiana, Coshocton, Stark, Tuscarawas, Ohio	Belmont, Ohio	Perry, Athens & Morgan, Ohio	Noble & Guernsey, Ohio	Muskingum, Guernsey & Coshocton, Ohio	Muhlenberg, Kentucky	Harrison & Tuscarawas, Ohio	Lincoln, Wyoming
Proven reserves	4,065	4,301	7,414	4,839	—	3,622	—	14,581	69,964
Probable reserves	439	—	306	56	—	—	—	2,062	8,867
Total reserves	4,504	4,301	7,720	4,895	—	3,622	—	16,643	78,831
Permitted reserves	4,133	1,740	1,300	708	—	1,070	—	16,643	37,003
2017 tons produced	1,573	211	400	228	—	—	6	—	4,224
Production capacity	1,500	250	1,000	500	N/A	N/A	N/A	N/A	4,500
2017 tons sold	2,232	211	396	235	—	—	6	—	4,294
2016 tons sold	2,558	456	333	390	—	—	—	—	4,106
2015 tons sold	2,125	673	644	551	17	—	—	—	4,471
Estimated mine life with current plan	2023	2021	2023	2022	N/A	N/A	N/A	N/A	2026
Lessor[6]	Private parties, Consol	Private parties	Private parties	AEP, Private parties	Private parties	Private parties	Private parties	Private parties	Fed Gov., Private parties
Lease term	Varies	Varies	Varies	Varies	Varies	Varies	Varies	Varies	Varies
Coal seam	Pittsburgh, Redstone & Meigs Creek	Lower & Middle Kittanning, Upper Freeport, Mahoning, Brookville	Pittsburgh, Meigs Creek & Waynesburg	Lower & Middle Kittanning, Pittsburgh	Pittsburgh	Middle Kittanning	Tradewater & Carbondale Formations	Middle Kittanning & Upper Freeport	Adaville Series
Coal type	Bituminous	Bituminous	Bituminous	Bituminous	Bituminous	Bituminous	Bituminous	Bituminous	Sub-bituminous
Approx. heat content of reserves (BTU/lb.)	11,465	11,771	11,735	11,708	N/A	11,711	N/A	12,900	9,800
Approx. sulfur content of reserves (%)	2.80	3.70	4.50	3.80	N/A	4.40	N/A	2.00	0.69
Major customers[6]	AEP & EKPC	AEP	AEP & EKPC	AEP	N/A	N/A	N/A	N/A	PacifiCorp Energy, Inc.
Delivery method	Truck, rail, barge	Truck	Truck, barge	Truck, rail	N/A	N/A	N/A	N/A	Truck, rail, conveyor
Machinery	Shovel, loader, truck, dozer, auger	Loader, truck, dozer, auger, highwall miner	Loader, truck, dozer, auger, highwall miner	Loader, truck, dozer, auger	N/A	N/A	N/A	N/A	Trucks, shovels, dozers
Gross Land, Mineral Rights, Property, Plant & Equipment (in millions)	The Ohio & Kentucky mines' gross land, mineral rights, property, plant and equipment as of December 31, 2017 was $202.3 million.								$156.5
Year complex opened	2000	2003	1999	1993	2006	1990	2009	2003	1950

[5] These mines were inactive during 2017.
[6] American Electric Power Company, Inc. (“AEP”); East Kentucky Power Cooperative (“EKPC”).
[7] Reclamation phase of mine life during 2017, however, incidental with performance of reclamation, tons were recovered and sold.
[8] WMLP controls the reserves which are subleased to a third party.

Coal - U.S. Segment Properties

Our Coal - U.S. segment is comprised of our wholly owned mines located in the United States, excluding our mines held in the Coal - WMLP segment. Mines in our Coal - U.S. segment control coal reserves and deposits through long-term leases. Montana, North Dakota, Texas and New Mexico each use a permitting process approved by the Office of Surface Mining. Mines in our Coal - U.S. segment permit coal reserves on an incremental basis and given the current rates of mining and demand, have sufficient permitted coal to meet production for the periods shown in the table above. We secure all of our final reclamation obligations by reclamation bonds as required by the respective state agencies. We perform contemporaneous reclamation activities at each mine in the normal course of operations and coal production. We deliver coal via conveyor belt to our mine mouth customers and sell coal and lignite on a freight-on-board basis to our other customers. The purchaser of coal normally bears the cost of transportation and risk of loss from load-out to its final destination.

Each of the federal and state government leases continue indefinitely provided there is diligent development of the property and continued operation of the related mines. Federal statute generally sets production royalties on federal leases at 12.5% and 8.0%, for surface and underground mines, respectively, of the gross proceeds of coal mined and sold. Our private leases are generally long-term and have options for renewal. We believe that we have satisfied all lease conditions to retain the properties and keep the leases in place.

Coal - U.S. Segment Customers

In 2017, our Coal - U.S. segment derived approximately 83% of its revenues from coal sales to four customers: Public Service Company of New Mexico (36%), Colstrip Units 3&4 (24%), Colstrip Units 1&2 (12%) and American Electric Power Company, Inc. (11%). We sell the majority of our U.S. tons under contracts with a weighted average remaining supply obligation term of approximately three years.

San Juan. The San Juan mine was acquired on January 31, 2016 from BHP Billiton and supplies the requirements of the San Juan Generating Station operated by Public Service Company of New Mexico. The customer is located within close proximity to the mine and coal deliveries are provided via off-road mine trucks and conveyor belt. The mine's coal supply agreement expires on June 30, 2022. As anticipated, at the end of 2017 the San Juan Generating Station shut down two of their four units which represents a 50% decrease in sales volume from the mine moving forward.

Prices under the coal supply agreement includes a fixed-base price per ton delivered for set quantities each contract year, a lower fixed-base price per ton delivered for additional tons delivered in excess of high-priced quantities, and a nominal fixed-base price per ton delivered for coal considered to be delivered from the stockpile existing at acquisition, for which the customer had previously paid for the related production costs. These fixed-base prices are adjusted quarterly based on changes in various cost and commodity indices. In addition to these per ton fees, we receive direct reimbursements for utility costs, leasing costs, and bond premiums.

We also have separate agreements with the customer for payments related to reclamation activities and ash hauling and disposal. Under these agreements, we receive fixed monthly fees and set payments per unit of activity for reclamation and ash hauling and disposal. These agreements extend beyond the term of the coal supply agreement and we will continue to receive payments for these activities until they are completed. We estimate the completion of ash hauling and disposal activities by the end of 2022, the end of most reclamation activities by the end of 2027, and the end of monitoring costs for reclamation by 2040.

Colstrip. The Colstrip mine has two long-term, cost-plus requirements contracts with the adjacent Colstrip Station power generating facility. These contracts provide for the reimbursement of defined fixed costs, variable costs, royalties and taxes, and any previously unfunded final reclamation costs. We additionally receive a profit component in the form of a per-ton management and incentive fee which are adjusted quarterly based on changes in specific indices. The Colstrip Units 3 & 4 agreement contains provisions for specific returns on capital investments. We currently sell approximately 2.3 million tons to Colstrip Units 1 & 2 annually. In December 2016, we were notified by the owners of Colstrip Units 1 & 2 that our coal supply agreement will terminate three years early at the end of 2019. We do not expect the termination of supply to Units 1 & 2 to impact our contract related to Colstrip Units 3 & 4, which provides for approximately 6.2 million tons per year and currently is set to expire at the end of 2019. As of the date of this filing, we are currently in negotiation to extend the contracts for both Colstrip Units 1 & 2 and Units 3 & 4 beyond 2019.

Buckingham. The Buckingham mine conducts underground room and pillar mining operations in Ohio and has a preparation plant in Corning, Ohio. The mine is strategically located near WMLP's New Lexington complex, which has access to the Norfolk Southern rail system and a preparation plant strategically located for efficient rail and river transportation of our coal. The Buckingham mine supplies coal to AEP under a long-term coal supply agreement expiring on December 31, 2019 which includes payments at a set fixed-base price per ton delivered for each contract year with adjustments based on quality measurements. Buckingham's proximity to WMLP's New Lexington complex allows us to use substitute tonnage supplied through a contract with WMLP.

Absaloka. The Absaloka mine markets coal primarily in the open market and has several contracts with remaining terms of up to two years with various parties. The prices for these contracts are set at a fixed-base price per ton delivered for each year with periodic adjustments based on changes in certain indices such as diesel fuel. Burlington Northern Santa Fe ("BNSF") provides rail service to the mine, which also has the ability to load and ship coal via over-the-road trucks.

Savage. The Savage mine supplies the Lewis & Clark Station and Sidney Sugars Incorporated. Both customers are located within close proximity to the mine and coal deliveries are provided via over-the-road truck. The mine entered into a new agreement with Sidney Sugars in 2017 that expires on July 31, 2021 and with Lewis & Clark Station in 2018 that expires on December 31, 2020. Prices under the Lewis & Clark Station agreement are set at a fixed-base price per ton delivered for each year with periodic adjustments based on changes in electricity costs, diesel indices, depreciation, depletion and amortization ("DD&A") and CPI indices. Prices under the Sidney Sugars Incorporated agreement are set at a fixed-base price per ton delivered for each year with no subsequent adjustments unless our per ton mining costs are altered by changes in a law, regulation, government order or court order.

Beulah. The Beulah mine supplied coal to the Coyote Electric Generating Plant via conveyor belt and the Heskett Power Station by rail. We continue to provide coal to the Heskett Power Station under an agreement with an expiration date of December 31, 2021 in which payments are based on a fixed-base price per ton delivered, adjusted quarterly based on changes in various cost and commodity indices and quality adjustments. However, we no longer provide coal to the Coyote Electric Generating Plant as their agreement expired on May 31, 2016. Previously, we supplied approximately 2.5 million tons annually to the adjacent Coyote Electric Generating Plant.

Jewett. At our Jewett mine, our customer, NRG Texas Power ("NRG"), terminated our coal supply agreement on December 31, 2016. The agreement was a cost-plus arrangement in which the customer reimbursed us for all costs incurred in mining plus a set percentage management fee. Beginning in 2017, we entered the reclamation phase of the mine life where NRG is required to reimburse us for agreed upon base reclamation costs during final reclamation plus a variable percentage management fee. During the years ended December 31, 2016 and 2015, we supplied NRG with 3.7 million and 3.4 million tons of coal, respectively.

Haystack. WCC acquired Haystack Coal Company and associated coal reserves in January of 2017. The reserve area is fully permitted and currently on care and maintenance. No production or development work occurred on the property in 2017.

Coal - Canada Segment Properties

In 2015 we conducted our Canadian coal operations through Coal Valley Resources Inc. and Prairie Mines & Royalty ULC. On January 1, 2016 these two entities were amalgamated with the resulting entity continuing under the name Prairie Mines & Royalty ULC.

All of our mines in Canada are surface mines, five of which are mine-mouth operations where our mine is adjacent to the customer's plant. The majority of our Canadian coal production is sold to Canadian utilities for electricity production, with a small percentage being exported to Asia. Our Canadian mines are permitted in accordance with the legislation in effect in the Alberta and Saskatchewan provinces. We secure all of our final reclamation obligations by reclamation bonds as required by the respective provincial agencies. We perform contemporaneous reclamation activities at each mine in the normal course of operations and coal production. Coal reserves and leases in Canada are generally under the jurisdiction of provincial governments. We gain access to the Canadian coal reserves through provincial Crown coal leases, freehold ownership or third party leases or subleases. We believe that we have satisfied all lease conditions in order to retain these properties and keep the leases in place.

Alberta Crown coal leases are granted under the *Mines and Minerals Act* (Alberta) for terms of 15 years. The leases are renewable for further terms of 15 years each, subject to the *Mines and Minerals Act* (Alberta) and the regulations in force at the time of renewal, and, in the case of any particular renewal, to any terms and conditions prescribed by order of the Minister of Energy. Crown coal royalties are set by the *Coal Royalty Regulation (Alberta)*. Under this regulation, there are two royalty regimes. The royalty rate for Crown-owned sub-bituminous coal is $0.55 per tonne in Canadian dollars, which is roughly equivalent to $0.44 per ton in U.S. dollars as of December 31, 2017. The royalty rate for Crown-owned bituminous coal, which is based on a revenue less cost regime, is 1% of mine mouth revenue prior to mine payout, plus an additional 13% of net revenue after mine payout. No provincial royalties or mineral taxes are payable on freehold coal.

Saskatchewan Crown coal leases are granted under *The Crown Minerals Act* and *The Coal Disposition Regulations*, *1988*, for terms of 15 years. The leases are renewable for further terms of 15 years each, subject to *The Crown Minerals Act* and the regulations in force at the time of renewal. In Saskatchewan, Crown royalties in the amount of 15% of the mine-mouth value of coal are payable quarterly pursuant to *The Crown Coal Royalty Schedule* to *The Coal Disposition Regulations, 1988*. *The Mineral Taxation Act, 1983*, levies two taxes against freehold coal rights and production. One is an annual freehold mineral tax of $960 in Canadian dollars per nominal section. The other is a freehold coal production tax, payable quarterly, of 7% on the mine mouth value of coal.

Coal - Canada Segment Customers

In 2017 our Coal - Canada segment derived approximately 86% of its revenues from coal sales to three customers: SaskPower (44%), Trafigura Pte. Ltd. (26%) and ATCO Power (16%). We sell the majority of our Canadian tons under contracts with a weighted average remaining supply obligation term of approximately nine years.

Genesee. The Genesee mine operates two active pits and supplies the three power generating units at the Genesee Generating Station which are owned and operated by Capital Power. We supply coal from the mine on a requirements basis, via conveyor belt, to the adjacent generating units. Payments are based on reimbursement of all mining costs plus an incentive fee, corporate overhead fee, and an operating management fee. Our mine operating agreement is currently projected to expire at the end of the current mine life through 2055, but the current Climate Leadership Plan from the Alberta government limits the contract to 2030.

Estevan. The Estevan mine operates four active pits and supplies the Boundary Dam Generating Station (4 Units) (“Boundary Dam”), the Shand Generating Station (1 Unit) (“Shand”), the activated carbon plant and the char plant. The Estevan mine combines the Bienfait mine and the adjacent Boundary Dam mine. SaskPower has constructed and commissioned a carbon dioxide capture and sequestration facility at Boundary Dam and a carbon capture test facility at Shand. This combined project is funded by the government of Saskatchewan with backing from the Canadian government and should mitigate the impact of Canadian greenhouse gas regulations on Boundary Dam.

We have separate agreements with the customer for each mine. Payments are based on a fixed-base price per ton delivered for each contract, adjusted annually for changes in actual costs and indices, plus reimbursements for certain taxes and insurance. We also receive a fixed monthly payment regardless of tons delivered during the period, monthly incentives if we meet defined stripped coal reserves and stockpile levels, and annual incentives for meeting defined reclamation targets. The contracts include a combined obligation to purchase a minimum of 4.1 million tons of coal each year through 2019 and a minimum of 1.7 million tons of coal each year thereafter through the expiration date of December 31, 2024.

Paintearth. The Paintearth mine operates two active pits and supplies the three power generating units at the Battle River Generating Station which are owned and operated by Alberta Power (2000) Ltd. ("ATCO Power"). We have separate agreements with the customer for each active pit. Payments are based on a fixed-base price per ton delivered for each contract adjusted annually for changes in actual costs and indices, plus reimbursements for certain taxes and insurance. We also receive set payments per unit of ash hauled from the customer’s plant. The contracts include a combined obligation to purchase a minimum of 1.2 million tons of coal each year through the expiration date of December 31, 2022.

Poplar River. The Poplar River mine operates two active pits and supplies the two power generating units at the Poplar River Generating Station which is owned and operated by Saskatchewan Power Corporation. The Poplar River mine owns and operates the railway from the mine to the generating station. We have a single coal supply agreement with the customer in which payments are based on a fixed-base price per ton delivered adjusted annually for changes in actual costs and indices, plus reimbursements for royalties, taxes, insurance, and other miscellaneous costs. We also receive monthly incentives if we meet defined stripped coal reserves, ash quality or heating quality targets and an annual incentive for meeting defined reclamation targets. The contract includes an obligation to purchase a minimum of 2.3 million tons of coal through the expiration date of December 31, 2026.

Sheerness. The Sheerness mine operates two active pits and supplies the two power generating units at the Sheerness Generating Station which are owned by ATCO Power and TransAlta Corporation and operated by ATCO Power. We have separate agreements with the customer for each active pit. Payments are based on a fixed-base price per ton delivered for each contract adjusted annually for changes in actual costs and indices, plus reimbursements for royalties, lease payments, and other miscellaneous costs. We also receive a fixed monthly payment regardless of tons delivered during the period. The contracts include a combined obligation to purchase a minimum of 2.2 million tons of coal each year through the expiration date of December 31, 2026.

Coal Valley. The Coal Valley mine produces thermal coal which is exported primarily to the Asia-Pacific market via rail and ocean vessel under reserved port capacity. Our contracts are generally short-term, consisting of a single shipment or a series of shipments over the course of a year. Individual contracts are negotiated, generally based on prevailing Newcastle pricing, with forward pricing of tons locked at a discount and adjustments to the agreed upon fixed-base price based on differences in calorific content from expectations.

Activated Carbon Plant. A 50/50 joint venture with Cabot Corporation, the plant was initially commissioned in June 2010. The plant is located at the Estevan mine and the activated carbon produced is sold to coal-fired power producers for the purpose of mercury removal from flue gas emitted to the atmosphere. Regulations regarding mercury emissions have significantly increased demand for this product.

Char Plant. Our char plant produces approximately 75,000 tons of lignite char per year using coal from the Estevan mine. The char is sold to manufacturers of barbecue briquettes in the U.S.

Coal - WMLP Segment Properties

WMLP is a low-cost producer and marketer of high-value thermal coal to U.S. utilities and industrial users and is the largest producer of surface mined coal in Ohio. WMLP markets its coal primarily to large electric utilities with coal-fired, base load scrubbed power plants under long-term coal sales contracts. It focuses on acquiring thermal coal reserves that it can efficiently mine with its large-scale equipment. WMLP's reserves and operations are well positioned to serve its primary markets in the Midwest, Northeast and Rocky Mountain regions of the U.S. as WMLP operates one surface mine in Wyoming and four active mining complexes in Ohio comprising thirteen surface mines.

The Ohio operations include a river terminal on the Ohio River, two washing facilities, two rail loadout facilities and a tipple facility. The mines are a combination of area, contour, auger and highwall mining methods using truck/shovel and truck/loader equipment along with large production bulldozers. WMLP owns and operates six augers throughout its mining complexes. WMLP also utilizes highwall miner systems. WMLP owns or leases most of the equipment utilized in its mining operations and employs preventive maintenance and rebuild programs to ensure that its equipment is well maintained. As of December 31, 2017, WMLP had in place leases or subleases to others for approximately 16.6 million tons of the total reserves owned or controlled by WMLP. We believe that WMLP has satisfied all lease conditions in order to retain the properties and keep the leases in place.

Coal - WMLP Segment Customers

In 2017, WMLP derived approximately 67% of its revenues from coal sales to three customers: Pacificorp Energy, Inc. (34%), AEP (23%) and East Kentucky Power Cooperative (10%). WMLP sells the majority of its tons under contracts with a weighted average remaining supply obligation term of approximately four years.

Ohio Operations. The Ohio operations supply coal under long-term supply contracts to two significant customers, AEP and East Kentucky Power Cooperative. The AEP contract has an expiration date of December 31, 2018 and payments are based on a fixed-base price per ton of coal to be delivered with adjustments based on quality measurements. The customer has an obligation to purchase a minimum of 750 thousand tons in 2018. There are multiple contracts with EKPC that have expiration dates ranging from March 31, 2019 to December 31, 2020. Payments under these contracts are based on a fixed-base price per ton of coal to be delivered with adjustments based on quality measurements. The customer has an obligation to purchase a minimum of 840 thousand tons, 480 thousand tons, and 360 thousand tons in 2018, 2019, and 2020, respectively.

In addition to these agreements, the Ohio operations provide coal to various other customers under spot or short-term contracts generally based on prevailing market prices.

Kemmerer. The Kemmerer mine supplies the adjacent Naughton Power Station owned and operated by Pacificorp Energy, Inc. via conveyor belt under an agreement that expires on December 31, 2021. Prices under the coal supply agreement include a fixed-base price per ton delivered for set minimum quantities each contract year and a lower fixed-base price per ton delivered for optional tons in excess of stated minimums. These fixed-base prices are adjusted quarterly based on changes in various cost and commodity indices. Naughton Power Station's Unit 3 is scheduled to be shutdown at the beginning of 2019. The customer has an obligation to purchase a minimum of 2.2 million tons in 2018, 1.7 million tons in 2019, and 1.4 million tons in 2020 and 2021, respectively.

The Kemmerer mine also supplies various industrial customers including Genesis Alkali (formerly Tronox Alkali - Green River and Grainger) and Tata Chemicals North America Inc. through contracts with expiration dates ranging from December 31, 2019 to December 31, 2026. These industrial customers are supplied via Union Pacific rail and truck. Prices under the supply agreements are fixed-base costs with periodic adjustments based on certain inflation/commodity indices.

Competition

The North American coal industry is intensely competitive. In addition to competition from other coal producers, we compete with producers of alternative fuels used for electrical power generation, such as nuclear energy, natural gas, hydropower, petroleum, solar and wind. Costs and other factors such as safety, environmental and regulatory considerations relating to alternative fuels affect the overall demand for coal as a fuel.

The majority of the mines in our Coal - U.S. and Coal - Canada segments, as well as our Kemmerer mine in the Coal - WMLP segment, focus on coal markets where we take advantage of long-term coal contracts with neighboring power plants. These mines give us a competitive advantage based on three factors:

- we are among the most economic suppliers to our principal customers as a result of transportation advantages over our competitors;
- nearly all of the power plants we supply were specifically designed to use our coal; and
- the plants we supply are among the lowest cost producers of electric power in their respective regions and are among the cleaner producers of power from solid fossil fuels.

The Coal Valley mine produces coal for export customers, and has contracts with railway and port entities for delivery. The coal is railed to and sold at a port facility on the coast of British Columbia, Canada. The export customers are generally Asian power utilities. Our export customers may purchase coal from us or from other producers around the world with similar coal quality, access to ports, and economical shipping to the customer. Some competitors are located closer to the Asian customers' facilities.

The Coal - WMLP segment's Ohio operations do not compete with producers of metallurgical coal or lignite. However, we do have limited competition from producers of Powder River Basin coal (sub-bituminous coal) in our target market area for bituminous coal. WMLP competes on the basis of delivered price, coal quality and reliability of supply. WMLP's principal direct competitors are other coal producers, including but not limited to (listed alphabetically) Alliance Resource Partners, L.P., Alpha Natural Resources, CONSOL Energy, Foresight Energy, Hallador Energy Company, Murray Energy Corporation, Peabody Energy Corp., Rhino Resource Partners, L.P. and various other smaller, independent producers.

Washing Facilities

Depending on coal quality and customer requirements, some raw/crushed coal may be shipped directly from the mine to the customer. However, the quality of some raw coal does not allow direct shipment to the customer without putting the coal through a washing process that physically separates impurities from the coal. This processing upgrades the quality and heating value of the coal by generally removing ash, but it entails additional expense and results in some loss of coal. The Company owns and operates four washing facilities as follows:

- Strasburg (Strasburg, Ohio): Throughput capacity of 250 tons of raw coal per hour and operated at a 44.5% utilization rate in 2017.
- Conesville (Coshocton County, Ohio): The wash plant was idled throughout 2017 due to poor market conditions. This facility is adjacent to a customer's power plant.
- Buckingham (Corning, OH): Throughput capacity of 700 tons of raw coal per hour and operated at a 98.7% utilization rate in 2017.
- Coal Valley (Edson, Alberta): Throughput capacity of 1,160 tons of raw coal per hour and operated at a 85.0% utilization rate in 2017.

Seasonality

Our coal business has historically experienced variability in its results due to the effect of the seasons. We are impacted by seasonality due to weather patterns and our customers' annual maintenance outages which typically occur during the second quarter. In addition, our customers generally respond to seasonal variations in electricity demand based upon the number of heating degree days and cooling degree days. Due to stockpile management by our customers, our coal sales may not experience the same direct seasonal volatility; however, extended mild weather patterns can impact the demand for our coal. We experience the strongest net operating cash flows during the fourth quarter as our sales typically benefit from decreases in customers' stockpiles due to high electricity demand, which generally occurs during the fourth quarter. Conversely, our net operating cash flows are typically weaker in the second quarter when our customers' annual maintenance outages are scheduled. Further, our ability to deliver coal is impacted by the seasons. Because the majority of our mines are mine-mouth operations that deliver their coal production to adjacent power plants, our exposure to transportation delays or outages as a result of adverse weather conditions is limited. However, certain of our operations, most specifically our Coal Valley mine and Ohio operations, have exposure to seasonal transportation limitations.

Power Segment

Prior to the fourth quarter sale of substantially all of the assets and liabilities in the segment, as well as the termination of all related power agreements, we owned two coal-fired power-generating units in Weldon, North Carolina with a total capacity of approximately 230 megawatts, which we refer to collectively as ROVA. We built ROVA, which commenced operations in 1994, as a Public Utility Regulatory Policies Act co-generation facility to supply Dominion North Carolina Power ("DNCP"). ROVA was held by our wholly-owned subsidiary Westmoreland Partners. All of the tangible and intangible assets of Westmoreland Partners were encumbered by liens securing our 8.75% Notes and Term Loan.

Westmoreland Partners was party to a consolidated power purchase and operating agreement (the "Consolidated Agreement") with Virginia Electric Power Company, which provided for the sale to DNCP and its affiliates of all of ROVA's net electrical output and dependable capacity. On December 21, 2016, Westmoreland Partners entered into a Substitute Energy Purchase Agreement ("Amending Agreement") that amended the Consolidated Agreement. Beginning March 1, 2017, the Amending Agreement adjusted the Substitute Energy and Capacity Purchase Price terms, replacing the latter with a fixed payment and other scheduled pricing through the end of the term. Accordingly, the Consolidated Agreement automatically terminated and was superseded by the Amending Agreement. At this point, Westmoreland Partners was no longer obligated to operate ROVA in order to fulfill its contracted energy and capacity requirements. Under the Amending Agreement, Westmoreland Partners continued to mitigate its cash losses from generation through the sale to DNCP of substitute power not produced by ROVA. Further, we were required to post collateral to cover certain projected long-term losses under these hedging arrangements based on the market price for power.

As we were no longer required to operate ROVA under the Amending Agreement, we applied for and received approval to deactivate the plant from the PJM Interconnect. This deactivation took effect on March 1, 2017.

During the fourth quarter of 2015, we evaluated our ROVA asset group for impairment primarily as a result of an impairment indicator related to the continued decline in forecasted electricity prices. The asset group was comprised of property, plant, and equipment and related capital spares used to generate electricity. Our evaluation concluded that the long-lived assets at ROVA were impaired, and the carrying value of those assets was written down to zero as a result of an impairment charge of $133.1 million, with the charge included in the *Loss on impairment* on the Consolidated Statements of Operations for the year ended December 31, 2015.

Heritage Segment

Our Heritage segment includes the cost of heritage benefits we provide to former mining operation employees. The heritage costs consist of payments to our retired workers for medical benefits, workers' compensation benefits, black lung benefits and combined benefit fund premiums to plans for United Mine Workers of America ("UMWA") retirees required by statute.

Corporate Segment

Our Corporate segment includes primarily corporate administrative expenses and also includes business development expenses. In addition, the Corporate segment contains our captive insurance company, WRMI, through which we have elected to retain some of our operating risks. WRMI provides our primary layer of property and casualty insurance in the U.S. By using this insurance subsidiary, we have reduced the cost of our property and casualty insurance premiums and retained some economic benefits due to our low loss record. We reduce our major exposure by insuring for losses in excess of our retained limits with a number of third-party insurance companies.

Material Effects of Regulation

Safety

Following passage of The Mine Improvement and New Emergency Response Act of 2006, amending the Federal Mine Safety and Health Act of 1977 ("MSHA"), MSHA significantly increased the oversight, inspection and enforcement of safety and health standards and imposed safety and health standards on all aspects of mining operations. There has also been a dramatic increase in the dollar penalties assessed by MSHA for citations issued over the past several years. Most of the states in which we operate have inspection programs for mine safety and health. Collectively, federal, state and provincial safety and health regulations in the coal mining industry are comprehensive and pervasive systems for protection of employee health and safety. Safety is a core value of Westmoreland Coal Company. We use a grass roots approach, encouraging and promoting employee involvement in safety and accept input from all employees; we feel employee involvement is a pillar of our safety excellence. Safety performance at our mines was as follows:

	2017		2016	
	Reportable Rate	Lost Time Rate	Reportable Rate	Lost Time Rate
U.S. Surface Operations	1.45	0.89	1.34	0.70
U.S. National Surface Average	1.35	0.78	1.44	0.96
Percentage	107%	114%	93%	73%
U.S. Underground Operations	1.55	0.97	3.23	2.09
U.S. National Underground Average	4.86	3.78	4.95	3.56
Percentage	32%	26%	65%	59%
Canadian Operations	1.49	0.41	2.82	0.89

Regulations

We are subject to extensive regulation with respect to environmental and other matters by federal, state, provincial and local authorities in both the United States and Canada. Regulations to which we are subject include, but are not limited to, the following:

U.S. Federal Law and Regulations	Canadian Provincial Law and Regulations
Surface Mining Control & Reclamation Act of 1977	*Alberta*
Clean Air Act	Responsible Energy Development Act
Clean Water Act	Mines and Minerals Act
Endangered Species Act	Coal Conservation Act
Resource Conservation and Recovery Act	Environmental Protection and Enhancement Act
Comprehensive Environmental Response, Compensation and Liability Act	Public Lands Act
Emergency Planning and Community Right to Know Act	Water Act
Toxic Substances Control Act	
Migratory Bird Treaty Act	*Saskatchewan*
	The Crown Minerals Act
Canadian Federal Law and Regulations	The Ecological Reserves Act
Fisheries Act	The Environmental Assessment Act
Canadian Environmental Assessment Act, 2012	The Environmental Management and Protection Act, 2010
Canadian Environmental Protection Act, 1999	The Provincial Lands Act
Species at Risk Act	Wildlife Act, 1998
Migratory Birds Convention Act, 1994	The Water Security Agency Act
	Various other climate change laws and initiatives

Federal, tribal, state, and local authorities regulate the U.S. coal mining industry with respect to numerous matters, such as protection of air quality, water quality, wetlands, special status species of plants and animals, land uses, cultural and historic properties, and other environmental resources. These laws and regulations have, and will continue to have, a significant adverse effect on the production and competitive position of the coal industry as against other energy sources. We endeavor to conduct our operations in compliance with all applicable federal, state, and local laws and regulations. However, non-compliance with federal, tribal and state laws and regulations could subject us to material administrative, civil or criminal penalties or other liabilities, including suspension or termination of operations. In addition, we may be required to make large and unanticipated capital expenditures to comply with future laws, regulations or orders as well as future interpretations and more rigorous enforcement of existing laws, regulations or orders, the extent to which we cannot predict. Our reclamation obligations under applicable environmental laws will be substantial. Certain of our coal sales agreements contain government imposition provisions that allow the pass-through of compliance costs in some circumstances.

The following is a summary of various U.S. federal laws and regulations that have a material impact on our business:

U.S. Regulation

The change in U.S. Presidential Administration in 2017 has resulted in a number of executive branch initiatives, some of which are discussed below, seeking to reverse the prior Administration's economic, environmental, and energy-related policies. Because of the uncertainty associated with these initiatives and pending or anticipated legal challenges by states, environmental groups, individuals, and others, we cannot predict the ultimate impact of the current Administration's initiatives on our businesses.

Surface Mining Control and Reclamation Act ("SMCRA"). SMCRA establishes minimum national operational, reclamation, and closure standards for all surface coal mines. SMCRA requires that comprehensive environmental protection and reclamation standards be met during the course of and following completion of coal mining activities. Permits for all coal mining operations must be obtained from the federal Office of Surface Mining Reclamation and Enforcement ("OSM"), or the appropriate state agency if it has obtained regulatory primacy. A state agency may achieve primacy if it develops a mining regulatory program that is no less stringent than the equivalent federal mining regulatory program under SMCRA. All states in which we conduct mining operations have achieved primacy and issue permits in lieu of the OSM. SMCRA permit provisions include a complex set of requirements that include, among other things, coal prospecting, mine plan development, topsoil or growth medium removal and replacement, handling of overburden materials, mine pit backfilling and grading, disposal of excess spoil, protection of the hydrologic balance, surface runoff and drainage control, establishment of suitable post mining land uses, and re-vegetation. Permitting under SMCRA and its state analogs has generally become more difficult in recent years. This difficulty in permitting affects the availability of coal reserves at our coal mines.

Under federal and state laws, a mine operator must also assure, usually through the use of surety bonds, payment of certain long-term obligations, including the costs of mine closure and reclamation of the mined land. The costs of these bonds have fluctuated in recent years, and the market terms of surety bonds have generally become more favorable to us. Surety providers are requiring smaller percentages of collateral to secure a bond, which will require us to provide less cash to collateralize bonds to allow us to continue mining. These changes in the terms of the bonds have been accompanied, at times, by an increase in the number of companies willing to issue surety bonds. See *Note 11 - Asset Retirement Obligations* to the consolidated financial statements for the amount of surety bonds posted and cash collateral securing these bonds for reclamation purposes. In addition to the bond requirement, the Abandoned Mine Land Fund-created by SMCRA-imposes a fee on all coal produced. The proceeds of the fee are used to restore mines closed or abandoned prior to SMCRA's adoption in 1977. The current fee is $0.28 per ton of coal produced from surface mines. In 2017, we recorded $5.3 million of expense related to this reclamation fee.

In January 2016, the Department of Interior's Bureau of Land Management announced a moratorium on new coal leases on federal lands. On March 28, 2017, President Trump issued an Executive Order on Promoting Energy Independence and Economic Growth ("EI Order"), which mandated the lifting of the moratorium. On March 29, 2017, the Interior Secretary issued Order 3348, terminating the federal coal-leasing moratorium.

In December 2016, the OSM published the final Stream Protection Rule to reduce the environmental impact of surface coal mining operations. The rule included the expansion of baseline data requirements and post-mining restoration requirements. Under the Congressional Review Act, Congress approved H.J. Res. 38, disapproving the Stream Protection Rule. President Trump signed H.J. Res. 38 on February 16, 2017. On November 17, 2017, the OSM published notice in the Federal Register that it removed the text of the Stream Protection Rule from the Code of Federal Regulations and restored the text of the regulations to that as it appeared on January 18, 2017. The regulations now in effect are those that were in place on January 18, 2017.

It is our policy to comply in all material respects with the requirements of the SMCRA and the state and tribal laws and regulations governing mine reclamation.

Clean Air Act ("CAA") and Related Regulations. The CAA and comparable state laws that regulate air emissions affect coal mining operations both directly and indirectly. Direct impacts on coal mining and processing operations include CAA permitting requirements and emission control requirements relating to air pollutants, including particulate matter, which may include controlling fugitive dust. Indirect impacts on coal mining operations include emissions regulations for particulate matter, sulfur dioxide, nitrogen oxides, mercury and other compounds emitted by coal-fired power plants. The air emissions programs, regulatory initiatives and standards that may affect our operations, directly or indirectly, include, but are not limited to, the following:

- *Greenhouse Gas ("GHG") Emissions Standards*. In August 2015, the EPA finalized standards for greenhouse gases for new, modified, or reconstructed electric generating units ("EGUs") referred to as "new source performance standards" ("NSPS"). The final NSPS for coal-fired EGUs, promulgated pursuant to Section 111(b) of the CAA, require, in most cases, the installation of partial carbon capture and sequestration at new, modified, or reconstructed coal-fired EGUs, which is likely to be a major obstacle to the construction and development of any new coal-fired generation capacity. States and industry challenged the rule in the U.S. Court of Appeals for the D.C. Circuit.

However, on March 28, 2017, EPA filed a motion, pursuant to President Trump's March 28, 2017 EI Order, requesting that the consolidated cases be held in abeyance pending completion of EPA's review of the rule and any forthcoming rulemaking. On August 10, 2017, the D.C. Circuit granted the motion, holding the cases in abeyance and requiring that EPA submit regular status reports. The EPA's most recent status report indicates that "[a]t this time, EPA continues to review the 111(b) Rule, as required under the Executive Order." (D.C. Cir. No. 15-1381; Jan. 25, 2018).

Existing coal-fired EGUs were also going to be subject to GHG performance standards. The new standards were set to reduce GHG emissions from the power sector by 32% from 2005 levels by 2030. The "Clean Power Plan," promulgated pursuant to Section 111(d) of the CAA, would impose stringent standards on existing fossil fuel-fired EGUs that reflect the EPA's assessment of the "best system of emission reduction" ("BSER"). These existing source standards are implemented by the states, requiring that they meet individual GHG emission "goals" beginning in 2022 with phased reductions through 2030. The final goals have a greater impact on states with substantial coal-fired generation; Wyoming, for example, would be faced with greater than 40% emission reductions from a 2012 baseline. Under the rule, the states had until September of 2016 to submit plans to the EPA to implement and enforce the state-specific BSER, although two-year extensions could be requested. States and industry groups challenged the rule in the U.S. Court of Appeals for the D.C. Circuit and requested a stay pending judicial review. Although the D.C. Circuit denied the stay request, in February of 2016, the U.S. Supreme Court issued a stay of the Clean Power Plan pending judicial review of the rule, including potential review by the Supreme Court. The stay delayed implementation of the rule, including the state plan submittal dates. The D.C. Circuit reviewed the rule under an expedited briefing schedule, and an *en banc* panel heard oral arguments on September 27, 2016. On March 28, 2017, however, the EPA moved to hold the consolidated cases in abeyance pending its reconsideration of the Clean Power Plan, pursuant to President Trump's March 28, 2017 EI Order. On April 28, 2017, the D.C. Circuit granted the motion and required the EPA to file regular status reports. The EPA's most recent status report indicates that on October 10, 2017, the EPA "Administrator signed a Federal Register notice proposing to repeal the Clean Power Plan on the grounds that it exceeds EPA's statutory authority under a proposed change in the Agency's interpretation of section 111 of the [CAA]." (D.C. Cir. No. 15-1363 Feb. 9, 2018). On March 1, 2018, the court ordered that the consolidated cases remain in abeyance.

Any final rule promulgated by the Trump Administration regarding GHG emission standards will be subject to judicial review. As such, it is unclear whether the appellate process regarding NSPS or the Clean Power Plan will continue. If either rule is upheld in its current form, it is likely that demand for coal will decrease and adversely impact our business.

- *Mercury & Air Toxics Standards*. In February 2012, the EPA published national emission standards under Sections 111 and 112 of the CAA setting limits on hazardous air pollutant emissions from coal- and oil-fired EGUs, often referred to as the "Mercury Air Toxics Standards," or "MATS Rule." While the MATS Rule generally requires all coal- and oil-fired EGUs to reduce their hazardous air pollutant emissions, it is particularly problematic for any new coal-fired sources. The EPA agreed to reconsider the new source standards in response to requests by industry and published new source standards in April 2013. In June 2013, the EPA reopened for 60 days the public comment period on certain startup and shutdown provisions included in the November 2012 proposal. In June 2015, the U.S. Supreme Court held that the EPA had failed to properly consider costs when assessing whether to regulate fossil fuel-fired EGUs under the hazardous air pollutant provisions of the Clean Air Act, referring to the agency's own estimate that the rule would cost power plants nearly $10 billion per year. The D.C. Circuit remanded the rule to the EPA to conduct a cost assessment but without vacatur, allowing the rule to remain in effect while the EPA conducted the rulemaking. On December 1, 2015, the EPA published a proposed supplemental finding that regulation of EGUs is still "appropriate and necessary" in light of the costs to regulate hazardous air pollutant emissions from the source category. On April 14, 2016, the EPA issued a final rule confirming its "appropriate and necessary" finding to regulate air toxics, including mercury, from power plants after considering costs. The final rule was immediately challenged by several states, companies, and industry groups. Several states and environmental groups also filed as intervenors for the respondent EPA. On April 27, 2017, the D.C. Circuit issued an order holding the consolidated cases in abeyance and directing the EPA to file status reports on the agency's review of the supplementing finding every ninety days. The EPA's most recent status report indicates that the "EPA is continuing to review the Supplement Finding to determine whether the rule should be maintained, modified, or otherwise reconsidered." (D.C. Cir. No. 16-1127; Jan. 19, 2018).

- *National Ambient Air Quality Standards ("NAAQS") for Criteria Pollutants.* The CAA requires the EPA to set standards, referred to as NAAQS, for certain pollutants associated with the combustion of coal, such as nitrogen dioxide particulate matter, ozone, and sulfur dioxide. Areas that are not in compliance (referred to as non-attainment areas) with these standards must take steps to reduce emissions levels. Meeting these limits may require reductions of nitrogen dioxide and sulfur dioxide emissions. Although our operations are not currently located in non-attainment areas, we could be required to incur significant costs to install additional emissions control equipment, or otherwise change our operations and future development if that were to change. If our customers are located in non-attainment areas or areas that become non-attainment areas, they may also be forced to modify their operations. We do not know whether or to what extent these developments might affect our operations or our customers' businesses.

In 2008, the EPA finalized the current 8-hour ozone standard. In October 2015, the EPA issued a final rule lowering the ozone standard further ("2015 Rule"). Several industry and business groups, five states, and Murray Energy Corp. challenged the revised standard in the D.C. Circuit. On April 11, 2017, the D.C. Circuit granted EPA's petition to indefinitely delay oral arguments in the litigation while the agency reviewed the rule. The D.C. Circuit directed EPA to file status reports on the agency's review of the 2015 Rule every ninety days. EPA's most recent status report indicates that it is "continuing to review the 2015 Rule to determine whether the standards should be maintained, modified, or otherwise reconsidered." (D.C. Cir. No. 15-1385 Jan. 8, 2018).

In a separate lawsuit, a coalition of states and environmental organizations recently challenged the EPA to finalize initial area air quality designations under the 2015 ozone standards. On March 12, 2018, the U.S. District Court for the Northern District of California ruled that the EPA has until April 30, 2018, to finalize the standards for all areas of the country except for the San Antonio, Texas area (which must be finalized prior to July 17, 2018). (N.D. Cal. 4:17-cv-06900 Mar. 12, 2018).

- *Other Programs.* A number of other air-related programs may affect the demand for coal and, in some instances, coal mining directly by regulating air emissions emitted by coal-fired EGUs. These include, but are not limited to, the Acid Rain Program, interstate transport rules such as the Cross-State Air Pollution Rule, the Regional Haze Program, and requirements related to New Source Review.
- *Effect on Westmoreland Coal Company*. Our mines do not produce "compliance coal" for purposes of the Clean Air Act. Compliance coal is coal containing 1.2 pounds or less of sulfur dioxide per million British thermal unit. This restricts our ability to sell coal to power plants that do not utilize sulfur dioxide emission controls and otherwise leads to a price discount based, in part, on the market price for sulfur dioxide emission allowances under the Clean Air Act. Our coal also contains about fifty percent more ash content than our primary competitors, which can translate into a cost disadvantage where post-combustion coal ash must be land filled.

Clean Water Act. The Clean Water Act ("CWA") and corresponding state and local laws and regulations affect coal mining and power generation operations by restricting the discharge of pollutants, including dredged or fill materials, into "waters of the United States." Under the National Pollutants Discharge Elimination System ("NPDES") and delegated state permitting systems, any discharge of pollutants from a point source into a "water of the United States" requires a discharge permit from the EPA or the state. Additionally, state and local governments regulate nonpoint source pollution through a number of regulatory programs. Under both point source and nonpoint source programs, issuance of permits with more stringent terms and conditions may increase compliance costs for us and our customers.

In January 2017, the U.S. Army Corps of Engineers (the "Corps") issued general nationwide permits for specific activities requiring authorization under Section 404 of the CWA and Section 10 of the Rivers and Harbors Act of 1899. The nationwide permits cover activities that are similar in nature and that are determined to have minimal adverse environmental effects. The permits became effective in March 2017. The Corps reinstated the use of Nationwide Permit 21 for surface coal mining activities. In the event the acreage limits under the permit are exceeded, we will have to obtain individual permits from the Corps which will increase the processing time for future permit applications.

The CWA provisions and associated state and federal regulations are complex and subject to amendments, legal challenges and changes in implementation. In May 2015, the EPA and the Corps jointly issued a final rule defining "waters of the United States" ("WOTUS Rule") to clarify which waters and wetlands are subject to regulation under the CWA. Implementation of the WOTUS Rule was stayed nationwide in October 2015, and on February 6, 2018, the EPA published in the Federal Register a rule delaying implementation of the WOTUS Rule by two years (through February 6, 2020). States and environmental organizations are currently challenging the February 6, 2018 rule. Continued court challenges and regulatory actions create ongoing uncertainty over CWA jurisdiction and permitting requirements, which could either increase or decrease the cost and time spent on CWA compliance. New reporting requirements and pending litigation associated with coal combustion residuals may cause power generation customers to face increased costs in complying with the CWA, which could impact demand for our products. Finally, in light of real or perceived efforts toward federal deregulation, the prospect of citizen suits to enforce certain provisions of the CWA may increase, which could result in greater regulatory and litigation costs.

Endangered Species Act. The Federal Endangered Species Act (“ESA”), and similar state laws, protect any species listed as threatened with extinction and protect their critical habitat. The U.S. Fish and Wildlife Service (“FWS”) works with the OSM and state agencies to administer the ESA and ensures that species subject to its provisions are protected from mining-related impacts. Protection of endangered and threatened species may cause us to modify mining plans or develop and implement species-specific protection and enhancement plans to avoid or minimize impacts to endangered species or their habitats. A number of species indigenous to the areas where we operate are protected under the ESA and equivalent state laws and regulations. Species in the vicinity of our operations may have their listing status reviewed in the future, however, at this time, we do not believe any of these species protections under the ESA or similar state laws will have a materially adverse effect on our ability to mine coal from our properties.

Resource Conservation and Recovery Act. We may generate wastes, including “solid” wastes and “hazardous” wastes, that are subject to the federal Resource Conservation and Recovery Act (“RCRA”), and comparable state statutes, although certain mining and mineral beneficiation wastes and certain wastes derived from the combustion of coal currently are exempt from regulation as hazardous wastes under RCRA. The EPA has limited the disposal options for certain wastes that are designated as hazardous wastes under RCRA. Furthermore, it is possible that certain wastes generated by our operations that currently are exempt from regulation as hazardous wastes may in the future be designated as hazardous wastes, and therefore be subject to more rigorous and costly management, disposal and clean-up requirements.

The EPA determined that coal combustion residuals (“CCR”) do not warrant regulation as hazardous wastes under RCRA in May 2000. Most state hazardous waste laws do not regulate CCR as hazardous wastes. The EPA also concluded that beneficial uses of CCR, other than for mine filling, pose no significant risk and no additional national regulations of such beneficial uses are needed. However, the EPA determined that national non-hazardous waste regulations under RCRA are warranted for certain wastes generated from coal combustion, such as coal ash, when the wastes are disposed of in surface impoundments or landfills or used as minefill. EPA Administrator Gina McCarthy signed the final rule relating to the disposal of CCR from electric utilities on December 19, 2014, which was published in the Federal Register on April 17, 2015 ("CCR Rule"). The CCR Rule regulates CCR as solid waste under RCRA and establishes national minimum criteria for existing and new CCR landfills, surface impoundments and lateral expansions. The criteria include location restrictions, design and operating criteria, groundwater monitoring and corrective action, closure requirements and post-closure care and recordkeeping, notification and Internet posting requirements. The CCR Rule is largely silent on the reuse of coal ash. In August 2017, EPA released interim final guidance to be used by states developing their own State CCR Permit Programs, under which states may, but are not required to, develop and submit CCR permit programs to EPA for approval. On March 1, 2018, EPA Administrator Scott Pruitt issued a pre-publication version of a proposed rule that would amend the CCR Rule. Among other changes, the proposed revisions would allow states or EPA the ability to incorporate flexibilities into their coal ash permit programs. Continued changes in the management of CCR could increase both our and our customers’ operating costs and potentially impact their ability to purchase coal. In addition, contamination caused by the past disposal of CCR, including coal ash, could lead to citizen suit enforcement against our customers under RCRA or other federal or state laws and potentially reduce the demand for coal.

Comprehensive Environmental Response, Compensation and Liability Act. Under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA" or "Superfund") and similar state laws, joint and several liability covering the entire cost of cleanup of a contaminated site, as well as natural resource damages, can be imposed upon current or former site owners or operators, or upon any party who released one or more designated “hazardous substances” at the site, regardless of the lawfulness of the original activities that led to the contamination. CERCLA also authorizes the EPA and, in some cases, third parties to take actions in response to threats to public health or the environment and to seek to recover from the potentially responsible parties the costs of such action. Although the EPA excludes most wastes generated by coal mining and processing operations from the hazardous waste laws, such wastes can, in certain circumstances, constitutes hazardous substances for the purposes of CERCLA. In addition, the disposal, release, or spilling of some products used by coal companies in operations, such as chemicals, could trigger the liability provisions of the statute. Thus, coal mines that we currently own or operate, coal mines that we have previously owned or operated, and sites to which we have sent waste materials, may be subject to liability under CERCLA and similar state laws. We may also be an owner or operator of facilities at which hazardous substances have been released by previous owners or operators. We may be responsible under CERCLA for all or part of the costs of cleaning up facilities at which such substances have been released and for natural resource damages. We have not, to our knowledge, been identified as a potentially responsible party under CERCLA, nor are we aware of any prior owners or operators of our properties that have been so identified with respect to their ownership or operation of those properties.

Climate Change Legislation and Regulations. Numerous proposals for federal and state legislation have been made relating to GHG emissions (including carbon dioxide) and such legislation could result in the creation of substantial additional costs in the form of taxes or required acquisition or trading of emission allowances. Many of the federal and state climate change legislative proposals use a “cap and trade” policy structure, in which GHG emissions from a broad cross-section of the economy would be subject to an overall cap. Under the proposals, the cap would become more stringent with the passage of time. The proposals establish mechanisms for GHG sources such as power plants to obtain “allowances” or permits to emit GHGs during the course of a year. The sources may use the allowances to cover their own emissions or sell them to other sources that do not hold enough emissions for their own operations. Some states, including California, and regional groups including a number of states in the northeastern and mid-Atlantic regions of the United States that are participants in a program known as the Regional Greenhouse Gas Initiative (often referred to as “RGGI”), which is limited to fossil-fuel-burning power plants, have enacted and are currently operating programs that, in varying ways and degrees, regulate GHGs.

In addition, the EPA, acting under existing provisions of the Clean Air Act, has begun regulating emissions of GHG, including the enactment of GHG-related reporting and permitting rules as described above. However, as discussed above, most of these regulations are currently subject to judicial review pending the Trump Administration’s review. Demand for coal may also be impacted by international efforts to reduce emissions of greenhouse gases. At this time, the extent to which the United States will participate in international climate change initiatives is unknown.

The impact of GHG-related legislation and regulations on our business, including a “cap and trade” structure, will depend on a number of factors, including whether GHG sources in multiple sectors of the economy are regulated, the overall GHG emissions cap level, the degree to which GHG offsets are allowed, the allocation of emission allowances to specific sources and the indirect impact of carbon regulation on coal prices. We may not recover from our customers the costs related to compliance with regulatory requirements imposed on us due to limitations in our agreements.

Passage of additional state or federal laws or regulations or international initiatives regarding GHG emissions or other actions to limit carbon dioxide emissions could result in fuel switching from coal to other fuel sources by electricity generators and thereby reduce demand for our coal or indirectly the prices we receive in general. In addition, political and regulatory uncertainty over future emissions controls have been cited as major factors in decisions by power companies to postpone new coal-fired power plants. If these or similar measures, such as controls on methane emissions from coal mines, are ultimately imposed by federal or state governments or pursuant to international initiatives, our operating costs or our revenues may be materially and adversely affected. In addition, alternative sources of power, including wind, solar, nuclear and natural gas could become more attractive than coal in order to reduce carbon emissions, which could result in a reduction in the demand for coal and, therefore, our revenues. Similarly, some of our customers, in particular smaller, older power plants, could be at risk of significant reduction in coal burn or closure as a result of imposed carbon costs. The imposition of a carbon tax or similar regulation could, in certain situations, lead to the shutdown of coal-fired power plants, which would materially and adversely affect our revenues.

We are required to comply with numerous other federal, state, and local environmental laws and regulations in addition to those previously discussed. Such additional laws include, for example, the Emergency Planning and Community Right-to-Know Act, the Toxic Substance Control Act, the Migratory Bird Treaty Act, and the Safe Drinking Water Act.

Canadian Regulation

The following is intended as a general overview of certain provincial laws and regulations in Alberta and Saskatchewan (the two provinces where we do business), and the federal laws applicable therein to which we are subject and their potential effects on us. We note that the consequences and penalties arising from the application of any of the below listed enactments are varied and fact specific. Accordingly, the summary that follows should not be considered a comprehensive or conclusive assessment of the possible outcomes of a contravention of the legislation discussed below:

Responsible Energy Development Act. The Responsible Energy Development Act (the “REDA”) establishes the Alberta Energy Regulator (the “AER” or the “Regulator”) and sets out its mandate, structure, powers, duties and functions. The AER administers, among others, the following statutes and accompanying regulations in relation to coal mining and related activities in Alberta: the Mines and Minerals Act, the Coal Conservation Act, the Environmental Protection and Enhancement Act, the Public Lands Act, and the Water Act. The REDA empowers the AER to carry out compliance and enforcement functions under the various pieces of legislation it administers as well as grants it the power to order the payment of administrative penalties.

Mines and Minerals Act. The Mines and Minerals Act (the “MM Act”), and its underlying regulations, governs the management and disposition of rights in Crown owned mines and minerals. The AER has jurisdiction over issuing exploration authorizations under the MM Act, which any person conducting mining exploration in Alberta is required to obtain in advance of carrying out an exploration program. Exploration programs under the MM Act are subject to investigations and inspections and a contravention of an exploration authorization or of the provisions of the MM Act may result in cancellation of that exploration authorization and/or financial penalties.

Coal Conservation Act. The Coal Conservation Act (the "CC Act"), and its underlying rules, applies to every mine, coal processing plant and in situ coal scheme in the Province of Alberta, and to all coal produced and transported in Alberta. The CC Act imposes permitting, licensing and approval requirements on operators of coal mines and coal processing plants. The CC Act imposes certain environmental conservation requirements on mine operators in relation to, among other things, pollution control, surface abandonment, and prevention of waste. Similar to the U.S. bonding requirements mentioned above, the Regulator may require that we deposit financial security to ensure payment of costs associated with suspension of our operations and/or reclamation. Lastly, under the CC Act the Regulator can conduct an inquiry into any matter connected with our Alberta mining operations, the findings of which may result in prosecution for an offense, financial penalties, or injunctions in relation to our operations.

Environmental Protection and Enhancement Act. Under the Environmental Protection and Enhancement Act (the "EPEA"), and its underlying regulations, the AER is responsible for administering environmental impact assessments, and issuing approvals and other authorizations in respect of certain aspects of coal mining operations in Alberta that have the potential to impact the environment. The specific terms and conditions of an EPEA approval may govern emission and effluent limits, monitoring and reporting requirements, research needs, siting and operating criteria, and decommissioning and reclamation requirements. The AER also administers and enforces provisions under the EPEA that concern spills and releases, contaminated sites, land surface reclamation, and hazardous wastes. The Mine Financial Security Program under the EPEA requires us to have sufficient financial resources for carrying out suspension, abandonment, remediation, and surface reclamation work to the standards established by the province and to maintain care and custody of the land until a reclamation certificate has been issued. The Regulator may exercise broad enforcement powers under the EPEA, including conducting compliance checks, inspections and investigations, issuing enforcement orders, taking enforcement actions, issuing clean-up orders, suspending and/or canceling operating authorizations, demanding cost recovery or charging us for an offense under the EPEA; all of which may have a material adverse effect on our business, depending on the specific circumstances surrounding the enforcement action taken by the Regulator.

Public Lands Act. Under the Public Lands Act, the AER carries out its responsibility of ensuring that energy exploration, development, and ongoing operations on public land, including coal mining, are carried out in a responsible manner and in accordance with applicable legislation. The AER amends, maintains, and inspects all land-use dispositions and authorizations for energy activities. The AER also administers the enforcement and compliance provisions of the Public Lands Act, which empower it to cancel, suspend or amend a disposition where its terms and conditions or the provisions of the legislation have been contravened and to issue financial penalties in respect of offences under the Public Lands Act. Similar to contraventions of other pieces of legislation discussed in this section, an enforcement action or a penalty has the potential to constitute a material adverse effect on our operations.

Water Act. The Water Act, and its underlying regulations, requires that authorizations be obtained prior to undertaking construction activities around, and prior to diverting water from, a water body. Under the Water Act, a corporation conducting an activity without the requisite approval or in contravention of the specific terms and conditions of an authorization is liable to a fine and/or administrative penalty, which may have a material adverse effect on our business.

The Water Security Agency Act. Similar to the Water Act in Alberta, The Water Security Agency Act in Saskatchewan and its underlying regulations, requires that authorizations be obtained prior to undertaking construction activities around, and prior to diverting water from, a water body. Under this legislation, a corporation conducting an activity without the requisite approval or in contravention of the specific terms and conditions of an authorization is liable to a fine and/or administrative penalty, which may have a material adverse effect on our business.

The Crown Minerals Act. Similar to the MM Act in Alberta, the Crown Minerals Act (the "CM Act"), and its underlying regulations, governs the management and disposition of rights in Crown owned mines and minerals. The Saskatchewan Ministry of Economy administers the CM Act and the issuance of dispositions authorizing the exploration and development of coal resources in the province. Contravention of the terms of a Crown disposition or the provisions of the CM Act may result in cancellation of that disposition and/or financial penalties, both of which may have a material adverse effect on our business.

The Ecological Reserves Act. The Ecological Reserves Act (the "ER Act") protects unique, natural ecosystems and landscape features in Saskatchewan through the designation of Crown land as ecological reserves. Under the ER Act, the Lieutenant Governor in Council may make regulations and orders designating any Crown land as an ecological reserve, enlarging any ecological reserve, and restricting the activities which may be carried out on an existing ecological reserve. Designation of either of our Saskatchewan mine properties as an ecological reserve may restrict our mining activities on those properties, or cause us to modify mining plans; however, we do not have any reason to believe that either of our Saskatchewan properties are at risk of being designated an ecological reserve at this time.

The Environmental Assessment Act. The Environmental Assessment Act (the "EA Act") provides a means to ensure that development proceeds with adequate environmental safeguards and in a manner broadly understood by and acceptable to the public through the integrated assessment of environmental impact. Under the EA Act, the Saskatchewan Ministry of Environment is responsible for administering environmental assessments, and issuing approvals and other authorizations in respect of certain aspects of coal mining operations in Saskatchewan that have the potential to impact the environment. Similar to the AER's powers in relation to environmental impact assessments issued under the EPEA, the Ministry of Environment may issue an EA Act approval on any terms and conditions considered necessary or advisable to protect the environment. The Ministry of Environment has broad enforcement powers under the EA Act, including enjoining a development contrary to the EA Act or the terms and conditions of any ministerial approval, conducting investigations, and issuing financial penalties for offenses under the EA Act; all of which may have a material adverse effect on our business, depending on the specific circumstances surrounding the enforcement action taken by the Ministry of Environment.

The Environmental Management and Protection Act, 2010. The Environmental Management and Protection Act, 2010 (the "EMP Act"), and its underlying regulations, protects the air, land and water resources of Saskatchewan through regulating and controlling potentially harmful activities and substances. The Saskatchewan Ministry of Environment administers and enforces provisions under the EMP Act that concern unauthorized discharges of substances into the environment, contaminated sites, surface land reclamation, hazardous waste, water quality, and activities around water bodies. The Saskatchewan Ministry of Environment may exercise broad enforcement powers under the EMP Act, including conducting compliance checks, inspections and investigations, issuing environmental protection orders, suspending or canceling operating authorizations, demanding cost recovery or charging us for an offence under the EMP Act; all of which may have a material effect on our business, depending on the specific circumstances surrounding the enforcement action taken by the Ministry of Environment.

The Provincial Lands Act. The Provincial Lands Act (the "PL Act") creates authority for the Saskatchewan Ministry of Environment to carry out its responsibilities in relation to the management, transfer, sale, lease or other disposition of Crown lands, including lands used for coal mining. The Ministry of Environment also administers the enforcement and compliance provisions of the PL Act, which may include cancellation of a disposition where its terms and conditions or the provisions of the legislation have been contravened and to issue financial penalties in respect of offenses under the PL Act. Similar to contraventions of other legislation discussed in this section, an enforcement action or a penalty has the potential to constitute a material adverse effect on our operations.

The Wildlife Act, 1998. The Wildlife Act, 1998 (the "Wildlife Act") provides for the management, conservation and protection of wildlife resources through the issuance and revocation of licenses, the prosecution of wildlife offenses and the establishment of annual hunting seasons. The Wildlife Act includes provisions to designate and protect species at risk in Saskatchewan, of which there are currently 15 at-risk plants and animals identified in the Wildlife Act. Identification of a species at risk may cause us to modify mining plans or develop and implement protection plans to avoid or minimize impacts to species protected under the Wildlife Act; however, we do not believe that there are any species protected under the Wildlife Act that would materially and adversely affect our ability to mine coal from our Saskatchewan properties.

Fisheries Act. The Fisheries Act, and its underlying regulations, contains two key provisions on conservation and protection of fish habitat that have the potential to have a material effect on our business. The Department of Fisheries and Oceans ("DFO") administers the key habitat protection provision prohibiting any work or undertaking that would cause harm to fish or fish habitat. The Fisheries Act also prohibits the release of deleterious substances into waters frequented by fish. In terms of potential material adverse effects to our business resulting from a contravention of the Fisheries Act, enforcement of the habitat protection and pollution prevention provisions of the Fisheries Act is carried out through inspections to monitor or verify compliance, investigations of violations, issuance of warning, directions by Fishery Inspectors, authorizations and Ministerial orders, and court actions, such as injunctions, prosecution, court orders upon conviction and civil suits for recovery of costs.

Canadian Environmental Assessment Act, 2012. The Canadian Environmental Assessment Act, 2012 (the "CEAA") is the primary federal statute for environmental assessments. The CEAA requires that an environmental assessment for projects that are listed in the Regulations Designating Physical Activities be completed prior to federal authorities making decisions that allow a project to proceed (i.e. prior to issuing certain licenses, disposing of federal lands, providing funding for a project). Projects that require an environmental assessment under the CEAA include, among others, the construction, operation, decommissioning and abandonment, in a wildlife area or a migratory bird sanctuary, of a new mine; the construction, operation, decommissioning and abandonment of a new dam or dyke or the expansion of an existing dam or dyke in certain circumstances; the construction, operation, decommissioning and abandonment of a new structure for the diversion of certain amounts of water; and the construction, operation, decommissioning and abandonment of a new coal mine with a coal production capacity of 3,000 t/day or more.

Canadian Environmental Protection Act, 1999. The Canadian Environmental Protection Act, 1999 (the "CEPA") focuses on the prevention and management of risks posed by toxic and other harmful substances, as well as management of environmental and human health impacts of hazardous wastes, environmental emergencies and other sources of pollution. Certain substances used and/or produced, as well as downstream wastes generated through the course of our mining and processing operations may bring our business under the purview of the CEPA. The CEPA provides the authority to carry out inspections and investigations to ensure that regulations made under the CEPA and the CEPA itself are followed. Similar to the enforcement provisions of other environmental laws and regulations discussed herein, enforcement tools under the CEPA may include warnings, directions to prevent releases, tickets, orders requiring remedial measures, injunctions, prosecution, and financial penalties. Subject to the specific circumstances of a contravention of the CEPA, an enforcement action taken under the CEPA has the potential to cause a material adverse effect to our business.

Species at Risk Act. The purposes of the Species at Risk Act (the "SARA") are to prevent wildlife species in Canada from disappearing, to provide for the recovery of wildlife species that no longer exist in the wild in Canada, endangered, or threatened as a result of human activity, and to manage species of special concern to prevent them from becoming endangered or threatened. The SARA may affect our operations if a species at risk is found at any time throughout the year on a property in Canada in which we have an interest. As with the protection of endangered species legislation in the US, identification of a species at risk may cause us to modify mining plans or develop and implement protection plans to avoid or minimize impacts to species protected by the SARA; however, we do not believe that there are any species protected under the SARA that would materially and adversely affect our ability to mine coal from our properties.

Migratory Birds Convention Act, 1994. Environment Canada is responsible for implementing the Migratory Birds Convention Act, 1994 (the "MBC Act"), which provides for the protection and conservation of migratory bird populations by regulating potentially harmful human activities. The MBC Act prohibits, among other things, the deposit of harmful substances in waters or areas frequented by migratory birds and a permit must be issued for all activities affecting migratory birds. Any person that commits an offense under the MBC Act is liable to a fine or to imprisonment. A contravention of the MBC Act may result in cancellation or suspension of a permit issued under the MBC Act and a compensatory order for costs incurred by others as a result of a contravention may be issued.

Climate Change Legislation and Regulations. Similar to climate change legislation, regulations, and proposals in the U.S., the direct and indirect costs of various GHG related regulations, existing and proposed in Canada, may adversely affect our business.

In 2016, the Alberta government took steps to implement some of its proposals under the previously announced Alberta Climate Leadership Plan (the "ACL Plan"). The ACL Plan proposed to phase out pollution from coal-fired electricity plants in Alberta by 2030. To that purpose, the Government reached agreements with the three owners of the six coal-fired generation power plant units previously scheduled to operate past 2030. These announced agreements provide for the shutting down of these six units by December 31, 2030. Three of these six units are at the Genesee Generating Station, which is fueled by our Genesee mine operations. Two of these six units are at the Sheerness Generating Station, which is fueled by our Sheerness mine operations. These events will adversely affect our potential business at those two mines post 2030.

The ACL Plan also proposed the implementation of a carbon levy on fuels that emit GHG. The Climate Leadership Act (the "CL Act") passed in 2016 introduced a carbon levy on all fuels that emit GHG emissions when combusted. Starting January 1, 2017, the carbon levy rate is $20/tonne of carbon emission released by the fuel when combusted. The rate increased to $30/tonne effective January 1, 2018. As a result of the carbon levy, starting January 1, 2017, diesel fuel costs to operate our Alberta mines have increased at all sites except the Coal Valley mine (exempt from carbon levy due to coverage under CCI Regulation described below). Coal sales to power plants and export sales are exempt from the carbon levy. We have minimal Alberta coal sales that are not export sales or sales to power plant customers, on which starting January 1, 2017 we are required to collect and remit the carbon levy.

Equipment that meets future emission standards may not be available on an economic basis and other compliance methods to reduce our emissions or emissions intensity to future required levels may significantly increase operating costs or reduce output. Offset, performance or fund credits may not be available for acquisition or may not be available on an economic basis. Any failure to meet emission reduction compliance obligations may materially adversely affect our business and result in fines, penalties and the suspension of operations. There is also a risk that one or more levels of government could impose additional emissions or emissions intensity reduction requirements or taxes on emissions created by us or by consumers of our products. The imposition of such measures might negatively affect our costs and prices for our products and have an adverse effect on earnings and results of operations.

Alberta's Climate Change and Emissions Management Act (the "CCEM Act") and its accompanying Carbon Competitiveness Incentive Regulation (the "CCI Regulation) (which effective January 1, 2018 replaces the former Specified Gas Emitters Regulation) requires a reduction in GHG emissions intensity for certain large GHG emitting facilities in Alberta.

This system features emissions trading between regulated facilities and allows the use of offsets generated by projects in Alberta. Generally, the CCI Regulation establishes that companies emitting more than 100,000 tonnes of direct emissions in 2003, 2004, 2005, and 2006 in commercial operation must reduce their net emissions intensity by 12%. New facilities must reduce their emissions by 2% per year, beginning on their 4th year of operation. There are financial penalties for non-compliance for every ton of carbon dioxide equivalent over a facility's net emission intensity limit as well as for contraventions of other provisions contained in the CCI Regulation. The CCI Regulation is applicable to the Coal Valley mine and also the power plants that are our customers.

In 2016 the Canadian federal government announced its Pan-Canadian Framework on Clean Growth and Climate Change (the "Pan-Canadian Framework") that indicated that it will speed up plans to phase out Canadian coal-fired electricity by 2030. Subsequently, the Saskatchewan and Canadian federal governments announced that they have reached an agreement in principle that will allow Saskatchewan to continue to use coal in a responsible manner beyond 2030 as long as equivalent emission reduction outcomes are achieved. This takes into accounts Saskatchewan's entire generation capacity as well as their use of carbon capture and storage. The Saskatchewan government introduced its Prairie Resilience: A Made-in-Saskatchewan Climate Change Strategy (the "Saskatchewan Strategy") in December 2017. The Saskatchewan Strategy includes principles of reducing GHG emissions without a carbon tax, and using coal in a responsible manner beyond 2030. A final equivalency agreement between the Saskatchewan and Canadian federal governments has not yet been completed. We are unable to predict the impact of these events on our business and it is possible that they may have a material effect on our business, financial condition, results of operations and cash flows if coal use in Saskatchewan is reduced.

Also included in the Pan-Canadian Framework, the Canadian federal government announced that they would require all Canadian jurisdictions to have a carbon pricing regime in place by 2018. This carbon pricing regime can be a direct price on carbon emissions or an adopted cap-and-trade system. There is no legislation related to this announcement in place for January 1, 2018. Although there is no bill currently before the legislature related to this announcement, draft legislative and regulatory proposals were released in January 2018 for comments.

Future Canadian federal legislation, including any related to their announced plans, as well as provincial emissions reduction requirements, may require the reduction of GHG or other industrial air emissions, or emission intensity, from our operations and facilities. Mandatory emissions reduction requirements may result in increased operating costs and capital expenditures, or require reduced output. Any failure to meet emission reduction compliance obligations may materially adversely affect our business and result in fines, penalties and the suspension of operations. We are unable to predict the impact of emissions reduction legislation on our business and it is possible that such legislation may have a material effect on our business, financial condition, results of operations and cash flows. There is also a risk that one or more levels of government could impose additional emissions or emissions intensity reduction requirements or taxes on emissions created by us or by consumers of our products. The imposition of such measures might negatively affect our costs and prices for our products and have an adverse effect on earnings and results of operations.

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may access and read our filings without charge through the SEC's website, at www.sec.gov. You may also read and copy any document we file at the SEC's public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the operation of its public reference room.

We also make our public reports available, free of charge, through our website, www.westmoreland.com, as soon as practicable after we file or furnish them with the SEC. You may also request copies of the documents, at no cost, by telephone at (855) 922-6463 or by mail at Westmoreland Coal Company, 9540 South Maroon Circle, Suite 300, Englewood, Colorado, 80112. The information on our website is not part of this Annual Report on Form 10-K.

ITEM 1A — *RISK FACTORS.*

This report, including Management's Discussion and Analysis of Financial Condition and Results of Operation, contains forward-looking statements that may be materially affected by numerous risk factors, including, but not limited to, those summarized below.

Risks Relating to our Capital Structure

We may seek protection from our creditors under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") or an involuntary petition for bankruptcy may be filed against us, either of which could have a material adverse impact on our business, financial condition, results of operations, and cash flows and could place our shareholders at significant risk of losing all of their investment in our shares.

We have engaged financial and legal advisors to assist us in, among other things, analyzing various strategic alternatives to address our liquidity and capital structure, including strategic and refinancing alternatives to restructure our indebtedness in private transactions. However, if our attempts are unsuccessful or we are unable to complete such a restructuring on satisfactory terms, we may choose to pursue a filing under Chapter 11.

Seeking bankruptcy court protection could have a material adverse effect on our business, financial condition, results of operations and liquidity. For as long as a Chapter 11 proceeding continued, our senior management would be required to spend a significant amount of time and effort dealing with the reorganization as well as focusing on our business operations. Bankruptcy court protection also could make it more difficult to retain management and other key personnel necessary to the success of our business. In addition, during the period of time we are involved in a bankruptcy proceeding, our customers and suppliers might lose confidence in our ability to reorganize our business successfully and could seek to establish alternative commercial relationships, which may cause, among other things:

- third parties to lose confidence in our ability to deliver coal on time and at specification, resulting in a significant decline in our revenues, profitability and cash flow;
- difficulty retaining, attracting or replacing key employees;
- employees to be distracted from performance of their duties or more easily attracted to other career opportunities; and
- our suppliers, vendors, hedge counterparties and service providers to renegotiate the terms of our agreements, terminate their relationship with us or require financial assurances from us.

Additionally, all of our indebtedness is senior to the existing common stock in our capital structure. As a result, we believe that seeking bankruptcy court protection under a Chapter 11 proceeding could cause the shares of our existing common stock to be canceled, resulting in a limited recovery, if any, for shareholders of our common stock, and would place shareholders of our common stock at significant risk of losing all of their investment in our shares.

The audit report we received with respect to our year-end 2017 consolidated financial statements contains an explanatory paragraph referencing our conclusion (in Note 1 - Summary of Significant Accounting Policies to the consolidated financial statements) that substantial doubt exists as to our ability to continue as a "going concern." The Revolver requires us to deliver audited, consolidated and consolidating financial statements with an unqualified opinion of our independent registered public accounting firm, as well as other financial covenant compliance reporting. We entered into the Thirteenth Amendment (as defined below) to the Revolver agreement waiving any such potential defaults. However, our failure in the future to obtain similar relief, if necessary, from reporting and financial covenant compliance requirements under the Revolver could result in an acceleration of all of our outstanding debt obligations.

Under the Revolver, we are required to deliver audited, consolidated and consolidating financial statements with an unqualified opinion of our independent registered public accounting firm, as well as other financial covenant compliance reporting. The audit report prepared by our independent registered public accounting firm, with respect to the financial statements in this Annual Report on Form 10-K, includes an explanatory paragraph referencing our conclusion that substantial doubt exists as to our ability to continue as a "going concern." On March 30, 2018, we entered into the Consent, Joinder and Thirteenth Amendment to the Revolver ("Thirteenth Amendment"), with our Revolver lenders that waived any such default arising out of the delivery of the audit report prepared by our independent registered public accounting firm, with respect to the financial statements in this Annual Report on Form 10-K, containing such a going concern explanatory paragraph, together with certain other potential reporting and financial covenant defaults. For additional information regarding the Thirteenth Amendment, please see further detail in *Item 9B - Other Information*.

If an event of default occurs under the Revolver, the lenders could declare the outstanding principal of our debt under the Revolver, together with accrued interest, to be immediately due and payable. In addition, if the lenders under the Revolver accelerate the loans outstanding under the Revolver, there will also be cross-defaults under the indenture related to our 8.75% Notes, which would in turn cross-default the Term Loan credit agreement. If these cross-defaults occurred, our outstanding indebtedness under these senior debt agreements would automatically accelerate.

If all of our outstanding senior indebtedness accelerates, we do not currently have sufficient liquidity to repay such indebtedness and would need additional sources of capital to do so. We could attempt to obtain additional sources of capital from asset sales, public or private issuances of debt, equity or equity-linked securities, debt for equity swaps, or any combination thereof. However, we cannot provide any assurances that we will be successful in obtaining capital from such transactions on acceptable terms, or at all, and if we fail to obtain sufficient additional capital to repay the outstanding indebtedness and provide sufficient liquidity to meet our operating needs, it may be necessary for us to seek protection from creditors under Chapter 11.

We own a controlling interest in WMLP, which qualifies it as a significant subsidiary under our 8.75% Notes indenture, and if indebtedness of greater than $25.0 million is accelerated at WMLP it would cause cross default under the 8.75% Notes indenture, the Term Loan credit agreement, the Revolver agreement and the San Juan Loan agreement.

Because we own approximately 93.94% of the outstanding equity in WMLP (as of December 31, 2017) it is considered a significant subsidiary under the 8.75% Notes indenture. If WMLP defaults on the WMLP Term Loan, and the lenders under that agreement accelerate the indebtedness thereunder in an amount greater than $25.0 million, it would be considered an event of default for our 8.75% Notes. The event of default under our 8.75% Notes would in turn cross-default our Term Loan and Revolver. WMLP recently entered into an agreement with its lenders under the WMLP Term Loan to waive any actual or potential default related to a failure to have certain cash management accounts subject to cash management agreements, or a failure to deliver an unqualified audit opinion (and without an explanatory paragraph referencing WMLP's conclusion that substantial doubt exists as to its ability to continue as a "going concern") in connection with delivery of its fiscal year 2017 financial statements, through May 15th, 2018. WMLP's failure to obtain permanent relief from its requirement to deliver an unqualified audit opinion in connection with delivery of its fiscal year 2017 financial statement could result in an acceleration of all of our outstanding debt obligations.

We have a substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business.

We have a substantial amount of indebtedness. At December 31, 2017, we had a total outstanding indebtedness of approximately $1,076 million as detailed in *Note 8 - Debt And Lines Of Credit* to the consolidated financial statements. Our substantial amount of indebtedness could have important consequences. For example, it could:

- increase our vulnerability to adverse economic, industry or competitive developments;
- result in an event of default if we fail to satisfy our obligations with respect to the 8.75% Notes, the Term Loan, the San Juan Loan, the Revolver or other debt or fail to comply with the financial and other restrictive covenants contained in the 8.75% Notes, the Term Loan, the San Juan Loan, the Revolver agreement or agreements governing our other indebtedness, which event of default could result in all of our debt becoming immediately due and payable and could permit our lenders to foreclose on our assets securing such debt or otherwise recover that debt from us;
- require a substantial portion of cash flow from operations to be dedicated to the payment of principal, premium, if any, and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- make it more difficult for us to satisfy our obligations with respect to the 8.75% Notes, the Term Loan, the San Juan Loan and the Revolver;
- increase our cost of borrowing;
- restrict us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limit our ability to service our indebtedness, including the 8.75% Notes, the Term Loan, San Juan Loan and the Revolver;
- limit our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- limit our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate, placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who therefore may be able to take advantage of opportunities that our leverage prevents us from exploiting; and
- prevent us from raising the funds necessary to repurchase all 8.75% Notes tendered to us upon the occurrence of certain changes of control, which failure to repurchase would constitute a default under the 8.75% Notes.

The occurrence of any one of these events could have a material adverse effect on our business, financial condition, results of operations, prospects and our ability to satisfy our obligations under the 8.75% Notes, the Term Loan, the San Juan Loan and the Revolver. In conjunction with our acquisition of the Westmoreland Resources GP, LLC, the general partner of WMLP, WMLP entered into the WMLP Term Loan to refinance it's indebtedness. Although the WMLP Term Loan is consolidated in our financial statements due to our ownership of the GP and controlling interest in WMLP, neither Westmoreland nor any of its restricted subsidiaries are obligors under the WMLP Term Loan and the loan will be non-recourse to Westmoreland and its wholly owned subsidiaries' assets. However, an acceleration of indebtedness greater than $25.0 million at WMLP would cause cross default of the 8.75% Notes, the Term Loan and the Revolver. If we further increase our indebtedness, the related risks that we now face, including those described above, could intensify.

If we fail to comply with certain covenants in our various debt arrangements it could cross-default other senior debt agreements within our capital structure, as well as negatively affect our liquidity and ability to finance our operations.

Our lending arrangements contain, among other terms, events of default and various affirmative and negative covenants, financial covenants and cross-default provisions. Should we be unable to comply with any future debt-related covenant, we will be required to seek a waiver of such covenant to avoid an event of default. Covenant waivers and modifications may be expensive to obtain, or, potentially, unavailable. If we are in breach of any covenant and are unable to obtain covenant waivers and our lenders accelerate our debt, we could attempt to refinance the debt or repay the debt by selling assets and applying the proceeds from such sales to the debt. Sales of assets undertaken in response to such immediate needs may be prohibited under our lending arrangements without the consent of our lenders, may be made at potentially unfavorable prices, or asset sales may not be sufficient to refinance or repay the debt, and we may be unable to complete such transactions in a timely manner, on favorable terms, or at all.

Access to our Revolver is dependent upon our compliance with certain financial ratio covenants. This includes a minimum fixed charge coverage ratio of 0.90 in certain quarters for both the US and Canada components of the Restricted Group and 1.10 for the Restricted Group on a consolidated basis. The fixed charge coverage ratio is generally calculated based on Adjusted EBITDA (as defined in the debt agreement) divided by scheduled principal and interest payments for the most recently completed four quarters. Additionally, the San Juan Loan requires a minimum debt service coverage ratio of 1.05. The debt service coverage ratio is generally calculated as cash generated by the borrower and its subsidiaries divided by required debt service payments, including scheduled principal and interest payments. Breaches of the Revolver financial covenants would cause a cross-default of the 8.75% Notes and the Term Loan. After the effects of the Thirteenth Amendment, we are in compliance with the financial covenants for the year ended December 31, 2017, however, we cannot assure future compliance with the financial covenants contained in our senior debt agreements detailed herein.

We may not generate sufficient cash flow at our operating subsidiaries to pay our operating expenses, meet our debt service costs and pay our heritage and corporate costs.

Our ability to fund our operations, to make scheduled payments on our indebtedness and comply with our financial covenants will depend on our ability to generate cash in the future. Our historical financial results have been, and we expect our future financial results to be, subject to substantial fluctuations, and will depend upon general economic conditions and financial, competitive, legislative, regulatory and other factors that are beyond our control. We may not be able to maintain a level of cash flow from operating activities sufficient to permit us to pay the principal and interest on the 8.75% Notes, the Term Loan, the San Juan Loan or our other debt or comply with the financial covenants associated with the Revolver and the San Juan Loan.

If our cash flow and capital resources are insufficient to meet our debt service obligations, to fund our other liquidity needs, or comply with our financial covenants, we may need to renegotiate our debt covenants, restructure or refinance all or a portion of our debt before maturity, seek additional equity capital, reduce or delay scheduled expansions and capital expenditures, or sell material assets or operations. We cannot assure you that we would be able to renegotiate our covenants, refinance or restructure our indebtedness, obtain equity capital, or sell assets or operations on commercially reasonable terms or at all. In addition, the terms of existing or future debt instruments may limit or prevent us from taking any of these actions.

Our inability to take these actions and to generate sufficient cash flow to satisfy our debt covenants, debt service and other obligations could have a material adverse effect on our business, financial condition, results of operations and prospects. If we cannot make scheduled payments on our debt or are not in compliance with our covenants and are not able to amend those covenants, we will be in default and holders of the 8.75% Notes and the lenders under the Term Loan, the San Juan Loan and the Revolver could declare all outstanding principal and interest to be due and payable, the lenders under the Revolver could terminate their commitments to loan money to us, the holders of the 8.75% Notes and the lenders under the Term Loan, the San Juan Loan and the Revolver could foreclose on the assets securing our debt to them and we could be forced into bankruptcy or liquidation. If we are not able to generate sufficient cash flow from operations, we may need to seek amendments to our debt facilities to prevent us from potentially being in breach of our covenants. Such amendments, waivers or other modifications to our debt instruments may be expensive to obtain or potentially unavailable. If we are unable to obtain such an amendment, waiver or other modification, and our lenders accelerate our debt, we could attempt to refinance the debt or repay the debt by selling assets and applying the proceeds from such sales to the debt. Sales of assets undertaken in response to such immediate needs may be prohibited under our lending arrangements without the consent of our lenders, may be made at potentially unfavorable prices, or asset sales may not be sufficient to refinance or repay the debt, and we may be unable to complete such transactions in a timely manner, on favorable terms, or at all.

Risks Relating to our Business and Operations

Long-term sales and revenues could be significantly affected by environmental regulations and the effects of the environmental lobby.

Environmental regulations that had become increasingly stringent, as well as increased pressure from environmental activists, may reduce demand for our products. For example, in June of 2015, the U.S. Court of Appeals for the Ninth Circuit found that the EPA had failed to adequately explain its decision to require less stringent emission control technology for nitrogen oxides at Colstrip Units 1 & 2, and vacated the EPA's Best Available Retrofit Technology ("BART") analysis and remanded it to the EPA for further proceedings. The EPA has not yet taken action on a new regional haze plan as a result of the Ninth Circuit's decision. In 2013, environmental groups also filed a citizen suit complaint in Montana district court asserting that the owners and operators of Colstrip are in violation of Clean Air Act requirements. In July 2016, Colstrip owners entered into a settlement agreement with Sierra Club to dismiss the Clean Air Act violations in exchange for retirement of Units 1 and 2 no later than July 1, 2022. As a result of the settlement agreement, we expect to lose coal sales of approximately 2.3 million tons per year beginning the year of retirement. The loss of the sale of this tonnage at our Colstrip mine could have a material adverse effect on the mine’s revenues and profitability.

Additionally, PacifiCorp Energy Inc., the owner of the Naughton Power Station located adjacent to our Kemmerer mine, which is our Kemmerer mine’s primary customer, has abandoned plans to convert Unit 3 at the Naughton Power Station to 100% natural gas fueling. Instead, the owner has stated that it intends to retire Unit 3 at the Naughton Power Station at the end of 2018. This retirement will result in the loss of coal sales at our Kemmerer mine, however, price protections built into the contract that are in effect until 2021 will partially offset the effects of a lower sales volume. Despite these price protections, the lost sales at the Kemmerer mine could have a material adverse effect on the mine’s revenues and profitability and on our operating results. Additional power plants that buy our coal may be considering or may consider in the future fuel source conversion or decreased operations in order to avoid costly upgrades of pollution control equipment, and such steps, if taken, could result in a reduced demand for our products and materially and adversely affect our revenues and profitability.

In May 2015, the EPA and the Corps issued a final rule to clarify which waters and wetlands are subject to regulation under the CWA. The implementation of this rule was stayed nationwide in October 2015, and on February 6, 2018, the EPA published in the Federal Register a rule delaying implementation of the rule by two years (through February 6, 2020).

In January 2017, the Corps issued general nationwide permits for specific activities, including surface coal mining activities. Permitting challenges may increase if our activities do not qualify for nationwide permit coverage. A change in CWA jurisdiction and permitting requirements could increase or decrease our permitting and compliance costs.

The EPA has executed a final rule relating to the disposal of CCR from electric utilities, though pending proposals would amend the final rule. The changes to the management of CCR could increase our and our customers’ operating costs and reduce sales of coal.

In December 2016, the OSM published the final Stream Protection Rule to reduce the environmental impact of surface coal mining operations. The rule included the expansion of baseline data requirements and post-mining restoration requirements. Under the Congressional Review Act, Congress approved H.J. Res. 38, disapproving the Stream Protection Rule. President Trump signed H.J. Res. 38 on February 16, 2017. On November 17, 2017, the OSM published notice in the Federal Register that it removed the text of the Stream Protection Rule from the Code of Federal Regulations and restored the text of the regulations to how it appeared on January 18, 2017. The regulations now in effect are those that were in place on January 18, 2017.

We are also affected by Canadian GHG emissions regulations. On September 12, 2012, the federal government of Canada released final regulations for reducing GHG emissions from coal-fired electricity generation: “Reduction of Carbon Dioxide Emissions from Coal-Fired Generation of Electricity” (the “Canadian CO_2 Regulations”). The Canadian CO_2 Regulations required certain Canadian coal-fired electricity generating plants, effective July 1, 2015, to achieve an average annual emissions intensity performance standard of 463 tons of CO_2 per gigawatt hour. The impact of the Canadian CO_2 Regulations on existing plants will vary by province and specific location. The Canadian mines' long-term sales could be reduced unless certain existing plants that it supplies or new plants built to replace such existing plants are equipped with carbon capture and sequestration or other technology that achieves the prescribed performance standard, the impact of the Canadian CO_2 Regulations is altered by equivalency agreements, or the Canadian CO_2 Regulations are changed to lower the performance standard.

In addition, various Canadian provincial governments and other regional initiatives are moving ahead with GHG reduction and other initiatives designed to address climate change. As it is unclear at this time what shape additional regulation in Canada will ultimately take, it is not yet possible to reliably estimate the extent to which such regulations will impact the operations we acquired in our Canadian mines. However, our Canadian operations involve large facilities, so the setting of emissions targets (whether in the manner described above or otherwise) may well affect some or all of our Canadian customers, and may in turn have a material adverse effect on our business, results of operations and financial performance. In addition to directly emitting GHGs, our Canadian operations require large quantities of power. Future taxes on or regulation of power producers or an increase in cost of the fuels used in power production (including coal, oil and gas or other products) may also add to our operating costs.

As a mine mouth operator, we provide coal to a small group of customers. This dependence could adversely affect our revenues if such customers reduce or suspend their coal purchases or if they become unable to pay for our coal.

In 2017, our Coal - U.S. segment derived approximately 83% of its total revenues from coal sales to four customers: Public Service Company of New Mexico (36%), Colstrip Units 3&4 (24%), Colstrip Units 1&2 (12%) and AEP (11%). Our Coal - Canada segment derived approximately 86% of its total revenues from coal sales to three customers: SaskPower (44%), Trafigura Pte. Ltd. (26%) and ATCO Power (16%). Our Coal - WMLP segment derived approximately 67% of its total coal revenues from sales to three customers: Pacificorp Energy, Inc. (34%), AEP (23%) and East Kentucky Power Cooperative (10%). Interruption in the purchases of coal by our principal customers could significantly affect our revenues.

Unscheduled maintenance outages or other outages at our customers' power plants, unseasonably moderate weather, higher-than-anticipated hydro seasons or increases in the production of alternative clean-energy generation such as wind power, or decreases in the price of competing fossil fuels such as natural gas, could cause our customers to reduce their purchases. Sixteen of our 18 mines are dedicated to supplying customers located adjacent to or near the mines, and these mines may have difficulty identifying alternative purchasers of their coal if their existing customers suspend or terminate their purchases.

Certain of our long-term contracts are set to expire in the next several years. Our contracts to fuel the Sherburne County Station in Minnesota have historically been three-year rolling contracts, and as of December 31, 2017, we have contracted tons through 2018 with one owner and through 2019 with another owner. Our contract with Coyote Station, located adjacent to our Beulah mine and averaging approximately 2.5 million tons of coal sold per year, expired in May 2016. Our contract with NRG at Jewett expired two years early on December 31, 2016 (during 2016 we supplied NRG with 3.7 million tons), and we have been notified that our contract with Colstrip Units 1 & 2 will be terminated three years early in 2019 which equates to approximately 2.3 million tons annually and $10.7 million in operating income annually. Our contract with Colstrip Units 3 & 4 expires in December 2019. Should we be unable to successfully renew any of our expiring contracts, the reduction in the sale of our coal would adversely affect our operating results and liquidity and could result in significant impairments to the affected mine should the mine be unable to execute a new long-term coal supply agreement. Coal supply agreements also typically contain force majeure provisions allowing temporary suspension of performance by us or the customer during the duration of specified events beyond the control of the affected party. Such agreements may also prohibit us from passing certain increased costs resulting from changes in regulations to our customers. Additionally, many of our coal supply agreements contain provisions allowing customers to suspend acceptance of coal shipments if coal delivered does not meet certain quality thresholds.

Price adjustment, "price re-opener" and other similar provisions in WMLP's supply contracts may reduce the protection from short-term coal price volatility traditionally provided by such contracts. Price re-opener provisions typically require the parties to agree on a new price. Failure of the parties to agree on a price under a price re-opener provision can lead to termination of the contract. Any adjustment or renegotiations leading to a significantly lower contract price could adversely affect WMLP's business, financial condition and/or results of operations.

In the absence of long-term contracts, WMLP's customers may decide to purchase fewer tons of coal than in the past or on different terms, including different pricing terms. Negotiations to extend existing contracts or enter into new long-term contracts with those and other customers may not be successful, which would negatively affect WMLP's ability to meet its obligations as they become due and, in turn, would negatively affect our consolidated results.

Our Buckingham and San Juan mines may subject us to increased regulation and risks associated with underground mining.

Our Buckingham and San Juan mines primarily consist of underground mines. Underground mining operations are generally subject to more stringent safety and health standards than surface mining operations. More stringent state and federal mine safety laws and regulations have included increased sanctions for non-compliance. Future workplace accidents are likely to result in more stringent enforcement and possibly the passage of new laws and regulations. Our underground mining operations subject us to increased regulatory scrutiny and increased costs of regulatory compliance.

Our ability to collect payments from our customers could be impaired if their creditworthiness deteriorates.

Our ability to receive payment for coal sold and delivered depends on the continued creditworthiness of our customers. If we determine that a customer is not creditworthy, we may not be required to deliver coal under the customer's coal sales contract. If this occurs, we may decide to sell the customer's coal on the spot market, which may be at prices lower than the contracted price, or we may be unable to sell the coal at all. Furthermore, the bankruptcy of any of our customers could materially and adversely affect our financial position. In addition, competition with other coal suppliers could cause us to extend credit to customers and on terms that could increase the risk of payment default.

WMLP sells some of its coal to brokers who may resell its coal to end users, including utilities. These coal brokers may have only limited assets, making them less creditworthy than the end users. Under some of these arrangements, WMLP has contractual privity only with the brokers and may not be able to pursue claims against the end users. The bankruptcy or financial deterioration of any of WMLP's customers, whether an end user or a broker, could negatively affect WMLP's ability to have sufficient cash to pay distributions and, in turn, would negatively affect our cash flow.

Volatility in the equity markets or interest rate fluctuations could substantially increase our pension funding requirements and negatively impact our financial position.

The difference between pension plan obligations and assets, or the funded status of the pension plans, significantly affects the net periodic benefit cost and ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, investment returns and the market value of plan assets can affect the level of pension plan funding, cause volatility in the net periodic benefit cost and increase our future funding requirements. See *Note 10 - Pension And Other Saving Plans* to the consolidated financial statements for the projected benefit obligation under our defined benefit pension plans at year end and the fair value of plan assets. This note also details our contributions to these pension plans and accrued expenses related thereto in the current year. The current economic environment increases the risk that we may be required to make even larger contributions in the future.

If our assumptions regarding our future expenses related to employee benefit plans are incorrect, then expenditures for these benefits could be materially higher than we have assumed. In addition, we may have exposure under those plans that extend beyond what our obligations would be with respect to our own employees.

We provide various postretirement medical benefits, black lung and workers' compensation benefits to current and former employees and their dependents. We calculate the total accumulated benefit obligations according to guidance provided by U.S. GAAP. We estimate the present value of our postretirement medical, black lung and workers' compensation benefit obligations to be $332.1 million, $18.2 million and $4.3 million, respectively, at December 31, 2017. Our Canadian operations have an obligation to provide postretirement health coverage for eligible current union employees, as described in greater detail below. We have estimated these unfunded obligations based on actuarial assumptions and if our assumptions do not materialize as expected, cash expenditures and costs that we incur could be materially different.

Moreover, regulatory changes could increase our obligations to provide these or additional benefits. We participate in defined benefit multi-employer funds that were established in connection with the Coal Act, which provides for the funding of health and death benefits for certain UMWA retirees. See *Note 9 - Postretirement Medical Benefits* to the consolidated financial statements for our contributions to these funds which could increase as a result of a shrinking contribution base due to the insolvency of other coal companies that currently contribute to these funds, lower than expected returns on fund assets or other funding deficiencies.

We could also have obligations under the Tax Relief and Health Care Act of 2006 ("2006 Act"). The 2006 Act authorized up to a maximum of $490 million in federal contributions to pay for certain benefits, including the healthcare costs under certain funds created by the Coal Act for "orphans," i.e. retirees from companies that subsequently ceased operations, and their dependents. However, if Congress were to amend or repeal the 2006 Act or if the $490 million authorization were insufficient to pay for these healthcare costs, we, along with other contributing employers and certain affiliates, would be responsible for the excess costs.

We also contribute to a multi-employer defined benefit pension plan, the Central Pension Fund of the Operating Engineers ("Central Pension Fund"), on behalf of employee groups at our Colstrip, Absaloka and Savage mines that are represented by the International Union of Operating Engineers ("IUOE"). The Central Pension Fund is subject to certain funding rules contained in the Pension Protection Act of 2006 ("PPA"). Under the PPA, if the Central Pension Plan fails to meet certain minimum funding requirements, it would be required to adopt a funding improvement plan or rehabilitation plan. If the Central Pension Fund adopted a funding improvement plan or rehabilitation plan, we could be required to contribute additional amounts to the fund. As of January 31, 2018, its last completed fiscal year, the Central Pension Fund reported that it was underfunded. If we were to partially or completely withdraw from the fund at a time when the Central Pension Fund was underfunded, we would be liable for a proportionate share of the fund's unfunded vested benefits, and this liability could have a material adverse effect on our financial position.

Our Canadian operations have responsibility for obligations under certain pension plans related to certain of the acquired operations. We have evaluated these plans, and believe that certain of them may be underfunded by immaterial amounts. We are obligated to make contributions to these plans based upon agreement with the plan members and collective bargaining agreements with the representative unions. Our future contributions to these defined benefit plans are made in accordance with applicable pension legislation and the *Income Tax Act* (Canada). Further contributions to the pension plans could be required based on actuarial valuations, agreements, the plan asset investment performance, and future legislated requirements.

Under Canadian provincial Workers' Compensation legislation, we remain obligated to fund workers' compensation benefits arising from workplace injuries, disease and death of current and former employees. This obligation is based on premiums assessed by the applicable Workers' Compensation Board which may vary based on the claims experience of the employer. We may be required to contribute additional premiums in the future depending on the number and amount of claims.

Our reserve estimates may prove to be incorrect.

The coal reserve estimates in this report are estimates based on the interpretation of limited sampling and subjective judgments regarding the grade, continuity and existence of mineralization, as well as the application of economic assumptions, including assumptions as to operating costs, foreign exchange rates and future commodity prices. The sampling, interpretations or assumptions underlying any reserve estimate may be incorrect, and the impact on the amount of reserves ultimately proven to be recoverable may be material. Should the mineralization and/or configuration of a deposit ultimately turn out to be significantly different from that currently envisaged, then the proposed mining plan may have to be altered in a way that could affect the tonnage and grade of the reserves mined and rates of production and, consequently, could adversely affect the profitability of the mining operations. In addition, short term operating factors relating to the reserves, such as the need for orderly development of ore bodies or the processing of new or different ores, may cause reserve estimates to be modified or operations to be unprofitable in any particular fiscal period. There can be no assurance that our projects or operations will be, or will continue to be, economically viable, that the indicated amount of minerals will be recovered or that they will be recovered at the prices assumed for purposes of estimating reserves.

Any inaccuracies in our estimates of our coal reserves could result in decreased profitability from lower than expected revenues or higher than expected costs.

Our future performance depends on, among other things, the accuracy of our estimates of our proven and probable coal reserves. Our reserve estimates are prepared by our engineers and geologists or by third-party engineering firms and are updated periodically. There are numerous factors and assumptions inherent in estimating the quantities and qualities of, and costs to mine, coal reserves, including many factors beyond our control, including the following:

- quality of the coal and the percentage of coal ultimately recoverable;
- geological and mining conditions, which may not be fully identified by available exploration data and/or may differ from our experiences in areas where we currently mine;
- the assumed effects of regulation, including the issuance of required permits, taxes, including severance and excise taxes and royalties, and other payments to governmental agencies;
- economic assumptions, including assumptions as to foreign exchange rates and future commodity prices;
- assumptions concerning the timing for the development of the reserves; and
- assumptions concerning equipment and productivity, future coal prices, operating costs, including for critical supplies such as fuel, tires and explosives, capital expenditures and development and reclamation costs.

Estimates of the quantities and qualities of economically recoverable coal attributable to any particular group of properties, classifications of reserves based on risk of recovery, estimated cost of production, and estimates of future net cash flows expected from these properties may vary materially due to changes in the above factors and assumptions. Inaccuracies in our reserve estimates could result in decreased profitability from lower than expected revenues or higher than expected costs.

If the assumptions underlying our reclamation and mine closure obligations are materially inaccurate, we could be required

to expend greater amounts than anticipated.

We are subject to stringent reclamation and closure standards for our mining operations. We calculated the total estimated reclamation and mine-closing liabilities according to the guidance provided by GAAP and current industry practice. Estimates of our total reclamation and mine-closing liabilities are based upon permit requirements and our engineering expertise related to these requirements. If our estimates are incorrect, we could be required in future periods to spend materially different amounts on reclamation and mine-closing activities than we currently estimate. Likewise, if our customers, some of whom are contractually obligated to pay certain reclamation costs, default on the unfunded portion of their contractual obligations to pay for reclamation, we could be forced to make these expenditures ourselves and the cost of reclamation could exceed any amount we might recover in litigation.

See *Note 11 - Asset Retirement Obligations* to the consolidated financial statements for our gross reclamation estimate and mine-closing liabilities which are based upon projected mine lives, current mine plans, permit requirements and our experience. The note details reclamation deposits held by us and received from customers to provide for these obligations. The note also shows our estimated obligation for final reclamation that was not the contractual responsibility of others or covered by offsetting reclamation deposits and how much we must recover from revenues to fund this deficit. Although we update our estimated costs annually, our recorded obligations may prove to be inadequate due to changes in legislation or standards and the emergence of new restoration techniques. Furthermore, the expected timing of expenditures could change significantly due to changes in commodity costs or prices that might curtail the life of an operation. These recorded obligations could prove insufficient compared to the actual cost of reclamation. Any underestimated or unidentified close down, restoration or environmental rehabilitation costs could have an adverse effect on our reputation as well as our asset values, results of operations and liquidity.

If the cost of obtaining new reclamation bonds and renewing existing reclamation bonds increases or if we are unable to obtain additional bonding capacity, our operating results could be negatively affected.

We are required to provide bonds to secure our obligations to reclaim lands used for mining. We must post a bond before we obtain a permit to mine any new area. These bonds are typically renewable on a yearly basis. Bonding companies require that applicants collateralize portions of their obligations to the bonding company. In 2017, we paid approximately $11.0 million in premiums and fees related to our reclamation bonds. If the bonding premium or collateral requirements increase, any cash that we provide to collateralize our obligations to our bonding companies is not available to support our other business activities and our results of operations could be negatively affected. Additionally, if we are unable to obtain additional bonding capacity due to cash flow constraints, we will be unable to begin mining operations in newly permitted areas, which would hamper our ability to efficiently meet our current customer contract deliveries, expand operations, and increase revenues.

Our coal mining operations are subject to external conditions that could disrupt operations and negatively affect our results of operations.

With the exception of the Buckingham and San Juan mines, our coal mining operations are all surface mines. These mines are subject to conditions or events beyond our control that could disrupt operations, affect production, and increase the cost of mining at particular mines for varying lengths of time. These conditions or events include: unplanned equipment failures; geological, hydrological or other conditions such as variations in the quality of the coal produced from a particular seam; variations in the thickness of coal seams and variations in the amounts of rock and other natural materials that overlie the coal that we are mining; weather conditions; and competition and/or conflicts with natural gas and other resource extraction activities and production within our operating areas. For example, we have endured poor rail performance at the Absaloka and Coal Valley mines, unprecedented rain at the Kemmerer mine, and unanticipated maintenance of certain of our draglines, all of which interrupted deliveries. Major disruptions in operations at any of our mines over a lengthy period could adversely affect the profitability of our mines.

In addition, unplanned outages of draglines and extensions of scheduled outages due to mechanical failures or other problems occur from time-to-time and are an inherent risk of our coal mining business. Unplanned outages typically increase our operation and maintenance expenses and may reduce our revenues because of selling fewer tons of coal. As our draglines, shovels and other major equipment age, we may experience unscheduled maintenance outages or increased maintenance costs, which would adversely affect our operating results.

Unplanned outages and extensions of scheduled outages due to mechanical failures or other problems occur from time to time at our power plant customers and are an inherent risk of our business. Unplanned outages typically increase our operation and maintenance expenses and may reduce our revenues because of selling fewer tons of coal. For example, the Conesville power plant, which is the largest customer of our Buckingham mine, experienced an unexpected shutdown in the first and second quarters of 2015. The plant was brought back into operation in the third quarter of 2015, but was subsequently taken back out of production to address vibration issues caused by a malfunctioning fan in one of the units. The Conesville plant ran at half its capacity until the necessary repairs were completed in early December 2015. We maintain business interruption insurance coverage at some of our mines to lessen the impact of events such as this. However, business interruption insurance may not always provide adequate compensation for lost coal sales, and significant unanticipated outages at our power plant customers which result in lost coal sales could result in significant adverse effects on our operating results. Additionally, our Beulah mine filed an intercompany business interruption claim with WRMI, our captive insurance subsidiary, in the second quarter of 2015, which resulted in an increase in operating expenses in our Corporate segment.

Our operations are vulnerable to natural disasters, operating difficulties and infrastructure constraints, not all of which are covered by insurance, which could have an impact on our productivity.

Mining and power operations are vulnerable to natural events, including blizzards, earthquakes, drought, floods, fire, storms and the possible effects of climate change. Operating difficulties such as unexpected geological variations could affect the costs and viability of our operations. Our operations also require reliable roads, rail networks, power sources and power transmission facilities, water supplies and IT systems to access and conduct operations. The availability and cost of infrastructure affects our capital expenditures, operating costs, and planned levels of production and sales.

We maintain insurance at levels we believe are appropriate and consistent with industry practice for some, but not all, of the potential risks and liabilities associated with our business; we are not fully insured against all risks. For some risks, we may not obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially, and in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. As a result, we may not be able to renew our existing insurance policies or procure other desirable insurance on commercially reasonable terms, if at all. Pollution and environmental risks and consequences of any business interruptions such as equipment failure or labor disputes generally are not fully insurable. Losses and liabilities from uninsured and underinsured events and delay in the payment of insurance proceeds could have a material adverse effect on our financial condition, results of operations and cash flows.

Mining at WMLP's mines is more complex and involves more regulatory constraints than mining in other areas of the United States.

The geological characteristics of Northern Appalachian and Illinois Basin coal reserves, such as depth of overburden and coal seam thickness, make them complex and costly to mine. As WMLP’s mines in these regions become depleted, replacement reserves may not be available when required or, if available, may not be capable of being mined at costs comparable to those of the depleting mines. These factors could adversely affect WMLP’s business, financial condition and/or results of operations and its ability to make distributions to unit holders like us.

A defect in title or the loss of a leasehold interest in certain property could limit our ability to mine our coal reserves or result in significant unanticipated costs.

We conduct a significant part of our coal mining operations on properties that we lease. A title defect or the loss of a lease could adversely affect our ability to mine the associated coal reserves. We may not verify title to our leased properties or associated coal reserves until we have committed to developing those properties or coal reserves. We may not commit to develop property or coal reserves until we have obtained necessary permits and completed exploration. As such, the title to property that we intend to lease or coal reserves that we intend to mine may contain defects prohibiting our ability to conduct mining operations. Similarly, our leasehold interests may be subject to superior property rights of other third parties. In order to conduct our mining operations on properties where these defects exist, we may incur unanticipated costs. In addition, some leases require us to produce a minimum quantity of coal and require us to pay minimum production royalties. Our inability to satisfy those requirements may cause the leasehold interest to terminate.

We are dependent on information technology and our systems and infrastructure face certain risks, including cybersecurity risks and data leakage risks.

We are dependent on information technology systems and infrastructure. Any significant breakdown, invasion, destruction or interruption of these systems by employees, others with authorized access to our systems, or unauthorized persons could negatively impact operations. There is also a risk that we could experience a business interruption, theft of information, or reputational damage as a result of a cyber-attack, such as an infiltration of a data center, or data leakage of confidential information either internally or at our third-party providers. While we have invested in the protection of our data and information technology to reduce these risks and periodically test the security of our information systems network, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems that could adversely affect our business.

Our future success depends upon our ability to continue acquiring and developing coal reserves through acquisition that are economically recoverable and to raise the capital necessary to fund our expansion.

Our reserves decline as we produce coal. We have not yet applied for the permits to use all of the coal deposits under our mineral rights, and the government agencies may not grant those permits in a timely manner or at all. Furthermore, we may not be able to mine all of our coal deposits as efficiently as we do at our current operations. Our future success depends upon conducting successful exploration and development activities and acquiring properties containing economically recoverable coal deposits. Our current strategy includes increasing our coal reserves through acquisitions of other mineral rights, leases, or producing properties and continuing to use our existing properties. Our ability to expand our operations may be dependent on our ability to obtain sufficient working capital, either through cash flows generated from operations, or financing activities, or both. As we mine our coal and deplete our existing reserves, replacement reserves may not be available when required or, if available, we may not be capable of mining the coal at costs comparable to those characteristic of the depleting mines. These factors could have a material adverse effect on our mining operations and costs, and our customers' ability to use the coal we mine. In recent years, we have expanded our operations by adding new mines and reserves through strategic acquisitions, and we intend to continue expanding our operations and coal reserves through additional future acquisitions. Our future growth could be limited if we are unable to continue making acquisitions, or if we are unable to successfully integrate the companies, businesses or properties we acquire. We may not be successful in consummating any acquisitions and the consequences of undertaking these acquisitions are unknown. Our ability to make acquisitions in the future could be limited by restrictions under our existing or future debt agreements, competition from other coal companies for attractive properties or the lack of suitable acquisition candidates.

Our cash flow depends, in part, on the available cash and distributions of WMLP, which did not occur in the fourth quarter of 2017 and we do not expect to occur again in the near future.

We previously expected our partnership interests in WMLP to be significant cash-generating assets, however, in the fourth quarter 2017 WMLP did not make a distribution as a result of failure to meet distribution covenants within the WMLP Term Loan Facility financing agreement. Our cash flow from WMLP's operations is dependent upon the ability of WMLP to make quarterly distributions to its unitholders, including us. If WMLP cannot regain compliance with its distribution covenants or it does not have sufficient available cash each quarter to enable it to pay distributions, it will continue to negatively impact us. Additionally, the amount of cash WMLP can distribute on its units principally depends upon the amount of cash it generates from its operations, which will fluctuate from quarter to quarter based on, among other things:

- restrictions contained in the debt agreements to which it is a party;
- the domestic and foreign supply and demand for coal;
- the quantity and quality of coal available from competitors;
- the prices under WMLP's existing contracts where the pricing is tied to and adjusted periodically based on indices reflecting current market pricing;
- competition for production of electricity from non-coal sources, including the price and availability of alternative fuels;
- domestic air emission standards for coal-fueled power plants and the ability of coal-fueled power plants to meet these standards by installing scrubbers or other means;
- adverse weather, climate or other natural conditions, including natural disasters;
- domestic and foreign taxes;
- domestic and foreign economic conditions, including economic slowdowns;
- legislative, regulatory and judicial developments, environmental regulatory changes or changes in energy policy and energy conservation measures that would adversely affect the coal industry, such as legislation limiting carbon emissions or providing for increased funding and incentives for alternative energy sources;
- the proximity to, capacity of and cost of transportation and port facilities;
- market price fluctuations for sulfur dioxide emission allowances;
- the level of capital expenditures it makes;
- the cost of acquisitions;
- its debt service requirements and other liabilities;
- fluctuations in its working capital needs;
- its ability to borrow funds and access the capital markets; and
- the amount of cash reserves established by its general partner.

Any adverse change in these and other factors could result in a decline in WMLP's ability to have sufficient cash to pay distributions and, in turn, would negatively affect our cash flow. Because of its distribution covenants, WMLP distributions of cash largely ceased to us and are not expected to resume at significant levels for the foreseeable future.

Our deferred tax assets could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code.

We have significant deferred tax assets related to net operating loss carryforwards and other tax benefits of WCC and its subsidiaries (collectively, the "Deferred Tax Assets"). Under federal tax laws, we can carry forward and use our Deferred Tax Assets to reduce our future taxable income and tax liabilities until such Deferred Tax Assets expire in accordance with the Internal Revenue Code of 1986, as amended (the "Code"). Section 382 and Section 383 of the Code provide an annual limitation on our ability to utilize our Deferred Tax Assets, as well as certain built-in-losses, against future taxable income in the event of a change in ownership (as defined under the Code). While we have adopted the Rights Plan to protect stockholder value by attempting to diminish the risk that the Company's ability to use its Deferred Tax Assets (S*ee Note 17. Income Tax* to the consolidated financial statements for details*)* may become substantially limited, we could experience a change in ownership in the future as a result of changes in our stock ownership that are beyond our control, and any such subsequent changes in ownership for purposes of the Code could further limit our ability to use our Deferred Tax Assets. Accordingly, any such occurrences could adversely impact our ability to offset future tax liabilities and, therefore, adversely affect our financial condition, results of operations and cash flow.

The conversion of Series B Units of WMLP back to Common Units in WMLP is anticipated to result in additional tax losses being allocated to us that may occur over multiple years.

The Series B Units are convertible on a one-for-one basis into Common Units on the day after the record date for a cash distribution on the Common Units in which WMLP is unable to make such a distribution without exceeding its restricted payment basket under the WMLP Term Loan Facility. The Series B Units will also convert automatically upon a change of control or a dissolution or liquidation of WMLP. Upon the conversion of Series B Units to Common Units, allocations of income, gain, loss or deduction will be made to cause the Common Units received to be fungible with the Common Units held by others. It is anticipated that this will result in an allocation of losses or deductions to WMLP. While the conversion of a Series B Unit occurs at a particular time, the allocations may occur over multiple years. If the allocations do not occur in the same year as the conversion, we will have fewer losses or deductions in that year than otherwise might be the case.

Our tax position may be adversely affected by virtue of our interest in WMLP.

Our investment in WMLP may adversely affect our tax position. Whether or not WMLP makes cash distributions to us, we will have income from our interest in WMLP, which may or may not be offset by deductions from WMLP and may or may not be sufficient to fund the taxes on such income. Further, if WMLP has taxable income, we may be allocated a significant portion of that taxable income. Additionally, if the Internal Revenue Service successfully contests the positions that WMLP takes, the results of that contest may result in additional taxable income being allocated to us. We could also be subject to additional taxation by individual states in which we do not conduct business or have assets due to our investment in WMLP.

Our acquisition of the general partner of a publicly traded limited partnership may subject us to a greater risk of liability than ordinary business operations.

We own the general partner of WMLP, a publicly traded limited partnership. The general partner of WMLP may be deemed to have undertaken fiduciary obligations with respect to WMLP and its limited partners. Such fiduciary obligations may require a higher standard of conduct than ordinary business operations and, therefore, may involve a greater risk of liability, particularly when a conflict of interest is found to exist. Our control of the general partner of WMLP may increase the possibility of claims of breach of fiduciary duties, including claims brought due to conflicts of interest. Any liability resulting from such claims could be material.

Although we control WMLP through our ownership of the GP, the GP owes fiduciary duties to WMLP's unitholders, which may conflict with the interests of our shareholders.

Conflicts of interest exist and may arise in the future as a result of the relationships between us and our affiliates, on the one hand, and WMLP and its limited partners, on the other hand. The directors and officers of the GP have fiduciary duties to manage WMLP in a manner beneficial to us, as the sole member of the GP. At the same time, the GP has fiduciary duties to manage the limited partnership in a manner beneficial to WMLP and its limited partners. The board of directors of the GP, and in certain cases the conflicts committee of the board, will resolve any such conflict and has broad latitude to consider the interests of all parties to the conflict. The resolution of these conflicts may not always be in our best interest. For example, conflicts of interest with WMLP may arise in the following situations:

- the interpretation and enforcement of contractual obligations between us and our affiliates, on the one hand, and WMLP, on the other hand; and

- the determination of the amount of cash to be distributed to WMLP's limited partners and the amount of cash to be reserved for the future conduct of WMLP's business.

In addition, subject to certain conditions, the 8.75% Notes, the Term Loan, and the Revolver permit us to transfer certain assets, including in certain instances equity interests we hold in other entities, to WMLP and its subsidiaries. Provided that we comply with the applicable conditions, we may transfer a significant portion of our assets to WMLP and its subsidiaries, which will not be restricted subsidiaries or guarantors under the 8.75% Notes, Term Loan or borrowers under the Revolver.

Because we own a controlling interest in WMLP, any internal control deficiencies at WMLP could impact our ability to accurately report our financial results or prevent fraud.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. The consummation of the WMLP transactions expanded Westmoreland by adding a significant subsidiary with separate financial reporting. The addition of WMLP's financial reporting may have adverse effects on our internal control over financial reporting.

The ongoing oversight of the operations of WMLP following the WMLP transactions could create additional risks to our disclosure controls that we may not foresee. WMLP is a separate, publicly traded master limited partnership, or MLP. However, due to our significant equity ownership in WMLP and ownership of the GP, we consolidate the results of WMLP in our public financial statements. To the extent WMLP's internal control systems are deficient, the integrity of our financial statements and results could be affected and we could fail to meet our regulatory reporting obligations in a timely manner, which ultimately could harm our operating results.

Transportation impediments may hinder our current operations or future growth.

Certain segments of our current business, principally our Absaloka mine and our Coal Valley mine rely on rail transportation for the delivery of coal product to customers and ports. Our ability to deliver our product in a timely manner could be adversely affected by the lack of adequate availability of rail capacity, whether because of work stoppages, union work rules, track conditions or otherwise. In 2011, flooding conditions disrupted rail service to the Absaloka mine, resulting in lost revenue. Rail or shipping transportation costs represent a significant portion of the total cost of coal for our customers, and the cost of transportation is a key factor in a customer's purchasing decision. In addition, the Coal Valley mine exports the majority of its production to the global seaborne market through a port facility in western Canada.

The unavailability of rail capacity and port capacity could also hinder our future growth as we seek to sell coal into new markets. The current availability of rail cars is limited and at times unavailable because of repairs or improvements, or because of priority transportation agreements with other customers. Port capacity is also restricted in certain markets. If transportation is restricted or is unavailable, we may be unable to sell into new markets and, therefore, the lack of rail or port capacity would hamper our future growth. We currently have sufficient committed port capacity to operate our export business, and additional port capacity is expected to be constructed in western Canada in the future. However, increases in transportation costs or the lack of sufficient rail or port capacity or availability could make our coal less competitive, or could result in coal becoming a less competitive source of energy in general, which could lead to reduced coal sales and/or reduced prices we receive for the coal. Our inability to timely deliver product or fuel switching due to rising transportation costs could have a material adverse effect on our business, financial condition and results of operations.

In addition, WMLP depends upon barge, rail and truck systems to deliver coal to its customers. Disruptions in transportation services due to weather-related problems, mechanical difficulties, strikes, lockouts, bottlenecks, and other events could impair WMLP's ability to supply coal to its customers. Certain states have increased enforcement of weight limits on coal trucks on their public roads. It is possible that all states in which WMLP's coal is transported by truck may modify their laws to limit truck weight limits. Such legislation and enforcement efforts could result in shipment delays and increased costs, which could have an adverse effect on WMLP's ability to increase or to maintain production and could adversely affect its revenues.

Decreased availability or increased costs of key equipment and materials could impact our cost of production and decrease our profitability.

We depend on reliable supplies of mining equipment, replacement parts and materials such as explosives, diesel fuel, tires and magnetite. The supplier base providing mining materials and equipment has been relatively consistent in recent years, although there continues to be consolidation, which has resulted in a limited number of suppliers for certain types of equipment and supplies. Any significant reduction in availability or increase in cost of any mining equipment or key supplies could adversely affect our operations and increase our costs, which could adversely affect our operating results and cash flows.

In addition, the prices we pay for these materials are strongly influenced by the global commodities market. Coal mines consume large quantities of commodities such as steel, copper, rubber products, explosives, diesel and other liquid fuels. Some materials, such as steel, are needed to comply with regulatory requirements. A rapid or significant increase in the cost of these commodities could increase our mining costs because we have limited ability to negotiate lower prices, and in some cases, do not have a ready substitute.

Certain of our long-term coal contracts are “cost protected” in that they typically contain either full pass-through of our costs or price escalation and adjustment provisions, pursuant to which the price for our coal may be periodically revised in line with broad economic indicators such as the Consumer Price Index, commodity-specific indices such as the PPI-light fuel oils index, and/or changes in our actual costs.

WMLP enters into forward-purchase contract arrangements for a portion of its anticipated diesel fuel and explosive needs. Additionally, some of WMLP’s expected diesel fuel requirements are protected, in varying amounts, by diesel fuel escalation provisions contained in coal supply contracts with some of its customers, that allow for a change in the price per coal ton sold. Price changes typically lag the changes in diesel fuel costs by one quarter. While WMLP’s strategy provides it protection in the event of price increases to its diesel fuel, it may also prevent WMLP from the benefits of price decreases. If prices for diesel fuel decreased significantly below WMLP’s forward-purchase contracts, it would lose the benefit of any such decrease.

Our ability to acquire new permits and licenses in certain Canadian provinces may be affected by aboriginal rights.

Canadian courts have recognized that aboriginal peoples may have rights with respect to land used or occupied by their ancestors in the absence of treaties to address those rights. These aboriginal rights may vary from limited rights of use for traditional purposes to rights of title and will depend upon, among other things, the nature and extent of prior aboriginal use and occupation. Aboriginal peoples may also have rights under applicable treaties for harvesting and ceremonial purposes on Crown lands or lands to which they have rights of access. The provincial governments of Alberta and Saskatchewan, as well as the Canadian government, are required to consult with aboriginal peoples with respect to the granting of and the issuance or amendment of project authorizations, including approvals, permits and licenses. These requirements may affect the ability of our Canadian operations to acquire new or amended operating approvals in these jurisdictions within a reasonable time frame, and may affect our development schedule and costs.

Union represented labor creates an increased risk of work stoppages and higher labor costs.

As of December 31, 2017, approximately 60% of our total workforce is represented by three labor unions, the IUOE, the International Brotherhood of Electrical Workers and the UMWA. Our unionized workforce is spread out amongst the majority of our surface mines and our San Juan mine. As a majority of our workforce is unionized, there may be an increased risk of strikes and other labor disputes, and our ability to alter labor costs is subject to collective bargaining.

Congress has proposed legislation to enact a law allowing workers to choose union representation solely by signing election cards, which would eliminate the use of secret ballots to elect union representation. While the impact is uncertain, if the government enacts this proposal into law, which would make it administratively easier to unionize, it may lead to more coal mines becoming unionized. While strikes are generally a force majeure event in long-term coal supply agreements, thereby exempting the mine from its delivery obligations, the loss of revenue for even a short time could have a material adverse effect on our financial results.

We face intense competition to attract and retain employees.

We are dependent on retaining existing employees and attracting additional qualified employees to meet current and future needs. We face intense competition for qualified employees, and there can be no assurance that we will be able to attract and retain such employees or that such competition among potential employers will not result in increasing salaries. We rely on employees with unique skill sets to perform our mining operations, including engineers, mechanics and other highly skilled individuals. An inability to retain existing employees or attract additional employees in light of recent Company disclosure regarding its ability to continue as a going concer, especially with mining skills and background, could have a material adverse effect on our business, cash flows, financial condition and results of operations.

As a result of the acquisition of the Canadian mines, we are subject to foreign exchange risk as a result of exposures to changes in currency exchange rates between the U.S. and Canada.

As a result of the acquisition of the Canadian mines, we face increased exposure to exchange rate fluctuations between the Canadian dollar and U.S. dollar. We realize a large portion of our revenues from sales made from the Canadian assets in Canadian dollars, and almost all of the expenses incurred by the Canadian assets are recognized in Canadian dollars. The exchange rate of the Canadian dollar to the U.S. dollar has been at or near historic highs in recent years, settled at a relatively weak position during 2016 and recovered slightly in 2017. If the Canadian dollar remains weak in comparison to the U.S. dollar, earnings generated from our Canadian operations will translate into reduced earnings in the Consolidated Statements of Operations reported in U.S. dollars. In addition, our Canadian entities record certain accounts receivable and accounts payable, which are denominated in Canadian dollars. Foreign currency transactional gains and losses are realized upon settlement of these assets and obligations.

Fluctuations in the U.S. dollar relative to the Canadian dollar may make it more difficult to perform period-to-period comparisons of our reported results of operations. For purposes of accounting, the assets and liabilities of our Canadian operations will be translated using period-end exchange rates, and the revenues and expenses of our Canadian operations will be translated using average exchange rates during each period. Translation gains and losses are reported in accumulated other comprehensive loss as a component of stockholders' equity.

Federal legislation could result in higher healthcare costs.

In March 2010, the Patient Protection and Affordable Care Act (the "PPACA") was enacted, impacting our costs of providing healthcare benefits to our eligible active employees, with both short-term and long-term implications. In the short term, our healthcare costs could increase due to, among other things, an increase in the maximum age for covered dependents to receive benefits, changes to benefits for occupational disease related illnesses, the elimination of lifetime dollar limits per covered individual and restrictions on annual dollar limits per covered individual. In the long term, our healthcare costs could increase for these same reasons, as well as due to an excise tax on "high cost" plans, among other things. However, implementation of this excise tax, which would impose a 40% excise tax on employers to the extent that the value of their healthcare plan coverage exceeds certain dollar thresholds, has been delayed until 2022. We anticipate that certain governmental agencies will provide additional regulations or interpretations concerning the application of this excise tax. We will continue to evaluate the impact of the PPACA, including any new regulations or interpretations, in future periods. Any increase in cost, as a result of legislation or otherwise, could adversely affect our business, financial condition and/or results of operations.

Risk Factors Relating to the Coal and Power Industries

The risk of prolonged recessionary conditions could adversely affect our financial condition and results of operations.

Because we sell substantially all of our coal to electric utilities, our business and results of operations remain closely linked to demand for electricity. Recent economic uncertainty has raised the risk of prolonged recessionary conditions. Historically, global demand for basic inputs, including electricity production, has decreased during periods of economic downturn. If demand for electricity production decreases, our financial condition and results of operations could be adversely affected.

Competition in the North American coal industry may adversely affect our revenues and results of operations.

A few of our competitors in the North American coal industry are major coal producers who have significantly greater financial resources than we do. The intense competition among coal producers may impact our ability to retain or attract customers and may therefore adversely affect our future revenues and results of operations. Among other things, competitors could develop new mines that compete with our mines, have higher quality coal than our mines or build or obtain access to rail lines that would adversely affect the competitive position of our mines. The recent emergence from restructuring events of several North American coal producers may have strengthened their positions within the competitive markets in which we sell coal, the near and long-term effects of such on our competitive position is unclear.

Any change in consumption patterns by utilities away from the use of coal could affect our ability to sell the coal we produce or the prices that we receive.

In addition to competing with other coal producers, we compete generally with producers of other fuels. In 2017, the electric utility industry accounted for the majority of coal consumption in the U.S. and Canada. The demand for electricity, environmental and other governmental regulations, and the price and availability of competing fuels for power plants such as nuclear, hydro, natural gas and fuel oil as well as alternative sources of energy affects the amount of coal consumed by the electric utility industry. A decrease in coal consumption by the electric utility industry could adversely affect the demand for, and price of, coal, which could negatively impact our results of operations and liquidity. Though certain of our contracts contain take or pay provisions, only some of our contracts guarantee the purchase of fixed quantities of coal and, as a result, in certain economic environments revenue can fall despite these long-term contracts.

Some power plants are fueled by natural gas because of the relatively lower construction costs of such plants compared to coal-fired plants and because natural gas is a cleaner burning fuel. In addition, some states have adopted or are considering legislation that encourages domestic electric utilities to switch from coal-fired power generation plants to natural gas powered plants. Similar legislation has been implemented or is under consideration in several Canadian provinces. Passage of these and other state, provincial or federal laws or regulations limiting carbon dioxide emissions could result in fuel switching, from coal to other fuel sources, by purchasers of our coal. Such laws and regulations could also mandate decreases in carbon dioxide emissions from coal-fired power plants, impose taxes on carbon emissions or require certain technology to capture and sequester carbon dioxide from coal-fired power plants. If these or similar measures are ultimately imposed by federal, state or provincial governments or pursuant to international treaty, our reserves and operating costs may be materially and adversely affected. Similarly, alternative fuels (non-fossil fuels) could become more attractive than coal in order to reduce carbon emissions, which could result in a reduction in the demand for coal and, therefore, our revenues.

Recently, the supply of natural gas has reached record highs and the price of natural gas has remained at depressed levels for sustained periods due to extraction techniques involving horizontal drilling and hydraulic fracturing that have led to economic access to large quantities of natural gas in the United States and Canada, making it an attractive competing fuel. A continuing decline in the price of natural gas, or continuing periods of sustained low natural gas prices, could cause demand for coal to decrease, result in fuel switching and decreased coal consumption by electricity-generating utilities and adversely affect the price of our coal. Sustained low natural gas prices may cause utilities to phase-out or close existing coal-fired power plants or reduce construction of any new coal-fired power plants, which could have a material adverse effect on demand and prices received for our coal.

Changes in the export and import markets for coal products could affect the demand for our coal, our pricing and our profitability.

Although our mines and the majority of our customers are located in North America, we compete in a worldwide market for coal and coal products. The pricing and demand for our products is affected by a number of global economic factors that are beyond our control and difficult to predict. These factors include:

- currency exchange rates;
- growth of economic development;
- price of alternative sources of electricity or steel;
- worldwide demand for coal and other sources of energy; and
- ocean freight rates.

Any decrease in the aggregate amount of coal exported from the United States and Canada, or any increase in the aggregate amount of coal imported into the United States and Canada, could have a material adverse impact on the demand for our coal, our pricing and our profitability. Ongoing uncertainty in European economies and slowing economies in China, India and Brazil have reduced and may continue to reduce near-term pricing and demand for coal exported from the United States and Canada. The Coal Valley mine primarily supplies premium thermal coal to the Asian export market. Ownership of this mine will increase our exposure to price fluctuations in the international coal market, and a substantial downturn in demand in the Asian market could have a material adverse effect on our financial condition and results of operations.

Extensive government regulations impose significant costs on our mining operations, and future regulations could increase those costs or limit our ability to produce and sell coal.

The coal mining industry is subject to increasingly strict regulation by federal, state and local authorities with respect to matters such as:

- limitations on land use;
- employee health and safety;
- mandated benefits for retired coal miners;
- mine permitting and licensing requirements;
- reclamation and restoration of mining properties after mining is completed;
- air quality standards;
- discharges to water;
- construction and permitting of facilities required for mining operations, including valley fills and other structures constructed in water bodies and wetlands;
- protection of human health, plant life and wildlife;
- management of the materials generated by mining operations and discharge of these materials into the environment;
- effects of mining on groundwater quality and availability; and
- remediation of contaminated soil, surface and groundwater.

We are required to prepare and present to governmental authorities data concerning the potential effects of any proposed exploration or production of coal on the environment and the public has statutory rights to submit objections to requested permits and approvals. Failure to comply with MSHA regulations may result in the assessment of administrative, civil and criminal penalties. Other governmental agencies may impose cleanup and site restoration costs and liens, issue injunctions to limit or cease operations, suspend or revoke permits and take other enforcement measures that could have the effect of limiting production from our operations. We may also incur costs and liabilities resulting from claims for damages to property or injury to persons arising from our operations. We must compensate employees for work-related injuries. If we do not make adequate provision for our workers' compensation liabilities, it could harm our future operating results. If we are pursued for any sanctions, costs and liabilities, our mining operations and, as a result, our results of operations, could be adversely affected.

United States and Canadian federal, state or provincial regulatory agencies have the authority to temporarily or permanently close a mine following significant health and safety incidents, such as a fatality. In the event that these agencies order the closing of our mines, our coal sales contracts may permit us to issue force majeure notices which suspend our obligations to deliver coal under these contracts. However, our customers may challenge our issuances of force majeure notices. If these challenges are successful, we may have to purchase coal from third-party sources, if it is available, and potentially at prices higher than our cost to produce coal, to fulfill these obligations, and negotiate settlements with customers, which may include price and quantity reductions, the extension of time for delivery, or contract termination. Additionally, we may be required to incur capital expenditures to re-open the mine. These actions could adversely affect our business, financial condition and/or results of operations.

New legislation or regulations and orders may be adopted that may materially adversely affect our mining operations, our cost structure, or our customers' ability to use coal. New legislation or administrative regulations (or new judicial interpretations or administrative enforcement of existing laws and regulations), including proposals related to the protection of the environment that would further regulate and tax the coal industry, may also require us or our customers to change operations significantly or incur increased costs. These regulations, if proposed and enacted in the future, could have a material adverse effect on our financial condition and results of operations. For additional information regarding specific regulations that impact our operations, see *Item 1 - Business - Material Effects of Regulation*.

Concerns regarding climate change are, in many of the jurisdictions in which we operate, leading to increasing interest and in some cases enactment of, laws and regulations governing greenhouse gas emissions, which affect the end-users of coal and could reduce the demand for coal as a fuel source and cause the volume of our sales and/or the prices we receive to decline. These laws and regulations also have imposed, and will continue to impose, costs directly on us.

GHG emissions have increasingly become the subject of international, national, state, provincial and local attention. Coal-fired power plants can generate large amounts of GHG emissions. Accordingly, legislation or regulation intended to limit GHGs will likely indirectly affect our coal operations by limiting our customers' demand for our products or reducing the prices we can obtain, and also may directly affect our own power operations. In the United States, the EPA, acting under existing provisions of the federal Clean Air Act, has promulgated GHG-related reporting and permitting rules. Portions of the EPA's GHG permitting rules, which were the subject of litigation by some industry groups and states, were struck down in part by the U.S. Supreme Court, but the EPA's authority to impose GHG control technologies on a majority of large emissions sources, including coal-fired electric utilities, remain in place. In furtherance of President Obama's Climate Action Plan announced in June 2013, the EPA issued in August 2015 final standards for GHG emissions from existing fossil-fuel fired power plants, as well as new, modified and reconstructed fossil-fuel fired power plants. The Clean Power Plan sets standards for existing sources as stringent state-specific carbon emission rates to be phased in between 2020 and 2030. The rule would give states the discretion to use a variety of approaches - including cap-and-trade programs - to meet the standard. In February of 2016, however, the Supreme Court issued an order staying the Clean Power Plan pending judicial review of the rule by the U.S. Court of Appeals for the D.C. Circuit as well as potential review by the Supreme Court. The D.C. Circuit issued an expedited briefing schedule for challenges to the rule, and an en banc court heard oral argument on September 27, 2016. On March 28, 2017, however, the EPA moved to hold the consolidated cases in abeyance pending its reconsideration of the Clean Power Plan, pursuant to President Trump's March 28, 2017 EI Order. On April 28, 2017, the D.C. Circuit granted the motion and required the EPA to file regular status reports. The EPA's most recent status report indicates that on October 10, 2017, the EPA "Administrator signed a Federal Register notice proposing to repeal the Clean Power Plan on the grounds that it exceeds EPA's statutory authority under a proposed change in the Agency's interpretation of section 111 of the [CAA]." (D.C. Cir. No. 15-1363; Feb. 9, 2018). On March 1, 2018, the court ordered that the consolidated cases remain in abeyance.

Any final rule promulgated by the Trump Administration regarding GHG emission standards will be subject to judicial review. As such, it is unclear whether the appellate process regarding NSPS or the Clean Power Plan will continue. If either rule is upheld in its current form, it is likely that demand for coal will decrease and adversely impact our business. In addition, coal-fired power plants, including new coal-fired power plants or capacity expansions of existing plants, have become subject to opposition by environmental groups seeking to curb the environmental effects of GHG emissions. It is difficult to predict at this time the effect these rules would have on our revenues and profitability. For additional information, see *Item 1 - Business -*

Material Effects of Regulation - U.S. Regulation.

In Canada, in September 2012 the federal government released final regulations for reducing GHG emissions from coal-fired electricity generation through the Canadian CO_2 Regulations. The Canadian CO_2 Regulations required certain Canadian coal-fired electricity generating units, effective July 1, 2015, to achieve an average annual emissions intensity performance standard of 463 tons of CO_2 per gigawatt hour. The performance standard applies to new units commissioned after July 1, 2015 and to units that are considered to have reached the end of their useful life at 50 years from the unit's commissioning date. All of the customer generating assets currently served by our Canadian mines have annual average CO_2 emissions intensity greater than the performance standard other than one of the units at SaskPower's Boundary Dam Generating Station, which incorporates carbon capture and sequestration technology. New and end-of-life units that incorporate technology for carbon capture and sequestration may apply for a temporary exemption from the performance standard that would remain in effect until 2025, provided that certain implementation milestones are met. Provincial equivalency agreements, under which the Canadian CO_2 Regulations would stand down, are being negotiated or discussed with the provinces of Alberta and Saskatchewan. The Canadian coal production in the long-term could be reduced unless certain existing units or new units of the customers served by the Canadian mines are equipped with carbon capture and storage or other technology that achieves the prescribed performance standard, the impact of the Canadian CO_2 Regulations is altered by equivalency agreements, or the Canadian CO_2 Regulations are changed to lower the performance standard. The impact of the Canadian CO_2 Regulations on existing units will vary by location and province.

Various Canadian provincial governments and other regional initiatives are moving ahead with GHG reduction and other initiatives designed to address climate change. For example, under the Climate Change and Emissions Management Act, the Province of Alberta enacted the "Specified Gas Emitters Regulation" (effective through December 31, 2017), which was replaced by the "Carbon Competitiveness Incentive Regulation" (effective January 1, 2018). As of January 1, 2008, this enactment requires certain existing facilities with direct emissions of 100,000 metric tons or more of certain specified gases to ensure that the net emissions intensity for a year for an established facility must not exceed 88% of the baseline emissions intensity for the facility. For the 2016 compliance period, Coal Valley mine was not required to purchase fund credits. For the 2017 compliance period, the calculations indicate that the Coal Valley mine will be required to purchase fund credits. The Government of Alberta has also introduced a complementary Specified Gas Reporting Regulation, which came into force on October 20, 2004. This legislation requires all industrial emitters emitting 10,000 tonnes or more of specified gases to report their annual emissions in accordance with the specified Gas Reporting Standard published by the Government of Alberta. In Saskatchewan, Bill 126, The Management and Reduction of Greenhouse Gases Act, was passed in 2010 but only limited sections have been proclaimed in force. The legislation provides a framework for the control of GHG emissions by regulated emitters and the remainder are expected to be proclaimed once accompanying draft regulations are finalized. In Alberta, the Government commissioned the Alberta Climate Leadership Panel to make policy recommendations for Alberta to enact to combat climate change. On November 20th, 2015, the Alberta Climate Leadership Panel published a report entailing policy recommendations including the shutdown of coal-fired power generation by the year 2030 and changes to the legislation that would see costs of emissions to large emitters increase. The Government of Alberta took steps to implement some of the recommendations in the report including steps related to the shutdown of coal-fired power generation by the year 2030 and a carbon levy. The full effects of these actions of the Alberta Government, and any other new legislation, are unknown at this time. See *Item 1 - Business - Material Effects of Regulation - Canadian Regulation*.

As it is unclear at this time what shape additional regulation in Canada will ultimately take, it is not yet possible to estimate the extent to which such regulations will impact our Canadian Operations. However, those operations involve large facilities, so the setting of emissions targets (whether in the manner described above or otherwise) may well affect them and may have a material adverse effect on our business, results of operations and financial performance. These developments in both Canada and the United States could have a variety of adverse effects on demand for the coal we produce. For example, laws or regulations regarding GHGs could result in fuel switching from coal to other fuel sources by electricity generators, or require us, or our customers, to employ expensive technology to capture and sequester carbon dioxide. Political and environmental opposition to capital expenditure for coal-fired facilities could affect the regulatory approval required for the retrofitting of existing power plants.

Political opposition to the development of new coal-fired power plants, or regulatory uncertainty regarding future emissions controls, may result in fewer such plants being built, which would limit our ability to grow in the future.

In addition to directly emitting GHGs, our Canadian Operations require large quantities of power. Future taxes on or regulation of power producers or the production of coal, oil and gas or other products may also add to our operating costs. The policy recommendations put forward by the Alberta Climate Leadership Panel, if enacted, have the potential to increase costs of energy products used in the mine operations located in Alberta, such as diesel fuel, gasoline, oil, and electricity.

An inability to obtain and/or renew permits necessary for WMLP's operations could prevent it from mining certain of its coal reserves.

The slowing pace at which permits are issued or renewed for new and existing mines in WMLP's area of operations has materially impacted production in Appalachia. Section 402 National Pollutant Discharge Elimination System permits and Section 404 CWA permits are required to discharge wastewater and dredged or fill material into waters of the United States. WMLP's surface coal mining operations typically require such permits to authorize activities such as the creation of sediment ponds and the reconstruction of streams and wetlands impacted by its mining operations. Although the CWA gives the EPA a limited oversight role in the Section 404 permitting program, the EPA has recently asserted its authorities more forcefully to question, delay, and prevent issuance of some Section 404 permits for surface coal mining in Appalachia. Currently, significant uncertainty exists regarding the obtaining of permits under the CWA for coal mining operations in Appalachia due to various initiatives launched by the EPA regarding these permits. An inability to obtain the necessary permits to conduct WMLP's mining operations or an inability to comply with the requirements of applicable permits could reduce WMLP's production and cash flows, which could adversely affect its business, financial condition and/or results of operations and our cash flow.

Extensive environmental laws, including existing and potential future legislation, treaties and regulatory requirements relating to air emissions other than GHGs, affect our customers and could reduce the demand for coal as a fuel source and cause coal prices and sales of our coal to materially decline.

Our customers are subject to extensive environmental regulations particularly with respect to air emissions other than GHG. Coal contains impurities, including but not limited to sulfur, mercury, chlorine and other elements or compounds, many of which are released into the air when coal is burned. The emission of these and other substances is extensively regulated at the federal, state, provincial and local level, and these regulations significantly affect our customers' ability to use the coal we produce and, therefore, the demand for that coal. The EPA has issued a number of significant regulations to impose more stringent requirements relating to air, water and waste controls on electric generating units. For more details, see *Item 1 - Business - Material Effects of Regulation.*

Considerable uncertainty is associated with air emissions initiatives, and it is unclear how the Trump Administration will proceed with both its review of previous rules and new rulemakings. New regulations are in the process of being developed, and many existing and potential regulatory initiatives are subject to review by federal or state agencies or the courts. Stringent air emissions limitations are already in place, and these limitations will likely require significant emissions control expenditures for many coal-fired power plants. For example, the owners of Units 3 & 4, adjacent to our Colstrip mine, are getting considerable pressure from environmental groups to install Selective Catalytic Reduction ("SCR") technology. Should the owners be forced by the EPA to install such technology, the capital requirements could make the continued operation of the two units unsustainable. As a result, Colstrip and other similarly-situated power plants may switch to other fuels that generate fewer of these emissions or may install more effective pollution control equipment that reduces the need for low-sulfur coal. Any switching of fuel sources away from coal, closure of existing coal-fired power plants, or reduced construction of new coal-fired power plants could have a material adverse effect on demand for, and prices received for, our coal. Alternatively, less stringent air emissions limitations, particularly related to sulfur, to the extent enacted, could make low-sulfur coal less attractive, which could also have a material adverse effect on the demand for, and prices received for, our coal.

The regulation of air emissions in Canada may also reduce the demand for the products of the operations we acquired in the acquisition of the Canadian mines. Specifically, the Alberta Climate Change and Emissions Management Act, 2003 ("CCEM Act") and the Canadian Environmental Protection Act, 1999 ("CEPA, 1999") and the provision for the reporting of pollutants via the National Pollutant Release Inventory ("NPRI"), could also have a significant effect on the customers of our Canadian mines, which in turn could, over time, significantly reduce the demand for the coal produced from those mines.

The customers of our Canadian mines must comply with a variety of environmental laws that regulate and restrict air emissions, including the CCEM Act and its regulations, and the CEPA, 1999. Because many of these customers' activities generate air emissions from various sources, compliance with these laws requires our customers in Canada to make investments in pollution control equipment and/or address emissions limits exceedances, and to report to the relevant government authorities if any emissions limits are exceeded or are made in contravention of the applicable regulatory requirements.

These laws restrict the amount of pollutants that our Canadian customer's facilities can emit or discharge into the environment. The NPRI, for example, is created under authority of the CEPA, 1999 and is a Canada-wide, legislated, and publicly accessible inventory of specific substances that are released into the air, water, and land. The purpose of the NPRI was to provide comprehensive national data on releases of specified substances, and assists with, identifying priorities for action, encouraging voluntary action to reduce releases, tracking the progress of reductions in releases, improving public awareness and understanding of substances released into the environment, and supporting targeted initiatives for regulating the release of substances.

Regulatory authorities can enforce these and other environmental laws through administrative orders to control, prevent or stop a certain activity; administrative penalties for violating certain environmental laws; and judicial proceedings. If environmental regulatory burdens continue to increase for our Canadian customers, as a result of policy changes or increased regulatory reform relating to the substances reported, it could potentially affect customer operations and demand for coal.

Risk Factors Relating to our Equity

Our failure to meet the continued listing requirements of The Nasdaq Global Market could result in a delisting of our common stock and make harder for shareholders to trade in our common stock.

Our common stock is listed on The Nasdaq Global Market, which imposes, among other requirements, a minimum bid price requirement and a minimum market value requirement. If the closing bid price for our common stock is less than $1.00 per share for 30 consecutive business days or the total market value of publicly held shares of the Company closes at less than $15 million for 30 consecutive business days, Nasdaq may send us a notice stating we will be provided a period of 180 days to regain compliance with these requirements or else Nasdaq may make a determination to delist our common stock. On March 22, 2018 our stock had traded for less than $1.00 for 30 consecutive business days, and we received notice of non-compliance from The Nasdaq Global Market. We have a 180 calendar day grace period, or until September 18, 2018, to regain compliance with the minimum bid price requirement. The continued listing standard will be met if our common stock has a minimum closing bid price of at least $1.00 per share for a minimum of 10 consecutive business days during the 180 calendar day grace period. On March 23, 2018 our common stock's market value for publicly held shares closed below $15 million for 30 consecutive business days, and we received a second notice of non-compliance from The Nasdaq Global Market. We have a 180 calendar day grace period, or until September 19, 2018, to regain compliance with the market value requirement. The continued listing standard will be met if our common stock has a total market value for publicly held shares at closing greater than $15 million for a minimum of 10 consecutive business days during the 180 calendar day grace period. The failure to meet either of these continuing compliance standards subjects our common stock to delisting.

The delisting of our common stock from Nasdaq may make it more difficult for us to raise capital on favorable terms in the future. Such a delisting would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. Further, if we were to be delisted from The Nasdaq Global Market, our common stock would cease to be recognized as covered securities and we would be subject to regulation in each state in which we offer our securities. There can be no assurance that we will be successful in regaining compliance. Moreover, there is no assurance that any actions that we take to restore our compliance with Nasdaq's listing requirements would stabilize the market price or improve the liquidity of our common stock, prevent our common stock from remaining below the Nasdaq minimum bid price or total market value required for continued listing or prevent future non-compliance with asdaq's listing requirements. Delisting may also result in our common stock trading on the over-the-counter market, which may be a less liquid market. In such case, our shareholders' ability to trade, or obtain quotations of the market value of, shares of our common stock would be severely limited because of lower trading volumes and transaction delays. These factors could contribute to lower prices and larger spreads in the bid and ask prices for our securities.

In addition to the foregoing, if our common stock is delisted from Nasdaq and it trades on the over-the-counter market, the application of the “penny stock” rules could adversely affect the market price of our common stock and increase the transaction costs to sell those shares. The SEC has adopted regulations which generally define a “penny stock” as an equity security that has a market price of less than $5.00 per share, subject to specific exemptions. The last reported trade of our Company common stock on The Nasdaq Global Market was at a price below $5.00 per share. If our common stock is delisted from Nasdaq and it trades on the over-the-counter market at a price of less than $5.00 per share, our common stock would be considered a penny stock. The SEC's penny stock rules require a broker-dealer, before a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and the salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules generally require that before a transaction in a penny stock occurs, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's agreement to the transaction. If applicable in the future, these rules may restrict the ability of brokers-dealers to sell our common stock and may affect the ability of investors to sell their shares, until our common stock no longer is considered a penny stock.

Provisions of our certificate of incorporation, bylaws, Delaware law and our stockholder rights plan or "poison pill," may have anti-takeover effects that could prevent a change of control of our company that stockholders may consider favorable, and the market price of our common stock may be lower as a result.

Provisions in our certificate of incorporation, bylaws and Delaware law could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our stockholders. Provisions of our bylaws impose various procedural and other requirements that could make it more difficult for stockholders to bring about some types of corporate actions such as electing individuals to the board of directors. Our ability to issue preferred stock in the future may influence the willingness of an investor to seek to acquire our company.

On September 2, 2017, the board of directors of the Company adopted a tax benefits preservation plan or stockholder rights plan (the "Rights Plan"). The purpose of the Rights Plan is to minimize the likelihood of an ownership change occurring for Section 382 purposes and thus protect the Company's ability to utilize its Deferred Tax Assets (as defined below) to offset future income. The Rights Plan is intended to act as a deterrent to any person or group acquiring “beneficial ownership” of 4.75% or more of the outstanding shares of the Company's common stock, par value $0.01 per share without the approval of the board of directors. The description and terms of the Rights (as defined below) applicable to the Rights Plan are set forth in the 382 Rights Agreement, dated as of September 5, 2017 (the “Rights Agreement”), by and between WCC and Broadridge Corporate Issuer Solutions, Inc., as Rights Agent.

Each of these provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock and may have the effect of delaying or preventing a change in control. Provisions in the indenture governing the 8.75% Notes regarding certain change of control events could have a similar effect.

Risks Related to Acquisitions

The assets we acquired in the San Juan Acquisition may underperform relative to our expectations; the San Juan Acquisition may cause our financial results to differ from our expectations or the expectations of the investment community; and we may not be able to achieve anticipated cost savings or other anticipated objectives.

The success of the San Juan Acquisition will depend, in part, on our ability to integrate the San Juan Entities with our existing business. The integration process may be complex, costly and time consuming. The potential difficulties of integrating the San Juan Entities and realizing our expectations for the San Juan Acquisition include, among other things:

- failure to implement our strategy for the development of the acquired assets;
- unanticipated changes in commodity prices;
- unanticipated changes in applicable laws and regulations;
- retaining and obtaining required regulatory approvals, licenses and permits;
- operating risks inherent in our business; and
- other unanticipated issues, expenses and liabilities.

Many of these factors will be outside of our control, and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management’s time and energy, which could materially impact our business, financial condition and results of operations. In addition, even if our operations and the acquired assets are integrated successfully, we may not realize the full benefits of the San Juan Acquisition, including the synergies or cost savings that we expect. These benefits may not be achieved within the anticipated time frame, or at all. As a result, we cannot assure you that the San Juan Acquisition will result in the realization of the full benefits anticipated.

The owners of SJGS, San Juan’s primary customer, shut down half of its power producing units at the end of 2017, which we expect will result in a significant decrease in SJGS’s demand for coal produced by the San Juan mine.

On October 1, 2014, SJGS reached an agreement with the New Mexico agencies, non-governmental organizations, and the EPA to shut down two of its power generating units by December 31, 2017 to comply with requirements under the Clean Air Act. Under the same agreement, SJGS also agreed to install selective non-catalytic reduction (“SNCR”) emission control technology on its two units that will remain active, with the deadline for that installation at the end of 2016. Following the shutdown of the units, four of SJGS’s nine owning utilities will cease ownership, with PSNM and Tucson Electric expected to remain as the primary customers of the station. In August 2015, the parties agreed to modifications to the original agreement. The modifications did not alter provisions requiring installation of SNCR or shut down of two of the units, but it did include a commitment by PSNM to make a filing before the New Mexico PRC demonstrating the ongoing economic viability of SJGS beyond 2022. This agreement has not yet been approved by the New Mexico PRC. in December 2017, the owners of SJGS closed units 2 and 3, and as such, the demand for coal produced by the San Juan mine will decrease significantly negatively impacting our results of operations and financial condition unless we are able to find a suitable alternative customer for the coal produced by the San Juan mine. Because the San Juan mine is a mine-mouth facility, we may have difficulty identifying customers.

SJCC is subject to pending litigation that could result in the temporary interruption of its mining operations.

SJCC is subject to certain litigation related to its operations, including an Action filed by WildEarth Guardians ("WEG") on February 27, 2013, in the United States District Court for the District of Colorado seeking review of the Office of Surface Mining ("OSM") decisions and decisions of the Assistant Secretary of the Interior approving mine plans or mine plan amendments concerning seven separate coal mines in Colorado, Montana, New Mexico, and Wyoming. Among the decisions being challenged is the January 2008 approval of the mining plan modification for the San Juan mine. WEG alleges that in approving the plans or plan amendments, OSM engaged in a "pattern and practice of failing to comply with" the requirements of the National Environmental Policy Act by failing "to ensure that the public was appropriately involved in the adoption of" the mine plans and by failing to "take a hard look at a number of potentially significant environmental impacts." On February 7, 2014, the case was transferred to the U.S. District Court for the District of New Mexico. On March 14, 2014, WEG filed an amended petition. On August 31, 2016 Judge Robert Junell issued a decision that (1) granted OSM's motion for a voluntary remand back to the agency to conduct the required NEPA process as it relates to WEG's claimed deficiencies, and (2) mandated that OSM and SJCC conduct an Environmental Impact Statement ("EIS") to address the alleged deficiencies of the original NEPA process within a three year time frame at which time automatic vacatur of the mining permit would occur absent a showing of good cause by the parties. OSM selected a contractor to perform the required NEPA related services in support of the EIS in early December 2016. Currently, SJCC is working with all interested parties to maintain the three-year schedule to complete the requisite NEPA analysis. Though SJCC is free to continue operating under the existing permit during the three-year timeframe that the EIS is being conducted, any interruption of mining activities at SJCC could have an adverse impact on our results of operations and financial condition.

We may not have uncovered all risks associated with our acquisition activity, and significant liabilities related to such activity of which we are not aware may exist now or arise in the future.

In connection with the acquisitions of San Juan, Buckingham, WMLP and Canadian mines, we assumed the risk of unknown, and certain known, liabilities. We may become responsible for unexpected liabilities that we failed or were unable to discover in the course of performing due diligence in connection with these acquisitions or for costs associated with known liabilities that exceed our estimates. Under the various purchase arrangements relating to these acquisitions, there may not be recourse to indemnification should we discover a previously unknown liability, whether material or immaterial.

We may not realize the anticipated benefits of recent or future acquisitions, potential synergies, due to challenges associated with integration and other factors.

The long-term success of the acquisitions will depend in part on the success of our management in efficiently integrating the operations, technologies and personnel acquired entities or operations. Our management's inability to meet the challenges involved in successfully integrating acquired entities or operations or to otherwise realizing the anticipated benefits of such transactions could harm our results of operations.

The challenges involved in integration include:

- integrating the operations, processes, people and technologies;
- coordinating and integrating regulatory, benefits, operations and development functions;
- demonstrating to customers acquisition will not result in adverse changes in coal quality, delivery schedules and other relevant deliverables;
- managing and overcoming the unique characteristics of acquired entities or operations, such as the specific mining conditions at each of the acquired mines; retaining the personnel of acquired entities or operations and integrating the business cultures, operations, systems and clients of acquired entities or operations with our own;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations and functions; and
- identifying the potential unknown liabilities associated with these acquisitions.

In addition, overall integration will require substantial attention from our management, particularly in light of the geographically dispersed operations of acquired mines relative to our other mines and operations and the unique characteristics of the acquired assets. If our senior management team is required to devote considerable amounts of time to the integration process, it will decrease the time they will have to manage our business, develop new strategies and grow our business. If our senior management is not able to manage the integration process effectively, or if any significant business activities are interrupted as a result of the integration process, our business could suffer.

Furthermore, the anticipated benefits and synergies of acquisitions are based on assumptions and current expectations, with limited actual experience, and assume that we will successfully integrate and reallocate resources without unanticipated costs and that our efforts will not have unforeseen or unintended consequences. In addition, our ability to realize the benefits and synergies of the acquisitions could be adversely impacted to the extent that relationships with existing or potential customers, suppliers or the workforce is adversely affected as a consequence of these acquisitions, as a result of further weakening of global economic conditions, or by practical or legal constraints on our ability to successfully integrate operations.

We cannot assure you that we will successfully or cost-effectively integrate acquired entities or operations into our operations in a timely manner, or at all, and we may not realize the anticipated benefits of the acquisition, including potential synergies or growth opportunities, to the extent or in the time frame anticipated. The failure to do so could have a material adverse effect on our financial condition, results of operations and business.

Our operations outside the United States may subject us to additional risks.

A significant portion of our assets, operations and revenues are located in Canada, and we will be subject to risks inherent in business operations outside of the United States. These risks include, without limitation:

- impact of currency exchange rate fluctuations among the U.S. dollar, the Canadian dollar and foreign currencies relating to our export business, which may reduce the U.S. dollar value of the revenues, profits and cash flows we receive from non-U.S. markets or of our assets in non-U.S. countries or increase our supply costs, as measured in U.S. dollars in those markets;
- exchange controls and other limits on our ability to repatriate earnings from other countries;
- political or economic instability, social or labor unrest or changing macroeconomic conditions or other changes in political, economic or social conditions in the respective jurisdictions;
- different regulatory structures (including creditor rights that may be different than in the United States) and unexpected changes in regulatory environments, including changes resulting in potentially adverse tax consequences or imposition of onerous trade restrictions, price controls, industry controls, safety controls, employee welfare schemes or other government controls;
- increased financial accounting and reporting burdens and complexities resulting from the conversion and integration of the Canadian subsidiaries' Canadian dollar denominated, non-GAAP results of operations and statement of financial condition into GAAP-complaint financial statements that can be consolidated with our historical financial reports;
- tax rates that may exceed those in the United States and earnings that may be subject to withholding requirements or that may be subject to tax in the United States prior to repatriation and incremental taxes upon repatriation;
- difficulties and costs associated with complying with, and enforcement of remedies under, a wide variety of complex domestic and international laws, treaties and regulations;
- distribution costs, disruptions in shipping or reduced availability of freight transportation; and
- imposition of tariffs, quotas, trade barriers and other trade protection measures, in addition to import or export licensing requirements imposed by various foreign countries.

In addition, our management may be required to devote significant time and resources to adapting our systems, policies and procedures in order to successfully manage the integration and operation of foreign assets.

ITEM 1B — *UNRESOLVED STAFF COMMENTS.*

None.

ITEM 2 — *PROPERTIES.*

See *Item 1 - Business - Properties* for specific information relating to our mining operations, properties and reserves.

ITEM 3 — *LEGAL PROCEEDINGS.*

We are subject, from time-to-time, to various proceedings, lawsuits, disputes, and claims ("Actions") arising in the ordinary course of our business. Many of these Actions raise complex factual and legal issues and are subject to uncertainties. We cannot predict with assurance the outcome of Actions brought against us. Accordingly, adverse developments, settlements, or resolutions may occur and may result in a negative impact on income in the quarter of such development, settlement, or resolution. However, we do not believe that the outcome of any current Action would have a material adverse effect on our financial results. See *Note 18 - Commitments And Contingencies* to the consolidated financial statements for a description of our pending legal proceedings, which information is incorporated herein by reference.

ITEM 4 — *MINE SAFETY DISCLOSURE.*

On July 21, 2010, Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Section 1503(a) of the Dodd-Frank Act contains reporting requirements regarding mine safety. Mine safety violations or other regulatory matters, as required by Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K, are included as *Exhibit 95.1 - Mine Safety Disclosure* to this Annual Report on Form 10-K.

PART II

ITEM 5 — *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.*

Market Information

Our common stock is listed and traded on the Nasdaq Global Market under the symbol WLB.

Holders

As of March 29, 2018, there were 1,385 holders of record of our common stock.

The following table shows the range of sales prices for our common stock for the past two years, as reported by the Nasdaq Global Market:

	Sales Prices Common Stock	
	High	**Low**
2016		
First Quarter	$ 8.05	$ 3.44
Second Quarter	10.03	6.15
Third Quarter	10.44	7.49
Fourth Quarter	19.92	8.26
2017		
First Quarter	$ 19.03	$ 11.58
Second Quarter	15.28	4.33
Third Quarter	4.93	1.88
Fourth Quarter	3.13	0.95

Dividend Policy

Holders of our common stock are entitled to receive such dividends as our Board of Directors may declare from time to time from any surplus that we may have. We have not paid dividends on our common stock for some time and we do not anticipate paying any common stock dividends in the near future. In addition, the 8.75% Notes, the Term Loan, San Juan Loan and the Revolver agreement restrict our ability to pay dividends on, or make other distributions in respect of, our capital stock unless we are able to meet certain ratio tests or other financial requirements. Should we be permitted to pay dividends pursuant to such instruments, the payment of such dividends will be dependent upon earnings, financial condition and other factors considered relevant by our board of directors and will be subject to limitations imposed under Delaware law.

Securities Authorized for Issuance Under Equity Compensation Plans

The information relating to our equity compensation plans required by Item 5 is incorporated by reference to such information set forth in *Item 12 - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* contained herein.

Issuer Purchases of Equity Securities

The Company's purchases of its common stock during the year ended December 31, 2017 were as follows:

For the Year Ended	Total Number of Shares Purchased[1]	Average Price Paid per Share
December 31, 2017	92,212	$ 12.18

(1) Shares purchased as indicated in this table represent the withholding of a portion of restricted shares to cover taxes on vested restricted shares and were not made pursuant to a publicly announced share repurchase plan or program.

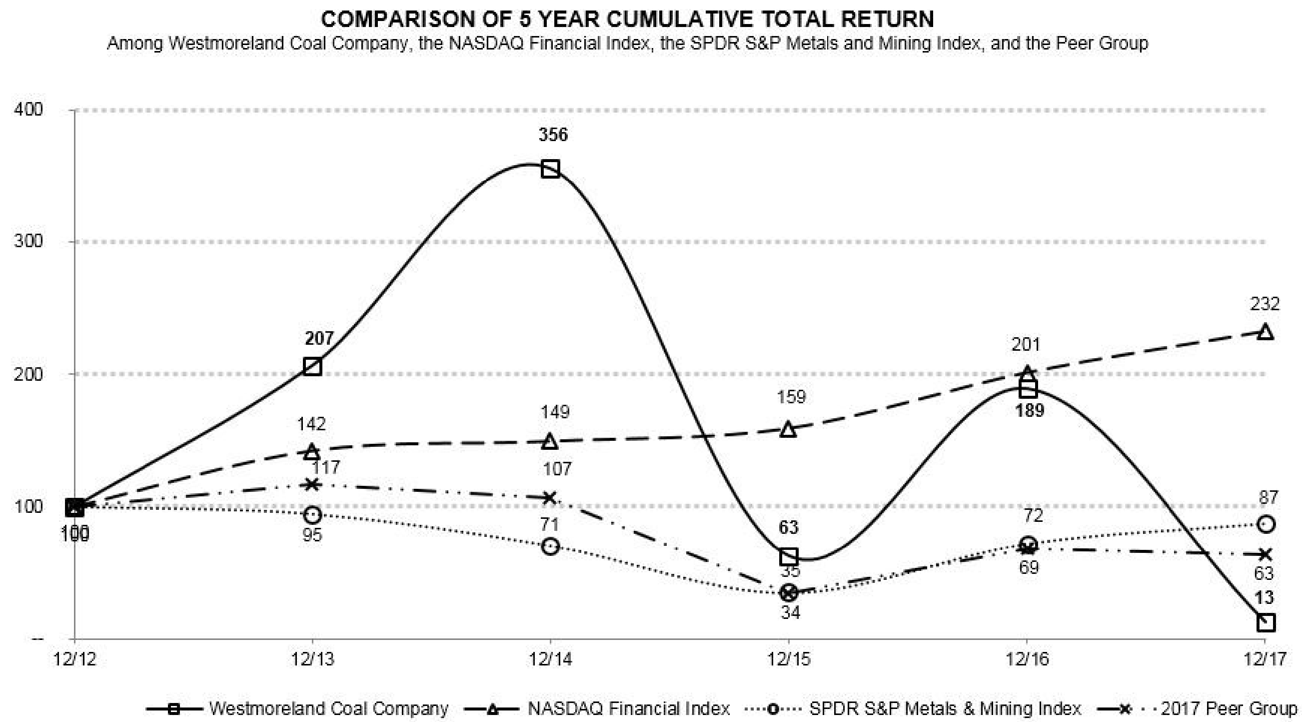
Stock Performance Graph

The following performance graph compares the cumulative total stockholder return on our common stock for the five-year period December 31, 2012 through December 31, 2017 with (i) the cumulative total return over the same period of the Nasdaq Financial Index, (ii) the cumulative total return over the same period of the SPDR S&P Metals and Mining Index, and

(iii) our Peer Group Index, which consists of Alliance Resource Partners LP, Cloud Peak Energy, and CONSOL Energy. The graph assumes that:

- You invested $100 in Westmoreland Coal Company common stock and in each index at the closing price on December 31, 2012;
- All dividends were reinvested;
- Annual re-weighting of the peer group indices; and
- You continued to hold your investment through December 31, 2017.

You are cautioned against drawing any conclusions from the data contained in this graph, as past results are not necessarily indicative of future performance. The indices used are included for comparative purposes only and do not indicate an opinion of management that such indices are necessarily an appropriate measure of the relative performance of our common stock.



	As of December 31,					
Company/Market/Peer Group	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Westmoreland Coal Company	$ 100.00	$ 206.53	$ 355.57	$ 62.96	$ 189.19	$ 12.96
Nasdaq Financial Index	100.00	142.15	149.33	158.99	201.11	232.15
SPDR S&P Metals and Mining Index	100.00	94.62	70.70	34.98	72.07	87.33
Peer Group Index	100.00	117.23	107.11	34.16	68.50	63.32

ITEM 6 — *SELECTED FINANCIAL DATA.*

Westmoreland Coal Company and Subsidiaries

The following tables set forth selected historical consolidated financial data, for the periods and as of the dates indicated, that should be read in conjunction with *Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations* and our consolidated financial statements and notes thereto included in *Item 8 - Financial Statements and Supplementary Data* of this Form 10-K. We derived the Consolidated Statements of Operations and cash flow data for the years ended December 31, 2017, 2016, and 2015 and our Consolidated Balance Sheets data as of December 31, 2017 and 2016 from our audited financial statements included in *Item 8 - Financial Statements and Supplementary Data* of this Annual Report on Form 10-K. Please refer to *Note 20 - Quarterly Financial Data (Unaudited)* to the consolidated financial statements contained in *Item 8 - Financial Statements and Supplementary Data* of this Annual Report on Form 10-K. Our historical results are not necessarily indicative of future results.

	Years Ended December 31,				
	2017	2016(5)	2015	2014(5)	2013
	(In thousands, except per share amounts)				
Consolidated Statements of Operations Information					
Revenues	$1,384,568	$1,477,960	$1,419,518	$1,131,000	$ 686,055
Operating income (loss)(1)	39,212	38,130	(145,696)	(48,664)	20,319
Net loss applicable to common shareholders(2)	(71,340)	(27,101)	(213,645)	(176,684)	(9,204)
Per common share (basic and diluted):					
Net loss applicable to Westmoreland Coal Company	$ (3.91)	$ (1.56)	$ (12.24)	$ (11.09)	$ (0.78)
Net loss applicable to common shareholders	(3.82)	(1.47)	(11.93)	(11.08)	(0.64)
Consolidated Balance Sheets Information (end of period)					
Net property, plant and equipment	$ 741,835	$ 835,521	$ 746,842	$ 986,603	$ 538,946
Total assets(3)	1,389,099	1,584,909	1,415,979	1,740,389	881,427
Total debt(3)	1,048,407	1,109,066	1,020,179	959,312	322,459
Total deficit	(743,448)	(690,117)	(662,901)	(400,876)	(236,119)
Other Consolidated Data					
Net cash provided by (used in):					
Operating activities	$ 114,163	$ 151,934	$ 45,562	$ 50,353	$ 80,717
Investing activities	10,661	(155,694)	(70,801)	(432,772)	(21,897)
Financing activities	(82,802)	40,122	36,723	338,706	(29,320)
Capital expenditures	35,016	46,132	77,921	50,326	28,591
Adjusted EBITDA(4)	269,332	271,855	222,832	187,669	127,634
Tons sold	49,734	54,685	53,334	44,849	24,927

(1) Includes:
  a. Asset impairment charge of $5.9 million in 2017 relating to WMLP's Kentucky operations, as well as $136.2 million in 2015, comprised of $133.1 million at ROVA and $3.1 million at Coal Valley.
  b. Derivative (gain)/loss of $(1.9) million, $(24.1) million, $5.6 million and $31.1 million in 2017, 2016, 2015 and 2014, respectively.
  c. Restructuring charges of $0.7 million, $15.0 million and $5.1 million in 2015, 2014 and 2013, respectively. Restructuring charges in 2014 were incurred in connection with our acquisition of our Coal - Canada operating segment, as well as our acquisition of the general partner of WMLP.

(2) Includes income tax benefit of $46.1 million in 2016 from the acquisition of the San Juan mine. In 2015, this line item included an income tax benefit of $19.9 million from the amalgamation of our Canadian entities into Prairie Mines & Royalty ULC. Also includes *Loss on extinguishment of debt* of $5.4 million, $49.2 million and $0.1 million in 2015, 2014 and 2013, respectively.

(3) Due to the adoption of ASU 2015-03 on January 1, 2016 and ASU 2015-17 on December 31, 2015, total assets for years shown are presented net of current deferred tax assets as well as debt discounts and unamortized debt issuance costs. Further, in conjunction with the adoption of ASU 2015-03, total debt for years shown are also presented net of debt discounts and unamortized debt issuance costs.

(4) Adjusted EBITDA, a non-GAAP measure, is defined and reconciled to net loss at the end of *Item 6 - Selected Financial Data.*

(5) On April 28, 2014, we completed the Canadian Acquisition. On December 31, 2014, we acquired WMLP. On January 31, 2016, we acquired the San Juan mine. Our results of operations, balance sheets, and other consolidated data include the acquired entities subsequent to their respective dates of acquisition.

The financial data presented above should be read in conjunction with *Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations* of this report, which includes a discussion of factors that materially affect the comparability of the information presented, and in conjunction with our consolidated financial statements included in this report.

Reconciliation of Adjusted EBITDA to Net Loss

EBITDA is defined as earnings before interest expense, interest income, income taxes, depreciation, depletion, amortization and accretion expense. Adjusted EBITDA is defined as EBITDA before certain charges to income such as advisory fees, restructuring, impairment, debt extinguishment, foreign exchange, derivative losses and/or gains, as well as other items which are not considered part of earnings from operations for comparison purposes to other companies' normalized income. EBITDA and Adjusted EBITDA are supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. EBITDA and Adjusted EBITDA are key metrics used by us to assess our operating performance and as a basis for strategic planning and forecasting and we believe that EBITDA and Adjusted EBITDA are useful to an investor in evaluating our operating performance because these measures:

- are used widely by investors to measure a company's operating performance without regard to items excluded from the calculation of such terms, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired, among other factors;
- are used by rating agencies, lenders and other parties to evaluate our creditworthiness; and
- help investors to more meaningfully evaluate and compare the results of our operations from period to period by removing the effect of our capital structure and asset base from our operating results.

Neither EBITDA nor Adjusted EBITDA is a measure calculated in accordance with GAAP. The items excluded from EBITDA and Adjusted EBITDA are significant in assessing our operating results. EBITDA and Adjusted EBITDA have limitations as analytical tools, and should not be considered in isolation from, or as a substitute for, analysis of our results as reported under GAAP. For example, EBITDA and Adjusted EBITDA:

- do not reflect our cash expenditures or future requirements for capital and major maintenance expenditures or contractual commitments;
- do not reflect income tax expenses or the cash requirements necessary to pay income taxes;
- do not reflect changes in, or cash requirements for, our working capital needs; and
- do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on certain of our debt obligations.

In addition, although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements. Other companies in our industry and in other industries may calculate EBITDA and Adjusted EBITDA differently from the way that we do, limiting their usefulness as comparative measures. Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA only as supplemental data. The tables below show how we calculated Adjusted EBITDA, including a breakdown by segment, and reconcile Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

Reconciliation of Adjusted EBITDA to Net Loss	Years Ended December 31,				
	2017	2016	2015	2014	2013
			(In thousands)		
Net loss	$ (73,135)	$ (28,872)	$(219,095)	$(176,746)	$ (11,274)
Income tax expense (benefit)	(5,890)	(48,059)	(19,890)	23	(6,678)
Interest income	(4,101)	(7,435)	(7,993)	(6,400)	(1,366)
Interest expense	118,657	121,819	101,311	82,320	39,937
Depreciation, depletion and amortization	121,054	185,267	140,328	109,361	74,430
Accretion of asset retirement obligations	45,132	40,423	38,892	31,028	21,894
Amortization of intangible assets and liabilities(1)	(890)	(810)	(1,010)	138	665
EBITDA	200,827	262,333	32,543	39,724	117,608
Advisory fees(2)	5,423	—	—	—	—
Restructuring charges	—	—	656	14,989	5,078
Loss (gain) on foreign exchange	3,108	715	(3,674)	4,016	—
Loss on impairment	5,872	—	136,210	—	—
Loss on extinguishment of debt	—	—	5,385	49,154	64
Acquisition-related costs(3)	—	568	5,959	26,785	—
Customer payments received under loan and lease receivables(4)	50,489	13,064	27,128	12,388	—
Derivative (gain) loss	(1,929)	(24,055)	5,587	31,100	—
Loss (gain) on sale/disposal of assets and other adjustments	2,342	11,646	5,290	3,431	(438)
Share-based compensation	3,200	7,584	7,748	6,082	5,322
Adjusted EBITDA	$ 269,332	$ 271,855	$ 222,832	$ 187,669	$ 127,634

(1) Represents amortization of intangible assets and liabilities not included in *Depreciation, depletion and amortization*.

(2) Amount represents fees paid to financial and legal advisers included in *Selling and administrative* in the Consolidated Statements of Operations related to the assessment of Westmoreland's capital structure. These advisers, together with Westmoreland's management and board of directors, are developing and evaluating options to optimize Westmoreland's overall capital structure.

(3) Includes acquisition and transition costs included in *Selling and administrative* in the Consolidated Statements of Operations and the impact of cost of sales related to the sale of inventory written up to fair value in the acquisition of the Canadian mines.

(4) Represents a return of and on capital. These amounts are not included in operating income (loss), as the capital outlays are treated as loan and lease receivables, but are included within Adjusted EBITDA so that the cash received by the Company is treated consistently with all other contracts within the Company that do not result in loan and lease receivable accounting.

ITEM 7 — *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.*

The following discussion and analysis contains forward-looking statements and estimates that involve risks and uncertainties. Actual results could differ materially from these estimates. Factors that could cause or contribute to differences from estimates include those discussed under Cautionary Note Regarding Forward-Looking Statements and Item 1A - Risk Factors.

This discussion should be read in conjunction with our consolidated financial statements and notes thereto contained in Item 8 - Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Overview

Westmoreland Coal Company produces and sells thermal coal primarily to investment grade utility customers under long-term, margin-protected contracts. Our focus is primarily on mine locations which allow us to employ dragline surface mining methods and take advantage of close customer proximity through mine-mouth power plants and strategically located rail transportation. Our coal operations include surface coal mines in the United States and Canada, underground coal mines in Ohio and New Mexico, a char production facility, and a 50% interest in an activated carbon plant. We also own the general partner of, and a majority of the equity interests in, WMLP, a publicly traded coal master limited partnership.

We sell almost all of our coal under long-term agreements. Our long-term coal contracts typically contain either full pass-through of our costs or price escalation and adjustment provisions, pursuant to which the price for our coal may be periodically revised in line with broad economic indicators such as the consumer price index, commodity-specific indices such as the PPI-light fuel oils index, and/or changes in our actual costs. For our contracts that are not cost protected in nature, we have exposure to inflation and price risk for supplies used in the normal course of production such as diesel fuel and explosives. We manage these items through strategic sourcing contracts in normal quantities with our suppliers and may use derivatives from time-to-time.

We are a holding company and conduct our operations through subsidiaries. We have significant cash requirements to fund our ongoing debt obligations, pension contributions, heritage health benefit costs, and corporate overhead costs. The principal sources of cash flow to us are distributions from our operating subsidiaries.

Our operations are classified into six reporting segments: Coal - U.S., Coal - Canada, Coal - WMLP, Power, Heritage and Corporate. See *Item 1 - Business - Overview* and *Item 1 - Business - Segment Information* for a general description of our business and our business segments.

Recent Trends and Activities

One of the major factors affecting the volume of coal that we sell in any given period is the demand for coal-generated electric power. Numerous factors affect the demand for electric power and the specific demands of customers, including weather patterns, the presence of hydro- or wind-generated energy in our particular energy grids, environmental and legal challenges, political influences, energy policies, international and domestic economic conditions, power plant outages and other factors discussed herein. More specifically, our financial results for the periods presented were impacted by several trends and activities, which are described below.

- ***Weather.*** Weather patterns can have a significant impact on power demand and our ability to mine and produce coal. During the first half of 2017, we experienced unfavorable weather patterns in the markets in which we operate. In particular, the first half of 2017 was generally marked by mild weather, which depressed demand. In addition, our Kemmerer mine experienced unusually high amounts of precipitation in the first quarter of 2017, which increased our mining costs and temporarily restricted our ability to supply coal. These factors lowered our coal tons sold and our revenues in 2017. Weather conditions are inherently unpredictable and could have positive or negative impacts on operating conditions and demand in future periods.

- ***Coal pricing.*** Our operations in Ohio and at Coal Valley are exposed to changes in the price of coal sold on the open market. The price of coal has been and continues to be volatile. Pricing in the last few years has generally been adversely influenced by reduced demand, political pressures and the price of competing fuel or energy sources, including natural gas. Recent pricing pressure has resulted in depressed revenues, net income and Adjusted EBITDA in recent years for those facilities affected by open market pricing. Whether pricing and volume softness persist in future periods is dependent upon fluctuations in market demand in those regions.

- ***Cost reduction initiatives.*** While we always seek to run our business operations as lean and efficiently as possible, since 2016, we have undertaken specific initiatives aimed at centralizing and streamlining certain administrative functions and reducing costs throughout our organization. Cost reduction activities during 2016 resulted in disciplined capital expenditure decisions, lower inventory costs and reduced headcount, among other things. While the impacts of the cost reductions were organization-wide, the WMLP segment particularly benefited in 2016 and 2017 from lower fuel and labor costs at our Ohio mines as well as the impact of cost savings initiatives at Kemmerer. These factors, in turn, generally lowered operating costs in 2017 compared with 2016 and 2015, although we did incur some additional costs, including severance-related costs and additional costs resulting from redundancies created during these changes. Cost reduction activities are ongoing.

- ***Early repayment of loan and lease receivables.*** Historically, our results, and particularly our free cash flow and Adjusted EBITDA, have been influenced by the amount of money collected related to loan and lease receivables owed to us from our customer at the Genesee mine. These loan and lease receivables represented the financed portion of amounts owed to Westmoreland for capital expenditures we had made on behalf of our customer. During the first quarter of 2017, we received $52.5 million from our customer at the Genesee mine, representing an accelerated full repayment of all outstanding loan and lease receivables. While we will continue to manage the Genesee mine and earn a management fee pursuant to the contract mining arrangement, which we anticipate continuing through 2030, we have no further obligation to make capital expenditures at the mine. Likewise, we do not anticipate collecting anything additional related to loan and lease receivables as the $52.5 million early repayment satisfied these obligations in full.

- ***Acquisition and divestitures.*** On January 31, 2016, we acquired the San Juan mine for a total cash purchase price of $121.0 million, as described more fully in Item 1 - Business - Overview. This acquisition increased our revenues, tons sold, costs, and operating margins in periods subsequent to the purchase. Interest expense also increased in periods subsequent to the purchase as a result of the related financing.

  Also, during the fourth quarter of 2017, we sold the power assets associated with the Roanoke Valley Power Facility ("ROVA") for $5.0 million in cash and exited the related power purchase and supply agreements, thereby freeing up an additional $6.2 million in net cash collateral. In addition, as a result of exiting the power purchase and supply agreements, we recognized $14.4 million of previously deferred revenue related to these contracts. We retained approximately $2.9 million of reclamation liabilities.

- ***Significant contract renewals, changes and expirations.*** In June and December 2016, coal supply agreements at our Beulah and Jewett mines, respectively, terminated, resulting in lower coal tons sold in the subsequent periods. In addition, during 2017, we amended certain contracts with customers. One of our amended contracts, with a customer at our Kemmerer mine, provides for the sale of one million additional tons through 2018. While this amendment will result in more cash and more revenues from Kemmerer through 2018, it also lowered the amount of revenue recognized under the contract in 2017 as revenue recognition was deferred into 2018, when the lower priced coal tons will be sold.

  Also, during 2017, our customer at the San Juan mine announced their intent to transition away from coal-generated power in 2022. While their plan still requires official approval, we have adjusted, on a prospective basis, the estimated useful lives of certain property, plant, and equipment at the mine as well as the mine's mineral reserve depletion rates to reflect the shorter useful lives of these assets. This change in estimate resulted in additional depreciation, depletion, and amortization expense during 2017 compared to 2016, and will continue to result in increased depreciation, depletion, and amortization expense in future periods.

- ***Coal Valley mine.*** During mid-year 2017, we mined in a more challenging area at the Coal Valley mine. This was in part because we were operating Coal Valley in anticipation of either a sale or shutdown of the mine during 2017, which drove us to minimize the number of mining pits and delay maintenance on our equipment. In mid-2017, in part as a result of the delays in the negotiations for the sale of the mine, we made additional investments to extend the mine's life, which increased costs for equipment maintenance and development of the pit. This resulted in lower yields, lower revenues, and increased costs at the mine during 2017.

- ***Equipment outage.*** During 2017, we experienced an unexpected dragline repair at one of our large mines in Canada, which lowered our production and increased our costs early in 2017.

- ***Impairment charge.*** For the year ended December 31, 2017, we recorded an impairment charge of $5.9 million related to land and mineral rights in Kentucky within our Coal - WMLP segment which were determined to have no further economic value. During the fourth quarter of 2015, we incurred $136.2 million in impairment charges related to the ROVA asset group ($133.1 million) and certain immovable fixed assets at our Coal Valley mine ($3.1 million).

This decreased depreciation, depletion, and amortization expense for the Power and Coal - Canada segments in periods subsequent to the impairment.

- ***Capital structure review.*** During 2017, management and our Board of Directors, with the assistance of outside advisors, began evaluating options to address upcoming debt maturities, as further described in "Liquidity and Capital Resources." Costs associated with this process were $5.4 million during 2017 and will increase in 2018.

Results of Operations

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Consolidated Results of Operations

The following table shows the comparative consolidated results and changes between periods:

	Years Ended December 31,			
			Increase / (Decrease)	
	2017	2016	$	%
	(In millions)			
Revenues	$ 1,384.6	$ 1,478.0	$ (93.4)	(6.3)%
Operating income	39.2	38.1	1.1	2.9 %
Net loss applicable to common shareholders	(71.3)	(27.1)	(44.2)	(163.1)%
Adjusted EBITDA[(1)]	269.3	271.9	(2.6)	(1.0)%
Tons sold	49.7	54.7	(5.0)	(9.1)%

____

(1) Adjusted EBITDA , a non-GAAP measure, is defined and reconciled to net loss in *Item 6 - Selected Financial Data.*

Consolidated revenues decreased 6.3% and coal tons sold decreased 9.1% in 2017 compared with 2016. The decline in coal tons sold was driven in part by the Jewett and Beulah contract terminations in 2016 and ongoing demand softness in Ohio. Revenue was also driven lower by customer contract amendments, as further described in "Recent Trends and Activities." Offsetting these declines was revenue from reclamation at Jewett, higher prices at Coal Valley and strong performance from San Juan.

Operating income for 2017 increased $1.1 million compared with 2016. Offsetting the revenue declines were lower costs resulting from fewer tons sold, higher margin reclamation work at Jewett, and the non-recurrence of $66.8 million in charges and accelerated depreciation and depletion associated with the termination of production at the Jewett mine.

Net loss applicable to common shareholders increased $44.2 million primarily as a result of the factors discussed above, as well as the non-recurrence of a 2016 income tax benefit arising from the release of a valuation allowance on our net operating loss deferred tax asset as a result of the San Juan acquisition.

Consolidated Adjusted EBITDA in 2017 declined $2.6 million compared with the prior year. This decrease was driven by the aforementioned revenue declines as well as higher operating costs at certain of our Canadian mines. Offsetting these decreases, Adjusted EBITDA benefited from the 2017 $52.5 million early repayment of loan and lease receivables, representing an increase of $37.4 million over the prior year, as further described in "Recent Trends and Activities."

Coal - U.S. Segment Operating Results

The following table shows the comparative results and changes between periods for the Coal - U.S. segment:

	Years Ended December 31,			
			Increase / (Decrease)	
	2017	2016	$	%
	(In millions)			
Revenues	$ 573.7	$ 651.7	$ (78.0)	(12.0)%
Operating income (loss)	40.1	(8.1)	48.2	*
Adjusted EBITDA[(1)]	129.3	126.6	2.7	2.1 %
Tons sold	20.0	24.1	(4.1)	(17.0)%

(1) Adjusted EBITDA, a non-GAAP measure, is defined and reconciled to net loss in *Item 6 - Selected Financial Data*.
* Not meaningful.

Revenues for the Coal - U.S. segment declined by 12.0% on 17.0% fewer coal tons sold in 2017 as compared with 2016. This decline was driven by the expiration of coal supply agreements at the Jewett and Beulah mines and amended contract terms with one of our merchant customers, which resulted in lower pricing, each as further described in "Recent Trends and Activities." These declines were partially offset by higher revenue from San Juan resulting from strong performance at the mine and 12 months of ownership in 2017 compared with 11 months in 2016. Revenue from reclamation at Jewett, which commenced in 2017, also offset the aforementioned revenue declines.

The segment generated $40.1 million in operating income in 2017 compared to an operating loss of $8.1 million in 2016. Contributing to this increase was higher operating income at our Jewett mine resulting from the high margin nature of the reclamation work performed subsequent to the December 31, 2016 termination of the coal supply agreement. In addition, 2016 operating income for the Jewett mine reflected $66.8 million in charges and accelerated depreciation and depletion associated with the termination of production. These charges did not recur in 2017, and contributed to the year-over-year increase in operating income. Offsetting this year-over-year increase was lower tons sold, as described previously, and higher depreciation, depletion and amortization expense from San Juan due to the longer term of ownership in 2017 and the decrease in estimated useful lives of certain San Juan assets and mineral rights further described in "Recent Trends and Activities."

Adjusted EBITDA increased $2.7 million, or 2.1%, in 2017 compared with 2016 driven by high margin reclamation work at Jewett and increased EBITDA at San Juan, offset by lower coal tons sold from Beulah and Jewett. The aforementioned year-over-year changes in depreciation, depletion and amortization did not impact adjusted EBITDA as it is excluded from the calculation.

Coal - Canada Segment Operating Results

The following table shows the comparative results and changes between periods for the Coal - Canada segment:

	Years Ended December 31,			
			Increase / (Decrease)	
	2017	2016	$	%
	(In millions)			
Revenues	$ 438.3	$ 415.6	$ 22.7	5.5 %
Operating income	8.9	39.1	(30.2)	(77.2)%
Adjusted EBITDA[(1)]	90.0	88.4	1.6	1.8 %
Tons sold	22.8	22.8	—	— %

(1) Adjusted EBITDA, a non-GAAP measure, is defined and reconciled to net loss in *Item 6 - Selected Financial Data*.

Revenues for the Coal - Canada segment increased $22.7 million in 2017 compared with 2016, while tons sold remained flat year over year. The increase in revenue was driven by improved pricing on fewer tons at our Coal Valley mine. Lower tons sold at Coal Valley in 2017 was offset by increases in volume across several of our Canadian mines.

The segment generated operating income of $8.9 million, a decline of $30.2 million compared to the prior year. This decline was driven by increased costs across several Canadian mines, including costs associated with equipment outages and operational challenges described above at Coal Valley, each as further described in "Recent Trends and Activities."

Adjusted EBITDA increased $1.6 million to $90.0 million in 2017 compared to 2016, driven by lower operating income, offset by the early repayment of loan and lease receivables as discussed in “Recent Trends and Activities.”

Coal - WMLP Segment Operating Results

The following table shows the comparative results and changes between periods for the Coal - WMLP segment:

	Years Ended December 31,			
			Increase / (Decrease)	
	2017	2016	$	%
		(In millions)		
Revenues	$ 315.6	$ 349.3	$ (33.7)	(9.6)%
Operating income	9.8	8.9	0.9	10.1 %
Adjusted EBITDA[(1)]	68.7	79.3	(10.6)	(13.4)%
Tons sold	7.4	7.8	(0.4)	(5.1)%

(1) Adjusted EBITDA, a non-GAAP measure, is defined and reconciled to net loss in *Item 6 - Selected Financial Data*.

Compared with 2016, 2017 revenues for the Coal - WMLP segment decreased 9.6% on a 5.1% decline in tons sold. This decline was driven by ongoing pressure on volumes and pricing in our Ohio market offset by increased sales volume at the Kemmerer mine.

Operating income increased 10.1%, or $0.9 million, in 2017 compared with 2016. Declines in revenue were offset by a corresponding decline in cost of sales due to fewer tons sold. Operating costs were also lower due to the impacts of cost savings initiatives, which, year-over-year, drove lower asset impairments, fewer losses on asset sales, and lower depreciation, depletion and amortization expense resulting from a smaller and aging fleet at our Ohio operations. These savings were partially offset by an increase in administrative costs, primarily associated with the ongoing capital structure review, and the $5.9 million asset impairment, all as further described in “Recent Trends and Activities.”

Adjusted EBITDA decreased $10.6 million in 2017 compared with 2016 largely as a result of the decline in revenue and tons sold. Note that Adjusted EBITDA excludes the positive operating income impact of lower depreciation, depletion and amortization expense and the impairment charges discussed above.

Power Segment Operating Results

The following table shows the comparative results and changes between periods for the Power segment:

	Years Ended December 31,			
			Increase / (Decrease)	
	2017	2016	$	%
		(In millions)		
Revenues	$ 77.2	$ 86.6	$ (9.4)	(10.9)%
Operating income	15.3	28.5	(13.2)	(46.3)%
Adjusted EBITDA[(1)]	11.3	3.6	7.7	213.9 %

(1) Adjusted EBITDA, a non-GAAP measure, is defined and reconciled to net loss in *Item 6 - Selected Financial Data*.

Power segment revenues declined $9.4 million in 2017 compared with 2016. Although the termination of power supply contracts resulted in an acceleration of $14.4 million in revenue during October 2017, this was more than offset by the decrease in power revenues resulting from the sale of the plant.

The Power segment generated $15.3 million in operating income during 2017, down $13.2 million, or 46.3%, from 2016. In addition to lower revenue in 2017, the segment recognized a derivative gain of $1.9 million, down from $24.1 million in 2016. Offsetting these changes in operating income was lower cost of sales resulting from the sale of the plant and a $3.0 million gain on the sale of plant assets.

Adjusted EBITDA increased $7.7 million for the year ended December 31, 2017 compared to the prior year largely due to decreases in cost of sales as a result of shutting down the plant and canceling the power purchase agreement. These savings were offset by the revenue decreases described above.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Consolidated Results of Operations

The following table shows the comparative consolidated results and changes between periods:

	Years Ended December 31,			
			Increase / (Decrease)	
	2016	2015	$	%
	(In millions)			
Revenues	$ 1,478.0	$ 1,419.5	$ 58.5	4.1%
Operating income (loss)	38.1	(145.7)	183.8	*
Net loss applicable to common shareholders	(27.1)	(213.6)	186.5	87.3%
Adjusted EBITDA[(1)]	271.9	222.8	49.1	22.0%
Tons sold	54.7	53.3	1.4	2.6%

(1) Adjusted EBITDA , a non-GAAP measure, is defined and reconciled to net loss in *Item 6 - Selected Financial Data*.
* Not meaningful.

Consolidated revenues increased $58.5 million, or 4.1%, and tons sold increased 2.6% during 2016 compared with 2015. This increase was largely driven by the January 31, 2016 acquisition of the San Juan mine, which added $184.4 million in revenue during 2016. Partially offsetting this increase was declines in Coal - Canada and Coal - WMLP revenue resulting from a weaker Canadian dollar and ongoing market pressures in Ohio.

We generated operating income of $38.1 million in 2016 compared with an operating loss of $145.7 million in 2015. The $183.8 million improvement in operating income was largely the result of $136.2 million in impairments in 2015, primarily related to the Power segment, that did not recur in 2016. Operating income also benefited by a $29.6 million improvement in derivative gain/loss as well as a $14.1 million increase in WMLP due to lower fuel and labor costs at our Ohio mines and the impact of cost savings initiatives. These improvements were partially offset by a decline in operating income in our Coal - U.S. segment.

During 2016, net loss applicable to common shareholders improved $186.5 million, or 87.3%, compared with 2015. In addition to the improvements in operating income (loss) discussed above, net loss benefited from a $28.3 million income tax benefit from the first quarter 2016 release of our valuation allowance on our net operating loss deferred tax asset arising from the San Juan acquisition. Offsetting these increases was $20.5 million in additional interest related to the San Juan loan.

Consolidated Adjusted EBITDA increased $49.1 million year over year as a result of strong operating results in our Coal - U.S. and Coal - WMLP segments, slightly offset by lower loan and lease receivable payments in our Coal - Canada segment. Consolidated Adjusted EBITDA does not include, among other things, the impact of the $136.2 million asset impairment in 2015, whereas operating income and net loss applicable to common shareholders include this impact.

Coal - U.S. Segment Operating Results

The following table summarizes key metrics for the Coal - U.S. segment. As a result of the Kemmerer Drop, results for all periods presented reflect the Kemmerer mine as part of the Coal - WMLP segment and not part of the Coal - U.S. segment.

	Years Ended December 31,			
			Increase / (Decrease)	
	2016	2015	$	%
	(In millions)			
Revenues	$ 651.7	$ 552.7	$ 99.0	17.9%
Operating (loss) income	(8.1)	2.2	(10.3)	*
Adjusted EBITDA[(1)]	126.6	77.1	49.5	64.2%
Tons sold	24.1	22.5	1.6	7.1%

(1) Adjusted EBITDA , a non-GAAP measure, is defined and reconciled to net loss in *Item 6 - Selected Financial Data*.
* Not meaningful.

During 2017, revenues for the Coal - U.S. segment increased 17.9% from 2016 on 7.1% more coal tons sold. These increases were primarily as a result of the January 31, 2016 acquisition of the San Juan mine, which added $184.4 million in revenue to the segment in 2016. This increase was offset by decreases from the expected expiration of the Beulah and Jewett contracts as well as cost reduction initiatives at cost-plus mines, leading to decreases in revenue.

The segment incurred an operating loss of $8.1 million during 2016, a decline of $10.3 million from 2015. This decline was driven by increased depreciation and depletion at the Jewett mine resulting from the termination of the contract at December 31, 2016. 2016 operating loss was also impacted by cost savings initiatives throughout the year as well as the contribution of $24.5 million in operating income from the acquisition of San Juan.

Adjusted EBITDA increased $49.5 million in 2016 compared to 2015, primarily as a result of the contribution of $54 million in Adjusted EBITDA from the acquisition of San Juan.

Coal - Canada Segment Operating Results

	Years Ended December 31,			
			Increase / (Decrease)	
	2016	2015	$	%
	(In millions)			
Revenues	$ 415.6	$ 430.4	$ (14.8)	(3.4)%
Operating income	39.1	36.8	2.3	6.3 %
Adjusted EBITDA[(1)]	88.4	105.7	(17.3)	(16.4)%
Tons sold	22.8	22.9	(0.1)	(0.4)%

(1) Adjusted EBITDA , a non-GAAP measure, is defined and reconciled to net loss in *Item 6 - Selected Financial Data*.

Revenues for the Coal - Canada segment declined $14.8 million, or 3.4%, during 2016 compared with 2015. This decline was primarily the result of a weaker Canadian dollar in 2016 compared with the prior year. Whether this decrease persists in future periods is dependent upon fluctuations in the Canadian and U.S. dollar exchange rate. Revenue also decreased because of additional plant downtime in 2016 versus 2015 and decreased tons sold on certain contracts.

Adjusted EBITDA declined $17.3 million, or (16.4)%, in 2016 compared with 2015, driven by accelerated loan and lease receivable payments received in the second and third quarters of 2015 that returned to normal levels in 2016. In addition, the segment encountered record rainfall in 2016, creating less efficient operating conditions at some facilities and fewer tons sold as a result.

Coal - WMLP Segment Operating Results

The following table summarizes key metrics for the Coal - WMLP segment. As a result of the Kemmerer Drop, results for all periods presented reflect the Kemmerer mine as part of the Coal - WMLP segment and not part of the Coal - U.S. segment:

	Years Ended December 31,			
			Increase / (Decrease)	
	2016	2015	$	%
	(In millions)			
Revenues	$ 349.3	$ 388.6	$ (39.3)	(10.1)%
Operating income (loss)	8.9	(5.2)	14.1	*
Adjusted EBITDA(1)	79.3	66.1	13.2	20.0 %
Tons sold	7.8	7.9	(0.1)	(1.3)%

(1) Adjusted EBITDA , a non-GAAP measure, is defined and reconciled to net loss in *Item 6 - Selected Financial Data*.
* Not meaningful.

Revenues for the Coal - WMLP segment decreased 10.1% on 1.3% fewer tons sold. The decline in revenue was primarily the result of continued pricing softness in Ohio.

The segment generated $8.9 million in operating income in 2016, a $14.1 million improvement year over year. This improvement was primarily the result of lower fuel and labor costs at our Ohio mines and the impact of cost savings initiatives at our Kemmerer mine.

Adjusted EBITDA increased $13.2 million, or 20.0%, in 2016 compared with 2015 as a result of improvements in operating income during 2016.

Power Segment Operating Results

	Years Ended December 31,			
			Increase / (Decrease)	
	2016	2015	$	%
	(In millions)			
Revenues	$ 86.6	$ 84.4	$ 2.2	2.6%
Operating income (loss)	28.5	(146.9)	175.4	*
Adjusted EBITDA(1)	3.6	0.7	2.9	414.3%

(1) Adjusted EBITDA , a non-GAAP measure, is defined and reconciled to net loss in *Item 6 - Selected Financial Data*.
* Not meaningful.

Revenues and Adjusted EBITDA for the Power segment were consistent year over year. The segment generated operating income of $28.5 million in 2016 compared with an operating loss of $146.9 million in 2015. The improvement in operating income was largely the result of a $133.1 million asset impairment charge taken in 2015 that did not occur in 2016. Depreciation expense was also $9.9 million lower in 2016 compared to 2015 as a result of this fourth quarter 2015 impairment charge. In addition, the Power segment recognized a gain on power derivatives of $24.1 million during 2016 compared to a loss of $5.6 million during 2015.

Liquidity and Capital Resources

Our liquidity at December 31, 2017 and 2016 was as follows:

	December 31, 2017	December 31, 2016
	(In millions)	
Cash and cash equivalents	$ 103.2	$ 60.1
Revolver availability	28.7	36.3
Total	$ 131.9	$ 96.4

We conduct our operations through subsidiaries. We have significant cash requirements to fund our debt obligations, ongoing heritage health benefit costs, pension contributions, and corporate overhead expenses. Our principal sources of cash are distributions from our operating subsidiaries. The cash at all of our subsidiaries is immediately available, except for the Westmoreland San Juan Entities ($19.3 million and $23.6 million as of December 31, 2017 and 2016, respectively) and WMLP

($36.7 million and $15.1 million as of December 31, 2017 and 2016, respectively). The cash at the Westmoreland San Juan Entities and WMLP is governed as described in *Note 8 - Debt And Lines Of Credit* to the consolidated financial statements.

The WMLP Term Loan limits cash distributions available to unitholders from WMLP to an aggregate amount not to exceed $15.0 million ("Restricted Distributions"), if WMLP has: (i) a consolidated total net leverage ratio of greater than 3.75, or fixed charge coverage ratio of less than 1.00 (as such ratios are defined in the WMLP Term Loan financing agreement), or (ii) liquidity of less than $7.5 million, after giving effect to such cash distribution and applying WMLP's availability under the WMLP Revolver. As of December 31, 2017, WMLP's consolidated total net leverage ratio is in excess of 3.75. Further, as of December 31, 2017, WMLP has utilized the full $15.0 million limit on Restricted Distribution payments and is restricted from making any further distributions under the terms of the WMLP Term Loan financing agreement. Accordingly, distributions from WMLP are currently not available to unitholders, including the Parent.

WMLP Series A Units

We own the entire class of Series A Convertible Units in WMLP ("Series A Units"), which were issued in connection with the Kemmerer Drop. Series A Units have the right to share in distributions on a pro-rata basis with the common units. All or any portion of each distribution payable in respect of the Series A Units may, at the election of WMLP's Board of Directors, be Paid-In-Kind ("PIK") in the form of Series A PIK Units, which also share in future distributions as Series A Units. To the extent any portion of the quarterly distribution with respect to Series A Units is paid in Series A PIK Units, the distribution to the holders of WMLP's incentive distribution rights shall be reduced by that portion of the distribution that is attributable to the payment of those Series A PIK Units.

WMLP Series B Units

In October 2016, the Company exchanged its 4,512,500 common units in WMLP for 4,512,500 Series B Convertible Units in WMLP ("Series B Units"). The Series B Units do not share in distributions with the common units and are convertible on a one-for-one basis into common units on the day after the record date for a cash distribution on the common units in which WMLP is unable to make a distribution equal to the previous quarter's distribution without exceeding its restricted payment basket under the WMLP Term Loan. This date occurred on November 15, 2017 and, at that time, the holder of the Series B Units chose not to convert these Series B Units into common units. The Series B Units will also convert automatically upon a change of control or a dissolution or liquidation of WMLP. The Series B Units have the same voting rights as if they were outstanding common units and will vote together with the common units as a single class. In addition, the Series B Units are entitled to vote as a separate class on any matters that materially adversely affect the rights or preferences of the Series B Units in relation to other classes of partnership interests or as required by law. As the Series B Units do not share in distributions with the common units, we will not receive quarterly cash distributions from WMLP unless and until the Series B Units are converted to common units.

Debt Obligations

See *Note 8 - Debt And Lines Of Credit* to the consolidated financial statements for a description of our different debt facilities.

Covenant Compliance

The WMLP Term Loan matures on December 31, 2018 and WMLP does not currently have liquidity or access to additional capital sufficient to pay off this debt by its maturity date. This condition gives rise to substantial doubt about WMLP's ability to continue as a going concern for one year after the issuance of their financial statements. Certain covenants in the WMLP Term Loan provide that an audit opinion on WMLP's stand-alone consolidated financial statements that includes an explanatory paragraph referencing WMLP's conclusion that substantial doubt exists as to WMLP's ability to continue as a going concern constitutes an event of default. The audit opinion in WMLP's Annual Report on Form 10-K contains such an explanatory paragraph.

On March 1, 2018, the WMLP Term Loan lenders waived the event of default arising as a result of such explanatory paragraph being included in the audit opinion in WMLP's Annual Report on Form 10-K. This waiver expires on the earlier occurrence of May 15, 2018 or upon the occurrence of any other event of default under the WMLP Term Loan. Unless WMLP obtains further waivers for or otherwise cures this event of default, the lenders could accelerate the maturity date of the WMLP Term Loan after the waiver expires, making it immediately due and payable. This event of default under the WMLP Term Loan would also constitute an event of default under our Term Loan and 8.75% Notes, making them also immediately due and payable. Accordingly, all outstanding principal balances and related debt issuance costs for the WMLP Term Loan, the Term Loan and the 8.75% Notes are presented as current debt in our consolidated financial statements. We do not currently have liquidity or access to additional capital sufficient to pay off this debt.

Our Revolver contains a financial covenant requiring that we maintain certain minimum fixed charge coverage ratios. On March 30, 2018, we executed an amendment to our Revolver with Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as agent and as lender, and East West Bank, as a lender, which amended, among other things, the calculation of the term "Canadian EBITDA" as it is used in the fixed charge coverage ratio. The amendment removed certain financial results attributable to the Coal Valley mine from Canadian EBITDA and results in our compliance with the covenant for the year ended December 31, 2017. Absent this amendment we would have failed to satisfy the financial covenant. The amendment also waives any covenant violation for the year ended December 31, 2017 that solely results from the receipt of an opinion from our independent registered public accounting firm that includes an explanatory paragraph referencing WCC's conclusion that substantial doubt exists as to WCC's ability to continue as a going concern.

Our San Juan Loan provides that the issuance of parent company (WCC) financial statements which include an audit opinion containing an explanatory paragraph referencing WCC's conclusion that substantial doubt exists as to WCC's ability to continue as a going concern constitutes an event of default thereunder. On March 28, 2018, we executed an extension and waiver agreement with NM Capital Utility Corporation, as lender, which, among other things, waived the requirement that the audit opinion included in our consolidated financial statements is without such an explanatory paragraph. This waiver expires on the earlier of May 1, 2019 or the occurrence of any event of default not already waived.

The impacts of declining industry conditions and significant debt service requirements on the Company's financial position, results of operations, and cash flows gives rise to substantial doubt about our ability to pay our obligations as they come due. In consideration of the substantial amount of long-term debt outstanding and the aforementioned declining industry conditions and covenant defaults which required waivers or amendments to cure, the Company has engaged advisors to assist with the evaluation of strategic alternatives, which may include, but not be limited to, seeking a restructuring, amendment or refinancing of existing debt through a private restructuring or reorganization under Chapter 11 of the Bankruptcy Code. However, there can be no assurances that the Company will be able to successfully restructure its indebtedness, improve its financial position or complete any strategic transactions. As a result of these uncertainties and the likelihood of a restructuring or reorganization, management has concluded that there is substantial doubt regarding the Company's ability to continue as a going concern.

Restricted Group and Unrestricted Group Results

Under the indenture governing the 8.75% Notes, the Term Loan, the San Juan Loan and the Revolver, Westmoreland San Juan, LLC, Westmoreland Resources GP, LLC, WMLP and all of WMLP's subsidiaries are designated as "unrestricted subsidiaries" (the "Unrestricted Group"). All of our other subsidiaries are restricted subsidiaries (the "Restricted Group"). Only the Restricted Group provides credit support for our obligations under the 8.75% Notes, the Term Loan and the Revolver. The Unrestricted Group is not subject to any of the restrictive covenants in the 8.75% Notes, the Term Loan or the Revolver. Conversely, the Restricted Group are not obligors of the WMLP Term Loan or the San Juan Loan and such indebtedness is non-recourse to the Restricted Group and its assets. See *Exhibit 21.1 - Subsidiaries of the Registrant* for an organizational chart illustrating Restricted and Unrestricted entities.

The 8.75% Notes require summary information for the Restricted and Unrestricted Groups provided as follows:

	Restricted Group	Unrestricted Group	Total
		(In millions)	
Balance sheet information as of December 31, 2017			
Cash and cash equivalents	$ 47.2	$ 56.1	$ 103.3
Total current assets	217.2	125.7	342.9
Total assets	838.0	551.1	1,389.1
Total current liabilities	856.5	390.6	1,247.1
Total debt	673.0	375.4	1,048.4
Total liabilities	1,556.0	576.6	2,132.6
Statement of operations information for the year ended December 31, 2017			
Revenues	$ 862.8	$ 521.8	$ 1,384.6
Operating costs and expenses	851.7	493.7	1,345.4
Operating income	11.1	28.1	39.2
Other income and expenses	(65.0)	(53.3)	(118.3)
Loss before income taxes	(53.9)	(25.2)	(79.1)
Income tax benefit	(5.9)	—	(5.9)
Net loss	(48.0)	(25.2)	(73.2)
Less net loss attributable to noncontrolling interest	(1.8)	—	(1.8)
Net loss attributable to the Parent company	$ (46.2)	$ (25.2)	$ (71.4)
Adjusted EBITDA	$ 128.1	$ 141.2	$ 269.3

Non-Guarantor Restricted Subsidiaries' Results

The 8.75% Notes requires summary information for Absaloka Coal, LLC, WRMI, Westmoreland Canada LLC, the Canadian subsidiaries and our Netherlands subsidiary (collectively, the "Non-Guarantor Restricted Subsidiaries") as follows:

	December 31, 2017	Percent of Consolidated Total
	(In thousands)	
Total assets	$ 704,802	50.7%
Total debt	$ 13,271	1.3%
Total liabilities	$ 220,326	10.3%

	Year Ended December 31, 2017	Percent of Consolidated Total
	(In thousands)	
Revenues	$ 438,272	31.7%
Adjusted EBITDA	$ 90,621	33.6%

Our non-guarantor Canadian Subsidiaries had availability of up to $15.5 million under the Canadian tranche of the Revolver as of December 31, 2017.

Heritage Health Costs and Pension Contributions

Our liquidity continues to be affected by our heritage health and pension obligations as follows:

	2018 Expected	2017 Actual	2016 Actual	2015 Actual
		(In millions)		
Postretirement medical benefits	$ 12.6	$ 11.9	$ 13.2	$ 13.7
Combined benefit fund premiums	1.3	1.4	1.6	1.8
Workers' compensation benefits	0.5	0.5	0.4	0.4
Total heritage health payments	$ 14.4	$ 13.8	$ 15.2	$ 15.9
Pension contributions	$ 2.3	$ 0.8	$ 0.3	$ 0.7

Historical Sources and Uses of Cash

Our net cash provided by (used in) operating, investing, and financing activities are as follows:

	Years Ended December 31,	
	2017	2016
	(In millions)	
Cash provided by (used in):		
Operating activities	$ 114.2	$ 151.9
Investing activities	10.7	(155.7)
Financing activities	(82.8)	40.1

For the twelve months ended December 31, 2016, our operating activities generated $114.2 million in cash flows as a result of our continued execution on our mine mouth strategy. This decreased from the prior year cash flows provided by operating activities of $151.9 million primarily as a result of the contract cancellations discussed in "Recent Trends and Activities" as well as the decrease in Adjusted EBITDA described in "Results of Operations." Investing activities provided $10.7 million in cash compared to using $155.7 million in cash for the year ended December 31, 2016. Cash flows from investing activities in 2017 benefited from $50.5 million in receipts from loan and lease receivables, an increase from $9.0 million in the prior year. In addition, 2016 included cash outflows of $121.0 million to acquire the San Juan mine. No significant acquisitions were completed during 2017. Financing activities used $82.8 million in cash for the year ended December 31, 2017, almost entirely related to principal payments on our long-term debt obligations. In the prior year, financing activities provided $40.1 million, most notably $122.3 million in borrowings to finance the San Juan Acquisition, offset by $70.4 million in repayments of long-term debt.

Asset Retirement Obligations and Related Assets Available to Fund Obligations

Our asset retirement obligations, by segment, are presented in the table below. Asset retirement obligations are discounted based on our credit-adjusted risk-free interest rates.

	Asset Retirement Obligations
	(In thousands)
Coal - U.S.	$ 298,973
Coal - Canada	126,847
Coal - WMLP	45,795
Power	2,852
Total	$ 474,467

Our projected undiscounted, uninflated raw costs of final reclamation and related restricted investments, reclamation deposits, reclamation bond collateral and customer obligations for final reclamation as of December 31, 2017 are as follows:

	Projected Final Reclamation Costs		Reclamation Deposits		Restricted Investments and Bond Collateral		Customer Obligations for Final Reclamation	
	(In thousands)							
Coal - U.S.	$	500,824	$	77,021	$	16,509	$	333,093
Coal - Canada		194,143		—		52,928		—
Coal - WMLP		77,082		—		37,239		—
Power		3,888		—		—		—
Total	$	775,937	$	77,021	$	106,676	$	333,093

Our projected final reclamation costs presented above represent our estimate of the undiscounted cash flows that will be required to complete our reclamation obligations. These undiscounted cash flows are the basis for the asset retirement obligations that are recorded on the Consolidated Balance Sheets at a discounted value. Reclamation deposits represent cash payments collected from customers and reserved for reclamation activities and are recorded on our Consolidated Balance Sheets under the caption *Restricted investments, reclamation deposits and bond collateral*. Restricted investments and bond collateral are available-for-sale securities and other short-term highly liquid investments that are restricted for use in reclamation activities and are not available for the Company's general cash use and are also recorded on the Consolidated Balance Sheets under the caption *Restricted investments, reclamation deposits and bond collateral*. Certain long-term coal supply agreements require that the customer pay us for costs incurred in the performance of reclamation activities. The undiscounted projected final reclamation costs that are subject to reimbursement under these agreements are reflected above but are not recorded on our Consolidated Balance Sheets.

Contractual Obligations and Commitments

Our contractual obligations and commitments as of December 31, 2017 are as follows:

	Payments Due by Period[1]									
	Total		2018		2019-2020		2021-2022		After 2022	
	(In millions)									
Long-term debt obligations (principal and interest)	$	1,293.5	$	416.7	$	474.2	$	402.6	$	—
Capital lease obligations (principal and interest)		35.7		18.3		13.5		3.9		—
Operating lease obligations		23.7		8.7		8.0		3.0		4.0
Benefit plan obligations[2]		687.5		21.4		42.0		42.9		581.2
Reclamation obligations[3]		950.0		49.3		105.2		119.0		676.5
Other long-term liabilities		18.2		16.9		1.3		—		—
Totals	$	3,008.6	$	531.3	$	644.2	$	571.4	$	1,261.7

(1) Debt obligations are scheduled based on their contractual maturities and are not reflective of any potential accelerations discussed further in *Note 8 - Debt And Lines Of Credit* to the consolidated financial statements included in *Item 8 - Financial Statements and Supplementary Data* of this Annual Report on Form 10-K.
(2) Represents benefit payments for our postretirement medical benefits, black lung, workers' compensation, and combined benefit fund plans, as well as contributions for our defined benefit pension plans. Shown at undiscounted amounts.
(3) Future commitments for reclamation obligations are shown at inflated, but undiscounted amounts.

Critical Accounting Policies and Estimates

Use of Estimates

The preparation of consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the amounts reported. *Note 1 - Summary Of Significant Accounting Policies* to the consolidated financial statements describes the significant accounting policies and methods used in the preparation of the Company's consolidated financial statements.

The policies and estimates discussed in this section are considered critical because they had or could have a material impact on our financial statements, and because they require significant judgments, assumptions or estimates. We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates, and such differences could be material.

Postretirement Medical Benefits

We have an obligation to provide postretirement medical benefits to our former employees and their dependents. Detailed information related to this liability is included in *Note 9 - Postretirement Medical Benefits* to the consolidated financial statements. Our liability for our employees' postretirement medical benefit costs is recorded on our Consolidated Balance Sheets in amounts equal to the actuarially determined liability, as this obligation is not funded. We use various assumptions including the discount rate and future cost trends, to estimate the cost and obligation for this item. Annually, Westmoreland determines discount rates for its retirement benefit plans using our third party actuary's yield curve which is based on high quality U.S. corporate bonds. The discount rate is calculated as the single effective rate that produces the equivalent benefit obligation as that determined when discounting future liability cash flows using spot rates from the yield curve. Our discount rates as of December 31, 2017 ranged from 3.45% - 3.85% compared to a range of 3.90% - 4.45% as of December 31, 2016.

Our medical care cost trend assumption is developed by annually examining the historical trend of our cost per claim data and projecting forward the participant claims and our current benefit coverage. If our assumptions do not materialize as expected, actual cash expenditures and costs that we incur could differ materially from our current estimates. Moreover, regulatory changes could increase our obligation to satisfy these or additional obligations.

The PPACA could potentially impact these benefits. The PPACA has both short-term and long-term implications on healthcare benefit plan standards. Implementation of this legislation is planned to occur in phases extending through 2018. We will continue to evaluate the impact of the PPACA in future periods as additional information, interpretations and guidance become available.

Below we have provided a sensitivity analysis on the health care cost trend rate to demonstrate the significance of this rate assumption in relation to reported amounts.

	Postretirement Medical Benefits	
	1% Increase	**1% Decrease**
1% Change in Health Care Cost Trend Rate	(In millions)	
Effect on service and interest cost components	$ 2.7	$ (2.1)
Effect on postretirement medical benefit obligation	48.3	(39.0)

Pension Benefits

We have an obligation to provide pension benefits to our former employees and their dependents. Detailed information related to this liability is included in *Note 10 - Pension And Other Saving Plans* to the consolidated financial statements. Our liability for our employees' pension benefit costs is recorded on our Consolidated Balance Sheets in amounts equal to the actuarially determined liability less pension assets, as this obligation is not fully funded. We use various assumptions including the discount rate and future cost trends, to estimate the cost and obligation for this item. Annually, Westmoreland determines discount rates for its retirement benefit plans using our third party actuary's yield curve which is based on high quality U.S. corporate bonds. The discount rate is calculated as the single effective rate that produces the equivalent benefit obligation as that determined when discounting future liability cash flows using spot rates from the yield curve. Our discount rates at December 31, 2017 ranged from 3.30% - 3.55% compared to a range of 3.60% - 4.05% at December 31, 2016.

Asset Retirement Obligations, Final Reclamation Costs and Reserve Estimates

Our asset retirement obligations primarily consist of cost estimates for final reclamation of surface land and support facilities at surface mines and ash disposal for burned coal from our former power plants in accordance with federal and state reclamation laws. Asset retirement obligations are based on projected pit configurations and are determined for each mine using estimates and assumptions including estimates of disturbed acreage as determined from engineering data, estimates of future costs to reclaim the disturbed acreage, the timing of these cash flows, and a credit-adjusted, risk-free rate. As changes in estimates occur such as mine plan revisions, changes in estimated costs, or changes in timing of the final reclamation activities, the obligation and asset retirement cost are revised to reflect the new estimate after applying the appropriate credit-adjusted, risk-free rate to the changes. If our assumptions do not materialize as expected, actual cash expenditures and costs that we incur could be materially different from currently estimated. Moreover, regulatory changes could increase our obligation to perform final reclamation and mine closing activities.

Income Taxes and Deferred Income Taxes

The Company is subject to income taxes in the U.S. (including federal and state) and certain foreign jurisdictions. Deferred income taxes are provided for temporary differences arising from differences between the financial statement amount and tax basis of assets and liabilities existing at each balance sheet date using enacted tax rates anticipated to be in effect when the related taxes are expected to be paid or recovered. A valuation allowance is established if it is more likely than not (greater than 50%) that a deferred tax asset will not be realized. In determining the need for a valuation allowance at each reporting period, the Company considers projected realization of tax benefits based on expected levels of future taxable income, the duration of statutory carryforward periods, experience with operating loss and tax credit carryforwards not expiring and availability of tax planning strategies.

Accounting guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under this guidance, a company can recognize the benefit of an income tax position only if it is more likely than not (greater than 50%) that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position. Guidance is also provided on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of December 31, 2017, the Company had significant deferred tax assets. The deferred tax assets include U.S. federal, state and foreign net operating losses ("NOL") and net deductible reversing temporary differences related to on-going differences between book and taxable income. The Company has determined that since its net deductible temporary differences will not reverse for the foreseeable future, and it is unable to forecast that it will have regular taxable income when they do reverse, a full valuation allowance is required for these deferred tax assets.

Valuation of Long-Lived Assets

The carrying amount of long-lived tangible and intangible assets assets to be held and used in the business are reviewed for impairment when events or circumstances warrant such a review. Indicators of impairment include, but are not limited to: a significant change in the extent or manner in which an asset is used; a change in customer demand that could affect the value of the asset group; a significant decline in the observable market value of an asset group; or a significant adverse change in legal factors or in the business climate that could affect the value of the asset group.

Assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Coal mining assets are generally grouped at the mine level.

When indicators of impairment are present, the Company evaluates its long-lived assets for recoverability by comparing the estimated undiscounted cash flows expected to be generated by those assets under various assumptions to their carrying amounts. If such undiscounted cash flows indicate that the carrying value of the asset group is not recoverable, impairment losses are measured by comparing the estimated fair value of the asset group to its carrying amount. Fair value is generally determined through the use of an expected present value technique based on the income approach. The estimated future cash flows and underlying assumptions used to assess recoverability and, if necessary, measure the fair value of the Company’s long-lived asset groups are derived from those developed in connection with the Company’s planning and budgeting process. The Company believes its assumptions to be consistent with those a market participant would use for valuation purposes.

For the year ended December 31, 2017, we recorded an impairment charge of $5.9 million related to land and mineral rights in Kentucky within our Coal - WMLP segment which were determined to have no further economic value. No impairments were recorded for the year ended December 31, 2016. For the year ended December 31, 2015, we recorded an impairment charge of $133.1 million related to our ROVA asset group, which was comprised of property, plant, and equipment used to generate electricity in our Power segment primarily as a result of a continued decline in forecasted power prices. We also recorded a $3.1 million impairment charge related to certain long-lived assets at our Coal Valley mine due primarily to continued decreases in coal prices in the export market that the mine serves.

Business Combination Measurements

Acquisitions are accounted for under the acquisition method of accounting that requires the total purchase consideration to be allocated to the assets acquired and liabilities assumed based on estimates of fair value. During the measurement period (which is not to exceed one year from the acquisition date), additional assets or liabilities may be recognized if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of those assets or liabilities as of that date. The preliminary allocation may be adjusted after obtaining additional information regarding, among other things, asset valuations, liabilities assumed and revisions of previous estimates. These adjustments may be significant and will be accounted for in the period they are identified.

Recent Accounting Pronouncements

See *Note 1 - Summary Of Significant Accounting Policies* to the consolidated financial statements for a full description of recent accounting pronouncements and our expectation of their impact on our Consolidated Financial Statements.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to certain off-balance sheet arrangements. These arrangements include financial instruments with off-balance sheet risk such as bank letters of credit and performance or surety bonds. We utilize surety bonds and letters of credit issued by financial institutions to third parties to assure the performance of our obligations relating to reclamation, workers' compensation, postretirement medical benefits, and other obligations. These arrangements are not reflected in the Consolidated Balance Sheets, and we do not expect any material adverse effects on our financial condition, results of operations or cash flows to result from these off-balance sheet arrangements. A summary of the items specified above as of December 31, 2017 is as follows:

	Reclamation Obligations	Workers' Compensation Obligations	Post Retirement Medical Benefit Obligations	Other	Total
			(In millions)		
Surety bonds	$ 617.8	$ 9.1	$ 9.1	$ 3.2	$ 639.2
Letters of credit	54.9	—	—	2.4	57.3
	$ 672.7	$ 9.1	$ 9.1	$ 5.6	$ 696.5

ITEM 7A — *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.*

We are exposed to market risk, which includes adverse changes in commodity prices, interest rates and credit risk.

Commodity Price Risk

We manage our commodity price risks for coal sales through the use of supply contracts and the use of forward-purchase contracts. Some of the products used in our mining activities, such as diesel fuel, are subject to price volatility. Through our suppliers, we utilize forward-purchase contracts to manage the exposure related to this volatility. Additionally, our expected diesel fuel needs are protected, in varying amounts, by diesel fuel escalation provisions contained in coal supply contracts with some of our customers, allowing for changes in the price per coal ton sold when changes in diesel fuel pricing occur. Price changes typically lag the changes in diesel fuel costs by one quarter. Based on forecasted diesel fuel gallons to be used in 2018 and price protected diesel fuel gallons as of December 31, 2017, a hypothetical increase of 10% in the average cost of diesel fuel would increase 2018 cost of sales by $8.0 million.

For our coal contracts that are not cost protected, we have exposure to price risk for supplies that are used in the normal course of production such as diesel fuel and explosives. We manage these items through strategic sourcing contracts in normal quantities with our suppliers and may use derivatives from time to time. As of December 31, 2017, we had fuel supply contracts outstanding with a minimum purchase requirement of 9.0 million gallons of diesel fuel for 2018. These contracts qualify for the normal purchase normal sale exception under hedge accounting.

Interest Rate Risk

We are exposed to market risk associated with interest rates due to our existing indebtedness that is indexed to either prime rate or LIBOR. We have not historically used interest rate hedging instruments to manage our interest rate risk. The following table shows the approximate effect an increase or decrease of 100 basis points in the interest rates would have on our interest expense based on interest rates as of December 31, 2017 (in millions):

Debt with Interest Rates that Fluctuate Based on Changes in Market Rates	Outstanding Debt Balance	Annualized Increase to Interest Expense	Annualized Decrease to Interest Expense
Term Loan	$ 320.6	$ 2.4	$ (2.4)
San Juan Loan	56.6	0.5	(0.5)
WMLP Term Loan	312.7	2.4	(2.2)

Credit Risk

We are exposed to credit loss in the event of non-performance by our counterparties. We attempt to manage this exposure by entering into agreements with counterparties that meet our credit standards and that are expected to fully satisfy their obligations under the contracts. These steps may not always be effective in addressing counterparty credit risk.

Currency Rate Exposure

Our operations in Canada primarily transact in Canadian dollars. Where significant, we have quantified and described the impact of foreign currency translation on components of income (loss), including operating revenue and operating expenses. However, the impact of foreign currency has not materially affected our results of operations.

ITEM 8 — *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.*

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Westmoreland Coal Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Westmoreland Coal Company and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive loss, shareholders' deficit, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 2, 2018 expressed an unqualified opinion thereon.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has a substantial amount of long-term debt outstanding, is subject to declining industry conditions that are negatively impacting the Company's financial position, results of operations, and cash flows, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2009.

Denver, Colorado
April 2, 2018

WESTMORELAND COAL COMPANY AND SUBSIDIARIES
Consolidated Balance Sheets

	December 31, 2017	December 31, 2016
Assets	(In thousands)	
Current assets:		
Cash and cash equivalents	$ 103,247	$ 60,082
Receivables:		
Trade	103,611	140,731
Loan and lease receivables	—	5,867
Other	17,697	13,261
Total receivables	121,308	159,859
Inventories	106,795	125,515
Other current assets	11,517	32,258
Total current assets	342,867	377,714
Land, mineral rights, property, plant and equipment	1,665,740	1,617,938
Less accumulated depreciation, depletion and amortization	923,905	782,417
Net land, mineral rights, property, plant and equipment	741,835	835,521
Loan and lease receivables, less current portion	—	44,474
Advanced coal royalties	21,404	18,722
Restricted investments, reclamation deposits and bond collateral	200,194	219,275
Investment in joint venture	27,763	26,951
Other assets	55,036	62,252
Total Assets	$ 1,389,099	$ 1,584,909
Liabilities and Shareholders’ Deficit		
Current liabilities:		
Current installments of long-term debt	$ 983,427	$ 86,272
Accounts payable and accrued expenses:		
Trade and other accrued liabilities	121,489	142,233
Interest payable	22,840	22,458
Production taxes	41,688	44,995
Postretirement medical benefits	14,734	14,892
Deferred revenue	5,068	15,253
Asset retirement obligations	48,429	32,207
Other current liabilities	9,401	20,964
Total current liabilities	1,247,076	379,274
Long-term debt, less current installments	64,980	1,022,794
Postretirement medical benefits, less current portion	317,407	308,709
Pension and SERP obligations, less current portion	43,585	43,982
Deferred revenue, less current portion	1,984	16,251
Asset retirement obligations, less current portion	426,038	451,834
Other liabilities	31,477	52,182
Total liabilities	2,132,547	2,275,026
Shareholders’ deficit:		
Common stock of $0.01 par value: Authorized 30,000,000 shares; Issued and outstanding 18,771,643 shares at December 31, 2017 and 18,570,642 shares at December 31, 2016	188	186
Other paid-in capital	250,494	248,143
Accumulated other comprehensive loss	(160,525)	(179,072)
Accumulated deficit	(829,107)	(757,367)
Total shareholders’ deficit	(738,950)	(688,110)
Noncontrolling interests in consolidated subsidiaries	(4,498)	(2,007)
Total deficit	(743,448)	(690,117)
Total Liabilities and Shareholders' Deficit	$ 1,389,099	$ 1,584,909

See accompanying Notes to Consolidated Financial Statements.

WESTMORELAND COAL COMPANY AND SUBSIDIARIES
Consolidated Statements of Operations

	Years Ended December 31,		
	2017	2016	2015
	(In thousands, except per share data)		
Revenues	$ 1,384,568	$ 1,477,960	$ 1,419,518
Cost, expenses and other:			
Cost of sales (exclusive of depreciation, depletion and amortization, shown separately)	1,096,098	1,156,687	1,175,849
Depreciation, depletion and amortization	121,054	185,267	140,328
Selling and administrative	120,184	108,560	95,554
Heritage health benefit expenses	12,633	11,777	14,573
(Gain) loss on sale/disposal of assets	(2,671)	(1,124)	4,866
Loss on impairment	5,872	—	136,210
Restructuring charges	—	—	656
Derivative (gain) loss	(1,929)	(24,055)	5,587
Income from equity affiliates	(5,885)	(5,591)	(5,409)
Other operating loss (income)	—	8,309	(3,000)
	1,345,356	1,439,830	1,565,214
Operating income (loss)	39,212	38,130	(145,696)
Other (expense) income:			
Interest expense	(118,657)	(121,819)	(101,311)
Loss on extinguishment of debt	—	—	(5,385)
Interest income	4,101	7,435	7,993
(Loss) gain on foreign exchange	(3,108)	(715)	3,674
Other (loss) income	(573)	38	1,740
	(118,237)	(115,061)	(93,289)
Loss before income taxes	(79,025)	(76,931)	(238,985)
Income tax benefit	(5,890)	(48,059)	(19,890)
Net loss	(73,135)	(28,872)	(219,095)
Less net loss attributable to noncontrolling interest	(1,795)	(1,771)	(5,453)
Net loss attributable to the Parent company	(71,340)	(27,101)	(213,642)
Less preferred stock dividend requirements	—	—	3
Net loss applicable to common shareholders	$ (71,340)	$ (27,101)	$ (213,645)
Net loss per share applicable to common shareholders:			
Basic and diluted	$ (3.82)	$ (1.47)	$ (11.93)
Weighted average number of common shares outstanding:			
Basic and diluted	18,694	18,486	17,905

See accompanying Notes to Consolidated Financial Statements.

WESTMORELAND COAL COMPANY AND SUBSIDIARIES
Consolidated Statements of Comprehensive Loss

	Years Ended December 31,		
	2017	2016	2015
		(In thousands)	
Net loss	$ (73,135)	$ (28,872)	$ (219,095)
Other comprehensive income (loss)			
Pension and other postretirement plans:			
Amortization of accumulated actuarial gains and prior service costs, pension	2,826	4,361	1,886
Adjustments to accumulated actuarial gains and transition obligations, pension	3,376	3,010	160
Amortization of accumulated actuarial gains, transition obligations, and prior service costs, postretirement medical benefits	3,663	1,259	1,308
Adjustments to accumulated actuarial (losses) gains and transition obligations, postretirement medical benefits	(6,893)	(22,066)	7,322
Tax effect of other comprehensive income gains	(2,037)	—	(3,335)
Foreign currency translation adjustment gains (losses)	16,562	8,983	(51,866)
Unrealized and realized gains (losses) on available-for-sale securities	1,065	(345)	(1,738)
Other comprehensive income (loss), net of income taxes	18,562	(4,798)	(46,263)
Comprehensive loss	(54,573)	(33,670)	(265,358)
Less: Comprehensive loss attributable to noncontrolling interest	(1,780)	(1,767)	(5,453)
Comprehensive loss attributable to common shareholders	$ (52,793)	$ (31,903)	$ (259,905)

See accompanying Notes to Consolidated Financial Statements.

WESTMORELAND COAL COMPANY AND SUBSIDIARIES
Consolidated Statements of Shareholders' Deficit
Years Ended December 31, 2015, 2016 and 2017

	Preferred Stock		Common Stock		Other Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non-controlling Interest	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount					
	(In thousands, except shares data)								
Balance at December 31, 2014	91,669	$ 92	17,102,777	$ 42,756	$ 185,644	$ (128,007)	$ (516,621)	$ 15,261	$ (400,875)
Preferred dividends declared	—	—	—	—	—	—	(3)	—	(3)
WMLP distributions	—	—	—	—	—	—	—	(797)	(797)
Share-based compensation	—	—	269,567	100	7,648	—	—	—	7,748
Conversion of convertible notes and securities	(91,669)	(92)	604,557	1,511	(1,738)	—	—	—	(319)
Vesting of restricted stock less tax withholding	—	—	185,247	408	(3,705)	—	—	—	(3,297)
Changes in WMLP ownership percentage	—	—	—	—	8,279	—	—	(8,279)	—
Change in par value of common stock from $2.50 to $0.01	—	—	—	(44,593)	44,593	—	—	—	—
Net loss	—	—	—	—	—	—	(213,642)	(5,453)	(219,095)
Other comprehensive loss	—	—	—	—	—	(46,263)	—	—	(46,263)
Balance at December 31, 2015	—	—	18,162,148	182	240,721	(174,270)	(730,266)	732	(662,901)
WMLP distributions	—	—	—	—	—	—	—	(972)	(972)
Share-based compensation	—	—	342,353	3	7,581	—	—	—	7,584
Vesting of restricted stock less tax withholding	—	—	66,141	1	(159)	—	—	—	(158)
Net loss	—	—	—	—	—	—	(27,101)	(1,771)	(28,872)
Other comprehensive loss	—	—	—	—	—	(4,802)	—	4	(4,798)
Balance at December 31, 2016	—	—	18,570,642	186	248,143	(179,072)	(757,367)	(2,007)	(690,117)
Cumulative effect of adoption of ASU 2016-16	—	—	—	—	—	—	(400)	—	(400)
WMLP distributions	—	—	—	—	—	—	—	(711)	(711)
Share-based compensation	—	—	—	—	3,200	—	—	—	3,200
Vesting of restricted stock less tax withholding	—	—	201,001	2	(849)	—	—	—	(847)
Net loss	—	—	—	—	—	—	(71,340)	(1,795)	(73,135)
Other comprehensive income	—	—	—	—	—	18,547	—	15	18,562
Balance at December 31, 2017	—	$ —	18,771,643	$ 188	$ 250,494	$ (160,525)	$ (829,107)	$ (4,498)	$ (743,448)

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

WESTMORELAND COAL COMPANY AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Cash flows from operating activities:			
Net loss	$ (73,135)	$ (28,872)	$ (219,095)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation, depletion and amortization	121,054	185,267	140,328
Accretion of asset retirement obligation	45,132	40,423	38,892
Share-based compensation	3,200	7,584	7,748
Non-cash interest expense	9,344	9,215	6,857
Amortization of deferred financing costs	10,778	11,537	10,601
Loss on extinguishment of debt	—	—	4,445
(Gain) loss on derivative instruments	(1,929)	(24,055)	5,587
Loss (gain) on foreign exchange	3,108	715	(3,674)
Loss on impairment	5,872	—	136,210
Income from equity affiliates	(5,885)	(5,591)	(5,409)
Distributions from equity affiliates	6,977	6,914	7,057
Deferred income taxes benefit	(5,909)	(46,142)	(17,961)
Other	560	(2,705)	(146)
Changes in operating assets and liabilities:			
Receivables	35,636	(4,430)	1,987
Inventories	20,309	13,033	1,800
Accounts payable and accrued expenses	(20,180)	10,505	(5,447)
Interest payable	471	5,131	(5,569)
Deferred revenue	(24,462)	(7,370)	(13,094)
Other assets and liabilities	20,467	13,227	(19,613)
Asset retirement obligations	(43,403)	(32,452)	(25,942)
Return of derivative collateral	6,158	—	—
Net cash provided by operating activities	114,163	151,934	45,562
Cash flows from investing activities:			
Additions to property, plant and equipment	(35,016)	(46,132)	(77,921)
Proceeds from sales of restricted investments	50,226	34,814	15,532
Purchases of restricted investments	(54,281)	(36,052)	(28,670)
Cash payments in escrow for future acquisitions	—	—	34,000
Cash payments related to acquisitions and other	(3,580)	(120,992)	(32,529)
Cash acquired related to acquisition, net	—	—	2,780
Proceeds from sales of assets	4,990	7,695	2,224
Receipts from loan and lease receivables	50,488	8,987	21,954
Payments related to loan and lease receivables	—	(2,164)	(5,654)
Other	(2,166)	(1,850)	(2,517)
Net cash provided by (used in) investing activities	10,661	(155,694)	(70,801)
Cash flows from financing activities:			
Borrowings from long-term debt, net of debt discount	—	122,250	199,359
Repayments of long-term debt	(82,091)	(70,370)	(148,071)
Borrowings on revolving lines of credit	275,300	423,500	201,746
Repayments on revolving lines of credit	(275,300)	(425,500)	(209,351)
Debt issuance costs and other refinancing costs	—	(8,784)	(8,132)
Other	(711)	(974)	1,172
Net cash (used in) provided by financing activities	(82,802)	40,122	36,723
Effect of exchange rate changes on cash	1,143	784	(2,806)
Net increase in cash and cash equivalents	43,165	37,146	8,678
Cash and cash equivalents, beginning of year	60,082	22,936	14,258
Cash and cash equivalents, end of year	$ 103,247	$ 60,082	$ 22,936
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 98,139	$ 96,290	$ 72,972
Cash paid for income taxes	—	1,316	434
Non-cash transactions:			
Accrued purchases of property and equipment	$ 4,019	$ 6,496	$ 3,766
Capital leases and other financing sources	1,333	27,355	15,232

See accompanying Notes to Consolidated Financial Statements.

WESTMORELAND COAL COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern, Liquidity and Management's Plan

The WMLP Term Loan matures on December 31, 2018 and WMLP does not currently have liquidity or access to additional capital sufficient to pay off this debt by its maturity date. This condition gives rise to substantial doubt about WMLP's ability to continue as a going concern for one year after the issuance of their financial statements. Certain covenants in the WMLP Term Loan provide that an audit opinion on WMLP's stand-alone consolidated financial statements that includes an explanatory paragraph referencing WMLP's conclusion that substantial doubt exists as to WMLP's ability to continue as a going concern constitutes an event of default. The audit opinion in WMLP's Annual Report on Form 10-K contains such an explanatory paragraph.

On March 1, 2018, the WMLP Term Loan lenders waived the event of default arising as a result of such explanatory paragraph being included in the audit opinion in WMLP's Annual Report on Form 10-K. This waiver expires on the earlier occurrence of May 15, 2018 or upon the occurrence of any other event of default under the WMLP Term Loan. Unless WMLP obtains further waivers for or otherwise cures this event of default, the lenders could accelerate the maturity date of the WMLP Term Loan after the waiver expires, making it immediately due and payable. This event of default under the WMLP Term Loan would also constitute an event of default under our Term Loan and 8.75% Notes, making them also immediately due and payable. Accordingly, all outstanding principal balances and related debt issuance costs for the WMLP Term Loan, the Term Loan and the 8.75% Notes are presented as current debt in our consolidated financial statements. We do not currently have liquidity or access to additional capital sufficient to pay off this debt.

Our Revolver contains a financial covenant requiring that we maintain certain minimum fixed charge coverage ratios. On March 30, 2018, we executed an amendment to our Revolver with Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as agent and as lender, and East West Bank, as a lender, which amended, among other things, the calculation of Canadian EBITDA as it is used in the fixed charge coverage ratio. The amendment removed certain financial results attributable to the Coal Valley mine from Canadian EBITDA and results in our compliance with the covenant for the year ended December 31, 2017. Absent this amendment we would have failed to satisfy the financial covenant. The amendment also waives any covenant violation for the year ended December 31, 2017 that solely results from the receipt of an opinion from our independent registered public accounting firm that includes an explanatory paragraph referencing WCC's conclusion that substantial doubt exists as to WCC's ability to continue as a going concern.

Our San Juan Loan provides that the issuance of parent company (WCC) financial statements which include an audit opinion containing an explanatory paragraph referencing WCC's conclusion that substantial doubt exists as to WCC's ability to continue as a going concern constitutes an event of default thereunder. On March 28, 2018, we executed an extension and waiver agreement with NM Capital Utility Corporation, as lender, which, among other things, waived the requirement that the audit opinion included in our consolidated financial statements is without such an explanatory paragraph. This waiver expires on the earlier of May 1, 2019 or the occurrence of any event of default not already waived.

The impacts of declining industry conditions and significant debt service requirements on the Company's financial position, results of operations, and cash flows gives rise to substantial doubt about our ability to pay our obligations as they come due. In consideration of the substantial amount of long-term debt outstanding and the aforementioned declining industry conditions and covenant defaults which required waivers or amendments to cure, the Company has engaged advisors to assist with the evaluation of strategic alternatives, which may include, but not be limited to, seeking a restructuring, amendment or refinancing of existing debt through a private restructuring or reorganization under Chapter 11 of the Bankruptcy Code. However, there can be no assurances that the Company will be able to successfully restructure its indebtedness, improve its financial position or complete any strategic transactions. As a result of these uncertainties and the likelihood of a restructuring or reorganization, management has concluded that there is substantial doubt regarding the Company's ability to continue as a going concern.

The accompanying consolidated financial statements are prepared on a going concern basis and do not include any adjustments that might result from uncertainty about our ability to continue as a going concern, other than the reclassification of certain long-term debt and the related debt issuance costs to current liabilities and current assets, respectively. The report from the Company's independent registered public accounting firm on its consolidated financial statements included herein includes an explanatory paragraph that summarizes the salient facts or conditions that raise substantial doubt about the Company's ability to continue as a going concern.

Nature of Operations

Westmoreland Coal Company, or the "Company," "Westmoreland," "WCC," "We," "Our" or the "Parent," is an energy mining company with our principal activities conducted within the United States and Canada. Our U.S. operations include the production and sale of coal from mines in Montana, Wyoming, North Dakota, Texas, New Mexico and Ohio. Our Canadian operations include the production and sale of coal from six surface mines in Alberta and Saskatchewan, a char production facility from which we sell char to the barbecue briquette industry, and a 50% stake in an activated carbon plant which produces activated carbon for the removal of mercury from flue gas.

Consolidation Policy

The Consolidated Financial Statements of Westmoreland Coal Company include the accounts of the Company and its controlled subsidiaries. The Company provides for noncontrolling interests in consolidated subsidiaries in which the Company's ownership is less than 100%. All intercompany accounts and transactions have been eliminated.

Investments in unconsolidated affiliates that the Company has the ability to exercise significant influence over, but not control, are accounted for under the equity method of accounting. Under the equity method of accounting, the Company records its proportionate share of the entity's net income or loss at each reporting period in *Income from equity affiliates* in the Consolidated Statements of Operations with a corresponding entry to increase or decrease the carrying value of the investment. The Company's 50% interest in the Estevan Activated Carbon Joint Venture is accounted for under the equity method of accounting.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximate fair value. Cash equivalents consist of highly liquid investments with original maturities of three months or less.

Trade Receivables

Trade receivables are recorded at the invoiced amount and do not bear interest. The Company evaluates the need for an allowance for doubtful accounts based on a review of collectability. The Company has determined that no allowance is necessary for trade receivables as of December 31, 2017 or 2016.

Loan and Lease Receivables

All loan and lease receivables were collected during the year ended December 31, 2017 and we do not expect to enter into any such transactions going forward. The Company historically executed loans and finance leases at the Genesee mine with its only customer for purposes of funding capital expenditures and working capital requirements. Finance lease and loan receivables were measured at their carrying value at the inception of the arrangement. Lease payments received were comprised of a repayment of principal and finance income. Finance income was recognized based on the interest rate implicit in the finance lease and recognized in *Interest income* on the Consolidated Statements of Operations. We recognized finance income over periods between three and twenty-seven years, which reflected a constant periodic return on our net investment in the finance lease.

Inventories

Inventories include materials and supplies, which are carried at historical cost less an obsolescence reserve, when necessary, and coal, which is carried at the lower of cost or net realizable value. Cost of coal is determined using the average cost method and includes labor, supplies, equipment, depreciation, depletion, amortization, operating overhead and other related costs.

Exploration and Mine Development

Exploration expenditures are charged to *Cost of sales* as incurred, including costs related to drilling and study costs incurred to convert or upgrade mineral resources to reserves.

At existing surface operations, additional pits may be added to increase production capacity in order to meet customer requirements. These expansions may require significant capital to purchase additional equipment, relocate equipment, build or improve existing haul roads and create the initial pre-production box cut to remove overburden for new pits at existing operations. If these pits operate in a separate and distinct area of the mine, the costs associated with initially uncovering coal for production are capitalized and amortized over the life of the developed pit consistent with coal industry practices. Once production has begun, mining costs are then expensed as incurred.

Where new pits are routinely developed as part of a contiguous mining sequence, the Company expenses such costs as incurred. The development of a contiguous pit typically reflects the planned progression of an existing pit, thus maintaining production levels from the same mining area utilizing the same employee group and equipment.

Land, Mineral Rights, Property, Plant and Equipment

Land, mineral rights, property, plant and equipment are recorded at acquisition cost. Expenditures that extend the useful lives of existing plant and equipment, or increase productivity of plant and equipment, are capitalized. Maintenance and repair costs that do not extend the useful lives or increase productivity of plant and equipment are expensed as incurred.

Coal reserves, mineral rights and mine development costs are depleted based upon estimated proven and probable reserves. Long-term spare parts inventory begins depreciation when placed in service. Plant and equipment are depreciated on a straight-line basis over the assets' estimated useful lives as follows:

	Years
Buildings and improvements	5 to 40
Machinery and equipment	1 to 36

When an asset is retired or sold, its cost and related accumulated depreciation and depletion are removed from the accounts. The difference between the net book value of the asset and proceeds on disposition is recorded as a gain or loss. Fully depreciated plant and equipment still in use is not eliminated from the accounts. Amortization of capital leases is included in *Depreciation, depletion and amortization*.

Deferred Longwall Costs

The Company defers the direct costs associated with longwall moves, including longwall set-up costs, supplies and refurbishment costs of longwall equipment at our San Juan mine. These deferred costs are expensed on a units-of-production basis into cost of coal produced (excluding depreciation, depletion and amortization) over the panel benefited by these costs, which has historically approximated one year.

Impairment of Long-Lived Assets

The Company evaluates its long-lived assets held and used in operations for impairment as events and changes in circumstances indicate that the carrying amount of such assets might not be recoverable. Factors that would indicate potential impairment to be present include, but are not limited to, a sustained history of operating or cash flow losses, an unfavorable change in earnings and cash flow outlook, prolonged adverse industry or economic trends or a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition.

Assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Coal mining assets are generally grouped at the mine level.

When indicators of impairment are present, the Company evaluates its long-lived assets for recoverability by comparing the estimated undiscounted cash flows expected to be generated by those assets under various assumptions to their carrying amounts. If such undiscounted cash flows indicate that the carrying value of the asset group is not recoverable, impairment losses are measured by comparing the estimated fair value of the asset group to its carrying amount. Fair value is generally determined through the use of an expected present value technique based on the income approach. The estimated future cash flows and underlying assumptions used to assess recoverability and, if necessary, measure the fair value of the Company's long-lived asset groups are derived from those developed in connection with the Company's planning and budgeting process.

Reclamation Deposits

Certain of the Company's customers have pre-funded a portion of expected reclamation costs. Amounts received from customers and held on deposit are recorded within *Restricted investments, reclamation deposits and bond collateral*.

Financial Instruments

The Company evaluates all of its financial instruments to determine if such instruments are derivatives, derivatives that qualify for the normal purchase normal sale exception or instruments that contain features that qualify them as embedded derivatives. Except for derivatives that qualify for the normal purchase normal sale exception, all derivative financial instruments are recognized in the balance sheet at fair value. Changes in fair value are recognized in earnings if they are not eligible for hedge accounting or *Accumulated other comprehensive loss* if they qualify for hedge accounting.

The Company has securities classified as available-for-sale, which are recorded at fair value. The changes in fair values are recorded as unrealized gains (losses) as a component of *Accumulated other comprehensive loss* in the Consolidated Balance Sheets.

The Company reviews its securities routinely for other-than-temporary impairment. The primary factors used to determine if an impairment charge must be recorded because a decline in value of the security is other than temporary include (i) whether the fair value of the investment is significantly below its cost basis, (ii) the financial condition of the issuer of the security, (iii) the length of time that the cost of the security has exceeded its fair value and (iv) the Company's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value. Other-than-temporary impairments are recorded as a component of *Other (loss) income*.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a given measurement date. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy, as defined below, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1, defined as observable inputs such as quoted prices in active markets for identical assets. Level 1 assets include available-for-sale equity securities generally valued based on independent third-party market prices.
- Level 2, defined as observable inputs other than Level 1 prices. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

See *Note 4 - Loss On Impairment*, *Note 6 - Restricted Investments, Reclamation Deposits And Bond Collateral* and *Note 13 - Fair Value Measurements* to the consolidated financial statements for further disclosures related to the Company's fair value estimates.

Intangible Assets and Liabilities

Identifiable intangible assets or liabilities acquired in a business combination are specifically identified and recognized on a standalone basis. These intangible assets and liabilities are amortized on a straight-line basis over the respective useful life of the asset or liability. See *Note 7 - Intangible Assets And Liabilities* to the consolidated financial statements for further details.

Workers' Compensation Benefits

The Company is self-insured for workers' compensation claims incurred prior to 1996. The liabilities for workers' compensation claims are actuarially determined estimates of the ultimate losses incurred based on the Company's experience. Adjustments to the actuarially determined liability are made annually based on subsequent developments and experience and are included in operations at the time of the revised estimate. The Company insures its current employees through third-party insurance providers and state arrangements.

Pneumoconiosis (Black Lung) Benefits

The Company is self-insured for federal and state black lung benefits for former Heritage employees. The Company accounts for these benefits on the accrual basis. An independent actuary annually calculates the present value of the accumulated black lung obligation. The liability is included in *Other liabilities* on the Consolidated Balance Sheets.

The Company insures its current represented employees through arrangements with its unions and its current non-represented employees are insured through third-party insurance providers. The Company maintains actuarially determined accruals to account for estimates of the ultimate losses incurred.

Postretirement Health Care Benefits

The Company accrues the cost to provide the benefits over the employees' period of active service for postretirement benefits other than pensions. These costs are determined on an actuarial basis. The Company's Consolidated Balance Sheets reflect the unfunded status of postretirement benefit obligations.

Pension and SERP Plans

The Company accrues the cost to provide the benefits over the employees' period of active service for the non-contributory defined benefit pension and SERP plans it sponsors. These costs are determined on an actuarial basis. The Company's Consolidated Balance Sheets reflect the unfunded status of the defined benefit pension and SERP plans, with the current portion of the liability in *Other current liabilities*.

Deferred Revenue

Deferred revenues represent funding received in advance of meeting the revenue recognition criteria. Deferred revenues will be recognized as revenue in the periods in which all revenue recognition criteria have been met.

Asset Retirement Obligations

The Company's asset retirement obligation, or "ARO," primarily consist of estimated costs to reclaim surface land and support facilities at its mines and power plants in accordance with federal and state reclamation laws as established by each mining permit.

The Company estimates its ARO for final reclamation and mine closure based upon detailed engineering calculations of the amount and timing of the future costs for a third party to perform the required work. These estimates are based on projected pit configurations and are escalated for inflation, and then discounted at a credit-adjusted risk-free rate. The Company records asset retirement cost associated with the initial recorded liability. Asset retirement cost is amortized based on the units of production method over the estimated proven and probable reserves at the related mine, and the ARO is accreted to the projected settlement date. Changes in estimates could occur due to revisions of mine plans, changes in estimated costs or changes in timing of the performance of reclamation activities.

Income Taxes

The Company is subject to income taxes in the U.S. (including federal and state) and certain foreign jurisdictions. Deferred income taxes are provided for temporary differences arising from differences between the financial statement amount and tax basis of assets and liabilities existing at each balance sheet date using enacted tax rates anticipated to be in effect when the related taxes are expected to be paid or recovered. A valuation allowance is established if it is more likely than not (greater than 50%) that a deferred tax asset will not be realized. In determining the need for a valuation allowance at each reporting period, the Company considers projected realization of tax benefits based on expected levels of future taxable income, the duration of statutory carryforward periods, experience with operating loss and tax credit carryforwards not expiring and availability of tax planning strategies.

Accounting guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under this guidance, a company can recognize the benefit of an income tax position only if it is more likely than not (greater than 50%) that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position. Guidance is also provided on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company includes interest and penalties related to income tax matters in income tax expense. Deferred tax liabilities and assets are classified as noncurrent in the Consolidated Balance Sheets.

The tax effect of pretax income or loss from continuing operations is generally determined by a computation that does not consider the tax effects of items that are not included in continuing operations. The exception to that incremental approach is that all items (for example, items recorded in other comprehensive income) be considered in determining the amount of tax benefit that results from a loss from continuing operations and that shall be allocated to continuing operations.

Deferred Financing Costs

The Company capitalizes costs incurred in connection with establishment of credit facilities and issuance of debt securities. These costs are amortized as an adjustment to interest expense over the life of the debt security or term of the credit facility using the effective interest method. These amounts are recorded in the Consolidated Balance Sheets in *Other assets* in the case of credit facilities and in the case of debt securities in *Long-term debt, less current installments* as a direct deduction of the carrying amount of the debt security, consistent with debt discounts in the Consolidated Balance Sheets.

Revenue Recognition

Revenue is recognized when the following criteria have been met: persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and the collection of funds is reasonably assured.

Coal Revenues

The Company generally recognizes revenue from the sale of coal at the time title passes to the customer in accordance with the terms of the underlying sales agreement. The point that title passes varies by agreement. Under our sales agreements, title transfer points include upon loading to truck or rail, upon delivery by truck or rail, upon loading to conveyor belt, upon delivery from conveyor belt and upon delivery to stockpile. Coal revenue is recognized based on the pricing contained in the contracts in place at the time that title passes. Certain of our coal contracts require that the customer reimburse us for reclamation expenditures when incurred. On the delivery of coal these reimbursements are generally not yet fixed or determinable. Accordingly, these reimbursements are not recognized as revenue until they become fixed or determinable, which generally occurs when reclamation expenditures are incurred. Reclamation expenditures may be incurred and the associated revenue related to reimbursements may be recognized during periods of coal delivery, or in some instances, may continue to be incurred and recognized for several years after coal deliveries have been completed.

Power Revenues

ROVA supplied power it produced and generated revenues from such deliveries, as well as through the settlement of related purchased power arrangements. A portion of the payment under the power sales agreement was considered to be an operating lease. The Company recognized amounts previously invoiced as revenue on a straight-line basis over the remaining term of the power sales agreement.

Other Operating Loss (Income)

Other operating loss (income) in the Consolidated Statements of Operations reflects items of income or loss from sources other than coal or power revenues. The Company recognizes other operating income when business interruption losses have been incurred and reimbursement is realized or realizable. Insurance proceeds are included in *Net cash provided by operating activities* when received.

Share-Based Compensation

Share-based compensation expense is generally measured at the grant date and recognized as expense over the vesting period of the entire award for stock-settled grants and remeasured at fair value at the end of each period and accrued as a liability for cash-settled grants. These costs are recorded in *Selling and administrative* in the Consolidated Statements of Operations. See *Note 14 - Share-Based Compensation* to the consolidated financial statements for further details.

Derivatives

The Company enters into financial derivatives to manage exposure to fluctuations in power prices. The Company does not utilize derivative financial instruments for trading purposes or for speculative purposes. The Company's derivative instruments are recorded at fair value with changes in fair value recognized in the Consolidated Statements of Operations at the end of each period in *Derivative (gain) loss*.

Foreign Exchange Transactions

Amounts held and transactions denominated in foreign currencies other than the operating unit's functional currency give rise to foreign exchange gains and losses which are included within *(Loss) gain on foreign exchange* in the Consolidated Statements of Operations.

Foreign Currency Translation

The functional currency of the Company's Canadian operations is the Canadian dollar. The Company's Canadian operations' assets and liabilities are translated at period end exchange rates, and revenues and costs are translated using average exchange rates for the period. Foreign currency translation adjustments are reported in *Other comprehensive loss, net of income taxes* in the Consolidated Statements of Comprehensive Loss.

Reclassifications

Certain amounts in prior periods have been reclassified to conform with current year presentation, with no effect on previously reported net loss, cash flows or shareholders' deficit.

Recently Adopted Accounting Pronouncements

In October 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory*, which eliminates the exception that prohibits the recognition of current and deferred income tax effects for intra-entity transfers of assets other than inventory until the asset has been sold to an outside party. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. The amendments in this update should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to accumulated deficit as of the beginning of the period of adoption. The Company early adopted this standard during the first quarter of 2017, which resulted in a cumulative effect adjustment as of January 1, 2017 reducing *Other assets* and *Accumulated deficit* by $0.4 million.

In March 2016, FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This guidance is designed to address simplification of several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This guidance is effective for interim and annual periods beginning after December 15, 2016, and early adoption is permitted. Our January 1, 2017 retrospective adoption of this guidance did not have a material impact to our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which simplifies the subsequent measurement of inventory by replacing the historical lower of cost or market test with a lower of cost or net realizable value test. This guidance is effective for interim and annual periods beginning after December 15, 2016. Our January 1, 2017 adoption of this guidance did not have a material impact to our consolidated financial statements.

Accounting Pronouncements Effective in the Future

In March 2017, the FASB issued ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost*, which requires separate presentation of service costs and all other components of net benefit costs on the statement of operations. Under this ASU, service cost is included in the same line item as other compensation costs arising from services rendered by employees during the period, with all other components of net benefit costs on the statement of operations outside of income from operations. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. The amendments in this update require retrospective application. We will adopt the new guidance in the first quarter of 2018 and the adoption of this guidance will not have a material impact on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which standardizes cash flow statement classification of certain transactions, including cash payments for debt prepayment or extinguishment, proceeds from insurance claim settlements, and distributions received from equity method investments. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. The new guidance should be applied using a retrospective transition method to each period presented. If impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. We will adopt the new guidance in the first quarter of 2018 and the adoption of this guidance will not have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires companies leasing assets to recognize on their balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term on contracts longer than one year. The new guidance is effective for fiscal years beginning after December 15, 2018, using a modified retrospective approach, with early adoption permitted. The Company has established an implementation team to develop a multi-phase plan to adopt the requirements of the new standard. We will adopt the new guidance in the first quarter of 2019.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes all previously existing revenue recognition guidance. Under this guidance, an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, issued in August 2015, deferred the effective date of ASU 2014-09 to the first quarter of 2018, with early adoption permitted in the first quarter of 2017.

In March, April, May, and December 2016, the FASB issued the following updates, respectively, to provide supplemental adoption guidance and clarification to ASU 2014-09. These standards must be adopted concurrently upon the adoption of ASU 2014-09. We are currently evaluating the potential effects of adopting the provisions of these updates.

- ASU 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*;
- ASU 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*;
- ASU 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients*; and
- ASU 2016-19, *Technical Corrections and Improvements*

During 2016, the Company established an implementation team to develop a multi-phase plan to assess the Company's business and contracts, as well as any changes to processes or systems to adopt the requirements of the new standard. As of the date of this filing, the Company has substantially completed its evaluation of the impact of the new standard under the full retrospective approach. This process included a review of all material contracts, application of the new guidance to each contract, and documentation of related conclusions. Based on our implementation team's analyses, we have determined that the implementation of the new standard will have a material impact on our consolidated financial statements for long-term coal supply agreements in which we are entitled to payments from customers to reimburse our costs incurred during final reclamation as these payments relate to the only performance obligations within the contract, which consist of the sale of each ton of coal. As these estimates include significant uncertainty, we are still evaluating all assumptions used in the estimate and finalizing the amounts of accelerated revenues we will recognize for the years ended December 31, 2017 and 2016, and as of the transition date of January 1, 2016. The transition date adjustment will be made directly to accumulated deficit as of January 1, 2016, while the transition adjustments for the years ended December 31, 2017 and 2016 will restate previously reported revenues for those periods. These amounts will create a contract asset on our Consolidated Balance Sheets in the form of accounts receivable for final reclamation. Additionally, we are in the process of evaluating disclosure requirements, finalizing accounting policies and implementing changes to the relevant business processes and the control activities required to implement this standard.

2. ACQUISITIONS

Acquisition of San Juan

On January 31, 2016, WSJ, a variable interest entity of the Company, acquired SJCC, which operates the San Juan mine in Farmington, New Mexico, and San Juan Transportation Company ("SJTC" and such transaction, the "San Juan Acquisition") for a total cash purchase price of $121.0 million after post-closing and working capital adjustments. The San Juan mine is the exclusive supplier of coal to the adjacent SJGS under a coal supply agreement through 2022. The San Juan operations are included in the Company's Coal - U.S. segment.

WSJ financed the San Juan Acquisition principally with a $125.0 million loan from NM Capital Utility Corporation (the "San Juan Loan"), an affiliate of Public Service Company of New Mexico (one of the owners of SJGS). The loan is structured as a senior secured term loan (the "San Juan Loan") maturing February 1, 2021 and is expected to bear interest at a (i) 7.25% rate (the "Margin Rate") plus (ii) (A) the London Interbank Offered Rate for a three month period plus (B) a statutory reserve rate, which such Margin Rate increases incrementally during each year of the San Juan Loan term with a final Margin Rate of 14.25% in the final year of the term. The San Juan Loan has no prepayment penalties. The agreements governing the San Juan Loan include representations and warranties and covenants regarding the ownership and operation of SJCC and the properties acquired in the Acquisition and standard special purpose bankruptcy remote entity covenants designed to preserve the separateness from Westmoreland of each of (i) WSJ, (ii) WSJ's direct parent company, Westmoreland San Juan Holdings, Inc., and (iii) the San Juan Entities ((i), (ii) and (iii) collectively, the "Westmoreland San Juan Entities"). Obligations under the San Juan Loan are recourse only to the Westmoreland San Juan Entities and their assets, and neither Westmoreland nor its subsidiaries (other than the Westmoreland San Juan Entities) is an obligor under the San Juan Loan in any respect. The agreement governing the San Juan Loan requires that all revenues of the San Juan Entities, aside from payments on certain leases, are deposited into a cash management collection account swept monthly for operating expenses, capital expenditures, and San Juan Loan payment and prepayment.

In connection with certain mining permits relating to the operation of the San Juan mine, WSJ has posted reclamation bonds of $125.2 million with the New Mexico Mining and Minerals Division.

The San Juan Acquisition has been accounted for under the acquisition method of accounting that requires the total purchase consideration to be allocated to the assets acquired and liabilities assumed based on estimates of fair value. Purchase price accounting was considered final as of December 31, 2016. The allocation of the purchase consideration follows (in millions):

	Final as of December 31, 2016
Purchase price:	
Cash paid	$ 121.0
Allocation of purchase price:	
Assets:	
Inventories	8.8
Total current assets	8.8
Land and mineral rights	143.9
Plant and equipment	74.6
Other assets	1.3
Total assets	228.6
Liabilities:	
Trade payables and other accrued liabilities	13.4
Production taxes	2.0
Asset retirement obligations	0.7
Total current liabilities	16.1
Asset retirement obligations, less current portion	43.5
Postretirement medical benefits	1.9
Deferred income taxes	46.1
Total liabilities	107.6
Net fair value	$ 121.0

Unaudited Pro Forma Information

The following unaudited pro forma information has been prepared for illustrative purposes only and assumes the San Juan Acquisition occurred on January 1, 2015. The unaudited pro forma results have been prepared based on estimates and assumptions, which the Company believes are reasonable, however, they are not necessarily indicative of the Consolidated Statements of Operations had the acquisitions occurred on the dates indicated above, or of future results of operations. Due to the full year of ownership in 2017, no pro forma information has been presented below for the year ended December 31, 2017.

	Years Ended December 31,	
	2016	2015
	(In thousands, except per share data)	
Total revenues		
As reported	$ 1,477,960	$ 1,419,518
Pro forma (unaudited)	1,504,235	1,714,043
Operating income (loss)		
As reported	$ 38,130	$ (145,696)
Pro forma (unaudited)	39,225	(106,606)
Net loss applicable to common shareholders		
As reported	$ (27,101)	$ (213,645)
Pro forma (unaudited)	(26,676)	(187,139)
Net loss per share applicable to common shareholders, basic & diluted		
As reported	$ (1.47)	$ (11.93)
Pro forma (unaudited)	(1.44)	(10.45)

Kemmerer Drop

On August 1, 2015, we contributed 100% of the outstanding equity interests in Westmoreland Kemmerer, LLC (“Kemmerer”) to WMLP in exchange for $230 million in aggregate consideration, comprised of $115 million in cash and $115 million in newly issued WMLP Series A Convertible Units (the “Series A Units” and such transaction, the “Kemmerer Drop”). In connection with the Kemmerer Drop, all employees of Kemmerer and related employee liabilities, including but not limited to postretirement pension obligations and postretirement health benefits, were transferred to the Parent. The Series A Units are convertible into common units representing limited partner interests of WMLP (“Common Units”), on a one-for-one basis, upon the earlier of (i) the date on which WMLP first makes a regular quarterly cash distribution to holders of Common Units in an amount equal to at least $0.22 per Common Unit, or (ii) a change of control of WMLP. Following the Kemmerer Drop, at December 31, 2017 we held an approximately 93.94% controlling interest in WMLP (on a fully diluted basis). The Kemmerer Drop represents a reorganization of entities under common control. Accordingly, the net assets transferred are deemed to have transferred at the $102.6 million carrying value as of the date of transfer. No gain or loss was recognized.

3. VARIABLE INTEREST ENTITY

As of December 31, 2017, the Company consolidated its 100% owned WSJ subsidiary which is a variable interest entity (“VIE”). WSJ’s classification as a VIE is due to another party having the potential right to receive WSJ’s residual returns. The Company is the primary beneficiary because it has the power to direct the activities that most significantly impact WSJ’s economic performance. Accordingly, the Company consolidated the operating results, assets and liabilities of WSJ. See *Note 2 - Acquisitions* and *Note 8 - Debt And Lines Of Credit* to the consolidated financial statements.

The following table presents the carrying amounts, after eliminating the effect of intercompany transactions, included in the Consolidated Balance Sheets that are for the use of or are the obligation of WSJ (in thousands):

	December 31, 2017	December 31, 2016
Assets	$ 203,737	$ 268,910
Liabilities	167,529	243,884
Net carrying amount	$ 36,208	$ 25,026

4. LOSS ON IMPAIRMENT

For the year ended December 31, 2017, we recorded an impairment charge of $5.9 million related to land and mineral rights in Kentucky within our Coal - WMLP segment which were determined to have no further economic value.

During the fourth quarter of 2015 we evaluated our ROVA asset group for impairment primarily as a result of an impairment indicator related to the continued decline in forecasted electricity prices. The asset group was comprised of property, plant, and equipment and related capital spares used to generate electricity, and resided in our Power segment. Our evaluation concluded that the long-lived assets at ROVA were impaired, and the carrying value of those assets was written down to zero as a result of an impairment charge of $133.1 million, with the charge included in *Loss on impairment* in the Consolidated Statements of Operations for the year ended December 31, 2015. Our fair value measurement for these assets was determined based on a probability-weighted estimate of discounted future cash flows, which are Level 3 fair value measurements. Key inputs to the fair value measurement for these assets included current forecasted electricity prices in the region ROVA serves, which we believe will continue to remain at depressed levels, as well as forecasted cost inputs based on the Company's planning and budgeting process.

We also recorded an impairment charge of $3.1 million to the same line item in the Consolidated Statements of Operations during the year ended December 31, 2015 for certain immovable fixed assets at our Coal Valley mine, which is part of the Coal-Canada segment, primarily as a result of continued declines in pricing in the export markets which Coal Valley serves.

5. INVENTORIES

Inventories consisted of the following:

	December 31, 2017	December 31, 2016
	(In thousands)	
Coal stockpiles	$ 38,145	$ 44,692
Materials and supplies	73,517	84,444
Reserve for obsolete inventory	(4,867)	(3,621)
Total	$ 106,795	$ 125,515

6. RESTRICTED INVESTMENTS, RECLAMATION DEPOSITS AND BOND COLLATERAL

Coal segments maintain government-required bond collateral that assures compliance with applicable federal and state regulations relating to the performance of final reclamation activities. The amounts deposited in the bond collateral account secure the bonds issued by the bonding company. The Corporate segment is required to obtain surety bonds in connection with its self-insured workers' compensation plan and certain health care plans. The Company's surety bond underwriters require collateral to issue these bonds. Prior to December 31, 2017, the Power segment was required to maintain a collateral account related to its contracts to purchase power.

The Company invests certain bond collateral, reclamation deposits and other restricted investments in a limited selection of fixed-income investment options and receives the corresponding investment returns. These investments are not available to meet the Company's general cash needs. These investments include available-for-sale securities, which are reported at fair value with unrealized gains and losses excluded from earnings and reported in *Accumulated other comprehensive loss* in the Consolidated Balance Sheets. On disposal, the resulting gain or loss is reported in *Other (loss) income* in the Consolidated Statements of Operations.

The Company's carrying value and estimated fair value of *Restricted investments, reclamation deposits and bond collateral* as of December 31, 2017 were as follows:

	Restricted Investments and Bond Collateral	Reclamation Deposits	Total Restricted Investments, Reclamation Deposits and Bond Collateral
		(In thousands)	
Cash and cash equivalents	$ 42,549	$ 6,643	$ 49,192
Time deposits	2,467	—	2,467
Available-for-sale	78,157	70,378	148,535
	$ 123,173	$ 77,021	$ 200,194

The Company's carrying value and estimated fair value of its *Restricted investments, reclamation deposits and bond collateral* as of December 31, 2016 were as follows:

	Restricted Investments and Bond Collateral	Reclamation Deposits	Total Restricted Investments, Reclamation Deposits and Bond Collateral
		(In thousands)	
Cash and cash equivalents	$ 66,860	$ 2,673	$ 69,533
Time deposits	2,473	—	2,473
Available-for-sale	75,580	71,689	147,269
	$ 144,913	$ 74,362	$ 219,275

Available-for-Sale Restricted Investments

The cost basis, gross unrealized holding gains and losses, and fair value of available-for-sale securities as of December 31, 2017 were as follows:

	Restricted Investments and Bond Collateral	Reclamation Deposits	Total Restricted Investments, Reclamation Deposits and Bond Collateral
		(In thousands)	
Cost basis	$ 78,564	$ 70,576	$ 149,140
Gross unrealized holding gains	521	617	1,138
Gross unrealized holding losses	(928)	(815)	(1,743)
Fair value	$ 78,157	$ 70,378	$ 148,535

The cost basis, gross unrealized holding gains and losses, and fair value of available-for-sale securities as of December 31, 2016 were as follows:

	Restricted Investments and Bond Collateral	Reclamation Deposits	Total Restricted Investments, Reclamation Deposits and Bond Collateral
		(In thousands)	
Cost basis	$ 76,558	$ 72,381	$ 148,939
Gross unrealized holding gains	251	453	704
Gross unrealized holding losses	(1,229)	(1,145)	(2,374)
Fair value	$ 75,580	$ 71,689	$ 147,269

Maturities of available-for-sale securities were as follows as of December 31, 2017:

	Cost Basis	Fair Value
	(In thousands)	
Due within one year	$ 13,960	$ 13,423
Due in five years or less	60,827	60,447
Due after five years to ten years	32,381	32,527
Due in more than ten years	41,972	42,138
	$ 149,140	$ 148,535

For the years ended December 31, 2017, 2016, and 2015, the Company recorded realized (losses) gains of $(0.3) million, $0.2 million, and $0.1 million, respectively, on the sale of available-for-sale securities.

7. INTANGIBLE ASSETS AND LIABILITIES

Identifiable intangible assets acquired in a business combination are specifically identified and recognized on a standalone basis. Intangible assets result from more favorable contract prices than market prices in lease agreements as measured during a business combination. As a result of prior period acquisitions, we determined that the most significant acquired identifiable intangible assets are related to favorable lease agreements. These intangible assets are recorded in *Other assets* on our Consolidated Balance Sheets and are amortized on a straight-line basis over the remaining terms of the lease agreements.

	December 31, 2017			
	Estimated Remaining Life (years)	Cost	Accumulated Amortization	Net Carrying Value
		(In thousands except for years data)		
Favorable lease agreements	12	$ 32,174	$ 6,327	$ 25,847

	December 31, 2016			
	Estimated Remaining Life (years)	Cost	Accumulated Amortization	Net Carrying Value
		(In thousands except for years data)		
Favorable lease agreements	13	$ 32,174	$ 4,142	$ 28,032

Amortization of intangible assets recognized in *Depreciation, depletion and amortization* was $2.2 million, $2.2 million and $2.1 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Our intangible liabilities resulted from our acquisition, as part of a business combination, of contracts with terms that were unfavorable to prevailing market prices at the time of acquisition. Amortization of intangible liabilities recognized in *Revenues* in the Consolidated Statements of Operations was $0.9 million for the years ended December 31, 2017, 2016 and 2015. During the fourth quarter of 2017 we disposed of our ROVA segment operations as well as all associated intangible liabilities. As such, no further amortization of these intangible liabilities into *Revenues* will occur in future periods.

The intangible assets and liabilities are generally amortized straight-line over the life of the related contracts. The estimated amortization amounts from intangibles assets for each of the next five years as of December 31, 2017 are as follows:

	Amount of Amortization to Recognize in Expense
2018	$ 2,184
2019	2,184
2020	2,184
2021	2,184
2022	2,184

8. DEBT AND LINES OF CREDIT

The Company and its subsidiaries are subject to the following debt arrangements:

	Issuance Amount	Issuance Date	Maturity Date	Total Debt Outstanding	
				December 31, 2017	December 31, 2016
	(In millions)	(MM/DD/YY)	(MM/DD/YY)	(In thousands)	
8.75% Notes	$350.0	12/16/14	1/1/22	$ 350,000	$ 350,000
Term Loan	425.0	12/16/14	12/16/20	320,595	323,883
San Juan Loan	125.0	2/1/16	2/1/21	56,640	95,000
WMLP Term Loan	295.0	12/31/14	12/31/18	312,734	306,189
Revolver	*	12/16/14	12/31/18	—	—
Capital lease obligations	Varies	Varies	Varies	33,113	55,061
Other debt	Varies	Varies	Varies	2,826	16,464
Total debt				1,075,908	1,146,597
Less debt discount and issuance costs, net				(27,501)	(37,531)
Less current installments, net of debt discount and issuance costs				(983,427)	(86,272)
Total non-current debt				$ 64,980	$ 1,022,794

* Not applicable.

The following table presents aggregate contractual debt maturities of all long-term debt as of December 31, 2017 (in thousands):

Maturity Date(1)	Debt Held by WMLP	All Other Debt	Total Debt Outstanding
2018	$ 316,982	$ 21,345	$ 338,327
2019	4,175	17,263	21,438
2020	1,768	339,548	341,316
2021	1,664	21,165	22,829
2022	1,998	350,000	351,998
Thereafter	—	—	—
Total debt	$ 326,587	$ 749,321	$ 1,075,908

(1) Debt obligations are scheduled based on their contractual maturities and are not reflective of any potential accelerations discussed further below.

Covenant Compliance

The WMLP Term Loan matures on December 31, 2018 and WMLP does not currently have liquidity or access to additional capital sufficient to pay off this debt by its maturity date. This condition gives rise to substantial doubt about WMLP's ability to continue as a going concern for one year after the issuance of their financial statements. Certain covenants in the WMLP Term Loan provide that an audit opinion on WMLP's stand-alone consolidated financial statements that includes an explanatory paragraph referencing WMLP's conclusion that substantial doubt exists as to WMLP's ability to continue as a going concern constitutes an event of default. The audit opinion in WMLP's Annual Report on Form 10-K contains such an explanatory paragraph.

On March 1, 2018, the WMLP Term Loan lenders waived the event of default arising as a result of such explanatory paragraph being included in the audit opinion in WMLP's Annual Report on Form 10-K. This waiver expires on the earlier occurrence of May 15, 2018 or upon the occurrence of any other event of default under the WMLP Term Loan. Unless WMLP obtains further waivers for or otherwise cures this event of default, the lenders could accelerate the maturity date of the WMLP Term Loan after the waiver expires, making it immediately due and payable. This event of default under the WMLP Term Loan would also constitute an event of default under our Term Loan and 8.75% Notes, making them also immediately due and payable. Accordingly, all outstanding principal balances and related debt issuance costs for the WMLP Term Loan, the Term Loan and the 8.75% Notes are presented as current debt in our consolidated financial statements. We do not currently have liquidity or access to additional capital sufficient to pay off this debt.

Our Revolver contains a financial covenant requiring that we maintain certain minimum fixed charge coverage ratios. On March 30, 2018, we executed an amendment to our Revolver with Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as agent and as lender, and East West Bank, as a lender, which amended, among other things, the calculation of Canadian EBITDA as it is used in the fixed charge coverage ratio. The amendment removed certain financial results attributable to the Coal Valley mine from Canadian EBITDA and results in our compliance with the covenant for the year ended December 31, 2017. Absent this amendment we would have failed to satisfy the financial covenant. The amendment also waives any covenant violation for the year ended December 31, 2017 that solely results from the receipt of an opinion from our independent registered public accounting firm that includes an explanatory paragraph referencing WCC's conclusion that substantial doubt exists as to WCC's ability to continue as a going concern.

Our San Juan Loan provides that the issuance of parent company (WCC) financial statements which include an audit opinion containing an explanatory paragraph referencing WCC's conclusion that substantial doubt exists as to WCC's ability to continue as a going concern constitutes an event of default thereunder. On March 28, 2018, we executed an extension and waiver agreement with NM Capital Utility Corporation, as lender, which, among other things, waived the requirement that the audit opinion included in our consolidated financial statements is without such an explanatory paragraph. This waiver expires on the earlier of May 1, 2019 or the occurrence of any event of default not already waived.

8.75% Notes

Pursuant to our senior note indenture, dated as of December 16, 2014, by and among the Company, the guarantors named therein, and U.S. Bank National Association, as trustee and notes collateral agent (the "Indenture"), our senior secured 8.75% Notes ("8.75% Notes") were issued at a 1.292% discount and bear a fixed interest rate of 8.75% payable semiannually, on January 1 and July 1 of each year, commencing July 1, 2015. The 8.75% Notes are a primary obligation of the Company and are guaranteed by Westmoreland Energy LLC, Westmoreland Mining LLC and Westmoreland Resources, Inc. and their respective subsidiaries (other than Absaloka Coal, LLC, Westmoreland Risk Management, Inc. and certain other immaterial subsidiaries), referred to as the "Guarantors." The 8.75% Notes are not guaranteed by Westmoreland Canada LLC or any of its subsidiaries, Westmoreland San Juan, LLC or any of its subsidiaries, or Westmoreland Resources GP, LLC or WMLP, referred to as the "Non-guarantors."

The 8.75% Notes are the Company's senior secured obligations, rank equally in right of payment with all of the Company's existing and future senior obligations, including the Term Loan (defined below under "Term Loan") and rank senior to all of the Company's existing and future indebtedness that is expressly subordinated to the 8.75% Notes. The 8.75% Notes have not been registered under the Securities Act of 1933. The 8.75% Notes contain certain customary cross-default provisions. In 2014, the Company capitalized debt issuance costs of $10.2 million in connection with the 8.75% Notes.

The Company may redeem all or part of the 8.75% Notes beginning on January 1, 2018 at the redemption prices set forth in the 8.75% Notes agreement, and prior to January 1, 2018 at 100% of the principal amount plus the applicable premium described in the 8.75% Notes agreement. In addition, at any time prior to January 1, 2018, the Company may redeem up to 35% of the aggregate principal amount of the 8.75% Notes with the net cash proceeds of certain equity offerings at a redemption price equal to 108.75% of the principal amount to be redeemed, together with accrued and unpaid interest, if any, to the redemption date, subject to certain conditions.

The 8.75% Notes and the guarantees are secured equally and ratably with the Term Loan (i) by first priority liens on substantially all of the Company's and the guarantor parties' tangible and intangible assets (excluding certain equity interests, mineral rights and sales contracts and certain assets subject to existing liens) and (ii) subject to the Revolver (as defined below), a second priority lien on substantially all cash, accounts receivable and inventory of the Company and the guarantors, and any other property with respect to, evidencing or relating to such cash, accounts receivable and inventory (whether now owned or hereinafter arising or acquired) and the proceeds and products thereof, subject in each case to permitted liens and certain exclusions (the "Notes Collateral"). The Notes Collateral is shared equally with the lenders under the Term Loan, who hold identical first and second priority liens, as applicable, on the Notes Collateral.

The 8.75% Notes restrict the Company's and its restricted subsidiaries' ability to, among other things, (i) incur, assume or guarantee additional indebtedness or issue preferred stock; (ii) declare or pay dividends on, or make other distributions in respect of, their capital stock; (iii) purchase or redeem or otherwise acquire for value any capital stock or subordinated indebtedness; (iv) make investments, other than permitted investments; (v) create certain liens or use assets as security; (vi) enter into agreements restricting the ability of any restricted subsidiary to pay dividends, make loans, or any other distributions to the Company or other restricted subsidiaries; (vii) engage in transactions with affiliates; and (viii) consolidate or merge with or into other companies or transfer all or substantially all of their assets.

The 8.75% Notes contain customary affirmative covenants, negative covenants, events of default, as well as certain customary cross-default provisions. Our compliance or non-compliance with these covenants is discussed above.

Term Loan

Pursuant to our credit agreement, dated as of December 22, 2014, by and among the Company, the lenders from time to time party thereto, and Bank of Montreal, as administrative agent, as amended ("Term Loan"), the $350.0 million Term Loan was issued at a 2.50% discount and accrues interest on a quarterly basis at a variable interest rate which is set at our election of (i) one-, two-, three- or six-month London Interbank Offered Rate ("LIBOR") plus 6.50% or (ii) a base rate (determined with reference to the highest of the prime rate, the Federal Funds Rate plus 0.05%, or one-month LIBOR plus 1.00%) plus 5.50%. As of December 31, 2017, the cash interest rate was 8.19%. In 2014, the Company capitalized debt issuance costs of $8.4 million in connection with the Term Loan.

The Term Loan is guaranteed by Westmoreland Energy LLC, Westmoreland Mining LLC, Westmoreland Resources, Inc. and certain other direct and indirect subsidiaries of the Company (other than Absaloka Coal, LLC, Westmoreland Risk Management, Inc., Westmoreland Canada, LLC, Westmoreland Resources GP, LLC, Westmoreland Resource Partners, LP and certain other immaterial subsidiaries). The obligations under the Term Loan are secured by identical first and second priority liens, as applicable, on the Notes Collateral.

The Term Loan contains customary affirmative covenants, negative covenants, events of default, as well as certain customary cross-default provisions. Our compliance or non-compliance with these covenants is discussed above.

Term Loan Add-on

On January 22, 2015, the Company amended the Term Loan to increase the borrowings by $75.0 million, for an aggregate principal amount of $425.0 million as of that date. The amendments to the Term Loan were made in connection with the acquisition of Buckingham Coal Company, LLC. Net proceeds were $71.0 million after a 2.50% discount, 1.50% broker fee, a consent fee of 1.17%, and $0.1 million of additional debt issuance costs. With this addition, the quarterly principal payment due commencing March 31, 2015 is $1.1 million. Under the Term Loan, we are required to offer a portion of our excess cash flows for each fiscal year, beginning with the fiscal year ended December 31, 2015.

In conjunction with the Kemmerer Drop, the Company amended the Term Loan to remove Kemmerer as a guarantor. In addition, $94.1 million of the proceeds received from WMLP related to the Kemmerer Drop were used to pay down the Term Loan.

San Juan Loan

On January 31, 2016, Westmoreland San Juan, LLC ("WSJ"), a special purpose subsidiary of Westmoreland, acquired San Juan Coal Company ("SJCC"), which operates the San Juan mine in Farmington, New Mexico, and San Juan Transportation Company (the "San Juan Acquisition") for a total cash purchase price of $121.0 million after customary post-closing adjustments. The San Juan mine is the exclusive supplier of coal to the adjacent San Juan Generating Station ("SJGS") under a coal supply agreement with tonnage and pricing adjusting quarterly through 2022. WSJ financed the San Juan Acquisition in part with a senior secured $125.0 million loan ("San Juan Loan") pursuant to the loan agreement, dated as of February 1, 2016, by and among WSJ and the remaining Westmoreland San Juan Entities as guarantors, and NM Capital Utility Corporation (an affiliate of Public Service Company of New Mexico, part owner of SJGS) as lender. The San Juan Loan was issued at a 6.70% discount, incurred $3.1 million of debt issuance costs and pays interest and principal on a quarterly basis at an interest rate of (i) the Margin Rate of 7.25% plus (ii) (A) the LIBOR for a three month period plus (B) a statutory reserve rate, which such Margin Rate increases incrementally during each year of the San Juan Loan term with a final Margin Rate of 14.25% in the final year of the term. As of December 31, 2017, the cash interest rate was 10.63%. In addition, in the event the loan is not paid off prior to maturity, the price of the coal in our coal supply agreement decreases by 10% after January 1, 2019 and 15% after January 1, 2021.

The San Juan Loan is a primary obligation of Westmoreland San Juan, LLC, is guaranteed by SJCC, and is secured by substantially all of SJCC's assets. The San Juan Loan has no prepayment penalties. The agreements governing the San Juan Loan include representations and warranties and covenants regarding the ownership and operation of SJCC and the properties acquired in the San Juan Acquisition and standard special purpose bankruptcy remote entity covenants designed to preserve the separateness from Westmoreland of each of (i) WSJ, (ii) its direct parent company, Westmoreland San Juan Holdings, Inc., (iii) SJCC and (iv) SJTC (collectively, the "Westmoreland San Juan Entities"). Obligations under the San Juan Loan are recourse only to the Westmoreland San Juan Entities and their assets. Westmoreland nor its subsidiaries (other than the Westmoreland San Juan Entities) is an obligor under the San Juan Loan in any respect. The agreement governing the San Juan Loan requires that all revenues of the Westmoreland San Juan Entities, aside from payments on certain leases, are deposited into a cash management collection account swept monthly for operating expenses, capital expenditures, and loan payment and prepayment. The assets and credit of SJCC are not available to satisfy the debts and other obligations of the Company other than those of the Westmoreland San Juan Entities.

The San Juan Loan contains customary affirmative covenants and negative covenants. Our compliance or non-compliance with these covenants is discussed above.

WMLP Term Loan

Pursuant to the financing agreement, dated as of December 31, 2014, by and among Oxford Mining Company, LLC, WMLP and each of its subsidiaries, lenders from time to time party thereto, and U.S. Bank National Association, as administrative agent, WMLP entered into a term loan ("WMLP Term Loan") which consists of a $175.0 million, with an option for an additional $120.0 million in term loans for acquisitions, which was exercised on August 1, 2015 to finance the Kemmerer Drop. Proceeds from the credit facility were used to retire WMLP's previously existing first and second lien credit facilities and to pay fees and expenses related to its existing credit facility, with the remaining proceeds being available as working capital. The WMLP Term Loan was not issued at a discount or a premium and $8.6 million of debt issuance costs were recognized at December 31, 2014. The WMLP Term Loan pays interest on a quarterly basis and bears interest at a variable rate equal to the 3-month LIBOR at each quarter end (1.69% as of December 31, 2017), subject to a floor of 0.75%, plus 8.50% or the Reference Rate, as defined in the financing agreement. As of December 31, 2017, the WMLP Term Loan had a cash interest rate of 10.19%. The WMLP Term Loan is a primary obligation of Oxford Mining Company, LLC, a wholly owned subsidiary of WMLP, is guaranteed by WMLP and its subsidiaries, and is secured by substantially all of WMLP's and its subsidiaries' assets.

The WMLP Term Loan also provides for paid in kind interest ("PIK Interest") at a variable rate between 1.00% and 3.00% based on WMLP's consolidated net leverage ratio, as defined in the financing agreement. As of December 31, 2017 and 2016, the WMLP Term Loan had a PIK Interest rate of 3.00%. The rate of PIK Interest is determined on a quarterly basis with the PIK Interest added quarterly to the then-outstanding principal amount of the WMLP Term Loan. PIK Interest under the WMLP Term Loan financing agreement was $9.3 million for the year ended December 31, 2017. The outstanding WMLP Term Loan amount as of December 31, 2017 represents the principal balance of $287.3 million, plus PIK Interest of $25.4 million.

The WMLP Term Loan limits cash distributions to the Restricted Distributions, an aggregate amount not to exceed $15.0 million, if WMLP has: (i) a consolidated total net leverage ratio of greater than 3.75, or fixed charge coverage ratio of less than 1.00 (as such ratios are defined in the WMLP Term Loan financing agreement), or (ii) liquidity of less than $7.5 million, after giving effect to such cash distribution and applying WMLP's availability under the WMLP Revolver. As of December 31, 2017, WMLP's consolidated total net leverage ratio is in excess of 3.75. Further, as of December 31, 2017, WMLP has utilized the full $15.0 million limit on Restricted Distribution payments and is restricted from making any further distributions under the terms of the WMLP Term Loan financing agreement.

The WMLP Term Loan contains customary affirmative covenants, negative covenants, events of default as well as certain customary cross-default provisions. Our compliance or non-compliance with these covenants is discussed above.

Revolver

Pursuant to the second amended and restated loan and security agreement, dated as of December 16, 2014, by and among the Company and certain of its subsidiaries, lenders party thereto, and Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as administrative agent (the "Revolver") we have a total aggregate borrowing capacity of $60.0 million between June 15th and August 31st of each year, with an aggregate borrowing capacity of $50.0 million outside of these periods. The availability of the Revolver consists of a $30.0 million sub-facility ($35.0 million with the seasonal increase) available to our U.S. borrowers and a $20.0 million sub-facility ($25.0 million with the seasonal increase) available to our Canadian borrowers. The Revolver may support an equal amount of letters of credit, with outstanding letter of credit balances reducing availability under the facility. Borrowings under the Revolver initially bear interest either at a rate 0.75% in excess of the base rate or at a rate 2.75% per annum in excess of LIBOR, at our election. An unused line fee of 0.50% per annum is payable monthly on the average unused amount of the Revolver. The Revolver contains various affirmative, negative and financial covenants. Financial covenants in the agreement include certain specified minimum fixed charge coverage ratios. Our compliance or non-compliance with these covenants is discussed above.

Twelfth Amendment to Second Amended and Restated Loan and Security Agreement

On October 30, 2017, we executed an amendment to our existing Revolver with Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as agent and as a lender, and East West Bank, as a lender ("Twelfth Amendment"). The Twelfth Amendment amended: (a) financial statement reporting to include monthly reconciliations of U.S., Canadian and Consolidated EBITDA to corresponding Net Income figures and a monthly forecast of financial covenants for the next occurring quarter; (b) the calculation under the term “US EBITDA” to remove certain fees paid to legal and financial advisors in connection with the assessment of Westmoreland’s consolidated debt structure; and (c) calculations under the terms “Canadian EBITDA” and “Canadian Fixed Charges” to remove certain financial results attributable to the Coal Valley Mine, as well as permitted netting of certain Returned Collateral against unfinanced Canadian Capital Expenditures, in connection with any sale or discontinuance of operations of the Coal Valley Mine; as such capitalized terms are defined in our Second Amended and Restated Loan and Security Agreement, as amended, governing the Revolver.

Thirteenth Amendment to Second Amended and Restated Loan and Security Agreement

On March 30, 2018, we executed the Thirteenth Amendment to our Revolver with Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as agent and as lender, and East West Bank, as a lender, which amended, among other things, the calculation of Canadian EBITDA as it is used in the fixed charge coverage ratio. The amendment removed certain financial results attributable to the Coal Valley mine from Canadian EBITDA and results in our compliance with the covenant for the year ended December 31, 2017. Absent this amendment we would have failed the financial covenant. The amendment also waives the requirement that we deliver an unqualified opinion of our independent certified accountants for our audited financial statements for the year ended December 31, 2017 solely due to the receipt of a going concern opinion. This amendment is further described in *Item 9B - Other Information* of this Annual Report on Form 10-K.

Our revolving credit facilities had the following details as of December 31, 2017 (in millions):

Revolver Details	**U.S. Borrowers**	**Canadian Borrowers**	**U.S. & Canadian Borrowers**
Line of credit maximum availability - without seasonal increase from June 15 to August 31	$ 30.0	$ 20.0	$ 50.0
Letters of credit outstanding	2.4	—	2.4
Borrowing base restrictions	14.4	4.5	18.9
Line of credit draws	—	—	—
Line of credit availability	$ 13.2	$ 15.5	$ 28.7

All extensions of credit under the Revolver are collateralized by a first priority security interest in and lien upon the inventory and accounts receivable of substantially all of the Company’s subsidiaries (other than Absaloka Coal, LLC, Westmoreland Risk Management, Inc.,Westmoreland Resources GP, LLC, Westmoreland Resource Partners, LP and certain other immaterial subsidiaries). Pursuant to the Intercreditor Agreement, the holders of the 8.75% Notes and the Term Loan have a subordinate lien on these assets.

WMLP Revolver

On October 23, 2015, WMLP and its subsidiaries entered into a Loan and Security Agreement (the “WMLP Revolver”) with the lenders party thereto and Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company). The WMLP Revolver expired on its December 31, 2017 maturity date and was not replaced or extended by WMLP.

Capital Lease Obligations

The Company engages in leasing transactions for equipment utilized in its mining operations. At December 31, 2017 and 2016, the capital leases outstanding had a weighted average interest rate of 5.20% and 4.64%, respectively, and mature at various dates beginning in 2018 through 2025. During the year ended December 31, 2017, the Company entered into $1.3 million of new capital leases.

9. POSTRETIREMENT MEDICAL BENEFITS

The Company provides postretirement medical benefits to retired employees and their dependents, mandated by the Coal Industry Retiree Health Act of 1992 and pursuant to collective bargaining agreements. The Company also provides these benefits to qualified full-time employees pursuant to collective bargaining agreements. These benefits are provided through self-insured programs.

The following table sets forth the actuarial present value of postretirement medical benefit obligations and amounts recognized in the Company's financial statements:

	December 31, 2017	December 31, 2016
	(In thousands)	
Change in benefit obligations:		
Net benefit obligation at beginning of year	$ 323,601	$ 299,373
Liability acquired	—	1,851
Service cost	3,018	3,270
Interest cost	12,651	12,353
Plan participant contributions	59	136
Actuarial loss	6,893	24,821
Gross benefits paid	(15,457)	(16,914)
Federal subsidy on benefits paid	1,376	1,466
Curtailments	—	(2,755)
Net benefit obligation at end of year	332,141	323,601
Change in plan assets:		
Employer contributions	15,398	16,778
Plan participant contributions	59	136
Gross benefits paid	(15,457)	(16,914)
Fair value of plan assets at end of year	—	—
Unfunded status at end of year	$ (332,141)	$ (323,601)
Amounts recognized in the balance sheet consist of:		
Current liabilities	$ (14,734)	$ (14,892)
Noncurrent liabilities	(317,407)	(308,709)
Accumulated other comprehensive loss	55,123	51,893
Net amount recognized	$ (277,018)	$ (271,708)
Amounts recognized in accumulated other comprehensive loss consists of:		
Net actuarial loss	$ 58,301	$ 55,706
Prior service credit	(3,178)	(3,813)
	$ 55,123	$ 51,893

Prior service costs and credits and actuarial gains and losses are amortized over the average life expectancy or average future service of the plan's participants. In 2018, $3.9 million will be amortized from accumulated other comprehensive loss into net periodic benefit cost.

The components of net periodic postretirement medical benefit cost are as follows:

	Years Ended December 31,		
	2017	2016	2015
		(In thousands)	
Components of net periodic benefit cost:			
Service cost	$ 3,018	$ 3,270	$ 4,217
Interest cost	12,651	12,353	11,629
Amortization of:			
Prior service credit	(635)	(636)	(636)
Actuarial loss	4,298	1,895	1,944
Total net periodic benefit cost	$ 19,332	$ 16,882	$ 17,154

The following table shows the net periodic postretirement medical benefit costs that relate to current and former mining operations:

	Years Ended December 31,		
	2017	2016	2015
		(In thousands)	
Former mining operations	$ 9,222	$ 8,540	$ 8,137
Current operations	10,110	8,342	9,017
Total net periodic benefit cost	$ 19,332	$ 16,882	$ 17,154

The costs for the former mining operations are included in *Heritage health benefit expenses* in the Consolidated Statements of Operations and the costs for current operations are included as operating expenses.

Assumptions

The weighted-average assumptions used to determine the benefit obligations as of the end of each year were as follows:

	December 31, 2017	December 31, 2016
Discount rate	3.45% - 3.85%	3.90% - 4.45%
Measurement date	December 31, 2017	December 31, 2016

Annually, Westmoreland determines discount rates for its retirement benefit plans using our third party actuary's yield curve which is based on high quality U.S. corporate bonds. The discount rate is calculated as the single effective rate that produces the equivalent benefit obligation as that determined when discounting future liability cash flows using spot rates from the yield curve.

The weighted-average assumptions used to determine net periodic benefit cost were as follows:

	December 31, 2017	December 31, 2016	December 31, 2015
Discount rate	3.90% - 4.45%	4.10% - 4.65%	3.75% - 4.25%
Measurement date	December 31, 2016	December 31, 2015	December 31, 2014

The following presents information about the assumed health care trend rate:

	December 31, 2017	December 31, 2016
Health care cost trend rate assumed for next year	6.50%	6.75%
Rate to which the cost trend is assumed to decline (ultimate trend rate)	4.75%	4.75%
Year that the trend rate reaches the ultimate trend rate	2025	2025

The effect of a one percent change on the health care cost trend rate used to calculate periodic postretirement medical benefit costs and the related benefit obligation are summarized in the table below:

	Postretirement Medical Benefits	
	1 % Increase	1 % Decrease
	(In thousands)	
Effect on service and interest cost components	$ 2,743	$ (2,125)
Effect on postretirement medical benefit obligation	48,294	(39,005)

Cash Flows

The following benefit payments and Medicare D subsidy (which the Company receives as a benefit partially offsetting its prescription drug costs for retirees and their dependents) are expected by the Company:

	Postretirement Medical Benefits	Medicare D Subsidy	Net Postretirement Medical Benefits
		(In thousands)	
2018	$ 16,368	$ (1,634)	$ 14,734
2019	16,889	(1,694)	15,195
2020	17,399	(1,751)	15,648
2021	17,802	(1,807)	15,995
2022	18,261	(1,860)	16,401
Years 2023 - 2027	94,618	(9,702)	84,916

Combined Benefit Fund

The Combined Benefit Fund ("CBF") is a multi-employer health plan neither controlled by nor administered by the Company. The CBF is designed to pay health care benefits to UMWA workers (and dependents) who retired prior to 1976. The Company is required by the Coal Act to make monthly premium payments into the CBF. These payments are based on the number of the Company's UMWA employees who retired prior to 1976, and the Company's pro-rata assigned share of UMWA retirees whose companies are no longer in business. Contributions to the CBF have decreased over the past three years due to a declining population. The Company expenses payments to the CBF when they are due. The following payments were made to the CBF (in thousands):

2017	$ 1,445
2016	1,594
2015	1,794

Workers' Compensation Benefits

The Company was self-insured for workers' compensation benefits prior to January 1, 1996. Since 1996, the Company has purchased third-party insurance for workers' compensation claims. The following table shows the changes in the Company's workers' compensation obligation:

	December 31, 2017	December 31, 2016
	(In thousands)	
Workers' compensation, beginning of year (including current portion)	$ 5,040	$ 5,658
Accretion	167	115
Claims paid	(512)	(399)
Actuarial changes	(426)	(334)
Workers' compensation, end of year	4,269	5,040
Less current portion, included in *Other current liabilities*	(489)	(541)
Workers' compensation, less current portion, included in *Other liabilities*	$ 3,780	$ 4,499

Black Lung Benefits

The Company is self-insured for federal and state black lung benefits for former heritage employees. As of December 31, 2017 and 2016, the Company’s black lung benefit obligations were $18.2 million and $17.6 million, respectively.

The discount rates used in determining the actuarial present value of the black lung benefit obligation are based on corporate bond yields and are adjusted annually. As of December 31, 2017 and 2016, the rates used were 3.37% and 3.70%, respectively.

10. PENSION AND OTHER SAVING PLANS

Defined Benefit Pension Plans

The Company provides defined benefit pension plans to qualified full-time employees pursuant to collective bargaining agreements. Benefits are generally based on years of service and the employee’s average annual compensation for the highest five continuous years of employment as specified in the plan agreement. The Company’s funding policy is to contribute annually the minimum amount prescribed, as specified by applicable regulations. The Company may make additional discretionary contributions. In 2009, the Company froze its pension plan for non-represented employees.

Supplemental Executive Retirement Plan

The Company maintains a Supplemental Executive Retirement Plan ("SERP") for former executives as a result of employment or severance agreements. The SERP is an unfunded non-qualified deferred compensation plan, which provides benefits to certain employees beyond the maximum limits imposed by the Employee Retirement Income Security Act and the Internal Revenue Code. The Company does not expect to add new participants to its SERP plan.

The following table provides a reconciliation of the changes in the benefit obligations of the plans and the fair value of assets of the qualified plans and the amounts recognized in the Company's financial statements for both the defined benefit pension and SERP plans:

	December 31, 2017	December 31, 2016
	(In thousands)	
Change in benefit obligation:		
Net benefit obligation at beginning of year	$ 272,489	$ 184,681
Liability acquired	—	89,300
Service cost	1,510	1,634
Interest cost	10,471	10,635
Actuarial loss	11,275	1,018
Benefits and expenses paid	(13,691)	(14,064)
Settlements and curtailments	(2,233)	(992)
Foreign currency exchange rate changes	1,006	277
Net benefit obligation at end of year	280,827	272,489
Change in plan assets:		
Fair value of plan assets at the beginning of year	236,042	141,137
Assets acquired	—	90,600
Actual return on plan assets	29,207	18,053
Employer contributions	1,152	970
Benefits and expenses paid	(13,691)	(14,064)
Settlements	(2,233)	(992)
Foreign currency exchange rate changes	843	338
Fair value of plan assets at end of year	251,320	236,042
Unfunded status at end of year	$ (29,507)	$ (36,447)
Amounts recognized in the accompanying balance sheet consist of:		
Noncurrent asset, included in *Other assets*	$ 14,427	$ 7,893
Current liability, included in *Other current liabilities*	(349)	(358)
Noncurrent liability	(43,585)	(43,982)
Accumulated other comprehensive loss	19,921	26,123
Net amount recognized at end of year	$ (9,586)	$ (10,324)
Amounts recognized in accumulated other comprehensive loss consist of:		
Net actuarial loss	$ 19,860	$ 26,054
Prior service cost	61	69
	$ 19,921	$ 26,123

Prior service costs and credits and actuarial gains and losses are amortized over the expected future period of service of the plan's participants. In 2018, $0.5 million will be amortized from accumulated other comprehensive loss into net periodic pension cost.

The components of net periodic pension cost are as follows:

	Years Ended December 31,		
	2017	2016	2015
		(In thousands)	
Components of net periodic pension cost:			
Service cost	$ 1,510	$ 1,634	$ 1,732
Interest cost	10,471	10,635	7,397
Expected return on plan assets	(14,556)	(14,025)	(9,959)
Settlements and curtailments	796	186	—
Amortization of:			
Prior service cost	8	8	8
Actuarial loss	2,818	4,167	3,442
Total net periodic pension cost	$ 1,047	$ 2,605	$ 2,620

These costs are included in the Consolidated Statements of Operations in *Cost of sales (exclusive of depreciation, depletion and amortization, shown separately)* and *Selling and administrative*.

Assumptions

The weighted-average assumptions used to determine the benefit obligations as of the end of each year were as follows:

	December 31, 2017	December 31, 2016
Discount rate	3.30% - 3.55%	3.60% - 4.05%
Measurement date	December 31, 2017	December 31, 2016

Annually, Westmoreland determines discount rates for its retirement benefit plans using our third party actuary's yield curve which is based on high quality U.S. corporate bonds. The discount rate is calculated as the single effective rate that produces the equivalent benefit obligation as that determined when discounting future liability cash flows using spot rates from the yield curve.

The following table provides the assumptions used to determine net periodic pension cost:

	Years Ended December 31,		
	2017	2016	2015
Discount rate	3.60% - 4.05%	3.90% - 4.25%	3.60% - 3.90%
Expected return on plan assets	1.50% - 6.80%	1.75% - 7.10%	3.66% - 7.10%
Measurement date	December 31, 2016	December 31, 2015	December 31, 2014

The Company establishes the expected long-term rate of return at the beginning of each fiscal year based upon historical returns and projected returns on the underlying mix of invested assets. The Company utilizes modern portfolio theory modeling techniques in the development of its return assumptions. This technique projects rates of return that can be generated through various asset allocations that lie within the risk tolerance set forth by the Company. The risk assessment provides a link between a pension plan's risk capacity, management's willingness to accept investment risk and the asset allocation process, which ultimately leads to the return generated by the invested assets.

Plan Assets

The Company's investment goals are to maximize returns subject to specific risk management policies. The Company sets the expected return on plan assets based on historical trends and forecasts provided by its third-party fund managers. Its risk management policies permit investments in mutual funds, and prohibit direct investments in debt and equity securities and derivative financial instruments. The Company addresses diversification by the use of mutual fund investments whose underlying investments are in fixed income and equity securities, both domestic and international. These mutual funds are readily marketable and can be sold to fund benefit payment obligations as they become payable.

The weighted-average target asset allocation of the Company's pension trusts were as follows at December 31, 2017:

	Target Allocation
Asset category:	
Cash and equivalents	0% - 10%
Equity securities funds	20% - 60%
Debt securities funds	40% - 80%
Other	0% - 10%

The fair value of the Company's pension plan assets by asset category is as follows:

	December 31, 2017			
	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
	(In thousands)			
Pooled separate accounts:				
Large-cap blend[(a)]	$ 65,574	$ —	$ 65,574	$ —
International blend[(b)]	11,639	—	11,639	—
Fixed income domestic[(c)]	24,958	—	24,958	—
Fixed income long-term[(d)]	111,683	—	111,683	—
Stable value[(e)]	13,042	—	13,042	—
Registered investment companies – growth fund	20,668	20,668	—	—
Limited partnerships and limited liability companies	10	—	—	10
Westmoreland Coal common stock	56	56	—	—
Cash and cash equivalents	3,690	3,690	—	—
	$ 251,320	$ 24,414	$ 226,896	$ 10

	December 31, 2016			
	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
	(In thousands)			
Pooled separate accounts:				
Large-cap blend[(a)]	$ 61,799	$ —	$ 61,799	$ —
International blend[(b)]	10,401	—	10,401	—
Fixed income domestic[(c)]	21,732	—	21,732	—
Fixed income long-term[(d)]	105,640	—	105,640	—
Stable value[(e)]	13,317	—	13,317	—
Registered investment companies – growth fund	18,515	18,515	—	—
Limited partnerships and limited liability companies	29	—	—	29
Westmoreland Coal common stock	819	819	—	—
Cash and cash equivalents	3,790	3,790	—	—
	$ 236,042	$ 23,124	$ 212,889	$ 29

(a) Large-cap blend funds seek to provide long-term growth of capital. They seek to provide investment results that approximate the performance of the Standard & Poor’s Composite 1500 Index.
(b) International blends seek to have a diversified portfolio of investments, including fixed-income and equity-focused investments in international markets.
(c) Fixed income domestic funds seek to invest in high-quality corporate bonds with over 15 years to maturity.
(d) Fixed income long-term bond funds seek to achieve performance results similar to the Barclays Capital U.S. Aggregate Bond Index. This fund invests primarily in corporate and government bonds.
(e) The stable value fund seeks to invest in publicly traded and privately placed debt securities and mortgage loans, and to a lesser extent, real estate and other equity investments in order to provide a guaranteed rate of return.

The Company’s Level 1 assets include securities held by registered investment companies and its common stock, which are both typically valued using quoted market prices of an active market. Cash and cash equivalents and short-term investments are predominantly held in money market accounts.

The Company’s Level 2 assets include pooled separate accounts, which are valued based on the quoted market prices of the securities underlying the investments.

The Company’s Level 3 assets include interest in limited partnerships and limited liability companies that invest in privately held companies or privately held real estate assets. These assets are valued by the respective partnership or company manager using market and income approaches. The market approach consists of using comparable market transactions or values. The income approach consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and other risk factors. The inputs considered in the valuations include original transaction prices, recent transactions in the same or similar instruments, changes in financial ratios or cash flows, discounted cash flow valuations, and general economic and market conditions.

Contributions

The Company contributed $1.2 million in cash to its retirement plans during 2017 and expects to make approximately $2.6 million of contributions in 2018.

Cash Flows

The following benefit payments are expected to be paid from its pension plan assets:

	Pension Benefits
	(In thousands)
2018	$ 15,220
2019	15,520
2020	15,935
2021	16,170
2022	16,288
Years 2023 - 2027	81,698

The benefits expected to be paid are based on the same assumptions used to measure the Company's pension benefit obligation at December 31, 2017 and include estimated future employee service.

Multi-Employer Pension

The Company contributes to the Central Pension Fund (the "Plan") which is a multi-employer defined benefit pension plan for its WECO, WRI and WSC entities pursuant to collective bargaining agreements. The Plan's Employer Identification Number is 36-6052390. These employers contribute to the Plan based on a negotiated rate per hour worked per participating employee. For the Plan's year-end dates of January 31, 2017 and 2016, no single employer contributed more than 5% of total contributions to the Plan. As of the Plan's year-end date of January 31, 2017, it had a healthy funding status (i.e. greater than 80% funded).

The following table shows required information for each employer contributing to the Plan:

	WECO	WRI	WSC
Employer plan number	9313	9243	4990
Minimum contributions per hour worked	\$5.85 - \$5.95	\$4.03 - \$4.39	\$3.70
Expiration date of collective bargaining agreements	2/28/2019	5/31/2021	3/31/2022
Employer contributions (in millions):			
2017	$ 3.5	$ 1.0	$ 0.1
2016	3.7	0.8	0.1
2015	3.6	1.1	0.1

401(k) Savings Plans

The Company sponsors 401(k) saving plans for U.S. employees and provides contributions to employee savings plans at its Canadian operation to assist employees in providing for their future retirement needs. In May 2016, the Company discontinued matching employee 401(k) saving plan contributions with common shares and elected to match with cash contributions going forward. The Company's expense was \$9.9 million, \$12.3 million and \$10.8 million for the years ended December 31, 2017, 2016 and 2015, respectively. During 2017, the Company's expense of \$9.9 million consisted entirely of cash contributions. During 2016, the Company's expense of \$12.3 million consisted of \$10.1 million in cash contributions and \$2.2 million in contributions of Company stock to the plans. During 2015, the Company's expense of \$10.8 million consisted of \$7.1 million in cash contributions and \$3.7 million in contributions of Company stock to the plans.

11. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations, by operating segment, as of December 31, 2017 are summarized below:

	Asset Retirement Obligations
	(In thousands)
Coal - U.S.	$ 298,973
Coal - Canada	126,847
Coal - WMLP	45,795
Power	2,852
Total	$ 474,467

Changes in the Company's asset retirement obligations were as follows:

	Years Ended December 31, 2017	2016
	(In thousands)	
Asset retirement obligations, beginning of year (including current portion)	$ 484,041	$ 419,764
Accretion	45,132	40,423
Liabilities settled	(47,612)	(32,087)
Changes due to amount and timing of reclamation	(19,242)	7,191
Asset retirement obligations acquired	4,260	45,404
Changes due to foreign currency translation	7,888	3,346
Asset retirement obligations, end of year	474,467	484,041
Less current portion	(48,429)	(32,207)
Asset retirement obligations, less current portion	$ 426,038	$ 451,834

Our December 31, 2017 ARO balance of $474.5 million has been discounted using the credit-adjusted, risk-free interest rate in effect in the year the initial costs or subsequent increases to those costs were recorded. These credit-adjusted, risk-free rates range from 7.0% to 38.8% for WCC mines and 6.0% to 75.0% for WMLP mines. New costs or increases to previously estimated costs were discounted at 38.8% and 12.0% for WCC mines and 75.0% and 13.3% for WMLP mines as of December 31, 2017 and 2016, respectively. The Company or its subsidiaries are responsible for final reclamation costs. However, as of December 31, 2017, approximately $149.8 million of our ARO liability balances are contractually reimbursable pursuant to various coal supply agreements. This $149.8 million estimate is discounted on the same basis as the related ARO liability and is not recorded on our Consolidated Balance Sheets.

While the precise amount of future final reclamation costs cannot be determined with certainty, we estimate that, as of December 31, 2017, the aggregate undiscounted cost of final ARO was $775.9 million, of which $333.1 million is contractually reimbursable from customers through provisions of certain coal supply agreements. As of December 31, 2017, the Company holds $77.0 million in reclamation deposits that were contributed by various customers as well as $106.7 million of available-for-sale securities and other short-term highly liquid investments that are restricted for use in reclamation activities, as further described in *Note 6 - Restricted Investments, Reclamation Deposits And Bond Collateral* to the consolidated financial statements. Additionally, as of December 31, 2017, the Company had $617.8 million in surety bonds outstanding to secure our asset retirement obligations.

12. DERIVATIVE INSTRUMENTS

Derivative Assets and Liabilities

The Company evaluates all of its financial instruments to determine if such instruments are derivatives, derivatives that qualify for the normal purchase normal sale exception, or contain features that qualify as embedded derivatives. All derivative financial instruments, except for derivatives that qualify for the normal purchase normal sale exception, are recognized on the balance sheet at fair value. Changes in fair value are recognized in earnings if they are not eligible for hedge accounting or in other comprehensive income if they qualify for hedge accounting.

During the year ended December 31, 2017, the Company had power purchase contracts at ROVA to manage exposure to power price fluctuations. These contracts covered the period from April 2014 to March 2019 and were not designated as hedging instruments. Accordingly, their fair value was recognized in the Consolidated Balance Sheets, with changes in fair value recognized in the Consolidated Statements of Operations. Fair value was based on a comparison of contracted prices to projected future market prices which are Level 2 inputs based on the hierarchy defined within *Note 1 - Summary Of Significant Accounting Policies* to the consolidated financial statements. The Company also had in place its power sales contract (the "SEP Agreement") which amended our previous power purchase and operating agreement with our customer. The SEP Agreement covered the period from March 1, 2017 to March 31, 2019 and enabled us to fulfill our obligations under the contract without physically operating the facility. The SEP Agreement met the definition of a derivative and did not qualify for the normal purchases and normal sales scope exception. This contract was not designated as a hedging instrument, therefore, its fair value was recognized in the Consolidated Balance Sheets and changes in fair value recognized in the Consolidated Statements of Operations. As the underlying power deliveries option was significantly in the money, the fair value of this derivative was based on comparing expected contracted cash inflows per the SEP Agreement to expected future outflows based on projected market prices.

Effective October 1, 2017, we executed an Assignment and Assumption Agreement with the counterparties to our ROVA power purchase and sale contracts, in which, for a settlement payment of approximately $10.1 million, we were released from our power purchase and sales contracts and the counterparty to the purchase contracts assumed our position in the power sales contract. As a result of this transaction, we are no longer a party to either of these derivative arrangements as of December 31, 2017 and we derecognized the related derivative asset and liability balances which were recognized through gain on derivatives, net of the settlement payment. This transaction additionally resulted in the recognition in *Revenues* of $14.4 million of previously deferred revenue related to the straight-line recognition of capacity payments from the power sales agreement as these were considered to be an operating lease. Also, in the fourth quarter of 2017 we received proceeds net of settlement payments and normal working capital payments from our posted collateral of $6.2 million and also released $7.5 million in outstanding letters of credit on our Revolver.

The fair value of outstanding derivative instruments not designated as hedging instruments on the Consolidated Balance Sheets was as follows (in thousands):

Derivative Instruments	Balance Sheet Location	December 31, 2017	December 31, 2016
Contracts to purchase power	Other current liabilities	$ —	$ 13,382
Contracts to purchase power	Other liabilities	—	18,384
Contract to sell power	Other current assets	—	10,240
Contract to sell power	Other assets	—	9,528

The effect of derivative instruments not designated as hedging instruments, including settlement payments, on the Consolidated Statements of Operations was as follows (in thousands):

		Years Ended December 31,		
Derivative Instruments	Statements of Operations Location	2017	2016	2015
Contracts to purchase power	Derivative (gain) loss	$ (21,697)	$ (4,287)	$ 5,587
Contract to sell power	Derivative (gain) loss	19,768	(19,768)	—
		$ (1,929)	$ (24,055)	$ 5,587

13. FAIR VALUE MEASUREMENTS

The carrying amounts of cash equivalents, accounts receivable and accounts payable reflected in the Consolidated Balance Sheets approximate the fair value of these instruments due to the short duration to their maturities. Long-term debt fair value estimates are based on observed prices for securities with an active trading market when available (Level 2) and otherwise using discount rate estimates based on interest rates as of December 31, 2017 (Level 3).

The estimated fair value of the Company's debt with fixed and variable interest rates are as follows:

	Fixed Interest Rate				Variable Interest Rate			
	Carrying Value		Fair Value		Carrying Value		Fair Value	
	(In thousands)				(In thousands)			
December 31, 2017	$	375,789	$	195,189	$	672,618	$	351,856
December 31, 2016		409,362		395,274		699,704		658,557

The table below sets forth, by level, the Company’s financial assets and liabilities that are accounted for at fair value on a recurring basis:

	December 31, 2017					
	Fair Value		Quoted Prices in Active Markets for Identical Assets or Liabilities Level 1		Significant Other Observable Inputs Level 2	
			(In thousands)			
Assets:						
Available-for-sale investments, included in *Restricted investments, reclamation deposits and bond collateral*	$	148,535	$	148,535	$	—
	$	148,535	$	148,535	$	—
Liabilities:						
Warrants issued by WMLP, included in *Other liabilities*	$	296	$	—	$	296
	$	296	$	—	$	296

	December 31, 2016					
	Fair Value		Quoted Prices in Active Markets for Identical Assets or Liabilities Level 1		Significant Other Observable Inputs Level 2	
			(In thousands)			
Assets:						
Contract to sell power, included in *Other current assets* and *Other assets*	$	19,768	$	—	$	19,768
Available-for-sale investments, included in *Restricted investments, reclamation deposits and bond collateral*		147,269		147,269		—
	$	167,037	$	147,269	$	19,768
Liabilities:						
Contracts to purchase power, included in *Other current liabilities* and *Other liabilities*	$	31,766	$	—	$	31,766
Warrants issued by WMLP, included in *Other liabilities*		613		—		613
	$	32,379	$	—	$	32,379

14. SHARE-BASED COMPENSATION

As of December 31, 2017, the Company had restricted stock units, cash units and stock options outstanding from two stock incentive plans. The Company grants employees and non-employee directors restricted stock units from the Amended and Restated 2007 and 2014 Equity Incentive Plans. As of December 31, 2017, there are no remaining shares available for issuance under the Amended and Restated 2007 Equity Incentive Plan and 1,205,098 remaining shares available for issuance under the Amended and Restated 2014 Equity Incentive Plan.

The Company's long-term incentive compensation plans allow certain employees to earn cash units and/or restricted stock units. A portion of the grants require only a service condition and vest ratably over three years from the date of grant. A portion of the grants require both a service and market condition in which the units vest subsequent to the end of a three-year performance cycle based on total shareholder return compared to two peer groups. A portion of the grants require both a service and performance condition in which units vest subsequent to the end of a three-year performance cycle based on actual free cash flows compared to budgeted free cash flows over the performance period. The majority of the grants are restricted stock units which are settled in common stock. In addition, the Company grants time-vested restricted stock units annually to the Board of Directors which are ultimately settled in common stock upon vesting.

Compensation cost arising from stock-settled share-based arrangements is shown in the following table:

	Years Ended December 31,		
	2017	2016	2015
		(In thousands)	
Recognition of fair value of restricted stock units, stock options and SARs over vesting period	$ 3,200	$ 5,392	$ 4,019
Contributions of stock to the Company's 401(k) plan	—	2,192	3,729
Total share-based compensation expense	$ 3,200	$ 7,584	$ 7,748

Restricted Stock Units

In June 2017, the Company granted 611,097 restricted stock units to employees and 102,141 restricted stock units to the Board of Directors under the Amended and Restated 2014 Equity Incentive Plan. Of the 713,238 restricted stock units granted, 338,968 vest based only on a service condition, 187,135 vest based on both a service and market condition, and 187,135 vest based on both a service and performance condition. These units will vest and pay out at the end of their respective vesting periods if all underlying conditions are met. The Company's management believes it is probable that the target performance condition will be met. The fair value of each unit containing both a service and market-based condition was determined through the use of the Monte Carlo simulation method. The fair value of each unit containing both a service and performance-based condition is the market price of one common share on the date of grant. Compensation expense is based on the fair value on the grant date and is recorded ratably over the vesting period.

Changes in our restricted stock for the year ended December 31, 2017 were as follows:

	Units	Weighted Average Grant-Date Fair Value	Unamortized Compensation Expense (In thousands)(1)
Non-vested at December 31, 2016	700,500	$ 15.91	
Granted	713,238	3.94	
Vested and issued	(291,140)	17.20	
Forfeited	(347,647)	9.62	
Non-vested at December 31, 2017	774,951	$ 8.31	$ 2,055

(1) Expected to be recognized over the next three years.

The following table summarizes the assumptions used to measure the fair value of the annual grant of units granted with a market condition indexed to the achievement of specified levels of total shareholder return:

Assumptions	2017
Risk-free rate of return	1.41%
Expected volatility	71.20%
Expected term (in years)	3.0
Expected dividend yield	—

Additional information related to restricted stock units:

Years Ended December 31:	Weighted Average Grant-Date Fair Value	Total Grant-Date Fair Value of Restricted Stock Units that Vested (In thousands)
2017	$ 3.94	$ 5,007
2016	8.85	2,485
2015	28.26	2,884

Cash Units

In June 2017, the Company granted 375,658 cash units to employees. Of the 375,658 cash units granted, 157,880 vest based only on a service condition, 108,889 vest based on both a service and market condition, and 108,889 vest based on both a service and performance condition. These units will vest and pay out at the end of their respective vesting periods if all underlying conditions are met. The Company's management believes it is probable that the target performance condition will be met. The fair value of each unit containing both a service and market-based condition was determined through the use of the Monte Carlo simulation method. The fair value of each unit containing both a service and performance-based condition is the market price of one common share on the date of grant. Compensation expense is based on the fair value on the grant date and is recorded ratably over the vesting period.

The compensation expense related to the cash units was $0.3 million and $0.2 million for the years ended December 31, 2017 and 2016, respectively, and is recorded in *Selling and administrative* on the Consolidated Statements of Operations. Because the cash units are settled in cash, they are accounted for as a liability award. The accrued liability related to the cash units was $0.1 million and $0.4 million as of December 31, 2017 and 2016, respectively, and is recorded in *Trade and other accrued liabilities* on the Consolidated Balance Sheets.

15. EARNINGS PER SHARE

Basic earnings (loss) per share is computed by dividing the net income (loss) applicable to common shareholders by the weighted average number of shares of common stock outstanding during each period. Net income (loss) applicable to common shareholders includes the adjustment for net income or loss attributable to noncontrolling interest. Diluted earnings per share is computed by including the dilutive effect of common stock that would be issued assuming conversion or exercise of outstanding stock options, stock appreciation rights ("SARs") and restricted stock units. No such items were included in the computations of diluted loss per share for the years ended December 31, 2017, 2016 or 2015 because the Company incurred a net loss applicable to common shareholders in those periods and the effect of inclusion would have been anti-dilutive. The table below shows the number of shares that were excluded from the calculation of diluted loss per share because their inclusion would be anti-dilutive to the calculation:

	Years Ended December 31,		
	2017	2016	2015
		(In thousands)	
Stock options, SARs and restricted stock units	780	810	464
Total shares excluded from diluted shares calculation	780	810	464

16. STOCKHOLDERS' EQUITY AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Preferred and Common Stock

The Company had one class of capital stock outstanding at December 31, 2017 and 2016; common stock, par value $0.01 per share. During the first quarter of 2015, all of the Company's Series A Convertible Exchangeable Preferred Stock was converted or redeemed, consisting of 88,494 shares of preferred stock being converted into 604,557 shares of common stock and 3,175 shares of preferred stock were redeemed under a mandatory redemption for $0.3 million. The Company paid less than $0.1 million of preferred stock dividends for the year ended December 31, 2015.

Accumulated Other Comprehensive Loss

The following is a summary of *Accumulated other comprehensive loss*:

	Pension	Postretirement Medical Benefits	Available-for-Sale Securities	Foreign Currency Translation Adjustment	Tax Effect of Other Comprehensive Income Gains	Accumulated Other Comprehensive Loss
			(In thousands)			
December 31, 2014	$ (35,540)	$ (39,716)	$ 413	$ (18,190)	$ (34,974)	$ (128,007)
2015 activity	2,046	8,630	(1,738)	(51,866)	(3,335)	(46,263)
December 31, 2015	(33,494)	(31,086)	(1,325)	(70,056)	(38,309)	(174,270)
2016 activity	7,371	(20,807)	(349)	8,983	—	(4,802)
December 31, 2016	(26,123)	(51,893)	(1,674)	(61,073)	(38,309)	(179,072)
2017 activity	6,202	(3,230)	1,050	16,562	(2,037)	18,547
December 31, 2017	$ (19,921)	$ (55,123)	$ (624)	$ (44,511)	$ (40,346)	$ (160,525)

Changes in Accumulated Other Comprehensive Loss

The following table reflects the changes in *Accumulated other comprehensive loss* by component:

	Pension	Postretirement Medical Benefits	Available-for-Sale Securities	Foreign Currency Translation Adjustment	Tax Effect of Other Comprehensive Income Gains	Accumulated Other Comprehensive Loss
			(In thousands)			
December 31, 2016	$ (26,123)	$ (51,893)	$ (1,674)	$ (61,073)	$ (38,309)	$ (179,072)
Other comprehensive income (loss) before reclassifications	3,376	(6,893)	1,389	16,562	(2,037)	12,397
Amounts reclassified from accumulated other comprehensive loss	2,826	3,663	(339)	—	—	6,150
December 31, 2017	$ (19,921)	$ (55,123)	$ (624)	$ (44,511)	$ (40,346)	$ (160,525)

The following table reflects the reclassifications out of *Accumulated other comprehensive loss* for the year ended December 31, 2017 (in thousands):

Details About Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss(1)	Affected Line Item in the Statement Where Net Loss is Presented
Available-for-sale securities:		
Realized gains and losses on available-for-sale securities	$ (339)	Other (loss) income
	$ (339)	Total
Amortization of defined benefit pension items:		
Prior service costs(2)	$ 8	
Actuarial losses(2)	2,818	
	$ 2,826	Total
Amortization of postretirement medical items:		
Prior service costs(3)	$ (635)	
Actuarial losses(3)	4,298	
	$ 3,663	Total

(1) Amounts in parenthesis indicate debits to income/loss.

(2) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. (See *Note 10 - Pension And Other Saving Plans* to the consolidated financial statements for additional details).
(3) These accumulated other comprehensive income components are included in the computation of net periodic postretirement medical cost. (See *Note 9 - Postretirement Medical Benefits* to the consolidated financial statements for additional details).

Restricted Net Assets

WCC has obligations to pay pension and postretirement medical benefits, to fund corporate expenditures, and to pay interest on the 8.75% Notes and the Term Loan. However, WCC conducts no operations, has no source of revenue and is fully dependent on distributions from its subsidiaries to pay its costs. Due to the Master Limited Partnership structure and the WMLP Term Loan, at December 31, 2017, WMLP is limited in its ability to distribute funds to WCC. The amount of cash WMLP can distribute on its units principally depends upon the amount of cash it generates from its operations, which will fluctuate from quarter to quarter, and certain restrictions on distributions included in the WMLP Term Loan further described in *Note 8 - Debt And Lines Of Credit* to the consolidated financial statements. The WMLP Term Loan contains customary financial and other covenants and it permits distributions to its unitholders under specified circumstances. Borrowings under the WMLP Term Loan are secured by substantially all of its physical assets. At December 31, 2017, WMLP was in a net liability position.

17. INCOME TAX

We are subject to taxation in the United States and Canada as well as various state jurisdictions. As of December 31, 2017, tax years for 2014, 2015, and 2016 are subject to examination by the tax authorities. With few exceptions, as of December 31, 2017, we were no longer subject to U.S. federal, state, local or foreign examinations by tax authorities for tax years before 2014. The Company's income (loss) before income taxes is as follows:

	Years Ended December 31,		
	2017	2016	2015
		(In thousands)	
United States	$ (73,123)	$ (100,290)	$ (264,146)
Foreign	(5,902)	23,359	25,161
Loss before income taxes	$ (79,025)	$ (76,931)	$ (238,985)

Income tax expense (benefit) reflected on the Consolidated Statements of Operations consisted of:

	Years Ended December 31,		
	2017	2016	2015
		(In thousands)	
Current:			
Federal	$ —	$ (2,924)	$ —
State	(11)	166	12
Foreign	30	841	1,441
	19	(1,917)	1,453
Deferred:			
Federal	(5,896)	(41,054)	(3,295)
State	—	(5,032)	(330)
Foreign	(13)	(56)	(17,718)
	(5,909)	(46,142)	(21,343)
Income tax benefit	$ (5,890)	$ (48,059)	$ (19,890)

The effective tax rate differs from the U.S. federal statutory rate as follows:

	Years Ended December 31,		
	2017	2016	2015
		(In thousands)	
Computed income tax benefit at statutory rate	$ (27,712)	$ (28,833)	$ (85,757)
Tax depletion in excess of basis	(9,304)	(10,794)	(5,317)
Intercompany interest	(5,105)	(6,651)	(6,488)
State and foreign income taxes, net	(2,809)	(4,632)	(8,897)
Indian coal tax credits (“ICTC”)	—	(9,923)	(13,756)
Change in state and federal tax rates	162,048	(7,548)	(5,238)
Change in Canadian rate	435	—	(3,083)
Foreign income inclusion	15,310	8,093	486
Alternative minimum tax refund	(4,145)	(2,923)	—
Kemmerer deferred tax asset removal	—	—	(13,238)
Change in valuation allowance for net deferred tax assets	(136,446)	59,536	149,987
Release of valuation allowance arising from amalgamation	—	—	(32,441)
San Juan purchase accounting release of valuation allowance	—	(46,086)	—
Other, net	1,838	1,702	3,852
Income tax benefit	$ (5,890)	$ (48,059)	$ (19,890)

The $136.4 million decrease in valuation allowance for the year ended December 31, 2017 was primarily driven by the effects of tax reform (see "The Tax Cuts and Jobs Act" below), through a rate reduction from 35% to 21% for which the Company revalued its deferred tax assets and liabilities. Additionally, the Company released $4.1 million in valuation allowance for its Alternative Minimum Tax ("AMT") tax credit asset, which will be refundable with the filing of the 2018 through 2021 federal income tax returns. Other adjustments to the valuation allowance were from the tax effect of the change in current year temporary items, credits, net operating losses and postretirement medical benefit and pension obligations.

During 2016, as part of the San Juan Acquisition, the Company acquired $46.1 million in deferred tax liabilities. Changes in the acquiring company’s deferred tax assets or liabilities subsequent to a business combination are required to be recorded in income during the period in which the transaction occurs. Accordingly, the $46.1 million decrease in the Company’s net deferred tax assets resulted in the release of a corresponding $46.1 million valuation allowance and recognition of a tax benefit as of December 31, 2016.

During 2015 the Company completed an amalgamation of two of our Canadian subsidiaries as part of a tax planning strategy. The amalgamation resulted in a decrease in the Company’s Canadian net deferred tax asset, necessitating the $32.4 million release of a portion of the Company’s valuation allowance. The $13.2 million Kemmerer deferred tax asset removal for the year ended December 31, 2015 was due to the Company dropping the Kemmerer mine and assets into the Company’s master limited partnership on August 1, 2015.

The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities are presented below:

	December 31, 2017	December 31, 2016
	(In thousands)	
Deferred tax assets:		
Net operating losses	$ 190,687	$ 249,687
Credit carryforwards	65,114	69,170
Accrued compensation and benefits	2,993	7,399
Asset retirement obligations	111,162	156,550
Postretirement medical benefit and pension obligations	93,111	143,374
Deferred revenue	988	11,110
Black lung accrual	5,343	8,299
Unrealized gain/(loss) on derivatives	—	4,774
Canadian resource pool	4,425	4,174
Lease obligations	3,707	8,415
Other	11,286	9,668
Total deferred tax assets	488,816	672,620
Valuation allowance	(398,627)	(563,338)
Net deferred tax assets	90,189	109,282
Deferred tax liabilities:		
Property, plant and equipment, differences due to depreciation and amortization	$ (62,312)	$ (83,411)
Investment in partnerships	(22,850)	(13,365)
Finance lease receivable	—	(7,362)
Other	(5,027)	(5,144)
Total deferred tax liabilities	(90,189)	(109,282)
Net deferred tax asset (liability)	$ —	$ —

As of December 31, 2017, the Company had significant deferred tax assets. The deferred tax assets include U.S. federal, state and foreign NOLs, ICTC carryforwards, and net deductible reversing temporary differences related to on-going differences between book and taxable income. The Company determined that since its net deductible temporary differences will not reverse for the foreseeable future, and it is unable to forecast regular taxable income when they do reverse, a full valuation allowance is required for these deferred tax assets. The net valuation allowance decreased by $136.4 million during the year ended December 31, 2017.

As of December 31, 2017, the Company has available U.S. federal net operating loss carryforwards to reduce future regular taxable income of $676.2 million, expiring between 2019 and 2037. The Company has ICTC carryforwards of $64.4 million available to reduce future income taxes, which expire between 2027 and 2037.

Currently the Company has an excess tax over book basis in its investment in Canadian subsidiaries and the Company does not expect this deferred tax asset to reverse in the foreseeable future. Accordingly, there has been no recognition of any deferred tax asset on the outside basis of investments in subsidiaries.

Foreign Income Taxes

As of December 31, 2017, the Company has available foreign net operating loss carryforwards to reduce future regular taxable income of approximately $30.2 million expiring in 2034.

Uncertain tax positions

The Company maintained $4.0 million in uncertain tax positions as of December 31, 2017 and 2016. The Company recognizes interest and penalties related to income tax matters in income tax expense, for which none was recorded for the years ended December 31, 2017, 2016 or 2015. No uncertain tax positions are expected to change in the next 12 months.

Tax Benefits Preservation Plan

As of December 31, 2017, WCC had a U.S. federal net operating loss carryforward of $676.2 million, together with certain other tax attributes. WCC's ability to utilize these Deferred Tax Assets to offset future taxable income may be significantly limited if WCC experiences an "ownership change," as defined in Section 382 of the Code. In general, an ownership change will occur if there is a cumulative change in WCC's ownership by "5% shareholders" (as defined in the Code) that exceeds 50 percentage points over a rolling three-year period.

On September 2, 2017, the board of directors of the Company adopted the Rights Plan. The purpose of the Rights Plan is to minimize the likelihood of an ownership change occurring for Section 382 purposes and thus protect the Company's ability to utilize its Deferred Tax Assets to offset future income. The Rights Plan is intended to act as a deterrent to any person or group acquiring “beneficial ownership” of 4.75% or more of the outstanding shares of the Company's common stock, par value $0.01 per share without the approval of the board of directors. The description and terms of the Rights (as defined below) applicable to the Rights Plan are set forth in the Rights Agreement, by and between WCC and Broadridge Corporate Issuer Solutions, Inc., as Rights Agent.

As part of the Rights Agreement, the board or directors authorized and declared a dividend distribution of one right (a “Right”) for each outstanding share of common stock to stockholders of record at the close of business on September 18, 2017. Each Right entitles the holder to purchase from WCC a unit consisting of one ten thousandth of a share (a “Unit”) of Series A Participating Preferred Stock, par value $0.01 per share, of WCC at a purchase price of $10.00 per Unit, subject to adjustment. Until a Right is exercised, the holder thereof, as such, will have no separate rights as a stockholder of WCC, including the right to vote or to receive dividends in respect of Rights.

The Tax Cuts and Jobs Act

In December 2017, the Tax Cuts and Jobs Act (the "Tax Act”) was enacted. The Tax Act includes many changes to existing U.S. tax laws that impact the Company, most notably a reduction of the U.S. corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017. The Tax Act also provides for a one-time transition tax on certain foreign earnings and the acceleration of depreciation for certain assets placed into service after September 27, 2017, as well as prospective changes beginning in 2018, including repeal of the domestic manufacturing deduction, additional limitations on executive compensation and limitations on the deductibility of interest.

The Tax Act also repeals AMT which provides that any unused AMT credits will be refunded upon filing of the tax returns for tax years 2018 through 2021. As a result, the Company has released $4.1 million in valuation allowance for the year ended December 31, 2017 and has recorded a corresponding receivable on the December 31, 2017 Consolidated Balance Sheet.

The changes resulting from the Tax Act that we believe have the most significant impact on the Company’s federal income taxes are as follows:

Reduction of the U.S. Corporate Income Tax Rate

The Company measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid. Accordingly, the Company’s deferred tax assets and liabilities were revalued to reflect the reduction in the U.S. corporate income tax rate, resulting in a $162.0 million decrease in net deferred tax assets and a corresponding decrease in the Company's valuation allowance as of December 31, 2017.

Transition Tax on Foreign Earnings

The Company included Subpart F income of $39.0 million for the year ended December 31, 2017 related to the one-time transition tax on certain foreign earnings. This amount did not reduce any tax assets, but decreased the current year loss. The determination of the transition tax requires further analysis regarding the amount and composition of the Company’s historical foreign earnings, which is expected to be completed upon filing of the 2017 tax return.

Staff Accounting Bulletin No. 118

On December 22, 2017, the SEC issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. The Company has recognized the provisional tax impacts related to deemed repatriated earnings and the revaluation of deferred tax assets and liabilities and included these amounts within this footnote for the year ended December 31, 2017. The ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the Tax Act. The accounting is expected to be complete prior to the filing of the 2017 U.S. corporate income tax return.

18. COMMITMENTS AND CONTINGENCIES

Leases and other Commitments

The following shows the gross value and accumulated depreciation of property, plant, equipment and mine development assets under capital leases related primarily to the leasing of mining equipment as follows:

	December 31, 2017	December 31, 2016
	(In thousands)	
Gross value	$ 75,446	$ 74,335
Accumulated depreciation	51,026	32,335

Future minimum capital and operating lease payments as of December 31, 2017 are as follows:

	Capital Leases	Operating Leases
	(In thousands)	
2018	$ 18,337	$ 8,705
2019	9,183	6,287
2020	4,325	1,648
2021	1,832	1,506
2022	2,040	1,534
Thereafter	—	3,994
Total minimum lease payments	35,717	$ 23,674
Less imputed interest	(2,604)	
Present value of minimum capital lease payments	$ 33,113	

Rental expense under operating leases during the years ended December 31, 2017, 2016 and 2015 totaled $15.1 million, $18.2 million and $25.2 million, respectively.

The Company leases certain of its coal reserves from third parties and pays royalties based on either a per ton rate or as a percentage of revenues received. Royalties charged to expense under all such lease agreements amounted to $86.5 million, $99.2 million and $96.7 million in the years ended December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017, the Company had fuel supply contracts outstanding with a minimum purchase requirement of 9.0 million gallons of diesel fuel for 2018. These contracts qualify for the normal purchase normal sale exception under hedge accounting.

Litigation

Indemnified Canadian Governmental Charges - Obed Mine Containment Pond Breach

On October 31, 2013, at a time when the mine was still owned by Sherritt International Corporation (“Sherritt”), a breach of an on-site water containment pond occurred at the Obed Mountain mine near Hinton, Alberta. The water release consisted of approximately 670,000 cubic meters of processed water containing water mixed with naturally occurring materials, mainly clay, mud, shale and coal fines. The release resulted in investigations by various regulatory authorities. The government of Alberta issued an environmental protection order in relation to the release on November 19, 2013 against Sherritt and Westmoreland's Canadian subsidiary, and filed charges under provincial legislation on October 16, 2015. The federal government of Canada filed charges under federal legislation on January 13, 2016. The provincial and federal charges have been resolved through plea arrangements, and the related fines and penalties have been paid. Certain related remediation work remains ongoing.

Pursuant to a Cooperation Agreement entered into between Sherritt and Westmoreland on April 28, 2014, Sherritt will fully indemnify us for the actual cost of remediation and work required to comply with all regulatory orders. In addition, pursuant to the Arrangement Agreement, Sherritt fully indemnified us, with no deductibles or minimums, for the fees, fines and judgments resulting from the water release. Due to our contractual indemnifications, we do not believe any of the results of this Obed matter will have a material adverse impact on our consolidated financial statements.

A loss contingency for the outstanding portion of this matter is probable and reasonably estimable. However, due to the full contractual indemnification, the probability of the Company having a net material liability arising out of this matter is remote. As of December 31, 2017, the Company has recorded $8.0 million in *Other current liabilities* for the estimated costs of remediation work and a corresponding amount in *Receivables - Other* to reflect the indemnification by the prior owner.

WildEarth Guardians Regulatory Challenge to OSM's Approval Process for Mine Plans

SJCC is subject to certain litigation related to its operations, including an Action filed by WEG on February 27, 2013, in the United States District Court for the District of Colorado seeking review of the Office of Surface Mining ("OSM") decisions and decisions of the Assistant Secretary of the Interior's approval of mine plans and amendments concerning seven separate coal mines in Colorado, Montana, New Mexico and Wyoming. Among the decisions being challenged is the January 2008 approval of the mining plan modification for the San Juan mine. WEG alleges that in approving the plans or plan amendments, OSM engaged in a "pattern and practice of failing to comply with" the requirements of the National Environmental Policy Act ("NEPA") by failing to "ensure that the public was appropriately involved in the adoption of" the mine plans and by failing to "take a hard look at a number of potentially significant environmental impacts." On February 7, 2014, the case was transferred to the U.S. District Court for the District of New Mexico. On August 31, 2016 Judge Robert Junell issued a decision that (1) granted OSM's motion for a voluntary remand back to the agency to conduct the required NEPA process as it relates to WEG's claimed deficiencies, and (2) mandated that OSM and SJCC conduct an EIS to address the alleged deficiencies of the original NEPA process within a three year time frame at which time automatic vacatur of the mining permit would occur absent a showing of good cause by the parties.

OSM selected a contractor to perform the required NEPA related services in support of the EIS in early December 2016. Currently, SJCC is working with all interested parties to maintain the three-year schedule to complete the requisite NEPA analysis.

Pursuant to the judicial decision, SJCC is free to continue operating under the existing permit during the three-year timeframe that the EIS is being conducted.

Ohio Environmental Protection Agency Challenge

In May of 2016 the Ohio EPA ("OEPA") notified Oxford Mining Company, LLC ("Oxford"), in writing that OEPA believed various of the Oxford's previously remediated mines have failed to meet the performance goals set forth in the approved mitigation plans. OEPA's letters provided that Oxford either (a) provide evidence that OEPA's listed mitigation deficiencies are actually meeting the performance standards, (b) request an extension of up to two years to complete the outstanding mitigation obligations, or (c) pursue off-site mitigation credit such as purchasing mitigation credits from third parties. None of the written correspondence specified monetary damages or cost estimates to complete the alleged mitigation deficiencies.

There is currently an open dialogue whereby comparative evaluations are being discussed. Presently, our position is that our exposure is inconsequential based on internally conducted technical, environmental and legal evaluations.

Other Legal Proceedings

We are party to other legal proceedings arising in the ordinary course of business and may become involved in additional proceedings from time to time. We believe that there are no other legal proceedings pending that are likely to have a material adverse effect on our consolidated financial condition, results of operations or cash flows. Nevertheless, we cannot predict the impact of future developments affecting our claims and lawsuits, and any resolution of a claim or lawsuit or an accrual within a particular fiscal period may materially and adversely impact our results of operations for that period. In addition to claims and lawsuits against us, our operations, permits, and other industry regulatory processes and approvals, including those applicable to the utilities and transportation industries, may also continue to be subject to legal challenges that could materially and adversely impact our mining operations, results and liquidity. These regulatory challenges may seek to vacate prior regulatory decisions and authorizations that are legally required for some or all of our current or planned mining activities. If we are required to reduce or modify our mining activities as a result of these challenges, the impact could have a material adverse effect on our shipments, financial results and liquidity, and could result in claims from third parties if we are unable to meet our commitments under pre-existing commercial agreements as a result of any such required reductions or modifications to our mining activities.

19. BUSINESS SEGMENT INFORMATION

Segment information is based on a management approach, which requires segmentation based upon the Company’s internal organization and reporting.

The Company’s operations are classified into six reporting segments: Coal - U.S., Coal - Canada, Coal - WMLP, Power, Heritage, and Corporate. The Coal - U.S. reporting segment includes the operations of coal mines located in Montana, North Dakota, Ohio, Texas and New Mexico. The Coal - Canada reporting segment includes the operations of coal mines located in Alberta and Saskatchewan. The Coal - WMLP reporting segment includes the operations of Westmoreland Resource Partners, LP, a publicly-traded coal master limited partnership with mines in Ohio and the Kemmerer mine in Wyoming. The Kemmerer Drop was completed on August 1, 2015 and, accordingly, to enable comparability across all years, all segment disclosures have been adjusted to remove financial information for Kemmerer from the Coal - U.S. segment and present it in the Coal - WMLP segment for the year ended December 31, 2015. The Power segment includes our ROVA operations located in North Carolina, which the Company sold during the fourth quarter of 2017. The Heritage segment costs primarily include benefits the Company provides to former mining operation employees as well as other administrative costs associated with providing those benefits and cost containment efforts. The Corporate segment primarily consists of corporate administrative expenses and includes eliminations for intersegment revenues and cost of sales.

Summarized financial information by segment is as follows:

	Coal - U.S.[3]	Coal - Canada	Coal - WMLP[1]	Power[2]	Heritage	Corporate[1]	Consolidated
				(In thousands)			
December 31, 2017							
Revenues	$ 573,697	$ 438,273	$ 315,605	$ 77,189	$ —	$ (20,196)	$ 1,384,568
Restructuring charges	—	—	—	—	—	—	—
Depreciation, depletion, and amortization	59,764	14,292	45,466	1,650	—	(118)	121,054
Operating income (loss)	40,063	8,898	9,822	15,274	(14,242)	(20,603)	39,212
Total assets	535,341	470,744	347,403	—	16,767	18,844	1,389,099
Cash paid for capital expenditures	12,609	13,961	8,446	—	—	—	35,016
December 31, 2016							
Revenues	$ 651,713	$ 415,593	$ 349,341	$ 86,578	$ —	$ (25,265)	$ 1,477,960
Restructuring charges	—	—	—	—	—	—	—
Depreciation, depletion, and amortization	108,326	26,893	50,217	—	—	(169)	185,267
Operating (loss) income	(8,063)	39,104	8,873	28,535	(13,409)	(16,910)	38,130
Total assets	612,588	493,356	386,862	59,273	16,298	16,532	1,584,909
Cash paid for capital expenditures	14,775	19,791	11,566	—	—	—	46,132
December 31, 2015							
Revenues	$ 552,745	$ 430,416	$ 388,605	$ 84,423	$ —	$ (36,671)	$ 1,419,518
Restructuring charges	—	—	656	—	—	—	656
Depreciation, depletion, and amortization	45,650	30,323	54,504	9,908	—	(57)	140,328
Operating income (loss)	2,213	36,830	(5,211)	(146,868)	(15,596)	(17,064)	(145,696)
Total assets	442,143	506,058	412,895	39,762	16,146	(1,025)	1,415,979
Cash paid for capital expenditures	25,193	27,658	27,296	1,408	—	(3,634)	77,921

(1) The Coal - WMLP segment recorded revenues of $20.2 million, $25.3 million and $36.7 million for intersegment revenues to the Coal - U.S. segment for the years ended December 31, 2017, 2016 and 2015, respectively. Eliminations for intersegment revenues and cost of sales are presented within the Corporate segment.

(2) Operating income (loss) for the Coal - WMLP segment for 2017 includes an impairment charge of $5.9 million. Operating income (loss) for the Power segment for 2015 includes an impairment charge of $133.1 million.

(3) The San Juan Acquisition was completed on January 31, 2016. For the years ended December 31, 2017 and 2016, revenues for San Juan were $206.1 million and $184.4 million, respectively, and operating income was $18.3 million and $24.5 million, respectively.

The Company derives its revenues from a few key customers. The customers from which 10% or more of consolidated revenues have been derived and the percentage of consolidated revenues from those customers is summarized as follows:

	Years Ended December 31,		
	2017	2016	2015
		(In thousands)	
Customer A - Coal - U.S. and WMLP	$ 134,791	$ 207,290	$ 234,840
Customer B - Coal - U.S.	206,148	184,364	—
Customer C - Coal - Canada	191,363	174,659	180,660
Customer D - Coal - U.S.	139,063	146,503	153,585
Percentage of consolidated revenues	48%	48%	40%

20. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data is as follows:

	Three Months Ended			
	March 31	June 30	September 30	December 31
	(In thousands; except per share data)			
2017:				
Revenues	$ 339,737	$ 323,025	$ 358,011	$ 363,795
Operating (loss) income	(11,088)	(21,067)	14,255	57,112
Net (loss) income applicable to common shareholders	(36,801)	(50,382)	(19,222)	35,065
Basic and diluted (loss) income per common share	(1.98)	(2.69)	(1.03)	1.87
2016:				
Revenues	$ 355,854	$ 357,597	$ 371,772	$ 392,737
Operating income (loss)	7,619	(883)	8,753	22,641
Net income (loss) applicable to common shareholders	27,407	(28,589)	(18,368)	(7,551)
Basic and diluted income (loss) per common share	1.50	(1.54)	(0.99)	(0.41)

21. SUBSEQUENT EVENTS

The Company has evaluated subsequent events in accordance with ASC 855, *Subsequent Events*, through the filing date of this Annual Report on Form 10-K, and determined that no events have occurred that have not been disclosed elsewhere in the notes to the consolidated financial statements that would require adjustments to disclosures in the consolidated financial statements.

ITEM 9 — *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.*

None.

ITEM 9A — *CONTROLS AND PROCEDURES.*

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2017, management conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2017 in ensuring that information required to be disclosed was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that information required to be disclosed by us in such reports is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting refers to a process designed by, or under the supervision of, our principal executive and principal financial officers or persons performing similar functions, and effected by the Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management evaluated the effectiveness of our internal control over financial reporting as of December 31, 2017 using the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in their *2013 Internal Control-Integrated Framework*. Based upon management's evaluation, our CEO and CFO concluded that our internal control over financial reporting was effective as of December 31, 2017.

Remediation of Material Weakness

As of December 31, 2016, management determined our internal control over financial reporting was not effective due to a material weakness in the operating effectiveness of our controls over the application of the asset retirement obligation accounting literature in instances where the Company is reimbursed by its customers for final reclamation costs. The material weakness allowed errors to occur that were not detected in a timely manner, therefore requiring a restatement of the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016.

During 2017, management executed a remediation plan that included assigning personnel with the appropriate level of technical accounting experience to review the accounting for asset retirement obligations in accordance with GAAP, in addition to reviewing existing accounting policies in other areas and leading the implementation of the new revenue recognition standard of ASC Topic 606. During the fourth quarter of 2017, we completed our implementation plan and successfully completed testing of the implementation plan controls. As a result of our testing, we have concluded that the material weakness has been remediated as of December 31, 2017.

Changes in Internal Control Over Financial Reporting

Beginning January 1, 2017, the Company integrated our enterprise resource planning ("ERP") system to a single instance of our ERP system across all locations and segments which will improve the timeliness and quality of information (including financial information) to all appropriate levels of Company personnel. The integration was not in response to any identified deficiency or material weakness in the Company's internal control over financial reporting. The integration of the ERP system resulted in a modification of the design and documentation of certain internal controls processes and procedures relating to the ERP system. These modifications were included in our testing of internal control over financial reporting and were found to be designed and operating effectively as of December 31, 2017.

Beginning January 1, 2017, and in connection with the integration discussed immediately above, the Company initiated the centralization of controls from our corporate offices in Edmonton, Canada and Coshocton, Ohio resulting in a centralized control environment. The centralization was not in response to any identified deficiency or material weakness in the Company's internal controls over financial reporting. The centralization was completed during 2017 and also resulted in a modification of the design and documentation of certain internal control processes and procedures relating to the centralization. These modifications were included in our testing of internal control over financial reporting and were found to be designed and operating effectively as of December 31, 2017.

Also during 2017, the Company implemented internal controls to ensure it has adequately assessed the impact of the new accounting standard related to revenue recognition to prepare for adoption on January 1, 2018. The modified and new controls have been designed to address risks associated with recognizing revenue under the new standard.

Our Independent Registered Public Accounting Firm, Ernst & Young LLP, has audited our internal control over financial reporting, as stated in their unqualified opinion report included herein.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Westmoreland Coal Company

Opinion on Internal Control over Financial Reporting

We have audited Westmoreland Coal Company and subsidiaries' internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Westmoreland Coal Company and subsidiaries (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive loss, shareholders' deficit, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and schedule and our report dated April 2, 2018 expressed an unqualified opinion thereon that included an explanatory paragraph regarding the Company's ability to continue as a going concern.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Ernst & Young LLP
Denver, Colorado
April 2, 2018

ITEM 9B. — OTHER INFORMATION.

Consent, Joinder and Thirteenth Amendment to Second Amended and Restated Loan and Security Agreement

On March 30, 2018, the Company executed an amendment to our existing Second Amended and Restated Loan and Security Agreement with Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company), as agent and as a lender, and East West Bank, as a lender ("Thirteenth Amendment"). The Thirteenth Amendment: (a) amended the calculation under the term "US EBITDA" to remove certain fees paid to legal and financial advisors in connection with the assessment of the Company's consolidated debt structure and add back net proceeds from the potential sale of certain assets; (b) amended the calculation under the term "Canadian EBITDA" and to remove certain financial results attributable to the Coal Valley mine; (c) dedicated the Canadian Borrowers' Collateral as security for the payment, performance or other satisfaction of all other Obligations owing to Administrative Agent, Lenders and any Affiliate of any Lender; (d) created a weekly budget report to the Lenders; (e) created a preliminary restructuring proposal delivery requirement; (f) created a requirement for the Company to perform an Appraisal of its Canadian Equipment; and (g) required the Company to maintain minimum Excess Availability as of the close of business on April 6, 2018, and the close of business on each Friday thereafter, as such capitalized terms are defined in our Second Amended and Restated Loan and Security Agreement, as amended, governing the Revolver.

The Thirteenth Amendment also included a consent permitting (i) the creation of certain new subsidiaries, each of which joined the Revolver becoming a borrower thereunder; (ii) the delivery of certain financial reporting to be delivered on April 2, 2018, including annual audited financial statements containing an unqualified opinion of the Company's independent registered public accounting firm containing a going concern emphasis explanatory paragraph; and (iii) certain additional indebtedness and subordination of the lenders' lien related to the refurbishing of certain equipment at the Company's Coal Valley mine.

The foregoing description of the Thirteenth Amendment is qualified in its entirety by reference to the terms of the Thirteenth Amendment, a copy of which is attached as Exhibit 10.61 to this Form 10-K and is incorporated in this Item 9B by reference.

PART III

ITEM 10 — *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.*

The information required by Item 10 will be included under the headings *Directors, Executive Officer, Corporate Governance* and *Section 16(a) Beneficial Ownership Reporting Compliance* in our definitive proxy statement for our Annual Meeting of Stockholders to be held August 31, 2018, and such required information is incorporated herein by reference.

ITEM 11 — *EXECUTIVE COMPENSATION.*

The information required by Item 11 will be included under the headings *Corporate Governance*, *Director Compensation for 2017, Compensation Discussion and Analysis* and *Executive Compensation for 2017* in our definitive proxy statement for our Annual Meeting of Stockholders to be held August 31, 2018, and such required information is incorporated herein by reference.

ITEM 12 — *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.*

The information required by Item 12 will be included under the headings *Beneficial Ownership of Securities* and *Equity Compensation Plan Information* in our definitive proxy statement for our Annual Meeting of Stockholders to be held August 31, 2018, and such required information is incorporated herein by reference.

ITEM 13 — *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.*

The information required by Item 13 will be included under the headings *Certain Transactions* and *Corporate Governance* in our definitive proxy statement for our Annual Meeting of Stockholders to be held August 31, 2018, and such required information is incorporated herein by reference.

ITEM 14 — *PRINCIPAL ACCOUNTANT FEES AND SERVICES.*

The information required by Item 14 will be included under the heading *Auditors* in our definitive proxy statement for our Annual Meeting of Stockholders to be held August 31, 2018, and such required information is incorporated herein by reference.

PART IV

ITEM 15 —*EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.*

1. The following consolidated financial statements for Westmoreland Coal Company are filed herewith in Item 8:

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference: Form	File Number	Exhibit	Filing Date	Filed Herewith
Other debt instruments are omitted in accordance with Item 601(b)(4)(iii)(A) of Regulation S-K. Copies of such agreements will be furnished to the Securities and Exchange Commission upon request. Exhibits with one asterisk indicate management contracts or compensatory plans or arrangements. Exhibits with two asterisks are filed in paper form.						
2.1	Contribution Agreement, dated June 1, 2015, by and between Westmoreland Coal Company and Westmoreland Resource Partners, LP	8-K	001-11155	2.1	6/2/2015	
2.2	Amended and Restated Contribution Agreement, dated July 31, 2015, by and between Westmoreland Resource Partners, LP and Westmoreland Coal Company	8-K	001-11155	2.1	8/4/2015	
2.3	Stock Purchase Agreement, dated as of July 1, 2015, between BHP Billiton New Mexico Coal, Inc., and Westmoreland Coal Company	10-Q	001-11155	2.2	11/5/2015	
2.4	Purchase and Sale Agreement dated August 2, 2017, by and between Westmoreland Partners and ROVA Venture, LLC	10-Q	001-11155	2.1	10/31/2017	
3.1	Amended and Restated Certificate of Incorporation	10-Q	001-11155	3.1	7/31/2015	
3.2	Amended and Restated Bylaws	8-K	001-11155	3.1	2/25/2015	
3.3	Amendment Number One to the Amended and Restated Bylaws of Westmoreland Coal Company	8-K	001-11155	3.1	5/18/2016	
4.1**	Certificate of Designation of Series A Convertible Exchangeable Preferred Stock	10-K	001-11155	3(a)	3/15/1993	
4.2	Certificate of Designations of Series A Participating Preferred Stock of Westmoreland Coal Company	10-Q	001-11155	3.2	10/31/2017	
4.3**	Common Stock certificate	S-2	33-1950	4(c)	12/4/1985	
4.4**	Preferred Stock certificate	S-2	33-47872	4.6	5/13/1992	
4.5	Indenture, dated as of 12/16/2014, by and among Westmoreland Coal Company, the guarantors named therein, and U.S. Bank National Association, as trustee and notes collateral agent	8-K	001-11155	4.1	12/22/2014	
4.6	Form of 8.75% Senior Notes due 2022	8-K	001-11144	4.2	12/22/2014	
4.7	Rights Agreement, dated as of September 5, 2017, by and between Westmoreland Coal Company and Broadridge Corporate Issuer Solutions, Inc., as Rights Agent	8-K	001-11155	4.1	9/5/2017	
10.1*	Annual Incentive Plan (AIP)	10-Q	001-11155	10.1	8/10/2009	
10.2*	Amended and Restated Annual Incentive Plan (AIP)					X
10.3*	Amended and Restated 2007 Equity Incentive Plan for Employees and Non-Employee Directors	10-Q	001-11155	10.1	11/5/2010	
10.4*	Westmoreland Coal Company 2014 Equity Incentive Plan	S-8	333-211446	10.1	5/18/2016	
10.5*	First Amendment to the Westmoreland Coal Company 2014 Equity Incentive Plan	S-8	333-211446	10.2	5/18/2016	
10.6*	Westmoreland Coal Company Amended and Restated 2016 Equity Incentive Plan	S-8	333-218079	10.1	5/18/2017	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference: Form	File Number	Exhibit	Filing Date	Filed Herewith
10.7*	2017 Executive Severance Plan	8-K	001-11155	10.1	12/1/2017	
10.8*	Form of NQSO Agreement for persons other than directors	10-Q	001-11155	10.3	5/9/2008	
10.9*	Form of 2014 Equity Plan Time-Based Awards for Employees	10-Q	001-11155	10.2	7/31/2014	
10.10*	Form of 2014 Equity Plan Performance-Based Awards for Employees	10-Q	001-11155	10.3	7/31/2014	
10.11*	Form of 2015 Time Vested Restricted Stock Unit Agreement	10-Q	001-11155	10.1	4/28/2015	
10.12*	Form of Amendment No. 1 to Westmoreland Coal Company Time Vested Restricted Stock Unit Agreement 2015	10-Q	001-11155	10.4	8/4/2017	
10.13*	Form of 2015 Performance Vested Restricted Stock Unit Agreement	10-Q	001-11155	10.2	4/28/2015	
10.14*	Form of Amendment No. 1 to Westmoreland Coal Company Performance Vested Restricted Stock Unit Agreement 2015	10-Q	001-11155	10.3	8/4/2017	
10.15*	Form of 2016 Time Vested Cash Unit Agreement	10-Q	001-11155	10.2	8/2/2016	
10.16*	Form of 2016 Performance Vested Restricted Stock Unit Agreement	10-Q	001-11155	10.3	8/2/2016	
10.17*	Form of Amendment No. 1 to Westmoreland Coal Company Performance Vested Restricted Stock Unit Agreement 2016	10-Q	001-11155	10.5	8/4/2017	
10.18*	Form of 2016 Time Vested Restricted Stock Unit Agreement	10-Q	001-11155	10.4	8/2/2016	
10.19*	Form of Amendment No. 1 to Westmoreland Coal Company Time Vested Restricted Stock Unit Agreement 2015	10-Q	001-11155	10.6	8/4/2017	
10.20*	Form of 2016 Time Vested Restricted Stock Unit Agreement for Directors	10-Q	001-11155	10.5	8/2/2016	
10.21*	Form of Westmoreland Coal Company Performance Vested Restricted Stock Unit Agreement 2017	10-Q	001-11155	10.7	8/4/2017	
10.22*	Form of Westmoreland Coal Company Time Vested Restricted Stock Unit Agreement 2017	10-Q	001-11155	10.8	8/4/2017	
10.23*	Form of Westmoreland Coal Company Time Vested Cash Unit Agreement 2017	10-Q	001-11155	10.9	8/4/2017	
10.24*	Form of Westmoreland Coal Company Director Time Vested Restricted Stock Unit Agreement 2017	10-Q	001-11155	10.10	8/4/2017	
10.25**	Amended Coal Mining Lease between Westmoreland Resources, Inc. (WRI) and Crow Tribe dated 11/26/1974, as amended in 1982	10-Q	0-752	10(a)	5/15/1992	
10.26	Amendment to Amended Coal Mining Lease between the Crow Tribe and WRI dated 12/02/1994	10-K	001-11155	10.16	3/13/2009	
10.27	Exploration and Option to Lease Agreement between the Crow Tribe and WRI dated 2/13/2004	10-K/A	001-11155	10.2	5/8/2009	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File Number	Exhibit	Filing Date	Filed Herewith
10.28	Crow Tribal Lands Coal Lease between the Crow Tribe and WRI dated 2/13/2004	10-K/A	001-11155	10.5	5/8/2009	
10.29	Master Agreement dated 1/04/1999, between Westmoreland Coal Company and the UMWA	8-K	001-11155	99.2	2/4/1999	
10.30	Tract 1 Lease dated 3/25/2013 between The Crow Tribe of Indians and Westmoreland Resources, Inc.	8-K	001-11155	10.1	3/27/2013	
10.31	Consolidated Power Purchase and Operating Agreement dated 12/23/2013 for Roanoke Valley Units 1 and 2 by and between Westmoreland Partners and Virginia Electric and Power Company	10-K	001-11155	10.40	2/28/2014	
10.32	Arrangement Agreement, dated as of 12/24/2013, by and among Westmoreland Coal Company, Sherritt International Corporation, Altius Minerals Corporation and other parties named therein	8-K	001-11155	99.5	1/23/2014	
10.33	Purchase Agreement, dated as of 1/29/2014, by and among Westmoreland Escrow Corporation, BMO Capital Markets Corp. and Deutsche Bank Securities Inc.	8-K	001-11155	10.1	2/4/2014	
10.34	Amending Agreement, dated as of 4/27/2014, by and among Westmoreland Coal Company, Sherritt International Corporation, Altius Minerals Corporation and other parties named therein	8-K	001-11155	10.1	5/2/2014	
10.35	Registration Rights Agreement, dated as of 4/28/2014, by and among Westmoreland Coal Company, Westmoreland Partners, the guarantors party thereto and BMO Capital Markets Corp. and Deutsche Bank Securities Inc.	8-K	001-11155	10.4	5/2/2014	
10.36	Contribution Agreement, dated as of 10/16/2014, by and between Westmoreland Coal Company and Oxford Resource Partners, L.P.	10-Q	001-11155	10.6	10/28/2014	
10.37	Purchase Agreement, dated as of 10/16/2014, by and among AIM Oxford Holdings, LLC, C&T Coal, Inc., Jeffrey M. Gutman, Daniel M. Maher, and the Warrantholders named therein, as sellers, and Westmoreland Coal Company, as buyer	10-Q	001-11155	10.7	10/28/2014	
10.38	Credit Agreement, dated as of 12/16/2014, by and among Westmoreland Coal Company, the lenders from time to time party thereto, and Bank of Montreal, as administrative agent	8-K	001-11155	4.3	12/22/2014	
10.39	First Amendment to Credit Agreement, dated as of 1/22/2015, by and among Westmoreland Coal Company, the guarantors named therein, the lenders party thereto and Bank of Montreal, as administrative agent	8-K	001-11155	10.1	1/28/2015	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File Number	Exhibit	Filing Date	Filed Herewith
10.40	Second Amendment to Credit Agreement, dated as of 1/22/2015, by and among Westmoreland Coal Company, the guarantors named therein, the lenders party thereto and Bank of Montreal, as administrative agent	8-K	001-11155	10.2	1/28/2015	
10.41*	Change in Control Severance Agreement, dated February 25, 2015, by and between Westmoreland Coal Company and Keith Alessi	10-Q	001-11155	10.3	4/28/2015	
10.42*	Change in Control Severance Agreement, dated February 25, 2015, by and between Westmoreland Coal Company and Kevin Paprzycki	10-Q	001-11155	10.4	4/28/2015	
10.43*	Change in Control Severance Agreement, dated February 25, 2015, by and between Westmoreland Coal Company and Jennifer Grafton	10-Q	001-11155	10.5	4/28/2015	
10.44*	Change in Control Severance Agreement, dated February 25, 2015, by and between Westmoreland Coal Company and Joseph Micheletti	10-Q	001-11155	10.6	4/28/2015	
10.45*	Change in Control Severance Agreement, dated February 25, 2015, by and between Westmoreland Coal Company and John Schadan	10-Q	001-11155	10.7	4/28/2015	
10.46*	Change in Control Severance Agreement, dated December 10, 2015, by and between Westmoreland Coal Company and Jason Veenstra	10-K	001-11155	10.47	3/14/2016	
10.47*	Change in Control Severance Agreement, dated March 14, 2017, by and between Westmoreland Coal Company and Gary A. Kohn	10-K	001-11155	10.44	3/29/2017	
10.48	Second Amended and Restated Loan and Security Agreement, dated as of 12/16/2014, by and among Westmoreland Coal Company, certain of its subsidiaries, Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as administrative agent, and the lenders party thereto	8-K	001-11155	4.4	12/22/2014	
10.49	Joinder and First Amendment to Second Amended and Restated Loan and Security Agreement, dated as of March 26, 2015, by and among Westmoreland Coal Company, certain of its subsidiaries, The PrivateBank and Trust Company, as administrative agent, and the lenders party thereto	10-K	001-11155	10.37	3/14/2016	
10.50	Consent and Second Amendment to Second Amended and Restated Loan and Security Agreement, dated as of May 29, 2015, by and among Westmoreland Coal Company, certain of its subsidiaries, Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as administrative agent, and the lenders party thereto	10-Q	001-11155	10.1	7/31/2015	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File Number	Exhibit	Filing Date	Filed Herewith
10.51	Third Amendment to Second Amended and Restated Loan and Security Agreement, dated as of December 31, 2015, by and among Westmoreland Coal Company, certain of its subsidiaries, Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as administrative agent, and the lenders party thereto	10-K	001-11155	10.39	3/14/2016	
10.52	Consent and Fourth Amendment to Second Amended and Restated Loan and Security Agreement, dated as of January 29, 2016, by and among Westmoreland Coal Company, certain of its subsidiaries, Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as administrative agent, and the lenders party thereto					X
10.53	Fifth Amendment to Second Amended and Restated Loan and Security Agreement, dated as of May 3, 2016, by and among Westmoreland Coal Company, certain of its subsidiaries, Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as administrative agent, and the lenders party thereto	8-K	001-11155	10.1	5/9/2016	
10.54	Sixth Amendment to Second Amended and Restated Loan and Security Agreement, dated as of June 29, 2016, by and among Westmoreland Coal Company, certain of its subsidiaries, Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as administrative agent, and the lenders party thereto	8-K	001-11155	10.1	6/29/2016	
10.55	Seventh Amendment to Second Amended and Restated Loan and Security Agreement, dated as of September 30 2016, by and among Westmoreland Coal Company, certain of its subsidiaries, Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as administrative agent, and the lenders party thereto	8-K	001-11155	10.1	10/6/2016	
10.56	Eighth Amendment to Second Amended and Restated Loan and Security Agreement, dated as of October 12, 2016, by and among Westmoreland Coal Company, certain of its subsidiaries, Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as administrative agent, and the lenders party thereto	8-K	001-11155	10.1	10/13/2016	
10.57	Consent and Ninth Amendment to Second Amended and Restated Loan and Security Agreement, dated as of March 13, 2017, by and among Westmoreland Coal Company, certain of its subsidiaries, Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as administrative agent, and the lenders party thereto	10-K	001-11155	10.49	3/29/2017	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File Number	Exhibit	Filing Date	Filed Herewith
10.58	Tenth Amendment to Second Amended and Restated Loan and Security Agreement, dated as of May 9, 2017, by and among Westmoreland Coal Company, certain of its subsidiaries, Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as administrative agent, and the lenders party thereto	8-K	001-11155	10.1	5/15/2017	
10.59	Eleventh Amendment to Second Amended and Restated Loan and Security Agreement, dated as of July 31, 2017, by and among Westmoreland Coal Company, certain of its subsidiaries, Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as administrative agent, and the lenders party thereto					X
10.60	Twelfth Amendment to Second Amended and Restated Loan and Security Agreement, dated as of October 30, 2017, by and among Westmoreland Coal Company, certain of its subsidiaries, Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as administrative agent, and the lenders party thereto					X
10.61	Consent, Joinder and Thirteenth Amendment to Second Amended and Restated Loan and Security Agreement, dated as of March 30, 2018, by and among Westmoreland Coal Company, certain of its subsidiaries, Canadian Imperial Bank of Commerce (formerly known as The PrivateBank and Trust Company), as administrative agent, and the lenders party thereto					X
10.62	Unit Exchange Agreement, dated as of October 28, 2016, by and between Westmoreland Resource Partners, LP, and Westmoreland Coal Company	10-Q	001-11155	10.3	11/1/2016	
10.63	Amended and Restated Substitute Energy Purchase Agreement, dated as of September 25, 2016, by and between Westmoreland Partners and Virginia Electric and Power Company	10-Q	001-11155	10.1	10/31/2017	
10.64	Assignment and Assumption Agreement dated September 29, 2017, by and among Westmoreland Partners, Westmoreland Energy, LLC, BP Energy Company and Virginia Electric and Power Company	10-Q	001-11155	10.2	10/31/2017	
10.65*	Severance Agreement, by and between John Schadan and Westmoreland Coal Company dated October 19, 2017					X
10.66*	Severance Agreement, by and between Kevin Paprzycki and Westmoreland Coal Company dated November 27, 2018					X
21.1	Subsidiaries of Westmoreland Coal Company					X
23.1	Consent of Ernst & Young LLP					X

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File Number	Exhibit	Filing Date	Filed Herewith
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)					X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)					X
32	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350					X
95.1	Mine Safety Disclosure					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Calculation Linkbase Document					X
101.LAB	XBRL Taxonomy Label Linkbase Document					X
101.PRE	XBRL Taxonomy Presentation Linkbase Document					X
101.DEF	XBRL Taxonomy Definition Document					X

Attached as Exhibit 101 to this report are documents formatted in XBRL (Extensible Business Reporting Language). The financial information contained in the XBRL-related document is “unaudited” or “unreviewed.”

ITEM 16 — *FORM 10-K SUMMARY.*

None.

WESTMORELAND COAL COMPANY
SCHEDULE I — CONDENSED BALANCE SHEETS
(Parent Company Information — See Notes to Consolidated Financial Statements)

Assets	December 31, 2017	December 31, 2016
	(In thousands)	
Current assets:		
Cash and cash equivalents	$ 6,942	$ 10,256
Receivables:		
Intercompany receivable	30,634	40,797
Other	2,150	5,422
Total receivables	32,784	46,219
Other current assets	1,051	1,235
Total current assets	40,777	57,710
Property, plant and equipment:		
Plant and equipment	2,558	1,949
Less accumulated depreciation and amortization	1,326	1,135
Net property, plant and equipment	1,232	814
Restricted investments	16,497	16,004
Investment in subsidiaries	64,556	31,158
Intercompany receivable	156,204	226,225
Other assets	5,710	2,037
Total Assets	$ 284,976	$ 333,948
Liabilities and Shareholders' Deficit		
Current liabilities:		
Current installments of long-term debt	$ 651,142	$ 3,288
Accounts payable and accrued expenses:		
Trade and other accrued liabilities	17,536	16,714
Interest payable	15,541	15,469
Postretirement medical benefits	12,275	12,573
Other current liabilities	1,035	1,386
Total current liabilities	697,529	49,430
Long-term debt, less current installments	500	646,885
Postretirement medical benefits, less current portion	257,559	251,093
Pension and SERP obligations, less current portion	39,209	40,639
Intercompany payable	9,820	11,915
Other liabilities	23,807	24,103
Total liabilities	1,028,424	1,024,065
Shareholders' deficit:		
Common stock	188	186
Other paid-in capital	250,494	248,143
Accumulated other comprehensive loss	(160,525)	(179,072)
Accumulated deficit	(829,107)	(757,367)
Total shareholders' deficit	(738,950)	(688,110)
Noncontrolling interests in consolidated subsidiaries	(4,498)	(2,007)
Total deficit	(743,448)	(690,117)
Total Liabilities and Shareholders' Deficit	$ 284,976	$ 333,948

WESTMORELAND COAL COMPANY
SCHEDULE I — CONDENSED STATEMENTS OF OPERATIONS
(Parent Company Information — See Notes to Consolidated Financial Statements)

	Years Ended December 31,		
	2017	2016	2015
		(In thousands)	
Revenues	$ —	$ —	$ —
Cost, expenses and other:			
Cost of sales	(2,025)	(2,740)	(2,765)
Depreciation, depletion and amortization	466	325	195
Selling and administrative	30,589	22,878	19,891
Heritage health benefit expenses	11,782	11,003	13,811
Restructuring charges	—	—	—
Other operating loss	15	148	—
	40,827	31,614	31,132
Operating loss	(40,827)	(31,614)	(31,132)
Other (expense) income:			
Interest expense	(61,446)	(60,765)	(64,793)
Loss on extinguishment of debt	—	—	(5,385)
Interest income	13,567	17,161	17,197
Gain (loss) on foreign exchange	9	9	(26)
Other loss	(196)	(49)	(6)
	(48,066)	(43,644)	(53,013)
Loss before income taxes and loss of consolidated subsidiaries	(88,893)	(75,258)	(84,145)
Equity in loss of subsidiaries	9,885	(2,268)	(138,575)
Loss before income taxes	(79,008)	(77,526)	(222,720)
Income tax benefit	(5,873)	(48,654)	(3,625)
Net loss	(73,135)	(28,872)	(219,095)
Less net loss attributable to noncontrolling interest	(1,795)	(1,771)	(5,453)
Net loss attributable to the Parent company	$ (71,340)	$ (27,101)	$ (213,642)

WESTMORELAND COAL COMPANY
SCHEDULE I — STATEMENTS OF COMPREHENSIVE LOSS
(Parent Company Information — See Notes to Consolidated Financial Statements)

	Years Ended December 31,		
	2017	2016	2015
		(In thousands)	
Net loss	$ (73,135)	$ (28,872)	$ (219,095)
Other comprehensive income (loss)			
Pension and other postretirement plans:			
Amortization of accumulated actuarial gains and prior service costs, pension	2,826	4,361	1,886
Adjustments to accumulated actuarial gains and transition obligations, pension	3,376	3,010	160
Amortization of accumulated actuarial gains, transition obligations, and prior service costs, postretirement medical benefits	3,663	1,259	1,308
Adjustments to accumulated actuarial (losses) gains, postretirement medical benefits	(6,893)	(22,066)	7,322
Tax effect of other comprehensive income gains	(2,037)	—	(3,335)
Foreign currency translation adjustment gains (losses)	16,562	8,983	(51,866)
Unrealized and realized gains (losses) on available-for-sale securities	1,065	(345)	(1,738)
Other comprehensive income (loss), net of income taxes	18,562	(4,798)	(46,263)
Comprehensive loss	(54,573)	(33,670)	(265,358)
Less: Comprehensive loss attributable to noncontrolling interest	(1,780)	(1,767)	(5,453)
Comprehensive loss attributable to parent company	$ (52,793)	$ (31,903)	$ (259,905)

WESTMORELAND COAL COMPANY
SCHEDULE I — CONDENSED STATEMENTS OF CASH FLOWS
(Parent Company Information — See Notes to Consolidated Financial Statements)

	Years Ended December 31,		
	2017	2016	2015
		(In thousands)	
Cash flows from operating activities:			
Net loss	$ (73,135)	$ (28,872)	$ (219,095)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Equity in loss of subsidiaries	(9,885)	2,268	138,575
Depreciation, depletion and amortization	466	325	195
Share-based compensation	2,122	4,692	3,744
Amortization of deferred financing costs	5,292	4,840	4,859
Deferred income tax benefit	—	(46,085)	—
Loss (gain) on foreign exchange	(9)	(9)	26
Distributions received from subsidiaries	47	9,037	5,801
Other	214	196	820
Changes in operating assets and liabilities:			
Receivables	3,272	(2,369)	104
Accounts payable and accrued expenses	805	6,187	4,156
Other assets and liabilities	(6,624)	1,185	(10,047)
Net cash used in operating activities	(77,435)	(48,605)	(70,862)
Cash flows from investing activities:			
Additions to property, plant and equipment	(592)	(282)	(86)
Change in restricted investments	(412)	(6,112)	(290)
Proceeds from Kemmerer Drop	—	—	115,000
Cash payments in escrow for future acquisitions	—	—	17,000
Cash payments related to acquisitions	—	—	—
Proceeds from the sale of investments	—	5,697	—
Net cash (used in) provided by investing activities	(1,004)	(697)	131,624
Cash flows from financing activities:			
Borrowings from long-term debt, net of debt discount	—	—	76,000
Repayments of long-term debt	(3,288)	(3,288)	(97,829)
Borrowings on revolving lines of credit	251,300	345,500	182,135
Repayments of revolving lines of credit	(251,300)	(345,500)	(191,710)
Debt issuance costs and other refinancing costs	—	(224)	(6,393)
Transactions with Parent/affiliates	78,413	49,456	(9,095)
Other	—	(631)	(322)
Net cash provided by (used in) financing activities	75,125	45,313	(47,214)
Net (decrease) increase in cash and cash equivalents	(3,314)	(3,989)	13,548
Cash and cash equivalents, beginning of year	10,256	14,245	697
Cash and cash equivalents, end of year	$ 6,942	$ 10,256	$ 14,245

WESTMORELAND COAL COMPANY
SCHEDULE I — NOTES TO FINANCIAL STATEMENTS
(Parent Company Information — See Notes to Consolidated Financial Statements)

1. LINES OF CREDIT AND LONG-TERM DEBT

The amounts outstanding under the Parent's long-term debt consisted of the following as of the dates indicated:

	Total Debt Outstanding	
	December 31, 2017	December 31, 2016
	(In thousands)	
8.75% Notes	$ 350,000	$ 350,000
Term Loan	320,595	323,883
Revolver	—	—
Other	500	500
Total debt	671,095	674,383
Less debt discount and issuance costs	(19,453)	(24,210)
Less current installments	(651,142)	(3,288)
Total non-current debt	$ 500	$ 646,885

The following table presents aggregate contractual debt maturities of all long-term debt for the Parent:

	December 31, 2017
	(In thousands)
2018	$ 3,288
2019	3,788
2020	314,019
2021	—
2022	350,000
Thereafter	—
Total	$ 671,095

For details on the 8.75% Notes, Term Loan and Revolver debt facilities, see *Note 8 - Debt And Lines Of Credit* to the consolidated financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTMORELAND COAL COMPANY

Date: April 2, 2018

Signature: */s/ Michael G. Hutchinson*

Name: Michael G. Hutchinson

Title: Interim Chief Executive Officer
(A Duly Authorized Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ *Michael G. Hutchinson* Michael G. Hutchinson	Interim Chief Executive Officer (Principal Executive Officer) and Director	April 2, 2018
/s/ *Gary A. Kohn* Gary A. Kohn	Chief Financial Officer (Principal Financial Officer)	April 2, 2018
/s/ Nathan M. Troup Nathan M. Troup	Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)	April 2, 2018
/s/ *Terry Bachynski* Terry Bachynski	Director	April 2, 2018
/s/ *Robert C. Flexon* Robert C. Flexon	Director	April 2, 2018
/s/ *Gail E. Hamilton* Gail E. Hamilton	Director	April 2, 2018
/s/ *Craig R. Mackus* Craig R. Mackus	Director	April 2, 2018
/s/ *Jan B. Packwood* Jan B. Packwood	Director	April 2, 2018
/s/ *Robert C. Scharp* Robert C. Scharp	Director	April 2, 2018
/s/ *Jeffrey S. Stein* Jeffery S. Stein	Director	April 2, 2018
/s/ *Robert A Tinstman* Robert A. Tinstman	Director	April 2, 2018

EXHIBIT 95.1

Mine Safety Disclosure

The following disclosures are provided pursuant to Securities and Exchange Commission (SEC) regulations, which require certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate coal mines regulated under the Federal Mine Safety and Health Act of 1977 (the Mine Act). The disclosures reflect United States (U.S.) mining operations only, as these requirements do not apply to our mines operated outside the U.S.

Mine Safety Information. Whenever the Mine Safety and Health Administration (MSHA) believes that a violation of the Mine Act, any health or safety standard, or any regulation has occurred, it may issue a violation which describes the associated condition or practice and designates a timeframe within which the operator must abate the violation. In some situations, such as when MSHA believes that conditions pose a hazard to miners, MSHA may issue an order removing miners from the area of the mine affected by the condition until hazards are corrected. Whenever MSHA issues a citation or order, it generally proposes a civil penalty, or fine, as a result of the violation that the operator is ordered to pay. Citations and orders can be contested and appealed and, as part of that process, are often reduced in severity and amount, and are sometimes vacated. The number of citations, orders and proposed assessments vary depending on the size and type (underground or surface) of the company and mine. Since MSHA is a branch of the U.S. Department of Labor, its jurisdiction applies only to our U.S. mines. As such, the mine safety disclosures that follow contain no information for our Canadian mines.

The table that follows reflects citations and orders issued to us by MSHA during the year ended December 31, 2017. The table includes only those mines that were issued orders or citations during the period presented and, commensurate with SEC regulations, does not reflect orders or citations issued to independent contractors working at our mines. Due to timing and other factors, our data may not agree with the mine data retrieval system maintained by MSHA. The proposed assessments for the year ended December 31, 2017 were taken from the MSHA system as of March 28, 2018.

Westmoreland Coal Company

10-K Safety Statistics

Year Ended December 31, 2017

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations (#)(1)	Section 104(b) Orders (#)(2)	Section 104(d) Citations and Orders (#)(3)	Section 110(b)(2) Violations (#)(4)	Section 107(a) Orders (#)(5)	Total Dollar Value of MSHA Assessments Proposed ($)(6)	Total Number of Mining Related Fatalities (#)(7)	Received Notice of Pattern of Violations Under Section (yes/no) (8)	Received Notice of Potential to Have Pattern Under (yes/no) (8)	Legal Actions Pending as of Last Day of Period (#)(9)	Legal Actions Initiated During Period (#)(9)	Legal Actions Resolved During Period (#)(9)
Colstrip Mine & Crusher Conveyor 24-01747	1	—	—	—	—	$ 4,006	1	No	No	1	—	—
Absaloka Mine 24-00910	1	—	—	—	—	$ 3,536	—	No	No	7	—	2
Savage Mine 24-00106	1	—	—	—	—	$ 1,999	—	No	No	—	—	—
Jewett Mine 41-03164	—	—	—	—	—	$ —	—	No	No	1	—	—
Beulah Mine 32-00043	—	—	—	—	—	$ 696	—	No	No	—	—	—
Kemmerer Mine 48-00086	5	—	—	—	—	$ 20,972	—	No	No	7	—	—
Buckingham Mine 33-04526	35	—	—	—	—	$ 116,737	—	No	No	32	3	3
Ohio Operations 33-03907	5	—	—	—	—	$ 9,331	—	No	No	—	—	—
San Juan Mine 29-02170	23	—	—	—	—	$ 42,624	—	No	No	1	1	—

(1) Mine Act Section 104(a) citations are for alleged violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal mine safety or health hazard.
(2) Mine Act Section 104(b) orders are for alleged failures to totally abate a citation within the period of time specified in the citation.
(3) Mine Act Section 104(d) citations and orders are for an alleged unwarrantable failure to comply with mandatory health or safety standards.
(4) Total number of flagrant violations issued under Section 110(b)(2) of the Mine Act.
(5) Mine Act Section 107(a) orders are for alleged conditions or practices that could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated and result in orders of immediate withdrawal from the area of the mine affected by the condition.
(6) Total dollar value of MSHA assessments proposed during the year ended December 31, 2017.
(7) Total number of mining-related fatalities during the year ended December 31, 2017.
(8) Mine Act Section 104(e) written notices are for an alleged pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of a coal mine health or safety hazard, or the potential to have such a pattern.
(9) Any pending legal action before the Federal Mine Safety and Health Review Commission (the “Commission”) involving a coal mine owned and operated by us. The number of legal actions pending as of December 31, 2017 that fall into each of the following categories is as follows:
 (a) Contests of citations and orders: 0
 (b) Contests of proposed penalties: 4
 (c) Complaints for compensation: 0
 (d) Complaints of discharge, discrimination or interference: 0
 (e) Applications for temporary relief: 0
 (f) Appeals of judges' decisions or orders to the Federal Mine Safety and Health Review Commission: 0

Exhibit 32

Statement Pursuant to 18 U.S.C. § 1350

Pursuant to 18 U.S.C. § 1350, each of the undersigned certifies that this Annual Report on Form 10-K for the year ended December 31, 2017, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Westmoreland Coal Company.

Date: April 2, 2018	*/s/ Michael G. Hutchinson*
	Name: Michael G. Hutchinson
	Interim Chief Executive Officer
	(Principal Executive Officer)
Date: April 2, 2018	*/s/ Gary A. Kohn*
	Name: Gary A. Kohn
	Chief Financial Officer
	(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to Westmoreland Coal Company and will be retained by Westmoreland Coal Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 31.2

Certification

I, Gary A. Kohn, certify that:

1. I have reviewed this Annual Report on Form 10-K of Westmoreland Coal Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 2, 2018

/s/ Gary A. Kohn

Name: Gary A. Kohn
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

Certification

I, Michael G. Hutchinson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Westmoreland Coal Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 2, 2018

/s/ Michael G. Hutchinson

Name: Michael G. Hutchinson
Title: Interim Chief Executive Officer
(Principal Executive Officer)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement No. 333-056904 on Form S-8,
(2) Registration Statement No. 333-106852 on Form S-8,
(3) Registration Statement No. 333-181638 on Form S-8,
(4) Registration Statement No. 333-196423 on Form S-8,
(5) Registration Statement No. 333-180946 on Form S-3,
(6) Registration Statement No. 333-195847 on Form S-3,
(7) Registration Statement No. 333-197298 on Form S-3,
(8) Registration Statement No. 333-211446 on Form S-8,
(9) Registration Statement No. 333-218079 on Form S-8,

of our reports dated April 2, 2018, with respect to the consolidated financial statements and schedule of Westmoreland Coal Company and subsidiaries and the effectiveness of internal control over financial reporting of Westmoreland Coal Company included in this Annual Report (Form 10-K) of Westmoreland Coal Company for the year ended December 31, 2017.

/s/ Ernst & Young LLP

Denver, Colorado
April 2, 2018

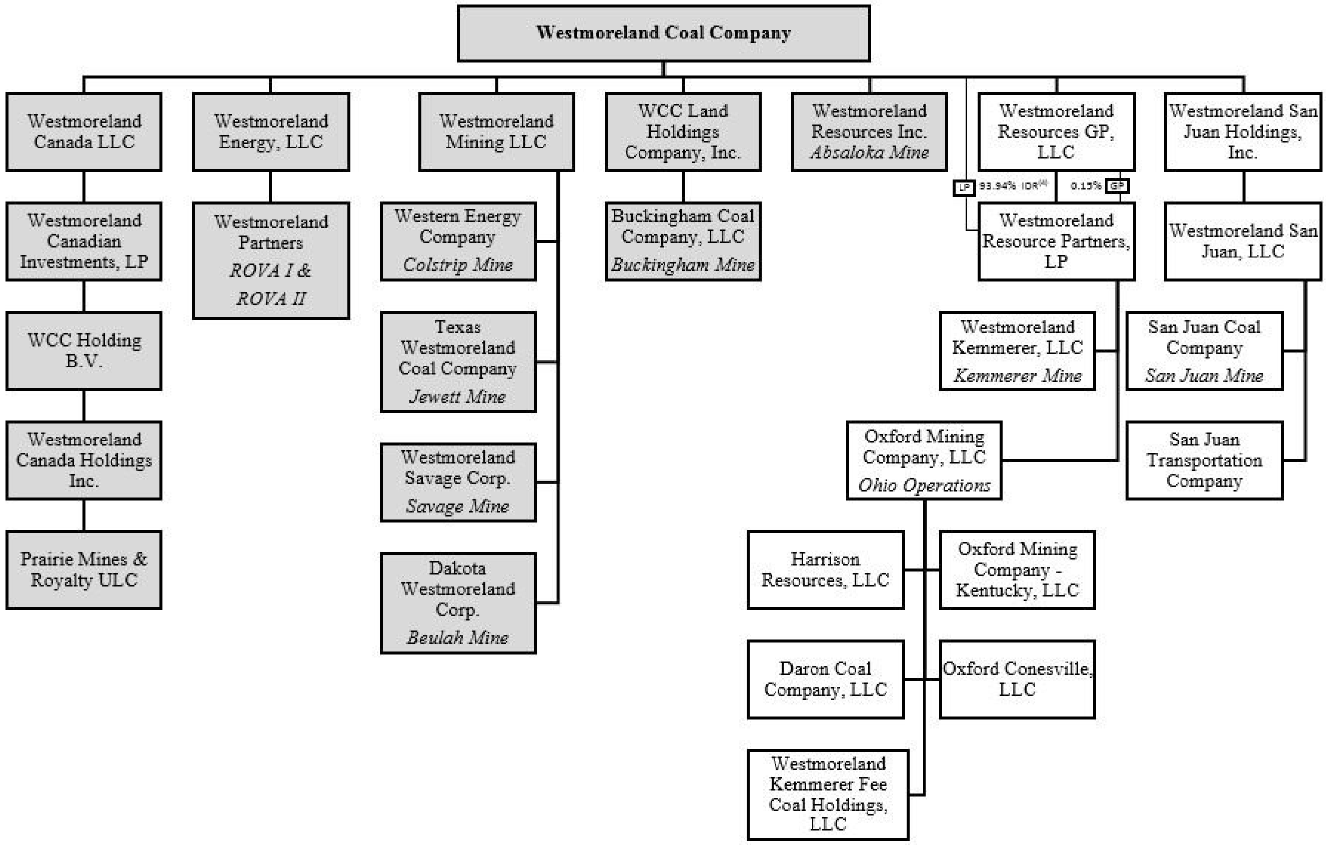
Exhibit 21.1

Subsidiaries of the Registrant as of December 31, 2017:

Subsidiary Name	State or Province of Incorporation
WEI - Roanoke Valley, Inc.	Delaware
Westmoreland Coal Sales Co.	Delaware
Westmoreland Energy, LLC	Delaware
Westmoreland Resources Inc.	Delaware
Westmoreland Savage Corp.	Delaware
Westmoreland Mining LLC	Delaware
Dakota Westmoreland Corp.	Delaware
Western Energy Company	Montana
Texas Westmoreland Coal Company	Montana
Westmoreland Risk Management, Inc.	Montana
Basin Resources, Inc.	Colorado
Westmoreland Power, Inc.	Delaware
Westmoreland - Roanoke Valley, LP	Delaware
Westmoreland North Carolina Power LLC	Virginia
Westmoreland Partners	Virginia
WRI Partners, Inc.	Delaware
Absaloka Coal, LLC	Delaware
WCC Land Holding Company, Inc.	Delaware
Westmoreland Kemmerer, LLC[2]	Delaware
Westmoreland Energy Services, Inc.	Delaware
Westmoreland Canada Holdings Inc.	Alberta, Canada
Westmoreland Canadian Investments, LP	Quebec, Canada
WCC Holding B.V.	Netherlands
Westmoreland Canada LLC	Delaware
Prairie Mines & Royalty ULC	Alberta, Canada
Westmoreland Resources GP, LLC	Delaware
Westmoreland Resource Partners, LP[1]	Delaware
Oxford Mining Company, LLC[2]	Ohio
Harrison Resources, LLC[3]	Ohio
Oxford Mining Company - Kentucky, LLC[3]	Kentucky
Daron Coal Company, LLC[3]	Ohio
Oxford Conesville, LLC[3]	Ohio
Westmoreland Kemmerer Fee Coal Holdings, LLC[3]	Delaware
Buckingham Coal Company, LLC	Ohio
Westmoreland San Juan Holdings, Inc.	Delaware
Westmoreland San Juan, LLC	Delaware
San Juan Coal Company	Delaware
San Juan Transportation Company	Delaware
Haystack Coal Company	Delaware

[1] We own the general partner and, as of December 31, 2017, approximately 93.94% of the total equity interest on a fully diluted basis in Westmoreland Resource Partners, LP.
[2] Wholly-owned subsidiary of Westmoreland Resource Partners, LP.
[3] Wholly owned subsidiary of Oxford Mining Company, LLC.

In the organizational chart below, the shaded entities represent the Restricted Group, and the unshaded entities represent the Unrestricted Group as they are discussed in *Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations*:



---
(4) As WMLP's general partner, we are entitled to incentive distribution rights ("IDR").

SEVERANCE AND RELEASE AGREEMENT

This Severance and Release Agreement ("Agreement") is made between

(i) Kevin A. Paprzycki ("Executive") and (ii) Westmoreland Coal Company, a Delaware corporation (the "Company"). Executive and the Company are referred to collectively as the "Parties."

RECITALS

WHEREAS, Executive's employment with the Company has ended;

WHEREAS, the Parties wish to resolve fully and finally all potential disputes regarding Executive's employment with the Company and otherwise; and

WHEREAS, in order to accomplish this end, the Parties are willing to enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and undertakings contained herein, the Parties to this Agreement agree as follows:

TERMS

1. Separation and Effective Date. Executive's employment with the Company ended effective November 27, 2017 (the "Separation Date"). This Agreement shall become effective on the eighth day after Executive signs this Agreement (the "Effective Date"), so long as Executive does not revoke this Agreement as provided below.

2. Consideration. On the express condition that Executive has not revoked this Agreement, the Company will pay or provide to Executive the following:

a. Severance Pay. Cash severance in the amount of two million, thirty-two thousand, two hundred seventeen dollars ($2,032,217), less applicable deductions and withholdings. Such cash severance shall be paid in equal installments on the Company's regularly scheduled payroll dates over the twenty-four (24) months following the Separation Date; provided, however, that any severance payments that would otherwise be made prior to the Effective Date shall instead be withheld and paid on the first regularly scheduled payroll date following the Effective Date.

b. Benefit Amount. A "Monthly Benefit Amount" (as described below) beginning in the month of December, 2017, and lasting until the sooner of: (i) March 31, 2019, or (ii) the last day of the month in which Executive secures new employment pursuant to which he is entitled to medical coverage, irrespective of whether he actually elects to receive such coverage (such period being the "Benefit Period"). The "Monthly Benefit Amount" shall be equal to (x) the current monthly cost of COBRA coverage for Executive, his spouse, and dependents under all plans for which Executive would be eligible to elect such COBRA coverage (other than any health flexible spending account or health reimbursement arrangement), *less* (y) an amount equal to the cost paid by an active employee for similar coverage under the Company's health and welfare plans. The

Monthly Benefit Amount shall be paid to Executive on an after-tax basis on the last payroll date of each month during the Benefit Period, less applicable deductions and withholdings.

c. Outplacement. Three (3) months of executive coaching/outplacement services (not to exceed $1500 a month). These services are to be used within 6 months of the Effective Date. The Company shall pay such amounts directly or shall reimburse Executive for the cost of such services promptly upon receipt of written invoices therefor, and in all events such submission of written invoices and corresponding payment or reimbursement shall occur no later than December 31, 2018.

d. Reporting and Withholding. Reporting of and withholding on any payment under this Section for tax purposes shall be at the discretion of the Company in conformance with applicable tax laws. If a claim is made against the Company for any additional tax or withholding in connection with or arising out of any payment pursuant to subsections (a) or (b) above, Executive shall pay any such claim within thirty (30) days of being notified by the Company and agrees to indemnify the Company and hold it harmless against such claims.

3. General Release.

a. Executive, for Executive and for Executive's affiliates, successors, heirs, subrogees, assigns, principals, agents, partners, employees, associates, attorneys, and representatives, voluntarily, knowingly, and intentionally releases and discharges the Company and each of its predecessors, successors, parents, subsidiaries, affiliates, and assigns and each of their respective officers, directors, principals, shareholders, board members, committee members, employees, agents, and attorneys (the "Released Parties") from any and all claims, actions, liabilities, demands, rights, damages, costs, expenses, and attorneys' fees (including, but not limited to, any claim of entitlement for attorneys' fees under any contract, statute, or rule of law allowing a prevailing party or plaintiff to recover attorneys' fees) of every kind and description from the beginning of time through the Effective Date (the "Released Claims").

b. The Released Claims include, but are not limited to, those which arise out of, relate to, or are based upon: (i) Executive's employment with the Company or the termination thereof; (ii) statements, acts, or omissions by the Released Parties whether in their individual or representative capacities; (iii) express or implied agreements between the Parties, (except as provided herein) and claims under any severance plan; (iv) any stock or stock option grant, agreement, or plan (except as set forth herein); (v) all federal, state, and municipal statutes, ordinances, and regulations, including, but not limited to, claims of discrimination based on race, color, national origin, age, sex, sexual orientation, religion, disability, veteran status, whistleblower status, public policy, or any other characteristic of Executive under the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Americans with Disabilities Act, the Equal Pay Act, Title VII of the Civil Rights Act of 1964 (as amended), the Employee Retirement Income Security Act of 1974, the Rehabilitation Act of 1973, Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act or any other federal, state, or municipal law prohibiting discrimination or termination for any reason; (vi) state and federal common law; (vii) the failure of this Agreement, or of any other employment, severance, profit sharing, bonus, equity incentive or other compensatory plan to which Executive and the Company are or were parties, to comply with, or to be operated in compliance with, Internal Revenue Code Section 409A, or any similar provision of state or local income tax law; and (viii) any claim which was or could have been raised by Executive.

c. This Agreement does not alter or amend any vesting or other terms and conditions of any long-term incentive awards awarded to the Executive under the Westmoreland Coal Company Amended & Restated 2014 Equity Incentive Plan (the "Equity Incentive Plan"), which awards shall be governed by the terms and conditions set forth in the Equity Incentive Plan and separate written grant agreements. For purposes of such long-term incentive awards, the Parties understand and agree that Executive's termination of employment shall be deemed to be initiated by the Company without "Cause."

4. Unknown Facts. This Agreement includes claims of every nature and kind, known or unknown, suspected or unsuspected. Executive hereby acknowledges that Executive may hereafter discover facts different from, or in addition to, those which Executive now knows or believes to be true with respect to this Agreement, and Executive agrees that this Agreement and the releases contained herein shall be and remain effective in all respects, notwithstanding such different or additional facts or the discovery thereof.

5. No Admission of Liability. The Parties agree that nothing contained herein, and no action taken by any Party hereto with regard to this Agreement, shall be construed as an admission by any Party of liability or of any fact that might give rise to liability for any purpose whatsoever.

6. Confidential Information.

a. The Parties acknowledge and agree that the Company is required to attach this Agreement to its SEC filings and to make certain other disclosures as part of its SEC filings regarding the terms and conditions hereof. Except for disclosures set forth in the Company's SEC filings, all discussions regarding this Agreement, including, but not limited to, the amount of consideration, offers, counteroffers, or other terms or conditions of the negotiations or the agreement reached shall be kept confidential by Executive from all persons and entities other than the Parties to this Agreement; provided, however, that Executive may disclose such items (i) for the limited purpose of making disclosures required by law to agents of the local, state, or federal governments; (ii) for the purpose of enforcing any term of this Agreement; or (iii) in response to compulsory process, and only then after giving the Company ten (10) days advance notice of the compulsory process and affording the Company the opportunity to obtain any necessary or appropriate protective orders. Otherwise, in response to inquiries about Executive's employment and this matter, Executive shall state, "My employment with the Company has ended as described in the company's SEC filings" and nothing more.

b. For the purposes of this Agreement, "Confidential Information" means all information, data, knowledge, and know-how relating, directly or indirectly, to the businesses of the Company and its subsidiaries, including, without limitation: (i) any proprietary information or trade secrets; (ii) any scientific, technical, business, or financial information; (iii) any marketing information, business development information or business plans, prospect information, or marketing analysis or plans; (iv) any customer information, customer lists, customer contacts, pricing information, or supplier/vendor lists; (v) any contracts, agreements, or leases; (vi) ideas, inventions, technology, products, designs, methods, know-how, techniques, systems, processes, software programs, works of authorship, manuals, projects, plans, apparatus, processes, or systems at any time used, developed, acquired, discovered or investigated by or for the Company or its subsidiaries (vii) engineering, operational, technical, geologic, geophysical, production, or mineral information, data, and analyses thereof; (viii) any proposals, strategies, concepts, analyses, surveys, ideas, or research; (ix) any other non-public information generated by the Company or its subsidiaries; and (x) confidential information of any kind in possession of the Company or its subsidiaries, whether developed for or by the Company or its subsidiaries (including information developed by Executive), received from a third party in confidence, or belonging to others and licensed or disclosed to the Company or its subsidiaries in confidence for use in any aspect of their businesses. All Confidential Information shall be treated as Confidential Information regardless of whether it pertains to the Company or its affiliates or its or their clients and customers and regardless of whether it is stamped as "confidential." The list set forth above is not intended by the Company to be a comprehensive list of Confidential Information; provided, however, that Confidential Information shall not include information that is already publicly known or subsequently becomes publicly known, other than as a direct or indirect result of the breach of this Agreement by Executive.

c. Executive agrees that Executive will not disclose any Confidential Information to any person, firm, business, company, corporation, association, or any other entity for any reason or purpose whatsoever. Executive also agrees that Executive will not make use of any Confidential Information for Executive's own purposes or for the benefit of any person, firm, business, company, corporation, or any other entity (except the Company) under any circumstances. Executive shall consider and treat as confidential all Confidential Information in any way relating to the Company's business and affairs, whether created by Executive or otherwise coming into Executive's possession before, during, or after the termination of Executive's employment. Executive shall not use or attempt to use any Confidential Information in any manner which has the possibility of injuring or causing loss, whether directly or indirectly, to the Company or its affiliates. Executive agrees that all Confidential Information shall be and remain the sole and exclusive property of the Company.

d. By executing this Agreement, Executive acknowledges that the Company has disclosed to him the following: An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

7. Works for Hire. Executive agrees that any work prepared by Executive in carrying out Executive's duties for the Company during the term of Executive's employment with the Company shall be a "work made for hire." In the event any such work is deemed not be a work

made for hire, Executive, hereby assigns all right, title, and interest in and to the copyright in such work to the Company and agrees to execute and deliver to the Company, promptly and upon request, whether during or subsequent to the term of Executive's employment with the Company, all proper documents that the Company may reasonably deem necessary or desirable in the establishment, preservation, and enforcement of its right in such work.

8. Return of Property and Information. Executive represents and warrants that, prior to Executive's execution of this Agreement, Executive has returned to the Company any and all property, documents, data, files, memoranda, notes, records, plats, sketches, plans, correspondence, letters, files, contracts, mailing lists, customer lists, advertising materials, ledgers, supplies, equipment, checks, or other documents (including, without limitation, any "soft" copies or computerized or electronic versions thereof, including those any recorded or stored media, such as papers, computer disks, drives, copies, photographs, and maps) made by, compiled by, delivered to, or otherwise acquired by Executive concerning the business or properties of the Company or its subsidiaries or any secret or confidential product, apparatus or process used developed, acquired or investigated by the Company or its subsidiaries. Executive agrees that, to the extent that Executive possesses any files, data, or information relating in any way to the Company or its subsidiaries on or in any personal computer or other device or account, Executive will first return to the Company and then delete those files, data, or information (and will retain no copies in any form). Executive also will return any tools, equipment, calling cards, credit cards, access cards or keys, any keys to any filing cabinets, vehicles, vehicle keys, and all other property in any form prior to the date Executive executes this Agreement. Notwithstanding the foregoing, Company agrees to transfer the cellular phone number (719) 660-6779 to Executive for his personal use at his expense within thirty (30) days of the Effective Date and permit Executive to retain as his personal property the IPhone6 Plus and IPad previously issued to Executive by Company, including accessories. Executive agrees to pay Company $432.69 as consideration for the foregoing within thirty (30) days of the Effective Date, either by direct payment or as a deduction from any amounts due Executive.

9. Non-Competition; Non-Solicitation.

a. For a period of one (1) year following the Separation Date, Executive shall not, anywhere in the United States of America or its territories, engage in the following conduct, whether direct or indirect, on Executive's own behalf or on behalf of, or in conjunction with, any person, partnership, corporation, or entity:

i. own, manage, operate, control, be employed by, participate in, engage in, invest in, lend money to, render any services in any capacity for, assist, have any financial interest in, permit Executive's name to be used in connection with, or be connected in any manner with the ownership, management, operation, or control of, any Competitor of the Company. For the purposes of this Agreement, a "Competitor" is any person or entity that engages in, or is planning to engage in, in whole or in part, in the business of: coal mining, preparation and sale; the marketing, brokering and trading of coal; the optimization of coal reserves; and contract mining in each case by the Company or its subsidiaries;

ii. consult with, act as an agent for, or otherwise assist any Competitor to compete or prepare to compete with the Company in any of the Company's existing or prospective businesses, including those of the Company's subsidiaries;

iii. interfere with the relationship between the Company and any current or former employee, agent, or consultant of the Company, including, without limitation, soliciting, inducing, enticing, hiring, employing, or attempting to solicit, induce, entice, hire, or employ any current or former employee, agent, or consultant of the Company;

iv. interfere or attempt to interfere with any transaction in which the Company or its subsidiaries were involved or which was pending during the term of Executive's employment or as of the Separation Date; and/or

v. solicit in any manner any of the Company's clients, partners, vendors, customers or prospective customers, including, without limitation, soliciting, inducing, or attempting to solicit or to induce any client, partner, vendor, customer or other business relation of the Company to cease doing business with the Company, reduce the amount of business it does with the Company, or in any way interfere with the relationship between any such client, partner, vendor, customer or business relation and the Company, its affiliates, subsidiaries, or parents.

b. Nothing in this Agreement shall be construed to preclude Executive from being a passive investor in any publicly or privately held company, provided that (i) no such investment in the equity securities of an entity with publicly traded equity securities exceeds one percent (1%) of the equity of such entity, and no such investment in any other entity exceeds five percent (5%) of the equity of such entity, or (ii) Executive has the prior written approval of the Board of Directors of the Company.

c. Executive may not avoid the purpose and intent of this Section by engaging in conduct within the geographically limited area from a remote location through means such as telecommunications, written correspondence, computer generated or assisted communications or other similar methods.

10. Non-Disparagement. Executive agrees not to make to any person any statement whether written, oral or in electronic format, that disparages the Company or reflects negatively on the Company, including, but not limited to, statements regarding the Company's financial condition, employment practices, or officers, directors, board members, committee members, employees, successors, affiliates, or agents.

11. Injunctive Relief. Any breach of any of the covenants contained in Sections 6 through 10 will cause the Company immediate and irreparable injury and damage, for which monetary relief would be inadequate or difficult to quantify. Thus, the Company may petition a court of law or equity for injunctive relief in addition to any other relief which the Company may have under the law or under this Agreement. Injunctive relief may be granted immediately upon the commencement of any such action. Executive agrees the provisions of Sections 6 through 10 are separate from and independent of the remainder of this Agreement and that these provisions are specifically enforceable by the Company notwithstanding any claim by Executive that the Company has violated or breached this Agreement.

12. Section 409A. This Agreement is intended to comply with or be exempt from Section 409A of the Code and Treasury Regulations promulgated thereunder ("Section 409A") and shall be construed accordingly. To the extent such potential payments or benefits are or could become subject to the additional tax or interest imposed pursuant to Section 409A, the Parties shall cooperate

to amend this Agreement with the goal of giving Executive the economic benefits described herein in a manner that does not result in such tax or interest being imposed. In no event, however, shall the Company have any liability to Executive for tax, penalties, interest, or other damages resulting from the payments or benefits set forth herein being subject to Section 409A. Executive shall, at the request of the Company, take any reasonable action (or refrain from taking any action), required to comply with any correction procedure promulgated pursuant to Section 409A. Each payment to be made under this Agreement shall be a separate payment, and a separately identifiable and determinable payment, to the fullest extent permitted under Section 409A. Each payment to be made in installments hereunder shall be deemed a series of separate payments.

13. Cooperation. Executive agrees to cooperate with and assist the Company with any investigation, lawsuit, arbitration, or other proceeding to which the Company is subjected. Executive will make Executive available for preparation for, and attendance of, hearings, proceedings or trial, including pretrial discovery and trial preparation. Executive further agrees to perform all acts and execute any documents that may be necessary to carry out the provisions of this Section.

14. Warranties. Executive warrants and represents as follows:

a. Executive has read this Agreement, and Executive agrees to the conditions and obligations set forth in it.

b. Executive voluntarily executes this Agreement (i) after having been advised to consult with legal counsel, (ii) after having had opportunity to consult with legal counsel, and (iii) without being pressured or influenced by any statement or representation or omission of any person acting on behalf of the Company including, without limitation, the officers, directors, board members, committee members, employees, agents, and attorneys for the Company.

c. Executive has no knowledge of the existence of any lawsuit, charge, or proceeding against the Company or any of its officers, directors, board members, committee members, employees, successors, affiliates, or agents arising out of or otherwise connected with any of the matters herein released. In the event that any such lawsuit, charge, or proceeding has been filed, Executive immediately will take all actions necessary to withdraw or terminate that lawsuit, charge, or proceeding, unless the requirement for such withdrawal or termination is prohibited by applicable law.

d. Executive understands that nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Mine Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Executive further understands that this Agreement does not limit Executive's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Notwithstanding the foregoing, Executive waives any right to any monetary recovery or other relief should any party, including, without limitation, any federal, state or local governmental entity or administrative agency, pursue any claims on Executive's behalf arising out of, relating to, or in any way connected with the Released Claims; provided, however, this Agreement does not limit Executive's right to receive a reward for information provided to any Government Agencies.

e. Executive has not previously disclosed any information which would be a violation of the confidentiality provisions set forth in this Agreement if such disclosure were to be made after the execution of this Agreement.

f. Executive has had at least twenty-one (21) days in which to consider the terms of this Agreement. In the event that Executive executes this Agreement in less time, it is with the full understanding that Executive had the full twenty-one (21) days if Executive so desired and that Executive was not pressured by the Company or any of its representatives or agents to take less time to consider the Agreement. In such event, Executive expressly intends such execution to be a waiver of any right Executive had to review the Agreement for a full twenty-one (21) days.

g. Executive has been informed and understands that (i) to the extent that this Agreement waives or releases any claims Executive might have under the Age Discrimination in Employment Act, Executive may rescind Executive's waiver and release within seven (7) calendar days of Executive's execution of this Agreement and (ii) any such rescission must be in writing and hand delivered and emailed to Jonathan Marks, Davis Graham & Stubbs LLP, 1550 Seventeenth Street, Suite 500, Denver, Colorado 80202, jonathan.marks@dgslaw.com, within the seven-day period.

h. Executive admits, acknowledges, and agrees that (i) Executive is not otherwise entitled to the amounts set forth in Section 2 and (ii) those amounts are good and sufficient consideration for this Agreement.

i. Executive admits, acknowledges, and agrees that Executive has been fully and finally paid or provided all wages, compensation, vacation, bonuses, equity, stocks, stock options, or other benefits from the Company which are or could be due to Executive under the terms of Executive's employment with the Company, or otherwise.

j. Executive acknowledges that the success of the Company's business depends in large part on the protection of the Company's Confidential Information, with which Executive became familiar during Executive's Employment. The Company's Confidential Information is a valuable, special, and unique asset of the Company's business. Executive acknowledges Executive's access to the Company's Confidential Information, coupled with the personal relationships and goodwill between the Company and its customers, will enable Executive to compete unfairly against the Company and that use or disclosure of the Confidential Information would cause harm and/or damage to the Company. The promises made herein by the Executive are necessary to protect the Company's trade secrets and legitimate business interests.

k. Given the nature of the business in which the Company is engaged, the restrictions in Section 9 above, including their geographic scope and duration, are reasonable.

l. Executive consents to the Company's notification of business partners and future employers of Executive of Executive's obligations under this Agreement.

m. Executive acknowledges and agrees that any payments of severance after the Separation Date shall be subject to cancellation and recoupment by the Company, and shall be repaid by Executive to the Company, to the extent required by law upon a material breach of this Agreement by Executive.

15. Severability. If any provision of this Agreement is held illegal, invalid, or unenforceable, such holding shall not affect any other provisions hereof. In the event any provision is held illegal, invalid, or unenforceable, such provision shall be limited to give effect to the intent of the Parties to the fullest extent permitted by applicable law. Any claim by Executive against the Company shall not constitute a defense to enforcement by the Company.

16. Assignments. The Company may assign its rights under this Agreement. No other assignment is permitted except by written permission of the Parties.

17. Enforcement. The releases contained herein do not release any claims for enforcement of the terms, conditions, or warranties contained in this Agreement. The Parties shall be free to pursue any remedies available to them to enforce this Agreement.

18. Entire Agreement. This Agreement is the entire agreement between the Parties relating to the matters set forth herein. Except as provided herein, this Agreement supersedes any and all prior oral or written promises or agreements between the Parties. Executive acknowledges that Executive has not relied on any promise, representation, or statement other than those set forth in this Agreement. This Agreement cannot be modified except in writing signed by all Parties.

19. Interpretation. The determination of the terms of, and the drafting of, this Agreement has been by mutual agreement after negotiation, with consideration by and participation of all Parties. Accordingly, the Parties agree that rules relating to the interpretation of contracts against the drafter of any particular clause shall not apply in the case of this Agreement. The term "Section" shall refer to the enumerated paragraphs of this Agreement. The headings contained in this Agreement are for convenience of reference only and are not intended to limit the scope or affect the interpretation of any provision of this Agreement.

20. Choice of Law and Venue. This Agreement shall be construed and interpreted in accordance with the laws of the State of Colorado, without regard to its conflict of laws rules. Venue shall be in the Colorado state or federal courts.

21. Waiver. The failure of any Party to insist upon strict performance of any of the terms or conditions of this Agreement shall not constitute a waiver of any of such Party's rights hereunder.

22. Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY VOLUNTARILY AND IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION OR OTHER PROCEEDING BROUGHT IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY.

23. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile, scanned, and electronic signatures shall be treated as originals.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Severance and Release Agreement on the dates written below.

EXECUTIVE

/s/ Kevin A. Paprzycki	_December 12, 2017_
Kevin A. Paprzycki	Date

THE COMPANY

/s/ Robert C. Scharp	_December 12, 2017_
Westmoreland Coal Company	Date

By: Robert C. Scharp
Title: Chairman, Compensation & Benefits
Committee of the Board

October 19, 2017

DELIVERED BY HAND
WITHOUT PREJUDICE
PRIVATE & CONFIDENTIAL

John Schadan

824 Hollands Landing
Edmonton, AB
T6R 3S9

Dear John:

Re: Termination Employment

As discussed today, your employment with Prairie Mines & Royalty ULC and its related corporations (the "**Company**") will be terminated effective immediately ("**Date of Termination**").

You will be paid your regular pay up to and including the Date of Termination and your accrued but unused vacation, subject to statutory deductions, in accordance with Company payroll practices. Your Record of Employment will be issued and provided to you shortly.

In order to assist you in transitioning to alternate employment, the Company is prepared to provide you with the following without prejudice package. The details of our offer are outlined below. In order to be eligible for this package, you will be required to sign the enclosed Full and Final Release (the "**Release**"). Acceptance of this package is also contingent upon your express agreement to be bound by the terms and conditions contained herein.

Severance Offer

In lieu of notice, and in full satisfaction of all obligations of the Company to you (whether arising out of statute, common law, equity, contract or otherwise), the Company is prepared to pay you the amount of CDN$543,033.00, less applicable statutory deductions (the "**Severance Offer**"). The Severance Offer includes a provision for loss of benefits.

The Severance Offer will be paid to you in in bi-weekly installments of $20,828.77, less statutory deductions (the "**Severance Payments**"), with payments to commence on November 9, 2017. The Severance Payments will continue until the earlier of:

i. November 09, 2018 (the "**Last Payment Date**"), on which you will receive a final deposit in the amount of $1,485.01, or

ii. The date on which the Employee obtains alternative employment, of or for, employment equal to or greater than seventy five percent (75%) of the annual base salary the employee received from the Employer; which the Parties agree was $507,000 per annum. The seventy five percent (75%) threshold will be applicable to the new base salary and any guaranteed bonus. The Employee will forthwith provide written confirmation of such employment to the Employer, at which time the Employer shall pay fifty percent (50%) of the outstanding Severance Payment in a lump sum payment (less required deductions).

Please note that the Severance Offer is inclusive of the four (4) weeks of termination notice to which you are entitled under the *Employment Standards Code* (Alberta) and which will be paid in accordance with the provisions thereof.

The Employer shall pay the Employee, in consideration of the Employee entering into this Agreement and agreeing to the covenants contained herein and the execution of a full and final Release attached hereto, the following amounts in addition to the Severance Payment set out above:

i. Upon execution of this Agreement, the Employee’s Restricted Stock Unit (“RSU”) and Cash Unit (“CU”) grant entitlements calculated on a time based formula, shall vest immediately and shall be payable (less applicable withholdings and deductions) as soon as possible after the Execution date. For better clarity, the Employee is entitled to RSU & CU grants that are time based for the years 2015 and 2016.

ii. Upon execution of this Agreement, the Employee’s RSU grant entitlement calculated on a performance based formula, shall vest immediately and shall be payable on the completion of the performance period, three (3) years after each grant. The Employee shall pay the Employee’s RSU grant entitlement forthwith following the completion of the performance period. For better clarity, the Employees 2015 RSU grant entitlement will become payable in April 2018, and the Employee’s 2016 RSU Grant entitlement will become payable in April 2019 (provided the Company achieves its performance goals in each of the foregoing years in accordance with the terms of the RSU Plan documents).

Benefits and Health Insurance

Please be advised that all regular benefits, including extended health and dental coverage, accidental death and dismemberment insurance, short and long term disability insurance terminate effective Date of Termination.

You may be entitled to elect, within 31 days following the Date of Termination, to convert the following policies:

- For extended health, dental and vision benefits please call Green Shield Canada's Customer Service Centre at 1 (888) 711-1119 Monday through Friday, 8:30 AM to 8:30 PM EST.

- For life insurance, please find enclosed a "Group Benefits Life Insurance Option" form from Manulife.

- For accidental death and dismemberment, please call Industrial Alliance at 1 (888) 266-2224 Monday through Friday, 8:30 AM to 4:30 PM EST.

Rates for individual coverage will be determined by the insurer. Should you be interested in pursuing this option, please contact Derek Sauvé. You will be solely responsible for contacting Derek Sauvé in order to make appropriate arrangements. If you have not contacted Derek Sauvé on or before November 20, 2017, you will have been deemed to decline the conversion privilege.

Please contact Sun Life at 1 (866) 733-8612 within 90 days to make arrangements to transfer your DCPP and/or RSP accounts to a financial institute of your choice.

Outplacement Services

The Company is prepared to provide you with outplacement services with Davies Turpin and Associates for a period of 9 months from the Date of Termination. Should you be interested in these services, your contact will be Derek Sauvé.

Return of Company Property

In accordance with Company policy, we will require the return of all Company property, including all keys, security access cards, laptop, phones, iPad, computer files, documents and any other materials/data you may have in your possession immediately. To the extent that such files, documents and other materials cannot, or need not, be returned to the Company, it is expected that you will destroy such materials in a manner which is appropriate in light of the medium of the material and that you will confirm such destruction with the Company. To make arrangements to return company property, please contact Derek Sauvé.

Ongoing Fiduciary Obligations

As you were an officer of the Company, you will continue to be bound by fiduciary obligations, including those duties of confidentiality and fair competition.

It is incumbent upon you that you take appropriate measures to continue to observe your fiduciary obligations and take precautions to safeguard the confidential and proprietary information of the Company as all such information must be held in the strictest confidence and not disclosed to any party, except where such disclosure is authorized or required by law. We intend to be vigilant in protecting our proprietary information and we caution you to take these obligations very seriously.

Further, and notwithstanding your fiduciary obligation to not compete with the Company unfairly, you expressly agree that you shall not, either directly or indirectly, through any person, agent, employee or representative, for the period of twelve (12) months from the Date of Termination, be engaged in any manner including, without limitation, as an officer, director, shareholder, owner, partner, member, joint venturer, employee, independent contractor, consultant, or advisor, to any of the following entities:

- Montem Resources, including Coal Valley mine and Tent Mountain mine
- Grand Cache
- NRP/GNP
- Armstrong Coal

Acceptance of the Severance Offer

In consideration of the arrangements outlined above, we require that you execute one of the copies of this letter, acknowledging your express agreement to be bound by the terms and conditions contained in this letter, and the attached Release, executed before a witness, and return the duly executed documents to Derek Sauvé on or before October 26, 2017. If you do not return a signed copy of this letter, and the attached Release, by end of day on October 26, 2017, you will only be provided with your minimum entitlements pursuant to the *Employment Standards Code* (Alberta).

If you wish to obtain legal advice with respect to this offer, please feel free to do so, at your own expense. However, if we are not in receipt of a signed copy of this letter and executed Release by October 26, 2017, the Company may elect at any time after that date to withdraw its offer as outlined in this letter.

We look forward to receipt of the signed documentation confirming your acceptance of this offer as set out in the above.

We wish you well in your future endeavours.

Yours truly,

/s/ Kevin Paprzycki

Kevin Paprzycki
Chief Executive Officer
Westmoreland Coal Company

I, John Schadan, acknowledge receipt of and accept the terms and conditions set out in this letter and attached Release.

ACCEPTED this _6__day of __November_2017.

SIGNED, SEALED AND DELIVERED	)	
in the presence of:	)	
	)	
	)	
	)	
illegible	)	/s/ John Schadan
(Witness)	)	**John Schadan**
	)	

RELEASE

KNOW ALL PERSONS BY THESE PRESENTS that **John Schadan** of Edmonton, Alberta (hereinafter referred to as the**" Releasor")** for the consideration set out in the attached letter from **Prairie Mines & Royalty ULC** to the Releasor dated October 19, 2017 (the **" Letter' "),** the receipt and sufficiency of which is hereby acknowledged, do hereby release and forever discharge **Prairie Mines & Royalty ULC** and all of its successors, predecessors, and related or affiliated corporations, divisions, assigns, partners, past and present officers, shareholders, directors, agents and employees, and all persons acting by, through, or in concert with any of the foregoing (collectively referred to as the **" Released Parties")** of and from all manner of actions, causes of actions, claims, complaints, demands, damages and liabilities of any nature of kind whatsoever and whether in law, equity, contract, tort or otherwise which the said Releasor and his successors and assigns ever had, including without limitation, relating in any way to the employment of **John Schadan by Prairie Mines & Royalty ULC,** the cessation thereof, and any claim or allegation of defamation, libel or slander or similar or related action the Releasor may have against the Released Parties. Without limiting the foregoing in any way, the Releasor hereby releases and forever discharges the Released Parties from any claim, complaint, liability or other proceeding that the Releasor ever had, now has or may have in relation to or arising from, under, in connection with or relating to:

(a) his employment with **Prairie Mines & Royalty ULC;**

(b) the termination of his employment with **Prairie Mines & Royalty ULC;**

(c) the *Employment Standards Code* (Alberta), the *Alberta Human Rights Act,* the *Occupational Health and Safety Act* (Alberta), the *Personal Information Protection Act* (Alberta), as amended from time to time, any regulations thereto, and any other applicable legislation; and

(d) any and all claims for damages, salary, wages, pay in lieu of notice, termination pay, severance pay, vacation pay, overtime pay, bonuses, commissions, expenses, allowances, incentive payments, stock options, other options, insurance, pension contributions, any and all group benefits including medical, disability, life insurance and accidental death and dismemberment benefits, and any other benefits or perquisites arising out of his employment with **Prairie Mines & Royalty ULC** or the termination thereof.

(e) any claims he may have and all costs in seeking alternate employment and all general and special damages which he might have recovered either at law or in equity.

THE RELEASOR EXPRESSLY ACKNOWLEDGES and agrees that the terms and conditions as set out in the Letter are a material part of this Release and are expressly incorporated herein.

THE RELEASOR EXPRESSLY ACKNOWLEDGES and agrees that the payment as set out in the Letter includes full compensation and consideration for the loss of his employment benefits, as provided by the Released Parties or any of them, and that all of his employment benefits and privileges shall cease as set out in the Letter. The Releasor further acknowledges that he has received all benefits due to him and has no further claim against the Released Parties for such benefits. The Releasor further accepts sole responsibility to replace such benefits which he wishes to continue or to exercise conversion privileges where applicable with respect to such benefits, and, in particular, any life insurance and long-term disability benefits. In the event that he becomes disabled following the cessation of his employmen,t the Releasor covenants not to sue the Released Parties for insurance or other benefits or loss of same and hereby releases the Released Parties from any and all further obligations or liabilities arising therefrom. The Releasor further covenants that he has not received Employment Insurance benefits.

THE RELEASOR EXPRESSLY ACKNOWLEDGES and agrees that this Release applies to any and all claims that he has, may have or may have had pursuant to the *Alberta Human Rights Act,* and further acknowledges and agrees that he will not commence or continue any complaints or proceedings based on any grounds relating to his human rights.

IT IS UNDERSTOOD AND AGREED that the Released Parties do not, by the payment set out in the aforesaid Letter, or otherwise, admit any liability to the Releasor and that such liability is denied.

THE RELEASOR agrees that the terms of settlement and this Release shall remain strictly confidential and shall not be disclosed by him to any person, body or organization, either directly or indirectly, except as required by law or as required to obtain legal advice with respect to the terms of this Release.

THE RELEASOR covenants and agrees that he shall keep strictly confidential on an ongoing basis after his employment with **Prairie Mines & Royalty ULC** ends, any confidential or proprietary information that he obtained, received or was privy to regarding the Released Parties, their affiliated or related companies, their clients, customers and employees, their businesses, finances, operations, activities, policies and practices, contacts and contract terms, marketing plans and strategies, pricing strategies and quotations, client lists, prospective clients, business opportunities, documents, records and data (in whatever form). The Releaser acknowledges and agrees that he has not retained any confidential or proprietary information, in any form, belonging to the Released Parties.

THE RELEASOR shall indemnify and save harmless the Released Parties from and against any and all claims, complaints, actions, damages, losses, costs, expenses and liabilities (including taxes, interest, penalties and legal fees and disbursements) which the Released Parties may at any time incur, sustain or suffer as a result of or arising out of any assessmen,t reassessment, claim, demand or judgment under the *Income Tax Act* (Canada), the *Employment Insurance Act* (Canada), the *Canada Pension Plan* (Canada) and the *Workers' Compensation Act* (Canada and Alberta), as amended from time to time, and any regulations thereto, for any reason whatsoever in connection with or as a result of this agreement.

THE RELEASOR represents that he has not assigned or transferred any of the claims or rights hereby released and that no statements or representations made by the Released Parties or any of their agents, employees or legal counsel have influenced or induced him to execute this Release.

FOR THE CONSIDERATION aforesaid, the Releaser further agrees not to make any claim or take any proceedings on account of any of the claims hereby released against any person, firm or corporation who may claim against the Released Parties or any of them under the provisions of any statute or otherwise.

THE RELEASOR confirms that he has had the opportunity to obtain independent legal advice with respect to the details of the settlement evidenced by this Release and confirms that he is executing this Release freely and voluntarily.

THIS RELEASE shall be governed and construed in accordance with the laws of the Province of Alberta.

IN WITNESS WHEREOF the said, John Schadan, has hereunto signed his name and affixed his seal in Edmonton, Alberta, this 6th day of November 2017.

SIGNED, SEALED AND DELIVERED in the presence of:	)	
	)	
illegible	)	/s/ John Schadan
(Witness)	)	**John Schadan**

CONSENT, JOINDER AND THIRTEENTH AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This **CONSENT, JOINDER AND THIRTEENTH AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**, dated as of March 30, 2018 (this "Joinder"), is entered into by and among CIBC BANK USA (f/k/a The PrivateBank and Trust Company) (in its individual capacity, "CIBC"), as administrative agent for the lenders (the "Lenders") party to the Loan Agreement (as defined below) (in such capacity, together with its successors and assigns, the "Administrative Agent"), the Lenders, and each of WESTMORELAND COAL COMPANY, a Delaware corporation ("Westmoreland Parent"), WESTMORELAND ENERGY LLC, a Delaware limited liability company ("Westmoreland Energy"), WESTMORELAND – NORTH CAROLINA POWER, L.L.C., a Virginia limited liability company ("Westmoreland NC"), WEI-ROANOKE VALLEY, INC., a Delaware corporation ("WEI"), WESTMORELAND – ROANOKE VALLEY, L.P., a Delaware limited partnership ("Westmoreland Roanoke"), WESTMORELAND PARTNERS, a Virginia general partnership ("Westmoreland Partners"), WESTMORELAND RESOURCES, INC., a Delaware corporation ("Westmoreland Resources"), WESTMORELAND COAL SALES COMPANY, INC., a Delaware corporation ("Coal Sales"), WRI PARTNERS, INC., a Delaware corporation ("WRI"), WCC LAND HOLDING COMPANY, INC., a Delaware corporation ("WCC"), WESTMORELAND CANADA LLC, a Delaware limited liability company ("WC LLC"), WESTMORELAND ENERGY SERVICES, INC., a Delaware corporation ("WES"), WESTMORELAND MINING LLC, a Delaware limited liability company ("WML"), WESTERN ENERGY COMPANY, a Montana corporation ("WECO"), TEXAS WESTMORELAND COAL CO., a Montana corporation ("TWCC"), WESTMORELAND SAVAGE CORPORATION, a Delaware corporation ("Savage"), DAKOTA WESTMORELAND CORPORATION, a Delaware corporation ("Dakota"), BUCKINGHAM COAL COMPANY, LLC, an Ohio limited liability company ("Buckingham"), and HAYSTACK COAL COMPANY, a Delaware corporation ("Haystack"; together with Westmoreland Parent, Westmoreland Energy, Westmoreland NC, WEI, Westmoreland Roanoke, Westmoreland Partners, Westmoreland Resources, Coal Sales, WRI, WCC, WC LLC, WES, WML, WECO, TWCC, Savage, Dakota and Buckingham, each individually an "Existing US Borrower" and collectively, the "Existing US Borrowers"), WESTMORELAND CANADIAN INVESTMENTS L.P., a limited partnership organized and existing under the laws of the Province of Quebec ("WC Investments"), WESTMORELAND CANADA HOLDINGS INC., a corporation organized and existing under the laws of the Province of Alberta ("Westmoreland Canada"), and PRAIRIE MINES & ROYALTY ULC, an unlimited liability company organized under the laws of the Province of Alberta ("PMRL"; together with WC Investments and Westmoreland Canada, each individually a "Canadian Borrower" and collectively, the "Canadian Borrowers"), WCC HOLDING B.V., a B.V. organized and existing under the laws of the Netherlands ("WCC BV"), and Westmoreland Coal Company Asset Corp., a New York corporation ("NYC NewCo1"), Westmoreland Energy Services New York, Inc., a New York corporation ("NYC NewCo2"), and Westmoreland Texas Jewett Coal Company, a Texas corporation ("Jewett"; and together with NYC NewCo1 and NYC NewCo2, each a "New US Borrower" and collectively, the "New US Borrowers"; together with the Existing US Borrowers, individually each a "US Borrower" and collectively, the "US Borrowers").

<u>W I T N E S S E T H</u>:

WHEREAS, the Existing US Borrowers, the Canadian Borrowers, WCC B.V., the Administrative Agent and the Lenders entered into a certain Second Amended and Restated Loan and Security Agreement dated as of December 16, 2014, as amended by that certain Joinder and First Amendment to Second Amended and Restated Loan and Security Agreement dated March 26, 2015, that certain Consent and Second Amendment to Second Amended and Restated Loan and Security Agreement dated as of May 29, 2015, that certain Third Amendment to Second Amended and Restated Loan and Security Agreement dated as of December 31, 2015, that certain Consent and Fourth Amendment to Second Amended and Restated Loan and Security Agreement dated as of January 29, 2016, that certain Fifth Amendment to Second Amended and Restated Loan and Security Agreement dated as of May 3, 2016, that certain Sixth Amendment to Second Amended and Restated Loan and Security Agreement dated as of June 28, 2016, that certain Seventh Amendment to Second Amended and Restated Loan and Security Agreement dated as of September 30, 2016, that certain Eighth Amendment to Second Amended and Restated Loan and Security Agreement dated as of October 12, 2016, that certain Consent and Ninth Amendment to Second Amended and Restated Loan and Security Agreement dated as of March 13, 2017, that certain Tenth Amendment to Second Amended and Restated Loan and Security Agreement dated as of May 10, 2017, that certain Eleventh Amendment to Second Amended and Restated Loan and Security Agreement dated as of July 31, 2017, and that certain Twelfth Amendment to Second Amended and Restated Loan and Security Agreement dated as of October 30, 2017 (collectively, as further amended, restated, supplemented or otherwise modified from time to time, the "<u>Loan Agreement</u>") pursuant to which the Existing US Borrowers and the Canadian Borrowers established certain financing arrangements with the Lenders;

WHEREAS, (a) Westmoreland Parent recently formed NYC NewCo1, a wholly owned subsidiary of Westmoreland Parent, and WES recently formed NYC NewCo2, a wholly owned subsidiary of WES (collectively, the "<u>NY Entity Formation</u>") and (b) WML recently formed Jewett, which is a wholly owned subsidiary of WML (the "<u>TX Entity Formation</u>"; and together with the NY Entity Formation, the "Entity Formation") and have requested the consent of the Lenders for the Entity Formation;

WHEREAS, as a condition of the consent to the Entity Formation provided hereunder, the Lenders have required, and the Existing US Borrowers, the Canadian Borrowers and WCC B.V. have agreed that each New US Borrower be added as a "US Borrower" under the Loan Agreement and all other Loan Documents, by executing and delivering this Joinder to the Administrative Agent and the Lenders; and

WHEREAS, in addition to the consent to the Entity Formation, the Borrowers have requested and the Lenders have agreed to grant certain other consents and amend the Loan Agreement in accordance with the terms herein, including but not limited to, expansion of the grant of the security interest in all Collateral located in Canada for all Obligations.

NOW, THEREFORE, for and in consideration of the premises and mutual agreements herein contained and for the purposes of setting forth the terms and conditions of this Joinder, the parties, intending to be bound, hereby agree as follows:

Section 1. **Incorporation of the Loan Agreement**. All capitalized terms which are not defined hereunder shall have the same meanings as set forth in the Loan Agreement, and the Loan Agreement, to the extent not inconsistent with this Joinder, is incorporated herein by this reference as though the same were set forth in its entirety. To the extent any terms and provisions of the Loan Agreement or the other Loan Documents are inconsistent with the amendments set forth in Section 2 below, such terms and provisions shall be deemed superseded hereby. Except as specifically set forth herein, the Loan Agreement and the other Loan Documents shall remain in full force and effect and its provisions shall be binding on the parties hereto.

Section 2. **Consents and Limited Waiver**. Subject to the satisfaction of the conditions precedent set forth in Section 5 hereof:

(a) Notwithstanding the terms of Section 13.4 of the Loan Agreement, (Mergers, Sales, Acquisitions, Subsidiaries and Other Transactions Outside the Ordinary Course of Business), Lenders hereby consent to the formation of NYC NewCo1, NYC NewCo2 and Jewett.

(b) Notwithstanding the terms of Section 13.2 (Indebtedness) and Section 13.3 (Liens) of the Loan Agreement, Lenders hereby consent to the incurrence by the Borrowers of additional indebtedness in an amount not to exceed $7,500,000 for purposes of refurbishing certain bulldozers and tractors valued at approximately $4,200,000 located at the Borrowers' Coal Valley Mine near Edson, Alberta, Canada (the "Canadian Refurbished Equipment"), which will be secured by a first priority lien on such Canadian Refurbished Equipment in favor of the financer of such additional indebtedness, subject to the subordinate lien in favor of the Administrative Agent.

(c) The foregoing consents set forth in (a) and (b) above are expressly limited to the transactions described above in this Section 2, and shall not be deemed or otherwise construed to constitute a consent to any other transaction, whether or not similar to the transactions described above in this Section 2. Lenders have granted the consent set forth in this Section 2 in this particular instance and in light of the facts and circumstance that presently exist, and the grant of such consent shall not constitute a course of dealing or impair Lenders' right to withhold any similar consent in the future.

(d) Notwithstanding the terms of Section 9.3 of the Loan Agreement, the Lenders hereby waive any Default or Event of Default under the Loan Agreement as a result of (i) the failure to deliver Borrowers' monthly financial statements and reports required under Section 9.3(i), including any such related compliance certificates, for the periods ending December 31, 2017, January 31, 2018 and February 28, 2018, so long as such monthly financial statements are delivered on or before April 2, 2018 and (ii) any failure of the Borrowers to deliver an unqualified opinion from their independent certified accountants solely due to the receipt of the unqualified opinion of their independent certified accountants containing a going concern emphasis explanatory paragraph in conjunction with the Borrowers' audited financial statements for the Fiscal Year ended December 31, 2017. The foregoing waivers are expressly limited to the specific periods and provisions stated above and shall not affect any breach of any of the other provisions of the Loan Agreement for any other period, and shall not be deemed or otherwise construed to constitute a waiver of the subject provision for any other period or of any Default or Event of Default arising out of any other failure of the Borrowers to comply with any of the terms of the Loan Agreement. Lenders have granted the waivers set forth herein in this particular instance and in light of the facts and circumstances that presently exist, and the grant of such waiver shall not constitute a course of dealing or impair any Lender's right to withhold a waiver of a similar Default or Event of Default in the future.

Section 3. **Joinder to the Loan Agreement and Loan Documents**.

(a) The parties hereto agree that each New US Borrower shall, from and after the date hereof, be deemed a "US Borrower" and a "US Loan Party" for all purposes of the Loan Agreement and other Loan Documents. Accordingly, each New US Borrower hereby joins in, assumes and agrees to be bound by all of the conditions, covenants, representations, warranties and other agreements applicable to each Existing US Borrower set forth in the Loan Agreement and the other Loan Documents, and each US Loan Party set forth in the Loan Agreement and the other Loan Documents, and hereby agrees to promptly execute and deliver all further documentation reasonably required by the Administrative Agent to be executed by the Borrowers (including each New US Borrower) in connection with the foregoing. Without limiting the generality of the foregoing, each New US Borrower hereby agrees to be jointly and severally liable, along with all the Existing US Borrowers, for all existing and future Obligations.

(b) Each New US Borrower hereby assigns, pledges and grants to Administrative Agent for the benefit of the Lenders a security interest in all of its right, title and interest in and to the Collateral owned by each New US Borrower to secure the Obligations in accordance with Section 5.1 of the Loan Agreement. Each New US Borrower consents to Administrative Agent preparing and filing (1) a UCC financing statement naming each New US Borrower as debtor and the Administrative Agent as secured party, and describing each New US Borrower's Collateral and (2) such other documentation as the Administrative Agent may require to evidence, protect and perfect the Liens created by the Loan Agreement, as modified hereby.

(c) This Joinder constitutes the legal, valid and binding obligation of each Borrower, and is enforceable against each Borrower in accordance with its terms, subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and similar federal, provincial or state laws or judicial decisions relating to or affecting the enforceability of creditors' rights generally and to general principles of equity.

(d) Each New US Borrower hereby (1) confirms that, after giving effect to the information set forth on the Supplemental Schedules attached hereto as Exhibit A, all of the representations and warranties set forth in Section 11 of the Loan Agreement are true and correct in all material respects as of the date hereof with respect to each New US Borrower, (2) covenants to perform its obligations under the Loan Agreement and the other Loan Documents and (3) specifically represents and warrants to the Administrative Agent and the Lenders that it is the lawful owner all of, or rights in, its Collateral, free from any lien or security interest in favor of any other person or entity, other than Permitted Liens under the Loan Agreement.

(e) Each New US Borrower hereby represents and warrants that the information with respect to each New US Borrower set forth on the Supplemental Schedules attached hereto as Exhibit A is true and correct in all material respects as of the date of this Joinder. The Supplemental Schedules attached hereto as Exhibit A are hereby incorporated into the Loan Agreement as if originally set forth therein as supplements to the existing Schedules to the Loan Agreement.

(f) The definitions of the terms "US Borrower", "US Borrowers" and "US Loan Party" contained in the Loan Agreement are hereby amended to include and refer to each New US Borrower. Each New US Borrower is hereby added as a joint and several obligor to the Credit Agreement and each of the other Loan Documents as of the date hereof.

(g) The Schedules attached to the Loan Agreement are hereby amended to include the Supplemental Schedules attached hereto as Exhibit A.

Section 4. **Amendment to Loan Agreement**.

(a) The definitions of the terms "Applicable Law", "Governmental Authority", "Law", "Pension and Benefit Laws", and "Thirteenth Amendment Effective Date" are hereby added to Section 1.1 of the Loan Agreement, in alphabetical order, to read as follows:

> **Applicable Law** means any present or future Law relating or applicable to any Person, property, transaction, event, or other matter (including any interpretation of Law by any Governmental Authority) and including, without limitation, any Pension and Benefit Laws and any Environmental Laws.
>
> **Governmental Authority** means: (a) the government of the United States of America, Canada or any other nation, whether federal, provincial, state, municipal, local, or other government or public department; (b) any central bank, court, tribunal, arbitral body, regulatory body (including any stock exchange), commission (including any securities commission), board, bureau, agency, authority, or other entity exercising executive, legislative, judicial, taxing, regulatory, or administrative powers or functions of, or pertaining to, any of the foregoing (including any supra-national bodies such as the European Union, or the European Central Bank, a Minister of the Crown, the Superintendent of Financial Institutions, or any other comparable authority or agency; and (c) any subdivision, department, agency or instrumentality of any of the foregoing.
>
> **Law** shall mean any law (including common law), statute, by-law, rule, regulation, order, ordinance, protocol, code, guideline, treaty,

policy, notice, direction, decree, judgment, award, or requirement, in each case of any Governmental Authority, whether or not having the force of law.

Pension and Benefit Laws means the Pension Benefits Act (Ontario), the Employment Pension Plans Act (Alberta), the Pension Benefits Act (Saskatchewan), and any other law, rule, regulation, guideline, directive, order or notice of any Governmental Authority having jurisdiction over or affecting any Canadian Pension Plan or Canadian Benefit Plan.

Thirteenth Amendment Effective Date means March 30, 2018.

(b) The definition of the terms "Canadian EBITDA", "Canadian Pension Plans", "Consolidated EBITDA" and "US EBITDA" appearing in Section 1.1 of the Loan Agreement are hereby amended and restated to read as follows:

Canadian EBITDA for any period means, without duplication, the sum of the amounts for such period of:

(1) Net Income of the Canadian Borrowers, plus

(2) in each case only to the extent (and in the same proportion) deducted in determining Net Income of the Canadian Borrowers and with respect to the portion of Net Income of the Canadian Borrowers attributable to any Borrower only if a corresponding amount would be permitted at the date of determination to be distributed to Westmoreland Parent by its Subsidiaries without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to Canadian Borrowers or their equity holders,

(a) Income Tax Expense of the Canadian Borrowers (other than income taxes or income tax adjustments (whether positive or negative) attributable to Asset Sales or extraordinary gains or losses and, without duplication, permitted tax distributions,

(b) Amortization Expense of the Canadian Borrowers (but only to the extent not included in Interest Expense of the Canadian Borrowers),

(c) Net Asset Reclamation Accretion Expense of the Canadian Borrowers,

(d) Depreciation and Depletion Expense of the Canadian Borrowers (but only to the extent not included in Interest Expense of the Canadian Borrowers),

(e) Interest Expense of the Canadian Borrowers,

(f) all other non-cash items reducing Net Income of the Canadian Borrowers (including without limitation non-cash write-offs of goodwill, intangibles and long-lived assets, but excluding any non-cash charge that results in an accrual of a reserve for cash charges in any future period including pension, retiree, medical and reclamation expenses) for such period,

(g) [Reserved],

(h) cash distributions received by the Canadian Borrowers from Westmoreland Resource Partners, LP, and

(i) losses incurred by the Canadian Borrowers in connection with the operation of the Coal Valley mine during Fiscal Year 2017 allocated to the quarter in which such losses occurred, in an amount not to exceed $23,867,000 in the aggregate,

in each case determined in accordance with GAAP, <u>minus</u>

(3) unfinanced Capital Expenditures of the Canadian Borrowers during the applicable period, <u>minus</u>

(4) the aggregate amount of all non-cash items of the Canadian Borrowers determined in accordance with GAAP, to the extent such items increased Net Income of the Canadian Borrowers (other than the accrual of revenue, recording of receivables or the reversal of reserves in the ordinary course of business) for such period.

Notwithstanding the foregoing, for purposes of calculating Canadian EBITDA, calculations will be based on ASC 605 for all periods presented regardless of the Borrowers' retroactive adoption of ASC 606 on January 1, 2018.

<u>Canadian Pension Plans</u> means any pension (including each "registered pension plan" as defined under the ITA), retirement or supplemental retirement benefit plans, arrangements or agreements, including any defined benefit or defined contribution pension plans and any group registered retirement savings plans, employee benefit plans and any other similar employee benefit plans, arrangements or agreements, whether oral or written, formal or informal, funded or unfunded, that are, in each case, sponsored, contributed to, or maintained by any Borrower, any Subsidiary of a Borrower or any other Loan Party providing for retirement income for the benefit of any such party's employees, former employees', dependents or beneficiaries of either of them, whether or not insured.

Consolidated EBITDA for any period means, without duplication, the sum of the amount of: (i) Net Income of the Borrowers, plus (ii) the amounts set forth in subsection (2) of the definition of Canadian EBITDA, plus (iii) the amounts set forth in subsection (2) of the definition of US EBITDA, minus (iv) the amounts set forth in subsections (3) and (4) of the definition of Canadian EBITDA, minus (v) the amounts set forth in subsections (3) and (4) of the definition of US EBITDA. Notwithstanding the foregoing, for purposes of calculating Consolidated EBITDA, calculations will be based on ASC 605 for all periods presented regardless of the Borrowers' retroactive adoption of ASC 606 on January 1, 2018.

US EBITDA for any period means, without duplication, the sum of the amounts for such period of:

(1) Net Income of the US Borrowers, plus

(2) in each case only to the extent (and in the same proportion) deducted in determining Net Income of the US Borrowers and with respect to the portion of Net Income of the US Borrowers attributable to any Borrower only if a corresponding amount would be permitted at the date of determination to be distributed to Westmoreland Parent by its Subsidiaries without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to Borrowers or their equity holders,

(a) Income Tax Expense of the US Borrowers (other than income taxes or income tax adjustments (whether positive or negative) attributable to Asset Sales or extraordinary gains or losses and, without duplication, permitted tax distributions,

(b) Amortization Expense of the US Borrowers (but only to the extent not included in Interest Expense of the US Borrowers),

(c) Net Asset Reclamation Accretion Expense of the US Borrowers,

(d) Depreciation and Depletion Expense of the US Borrowers (but only to the extent not included in Interest Expense of the US Borrowers),

(e) Consolidated Interest Expense of the US Borrowers,

(f) all other non-cash items reducing Net Income of the US Borrowers (including without limitation non-cash write-offs of goodwill, intangibles and long-lived assets, but excluding any non-cash charge that results in an accrual of a reserve for cash charges in any future period including pension, retiree, medical and reclamation expenses) for such period,

(g) costs and expenses incurred in connection with entering into, and the initial borrowing under, this Agreement,

(h) cash distributions received by the US Borrowers from Westmoreland Resource Partners, LP,

(i) advisory fees actually incurred in connection with the restructuring of the indebtedness of the Borrowers in an aggregate amount not to exceed $7,500,000 solely for the period beginning January 1, 2018 through May 31, 2018, and

(j) net cash proceeds not to exceed $4,500,000 received by Borrowers in connection with the sale of Haystack pursuant to documentation in form and substance acceptable to the Administrative Agent,

in each case determined in accordance with GAAP, minus

(3) (i) unfinanced Capital Expenditures of the US Borrowers during the applicable period, (ii) all dividends or other distributions by the US Borrowers to equityholders of Westmoreland Parent during the applicable period and (iii) payments during the applicable period in respect of income or franchise taxes of the US Borrowers, minus

(4) the aggregate amount of all non-cash items, determined on a consolidated basis in accordance with GAAP, to the extent such items increased Net Income of the US Borrowers (other than the accrual of revenue, recording of receivables or the reversal of reserves in the ordinary course of business) for such period.

Notwithstanding the foregoing, for purposes of calculating US EBITDA, calculations will be based on ASC 605 for all periods presented regardless of the Borrowers' retroactive adoption of ASC 606 on January 1, 2018.

(c) Section 4.3.4 of the Loan Agreement is hereby amended and restated to read as follows:

4.3.4 Costs and Expenses: Borrowers shall reimburse Administrative Agent and the Lenders for all costs and expenses, including, without limitation, reasonable legal expenses and reasonable attorneys' fees (for outside counsel), incurred by Administrative Agent and the Lenders in connection with the (i) documentation and consummation of the transaction contemplated by the Loan Documents and all amendments and modifications thereto, including, without limitation, Uniform Commercial Code and other public record searches and filings, overnight courier or other express or messenger delivery, appraisal costs, surveys, title insurance and environmental audit or review costs; (ii) collection, protection or enforcement of any rights of Administrative Agent or any Lender in or to the Collateral; (iii) collection of any Obligations; and (iv) administration and enforcement of any of Administrative Agent's and Lenders' rights under this Agreement or any other Loan Document (including, without limitation, any reasonable costs and expenses of any third party provider engaged by a Lender for such purposes). Borrowers shall also pay all normal service charges with respect to all accounts maintained by Borrowers with Administrative Agent and the Lenders and any additional services requested by Borrowers from Administrative Agent or the Lenders.

(d) The introductory paragraph to Section 5.1.2 of the Loan Agreement is hereby amended and restated to read as follows:

5.1.2 **Canadian Borrowers**. As security for the payment of all Obligations now or in the future made by Administrative Agent and Lenders to any Borrower hereunder and for the payment, performance or other satisfaction of all other Obligations owing to Administrative Agent, Lenders and any Affiliate of any Lender, each of the Canadian Borrowers hereby (i) reaffirms its prior assignment and grant to Administrative Agent for the benefit of the Lenders for all Canadian Obligations, and (ii) assigns to Administrative Agent, for the benefit of itself, the Lenders and their applicable Affiliates, and grants to Administrative Agent, for the benefit of itself, the Lenders and their applicable Affiliates, a continuing security interest in the following property of each Canadian Borrower as security for all Obligations, whether now or hereafter owned, existing, acquired or arising and wherever now or hereafter located:

(e) Section 8.3 of the Loan Agreement is hereby amended and restated to read as follows:

> 8.3 **Application of Proceeds**. For purposes of calculating interest and fees, Administrative Agent shall, within one (1) Business Day after application of the daily ledger balance to the Obligations as set forth in the immediately following sentence, apply the whole or any part of such collections or Proceeds (i) of the Collateral of the US Borrowers against the Obligations in such order as Administrative Agent shall determine in its sole discretion and (ii) of the Collateral of the Canadian Borrowers against the Obligations in such order as Administrative Agent shall determine in its sole discretion. For purposes of determining the amount of Loans available for borrowing purposes, Administrative Agent shall apply the daily ledger balance in the Lockbox Account as of the beginning of each Business Day in whole or in part against the applicable Obligations owing under such Revolving Credit Commitment, in such order as Administrative Agent shall determine in its sole discretion (and in the absence of any such determination, in the order set forth in Section 16.2), on the day of receipt, subject to actual collection, it being understood and agreed that Proceeds and collections from the Collateral of the Borrowers may be applied to all of the Obligations as Administrative Agent shall determine in its sole discretion.

(f) A new Section 9.8 is hereby added to the Loan Agreement to read as follows:

> 9.8 **Budget**. On or before Friday of each calendar week, beginning with the first Friday after the Thirteenth Amendment Effective Date, Borrowers shall provide Administrative Agent with a 13-week cash flow forecast prepared by the Borrowers, in form reasonably acceptable to the Administrative Agent. Each forecast shall reflect, on a line-item basis, anticipated cash receipts and projected expenditures on a weekly basis during the applicable 13-week period.

(g) A new Section 11.29 is hereby added to the Loan Agreement to read as follows:

> 11.29 **Canadian Pension Plans and Canadian Benefit Plans**.
>
> 11.29.1 To the knowledge of the Borrowers, each Canadian Pension Plan and Canadian Benefit Plan of the Borrowers has been maintained and is in compliance with Applicable Law and applicable collective bargaining agreements (including all requirements relating to employee participation, funding, investment of funds, benefits, and transactions with the Borrowers and Persons related to them).

11.29.2For any Canadian Pension Plan that is a defined benefit Canadian Pension Plan, each such defined benefit Canadian Pension Plan has been funded over and above the amounts required pursuant to the terms of the respective Canadian Pension Plans and Applicable Law.

11.29.3To the knowledge of the Borrowers after due inquiry:

(i) no steps have been taken to terminate or wind up any Canadian Pension Plan (in whole or in part) and no unauthorized merger of such Canadian Pension Plans, no unauthorized withdrawal of funds from such Canadian Pension Plans and no improper contribution holidays taken in respect of such Canadian Pension Plans,

(ii) no contribution failure has occurred relating to any Canadian Pension Plan sufficient to give rise to a lien or charge under any applicable pension benefits or tax laws of any jurisdiction (including, without limitation, a Canadian Priority Claim),

(iii) no condition exists and no event or transaction or breach has occurred relating to any Canadian Pension Plan that is reasonably likely to result in a Loan Party incurring any material liability, fine, or penalty or being required to make an additional contribution to any Canadian Pension Plan, and

(iv) no Loan Party has a material contingent liability relating to or under a Canadian Benefit Plan.

11.29.4 Except as disclosed in Schedule 11.29 (Canadian Pension Plans):

(i) each Canadian Pension Plan is in compliance in all material respects with all Applicable Law (including applicable pension benefits and tax laws),

(ii) all contributions (including employee contributions made by authorized payroll deductions or other withholdings) required to be made to the appropriate funding agency in accordance with all Applicable Law and the terms of each Canadian Pension Plan have been made in accordance with all Applicable Law and the terms of each Canadian Pension Plan,

(iii) all liabilities under each Canadian Pension Plan are funded in accordance with the terms of the respective Canadian Pension Plans and Applicable Law,

(iv) no event has occurred and no conditions exist relating to any Canadian Pension Plan that has resulted or could reasonably be expected to result in any Canadian Pension Plan that is a registered pension plan within the meaning of the ITA having its registration revoked or refused for the purposes of any administration of any relevant pension benefits regulatory authority or being required to pay any Taxes or penalties under any applicable pension benefits or tax Laws, and

(v) there are no pending, threatened, or anticipated claims, actions or proceedings involving or relating to any of the Canadian Pension Plans or Canadian Benefit Plans that could reasonably be expected to have a Material Adverse Effect.

(h) A new Section 12.15 is hereby added to the Loan Agreement to read as follows:

12.15 **Restructuring Plan**. The Borrowers covenant and agree to submit a copy of the preliminary restructuring proposal, contemporaneous with delivery thereof to the ad hoc committee of the Company's secured lenders, on or before April 15, 2018. The Borrowers shall provide the Administrative Agent with periodic updates to such plan upon request, but in no event later than 5 business days after receiving such request, including, but not limited to, the anticipated structure and capital needs in connection with such plan.

(i) A new Section 12.16 is hereby added to the Loan Agreement to read as follows:

12.16 **Appraisal**. The Borrowers covenant and agree to cooperate with the Administrative Agent to complete an Appraisal to be conducted by an independent appraiser agreed upon by the Administrative Agent and the Borrowers both acting reasonably at the sole expense of the Borrowers of all Equipment located in Canada promptly following the Thirteenth Amendment Effective Date.

(j) A new Section 12.17 is hereby added to the Loan Agreement to read as follows:

12.17 **Canadian Pension Plans and Canadian Benefit Plans**. Each Borrower shall maintain, administer, fund, and invest all Canadian Pension Plans and Canadian Benefit Plans relating to its business in compliance with all Applicable Law (including any applicable pension benefits and tax Laws).

(k) A new Section 14.1.4 is hereby added to the Loan Agreement to read as follows:

14.1.4 **Minimum Excess Availability**. Commencing as of the close of business on Friday, April 6, 2018 and as of the close of business on each Friday thereafter through and including the Maturity Date, the Borrowers on a consolidated basis shall have a minimum Excess Availability of $5,000,000.

Section 5. **Effectiveness Conditions**. The amendments and other agreements set forth herein shall be effective upon the satisfaction of all of the following conditions precedent, each to the satisfaction of the Administrative Agent in its sole discretion:

(a) Receipt by the Administrative Agent from each of the Lenders, the Administrative Agent and Borrowers, of a counterpart of this Joinder signed on behalf of such party; and

(b) Receipt by the Administrative Agent of such other documents, instruments and certificates as the Administrative Agent shall reasonably request.

Section 6. **Representations and Warranties; No Default**.

(a) The representations and warranties of the Borrowers set forth in Section 11 of the Loan Agreement shall be deemed made or remade, as applicable, by each Borrower as of the date hereof, and shall be true and correct in all material respects as of the date hereof except to the extent (i) that such representation or warranty expressly relates to a specified earlier date, in which case such representation and warranty shall be true and correct in all material respects as of such earlier date or (ii) amended by the Supplemental Schedules attached hereto as Exhibit B; and

(b) Each Borrower represents and warrants to the Administrative Agent and the Lenders that (i) the execution and delivery by such Borrower of this Joinder and the performance by it of the transactions herein contemplated (A) are and will be within its organizational powers, (B) have been authorized by all necessary organizational action and (C) are not and will not be in contravention of any order of any court or other agency of government, of law or any other indenture, agreement or contract to which such Borrower is a party or by which the property of such Borrower is bound, or be in violation of, result in a breach of, or constitute with due notice and/or lapse of time a default under any such indenture, agreement or contract, which contravention, violation or breach would reasonably be expected to have a Material Adverse Effect or result in the imposition of any lien, charge or encumbrance of any nature on any of the properties of such Borrower (other than Permitted Liens) and (ii) No Default or Event of Default has occurred and is continuing.

Section 7. **Affirmation**. Except as specifically amended pursuant to the terms hereof, the Loan Agreement and the other Loan Documents (and all covenants, terms, conditions and agreements therein), shall remain in full force and effect, and are hereby ratified and confirmed in all respects by the Borrowers. Each New US Borrower covenants and agrees to comply with all of the terms, covenants and conditions of the Loan Agreement, as amended hereby, notwithstanding any prior course of conduct, waivers, releases or other actions or inactions on the Administrative Agent's or any Lender's part which might otherwise constitute or be construed as a waiver of or amendment to such terms, covenants and conditions. Each Borrower hereby represents and warrants to the Administrative Agent and the Lenders that as of the date hereof, there are no claims, counterclaims, offsets or defenses arising out of or with respect to the Obligations. Each Borrower hereby confirms its existing grant to the Administrative Agent, for its benefit and the benefit of the Lenders, of a lien on and security interest in the Collateral as security for all Obligations, as amended hereby. Each Borrower hereby reaffirms that all liens and security interests at any time granted by it to the Administrative Agent, for its benefit and the benefit of the Lenders, continue in full force and effect and secure and shall continue to secure all of the Obligations, as amended hereby. Nothing herein contained is intended to in any manner impair or limit the validity, priority and extent of the Administrative Agent's existing security interest in and liens upon the Collateral. Any and all references to the Loan Agreement in each of the Loan Documents shall be deemed to refer to and include this Joinder.

Section 8. **Fees and Expenses**. Each Borrower agrees to comply with Section 4.3.4 of the Loan Agreement, in connection with the evaluation, negotiation, preparation, execution and delivery of this Joinder. In addition to the foregoing, the U.S. Borrowers shall pay to the Administrative Agent, for the benefit of the Lenders, an amendment fee of $500,000 (the "Amendment Fee"), which shall be fully earned and non-refundable as of the date hereof. Notwithstanding the foregoing, each Lender hereby covenants and agrees to apply its pro rata share of $250,000 of such Amendment Fee to its portion of any fee charged by the Lenders in connection with the closing of any refinancing by the Lenders of the Obligations on or before May 31, 2018, it being understood and agreed that no such credit shall apply to the extent the Lenders do not lend and participate in such refinancing and to the extent such Lender's share of any fee for such financing is less than its pro rata share of the $250,000 available for credit to such fee, no Lender shall be required to refund any of the difference.

Section 9. **Insurance**.

(a) The Borrowers hereby agree to deliver to Administrative Agent the following in form and substance reasonably satisfactory to Administrative Agent:

(i) updated certificate(s) of insurance reflecting property and casualty insurance of each New US Borrower, showing Administrative Agent as lenders' loss payee; and

(ii) an updated or revised Assignment of Business Interruption Insurance Policy which includes the New US Borrowers.

Section 10. **Release; Indemnities**.

(a) In further consideration of Administrative Agent's and the Lenders' execution of this Joinder, each of the Existing US Borrowers, the new US Borrowers, the Canadian Borrowers and WCC B.V., individually and on behalf of such party's successors (including, without limitation, any trustees acting on behalf of such party and any debtor-in-possession with respect to such party), assigns, subsidiaries and affiliates (collectively, the "Releasors"), hereby forever release the Lenders and Administrative Agent and their successors, assigns, parents, subsidiaries, affiliates, officers, employees, directors, agents and attorneys (collectively, the "Releasees") from any and all debts, claims, demands, liabilities, responsibilities, disputes, causes, damages, actions, causes of actions (whether at law and/or in equity) and obligations of every nature whatsoever, whether liquidated or unliquidated, whether known or unknown, matured or unmatured, fixed or contingent (collectively, "Claims") that Releasors may have against the Releasees which arise from or relate to any actions which the Releasees may have taken or omitted to take prior to the date this Joinder was executed including, without limitation, with respect to the Obligations, any Collateral, the Loan Documents, or any third parties liable in whole or in part for the Obligations.

(b) Releasors hereby agree that their respective obligations to indemnify and hold the Releasees harmless as set forth in the Loan Documents, as applicable, shall include an obligation to indemnify and hold the Releasees harmless with respect to any and all liabilities, claims, obligations, losses, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever incurred by the Releasees, or any of them, whether direct, indirect or consequential, as a result of or arising from or relating to any proceeding, whether threatened or initiated, asserting any claim for legal or equitable remedy under any statutes, regulations or common law principles arising from or in connection with the negotiation, preparation, execution, delivery, performance, administration and enforcement of the Loan Documents, this Joinder or any other document executed in connection herewith, except those claims resulting from the gross negligence or willful misconduct of the Releasees, as finally determined by a final, non-appealable judgment by a court of competent jurisdiction. The foregoing indemnity shall survive the payment in full of the Obligations and the termination of this Joinder and the Loan Documents.

Section 11. **Miscellaneous**.

(a) Each Borrower hereby agrees to take all such actions and to execute and/or deliver to the Administrative Agent all such documents, assignments, financing statements and other documents as the Administrative Agent may reasonably require from time to time, to effectuate and implement the purposes of this Joinder and the other Loan Documents.

(b) Each Borrower agrees to deliver to Administrative Agent termination statements for all liens previously filed on the New Borrowers within 30 days (or such longer period as determined by the Administrative Agent in its sole diecretion) of the date hereof.

(c) This Joinder shall be binding on and shall inure to the benefit of the Borrowers, the Administrative Agent, the Lenders and their respective successors and (to the extent permitted under the Loan Agreement) assigns. No rights are intended to be created hereunder for the benefit of any third-party donee, creditor or incidental beneficiary.

(d) Wherever possible, each provision of this Joinder shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Joinder shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Joinder.

(e) The headings of any paragraph of this Joinder are for convenience only and shall not be used to interpret any provision hereof.

(f) This Joinder may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Execution and delivery by facsimile or other electronic transmission shall bind the undersigned. Receipt of an executed signature page to this Joinder by facsimile or other electronic transmission shall constitute effective delivery thereof and shall be deemed an original signature hereunder.

(g) No modification hereof or any agreement referred to herein shall be binding or enforceable unless in writing and signed on behalf of the party against whom enforcement is sought.

(h) The terms and conditions of this Joinder shall be governed by and construed in accordance with the internal laws of the State of Illinois excluding conflict of laws statutes or common law principles that would result in the application of laws other than the internal laws of the State of Illinois.

(i) EACH OF THE BORROWERS, THE ADMINISTRATIVE AGENT AND THE LENDERS, BY THE EXECUTION OR ACCEPTANCE OF THIS JOINDER, WAIVES ITS AND THEIR RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS JOINDER, ANY OF THE OTHER LOAN DOCUMENTS, THE OBLIGATIONS OR THE COLLATERAL.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have duly executed this Consent, Joinder and Thirteenth Amendment to Second Amended and Restated Loan and Security Agreement as of the date first above written.

EXISTING US BORROWERS:

WESTMORELAND COAL COMPANY, a Delaware corporation

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Chief Administrative Officer & Secretary

WESTMORELAND ENERGY LLC, a Delaware limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND – NORTH CAROLINA POWER, L.L.C., a Virginia limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WEI-ROANOKE VALLEY, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND – ROANOKE VALLEY, L.P., a Delaware limited partnership

By: WEI-Roanoke Valley, Inc., *its general partner*

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

EXISTING US BORROWERS:

WESTMORELAND PARTNERS, a Virginia general partnership

By: Westmoreland-Roanoke Valley, L.P., *its general partner*

By: WEI-Roanoke Valley, Inc., *its general partner*

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

By: Westmoreland-North Carolina Power, L.L.C., *its general partner*

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND RESOURCES, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND COAL SALES COMPANY, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WRI PARTNERS, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

EXISTING US BORROWERS:

WCC LAND HOLDING COMPANY, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND CANADA LLC, a Delaware limited liability company

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Vice President and Secretary

WESTMORELAND ENERGY SERVICES, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND MINING LLC, a Delaware limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTERN ENERGY COMPANY, a Montana corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

TEXAS WESTMORELAND COAL CO., a Montana corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

EXISTING US BORROWERS:

WESTMORELAND SAVAGE CORPORATION, a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

DAKOTA WESTMORELAND CORPORATION, a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

BUCKINGHAM COAL COMPANY, LLC, an Ohio limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

HAYSTACK COAL COMPANY, a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

CANADIAN BORROWERS:

WESTMORELAND CANADIAN INVESTMENTS, L.P., a limited partnership organized and existing under the laws of the Province of Quebec

By: Westmoreland Canada LLC,
its general partner

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Vice President and Secretary

CANADIAN BORROWERS:

WESTMORELAND CANADA HOLDINGS INC., a corporation organized and existing under the laws of the Province of Alberta

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Assistant Secretary

PRAIRIE MINES & ROYALTY ULC, an unlimited liability company organized under the laws of the Province of Alberta

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Assistant Secretary

WCC BV:

WCC HOLDING B.V., a B.V. organized and existing under the laws of the Netherlands

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Managing Director A

By: /s/ L.I.W. Klein
L.I.W. Klein
Managing Director B

NEW US BORROWERS:

WESTMORELAND COAL COMPANY ASSET CORP., a New York corporation

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Secretary

WESTMORELAND ENERGY SERVICES NEW YORK, INC., a New York corporation

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Secretary

NEW US BORROWERS:

WESTMORELAND TEXAS JEWETT COAL COMPANY, a Texas corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary and General Counsel

ADMINISTRATIVE AGENT AND A LENDER:

CIBC BANK USA (f/k/a The PrivateBank and Trust Company)

By: /s/ Douglas Colletti
Douglas Colletti
Managing Director

LENDER:

EAST WEST BANK

By: /s/ John E. Kolb
John E. Kolb
Vice President

EXHIBIT A

Supplemental Schedules to Loan Agreement for each New US Borrower

(See attached)

Supplemental Schedule 1- Permitted Liens
to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company)

None.

Supplemental Schedule 11.2 - Business and Collateral Locations to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company)

The CHIEF EXECUTIVE OFFICES of the New US Borrower:
9540 South Maroon Circle, Suite 300, Englewood, CO 80112

Supplemental Schedule 11. 7 - Litigation
to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company)

None.

Supplemental Schedule 11.9 - Affiliate Transactions to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company)

None.

Supplemental Schedule 11.10 - Names and Trade Names
to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company)

None.

Supplemental Schedule 11.14 - Indebtedness
to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company)

None.

Supplemental Schedule 11.16 - Parent, Subsidiaries and Affiliates to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company)

I. Subsidiaries of New US Borrower

None.

Supplemental Schedule 11.18 - Employee Matters
to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company)

Collective Bargaining Agreements:

None.

Petitions for Certification or Union Elections:

None.

Strikes, Slowdowns, Work Stoppages:

None.

Employment Contracts with any Officer or Director:

None.

Supplemental Schedule 11.20 - Environmental Matters
to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company)

None.

Supplemental Schedule 11.25 - Related Transactions Documents to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company)

None.

Supplemental Schedule 11.26 - Investigations, Audits, Etc.
to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company)

None.

Supplemental Schedule 11.27 - Capitalization; Subsidiaries to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company)

The authorized equity interests of Westmoreland Coal Company Asset Corp. consist of two hundred shares of common stock, 100% of which are owned of record by Westmoreland Coal Company.

Supplemental Schedule 11.27 - Capitalization; Subsidiaries to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a the PrivateBank and Trust Company)

The authorized equity interests of Westmoreland Energy Services New York, Inc. consist of two hundred shares of common stock, 100% of which are owned of record by Westmoreland Energy Services, Inc.

Supplemental Schedule 11.27 - Capitalization; Subsidiaries to the Consent, Joinder and Thirteenth Amendment to Second Amended and Restated Loan and Security Agreement dated as of March 29, 2018, by and among Westmoreland Coal Company, et al. and CIBC Bank USA (f/k/a The PrivateBank and Trust Company)

The authorized equity interests of Westmoreland Texas Jewett Coal Company consist of ten thousand (10,000) shares of common stock, 100% of which are owned of record by Westmoreland Mining LLC.

Supplemental Schedule 11.28 - Insurance
to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company)

All insurance policies (other than with respect to New US Borrower) are issued through Willis of Tennessee, Willis of Canada and/or Westmoreland Risk Management Inc., and underwritten by various providers. Westmoreland Parent and its subsidiaries (other than New US Borrower) maintain the following types of insurance policies:

Automobile Liability Insurance
Employers Liability Insurance
Workers' Compensation Insurance
General Liability, Umbrella Excess Program Insurance Group Travel Accident Insurance
Foreign Liability Insurance
Mining Property Insurance
ROY A Property Insurance
EPL Insurance
Fiduciary Insurance
K&R Insurance
Crime Insurance

New US Borrower is covered under Westmoreland Parent's insurance policies listed above pursuant to and in accordance with the terms and conditions of the Joinder.

Supplemental Schedule 12.10 - Checking Accounts and Cash Management Services to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company)

None.

Supplemental Schedule 13.4 - Permitted Sales and Acquisitions to the Joinder to Second Amended and Restated Loan and Security Agreement dated as of March 6, 2018, by and among Westmoreland Coal Company, et al. and Canadian Imperial Bank of Commerce (f/k/a The PrivateBank and Trust Company)

None.

TWELFTH AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This **TWELFTH AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**, dated as of October 30, 2017 (this "Amendment"), is entered into by and among CIBC BANK USA (in its individual capacity, "CIBC"), as administrative agent for the lenders (the "Lenders") party to the Loan Agreement (as defined below) (in such capacity, together with its successors and assigns, the "Administrative Agent"), the Lenders, and each of WESTMORELAND COAL COMPANY, a Delaware corporation ("Westmoreland Parent"), WESTMORELAND ENERGY LLC, a Delaware limited liability company ("Westmoreland Energy"), WESTMORELAND – NORTH CAROLINA POWER, L.L.C., a Virginia limited liability company ("Westmoreland NC"), WEI-ROANOKE VALLEY, INC., a Delaware corporation ("WEI"), WESTMORELAND – ROANOKE VALLEY, L.P., a Delaware limited partnership ("Westmoreland Roanoke"), WESTMORELAND PARTNERS, a Virginia general partnership ("Westmoreland Partners"), WESTMORELAND RESOURCES, INC., a Delaware corporation ("Westmoreland Resources"), WESTMORELAND COAL SALES COMPANY, INC., a Delaware corporation ("Coal Sales"), WRI PARTNERS, INC., a Delaware corporation ("WRI"), WCC LAND HOLDING COMPANY, INC., a Delaware corporation ("WCC"), WESTMORELAND CANADA LLC, a Delaware limited liability company ("WC LLC"), WESTMORELAND ENERGY SERVICES, INC., a Delaware corporation ("WES"), WESTMORELAND MINING LLC, a Delaware limited liability company ("WML"), WESTERN ENERGY COMPANY, a Montana corporation ("WECO"), TEXAS WESTMORELAND COAL CO., a Montana corporation ("TWCC"), WESTMORELAND SAVAGE CORPORATION, a Delaware corporation ("Savage"), DAKOTA WESTMORELAND CORPORATION, a Delaware corporation ("Dakota"), and BUCKINGHAM COAL COMPANY, LLC, an Ohio limited liability company ("Buckingham") and HAYSTACK COAL COMPANY, a Delaware corporation ("Haystack; together with Westmoreland Parent, Westmoreland Energy, Westmoreland NC, WEI, Westmoreland Roanoke, Westmoreland Partners, Westmoreland Resources, Coal Sales, WRI, WCC, WC LLC, WES, WML, WECO, TWCC, Savage, Dakota and Buckingham, each individually a "US Borrower" and collectively, the "US Borrowers"), WESTMORELAND CANADIAN INVESTMENTS L.P., a limited partnership organized and existing under the laws of the Province of Quebec ("WC Investments"), WESTMORELAND CANADA HOLDINGS, INC., a corporation organized and existing under the laws of the Province of Alberta ("Westmoreland Canada"), and PRAIRIE MINES & ROYALTY ULC, an unlimited liability company organized under the laws of the Province of Alberta ("PMRL"; together with WC Investments, and Westmoreland Canada, each individually a "Canadian Borrower" and collectively, the "Canadian Borrowers"), and WCC HOLDING B.V., a B.V. organized and existing under the laws of the Netherlands ("WCC BV"; together with the US Borrowers and the Canadian Borrowers, collectively, the "Borrowers").

W I T N E S S E T H:

WHEREAS, the Borrowers, the Administrative Agent and the Lenders entered into a certain Second Amended and Restated Loan and Security Agreement dated as of December 16, 2014, as amended by that certain Joinder and First Amendment to Second Amended and Restated Loan and Security Agreement dated March 26, 2015, that certain Consent and Second Amendment to Second

Amended and Restated Loan and Security Agreement dated as of May 29, 2015, that certain Third Amendment to Second Amended and Restated Loan and Security Agreement dated as of December 31, 2015, that certain Consent and Fourth Amendment to Second Amended and Restated Loan and Security Agreement dated as of January 29, 2016, that certain Fifth Amendment to Second Amended and Restated Loan and Security Agreement dated as of May 3, 2016, that certain Sixth Amendment to Second Amended and Restated Loan and Security Agreement dated as of June 28, 2016, that certain Seventh Amendment to Second Amended and Restated Loan and Security Agreement dated as of September 30, 2016, that certain Eighth Amendment to Second Amended and Restated Loan and Security Agreement dated as of October 12, 2016 and that certain Consent and Ninth Amendment to Second Amended and Restated Loan and Security Agreement dated as of March 13, 2017, that certain Tenth Amendment to Amended and Restated Loan and Security Agreement dated as of May 10, 2017 and that certain Eleventh Amendment to Amended and Restated Loan and Security Agreement dated as of July 31, 2017 (as further amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement") pursuant to which the Borrowers established certain financing arrangements with the Lenders;

WHEREAS, pursuant to that certain Purchase and Sale Agreement (the "Coal Valley Purchase Agreement") for the sale of the Coal Valley mine located near Edson, Alberta (the "Coal Valley Mine");

WHEREAS, following a sale of the Coal Valley Mine, PMRL and the Lenders have contemplated that PMRL may continue to operate the Coal Valley Mine pursuant to a contract operator Mining Agreement ("Coal Valley Mining Agreement"); and

WHEREAS, the Borrowers have requested and the Lenders have agreed to amend certain financial covenant calculations in connection with the execution of the Coal Valley Purchase Agreement, subject to the Borrowers executing and delivering this Amendment to the Administrative Agent and the Lenders.

NOW, THEREFORE, for and in consideration of the premises and mutual agreements herein contained and for the purposes of setting forth the terms and conditions of this Amendment, the parties, intending to be bound, hereby agree as follows:

Section 1. **Incorporation of the Loan Agreement**. All capitalized terms which are not defined hereunder shall have the same meanings as set forth in the Loan Agreement, and the Loan Agreement, to the extent not inconsistent with this Amendment, is incorporated herein by this reference as though the same were set forth in its entirety. To the extent any terms and provisions of the Loan Agreement or the other Loan Documents are inconsistent with the amendments set forth in Section 2 below, such terms and provisions shall be deemed superseded hereby. Except as specifically set forth herein, the Loan Agreement and the other Loan Documents shall remain in full force and effect and its provisions shall be binding on the parties hereto.

Section 2. **Amendments to the Loan Agreement**. Subject to the terms and conditions hereof, the Loan Agreement is amended as follows:

(a) The definition of the term "Coal Valley Mine" is hereby added to Section 1.1 of the Loan Agreement to read as follows:

> "**Coal Valley Mine**" shall mean the coal mine operated by PMRL located near Edson, Alberta.

(b) Section 9.3 of the Loan Agreement is hereby amended to read as follows:

> 9.3 **Financial Statements**. Borrowers shall deliver to Administrative Agent the following financial information, all of which shall be prepared in accordance with GAAP consistently applied, and shall be accompanied by a compliance certificate in the form of Exhibit A hereto, which compliance certificate shall include a calculation of all financial covenants contained in this Agreement determined on a quarterly basis (i) no later than thirty (30) days after each calendar month, (a) copies of internally prepared financial statements, including, without limitation, balance sheets and statements of income, retained earnings and cash flow of the Borrowers, certified by the Chief Financial Officer of Westmoreland Parent, (b) reconciliations of US, Canadian and Consolidated EBITDA to US, Canadian and Consolidated Net Income, and (c) a monthly forecast of all financial covenants of the next occurring quarter (it being understood and agreed that such monthly forecast covenant calculations are for informational purposes only and such financial covenants shall only be tested by the Lenders on a quarterly basis, as applicable, in accordance with Section 14.1); and (ii) no later than one hundred twenty (120) days after the end of each of the Borrowers' Fiscal Years, audited annual consolidated and consolidating financial statements with an unqualified opinion by independent certified public accountants selected by the Borrowers and reasonably satisfactory to Administrative Agent, which consolidated and consolidating financial statements shall be accompanied by copies of any management letters sent to the Borrowers by such accountants.

(c) Section 14.1 of the Loan Agreement is hereby amended and restated to read as follows:

> "14.1 Fixed Charge Coverage.
>
> 14.1.1 **US Consolidated Fixed Charge Coverage**. Westmoreland Parent and its US Subsidiaries shall not permit the ratio of US EBITDA to US Fixed Charges for each period of four consecutive quarters to be less than 0.9:1.0 tested on the last day of each quarter. Notwithstanding the foregoing, (i) solely for the quarterly periods ended March 31, 2017, June 30, 2017, September 30, 2017,

December 31, 2017 and March 31, 2018, US Consolidated Fixed Charge Coverage will only be tested to the extent Excess Availability at such quarter end is less than $5,000,000, and (ii) US EBITDA may be increased by (a) the amount of Alternative Minimum Tax Credits, as defined by the U.S. Internal Code, received by the US Borrowers during any period of determination, not to exceed $3,000,000 in the aggregate, (b) the amount of unrestricted cash, free and clear of all liens, claims and encumbrances, which is transferred from BP Energy Company to Borrowers' operating account on deposit with Administrative Agent relating to the ROVA power plant project in an amount not to exceed $10,000,000 in the aggregate at any time, which amount will be added to US EBITDA in the quarter in which such funds are received in the Borrowers' operating account and (c) for the quarters ended December 31, 2017 and March 31, 2018, legal and advisory fees incurred by the US Borrowers in connection with the assessment of the consolidated entity's debt structure, not to exceed $5,000,000 in the aggregate and allocated to the quarterly period in which such fee reduces US EBITDA.

14.1.2 **Canadian Consolidated Fixed Charge Coverage**. The Canadian Borrowers shall not permit the ratio of Canadian EBITDA to Canadian Fixed Charges for each period of four consecutive quarters to be less than 0.9:1.0 tested on the last day of each quarter. Notwithstanding the foregoing, solely for the quarterly periods ended March 31, 2017, June 30, 2017, September 30, 2017, December 31, 2017 and March 31, 2018, Canadian Consolidated Fixed Charge Coverage will only be tested to the extent Excess Availability under the Canadian Revolving Loan Commitment at such quarter end is less than $5,000,000. Further, (i) Canadian EBITDA may be increased by the amount of the payments received by PMRL from Capital Power L.P. in connection with amending the Genesee JV Agreement (the "Accelerated Receivable Payment") in an amount of $52,595,000 to be allocated as an addition to Canadian EBITDA as follows: (a) up to $44,000,000 may be allocated to Canadian EBITDA during fiscal year 2017 across such calendar quarters as the Borrowers determine in their reasonable discretion and (b) all remaining amounts not allocated to Canadian EBITDA during fiscal year 2017 may be allocated to Canadian EBITDA during the first quarter of fiscal year 2018 and (ii) solely to the extent the Coal Valley Purchase Agreement has been executed or PMRL has noticed the Lenders that it has commenced the discontinuance of operations of the Coal Valley Mine, for the twelve (12) month period ended September 30, 2017, the amount of Canadian EBITDA attributable to the operation of the Coal Valley Mine during such period shall be disregarded for purposes of determining Canadian EBITDA, in the aggregate not to exceed $19,000,000 in total adjustment, allocated to the quarterly period in which such Canadian EBITDA is attributable.

In addition to the foregoing, solely to the extent the Coal Valley Purchase Agreement has been executed or PMRL has noticed the Lenders that it has commenced the discontinuance of operations of the Coal Valley Mine, for the twelve (12) month period ended September 30, 2017, the amount of Canadian Capital Lease Payments incurred by the Canadian Borrowers attributable to the operation of the Coal Valley Mine shall be eliminated from the calculation of Canadian Fixed Charges.

Furthermore, unfinanced Capital Expenditures incurred by the Canadian Borrowers, beginning with the quarter ended December 31, 2017, which are required to be subtracted in the calculation of Canadian EBITDA, may be netted against deposits received not to exceed $17,600,000 in the aggregate and value of other reclamation collateral not to exceed $3,400,000 in the aggregate returned to the Canadian Borrowers (collectively, the "Returned Collateral") in connection with execution of the Coal Valley Purchase Agreement or the consummation of the sale of the Coal Valley Mine, each allocated to the quarter in which such Capital Expenditures are incurred, in an amount not to exceed $21,000,000 in the aggregate. If such Returned Collateral is refunded then the Canadian Borrowers shall remove the amount netted against Capital Expenditures in the quarter such netting occurred, excepting any such refund made in conjunction with any release of other reclamation collateral to the Canadian Borrowers.

14.1.3 **Consolidated Fixed Charge Coverage**. Westmoreland Parent, its US Subsidiaries and the Canadian Borrowers shall not permit the ratio of Consolidated EBITDA to Consolidated Fixed Charges for each period of four consecutive quarters to be less than 1.10:1.0 tested on the last day of each quarter beginning with the quarterly period ending June 30, 2016. Notwithstanding the foregoing, Consolidated EBITDA shall be adjusted to give effect to, without duplication, the respective agreed upon add backs to Canadian EBITDA, including the netted amount of unfinanced Capital Expenditures of the Canadian Borrowers, and US EBITDA, and as set forth in Section 14.1.1 and Section 14.1.2 above.

Section 3. **Effectiveness Conditions**. The amendments and other agreements set forth herein shall be effective upon the satisfaction of all of the following conditions precedent, each to the satisfaction of the Administrative Agent in its sole discretion:

(a) Receipt by the Administrative Agent from each of the Lenders, the Administrative Agent and Borrowers, of a counterpart of this Amendment signed on behalf of such party; and

(b) Receipt by the Administrative Agent of an executed copy of the Coal Valley Purchase Agreement and the Coal Valley Mining Agreement or written notice from PMRL that it has commenced the discontinuance of operations of the Coal Valley Mine, which shall be in form and substance acceptable to the Administrative Agent.

Section 4. **Representations and Warranties; No Default**.

(a) The representations and warranties of the Borrowers set forth in Section 11 of the Loan Agreement shall be deemed made or remade, as applicable, by each Borrower as of the date hereof, and shall be true and correct in all material respects as of the date hereof, except to the extent that such representation or warranty expressly relates to a specified earlier date, in which case such representation and warranty shall be true and correct in all material respects as of such earlier date.

(b) Each Borrower represents and warrants to the Administrative Agent and the Lenders that:

(i) The execution and delivery by such Borrower of this Amendment and the performance by it of the transactions herein contemplated (i) are and will be within its organizational powers, (ii) have been authorized by all necessary organizational action and (iii) are not and will not be in contravention of any order of any court or other agency of government, of law or any other indenture, agreement or contract to which such Borrower is a party or by which the property of such Borrower is bound, or be in violation of, result in a breach of, or constitute with due notice and/or lapse of time a default under any such indenture, agreement or contract, which contravention, violation or breach would reasonably be expected to have a Material Adverse Effect or result in the imposition of any lien, charge or encumbrance of any nature on any of the properties of such Borrower (other than Permitted Liens);

(ii) No Default or Event of Default has occurred and is continuing; and

(iii) To the knowledge of the Borrowers, as of the date first written here above, the Returned Collateral is not required to be refunded or returned to any third party following receipt except as a result of: certain casualty events at the Coal Valley Mine; PMRL is merged, sold, or dissolved; PMRL or Westmoreland Parent files a petition for bankruptcy; governmental, regulatory or court intervention prohibiting the consummation of the transaction for the sale of the Coal Valley Mine; a material breach of covenant, representation or warranty by PMRL; the inability of PMRL to assign a material contract; or the closing of the Coal Valley Purchase Agreement.

Section 5. **Affirmation**. Except as specifically amended pursuant to the terms hereof, the Loan Agreement and the other Loan Documents (and all covenants, terms, conditions and agreements therein), shall remain in full force and effect, and are hereby ratified and confirmed in all respects by the Borrowers. Each Borrower hereby represents and warrants to the Administrative Agent and the Lenders that as of the date hereof, there are no claims, counterclaims, offsets or defenses arising out of or with respect to the Obligations. Each Borrower hereby confirms its existing grant to the Administrative Agent, for its benefit and the benefit of the Lenders, of a lien on and security interest in the Collateral. Each Borrower hereby reaffirms that all liens and security interests at any time granted by it to the Administrative Agent, for its benefit and the benefit of the Lenders, continue in full force and effect and secure and shall continue to secure the Obligations. Nothing herein contained is intended to in any manner impair or limit the validity, priority and extent of the Administrative Agent's existing security interest in and liens upon the Collateral. Any and all references to the Loan Agreement in each of the Loan Documents shall be deemed to refer to and include this Amendment.

Section 6. **Fees and Expenses**. Each Borrower agrees to comply with Section 4.3.4 of the Loan Agreement, in connection with the evaluation, negotiation, preparation, execution and delivery of this Amendment. In addition to the foregoing, the Borrowers agree to pay to the Administrative Agent an amendment fee of $25,000 to be allocated to the Lenders in accordance with their Pro Rata Share of the Commitments.

Section 7. **Miscellaneous**.

(a) Each Borrower hereby agrees to take all such actions and to execute and/or deliver to the Administrative Agent all such documents, assignments, financing statements and other documents as the Administrative Agent may reasonably require from time to time, to effectuate and implement the purposes of this Amendment and the other Loan Documents.

(b) This Amendment shall be binding on and shall inure to the benefit of the Borrowers, the Administrative Agent, the Lenders and their respective successors and (to the extent permitted under the Loan Agreement) assigns. No rights are intended to be created hereunder for the benefit of any third-party donee, creditor or incidental beneficiary.

(c) Wherever possible, each provision of this Amendment shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Amendment shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Amendment.

(d) The headings of any paragraph of this Amendment are for convenience only and shall not be used to interpret any provision hereof.

(e) This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Execution and delivery by facsimile or other electronic transmission shall bind the undersigned. Receipt of an executed signature page to this Amendment by facsimile or other electronic transmission shall constitute effective delivery thereof and shall be deemed an original signature hereunder.

(f) No modification hereof or any agreement referred to herein shall be binding or enforceable unless in writing and signed on behalf of the party against whom enforcement is sought.

(g) The terms and conditions of this Amendment shall be governed by and construed in accordance with the internal laws of the State of Illinois excluding conflict of laws statutes or common law principles that would result in the application of laws other than the internal laws of the State of Illinois.

(h) EACH OF THE BORROWERS, THE ADMINISTRATIVE AGENT AND THE LENDERS, BY THE EXECUTION OR ACCEPTANCE OF THIS AMENDMENT, WAIVES ITS AND THEIR RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AMENDMENT, ANY OF THE OTHER LOAN DOCUMENTS, THE OBLIGATIONS OR THE COLLATERAL.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have duly executed this Twelfth Amendment to Second Amended and Restated Loan and Security Agreement as of the date first above written.

US BORROWERS:

WESTMORELAND COAL COMPANY, a Delaware corporation

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Chief Administrative Officer & Secretary

WESTMORELAND ENERGY LLC, a Delaware limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND – NORTH CAROLINA POWER, L.L.C., a Virginia limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WEI-ROANOKE VALLEY, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND – ROANOKE VALLEY, L.P., a Delaware limited partnership

By: WEI-Roanoke Valley, Inc., *its general partner*

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

US BORROWERS:

WESTMORELAND PARTNERS, a Virginia general partnership

By: Westmoreland-Roanoke Valley, L.P., *its general partner*

By: WEI-Roanoke Valley, Inc., *its general partner*

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

By: Westmoreland-North Carolina Power, L.L.C., *its general partner*

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND RESOURCES, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND COAL SALES COMPANY, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WRI PARTNERS, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

US BORROWERS:

WCC LAND HOLDING COMPANY, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND CANADA LLC,
a Delaware limited liability company

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Vice President and Secretary

WESTMORELAND ENERGY SERVICES, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND MINING LLC,
a Delaware limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTERN ENERGY COMPANY, a Montana corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

TEXAS WESTMORELAND COAL CO., a Montana corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

US BORROWERS:

WESTMORELAND SAVAGE CORPORATION, a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

DAKOTA WESTMORELAND CORPORATION, a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

BUCKINGHAM COAL COMPANY, LLC, an Ohio limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

HAYSTACK COAL COMPANY, a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

CANADIAN BORROWERS:

WESTMORELAND CANADIAN INVESTMENTS, L.P., a limited partnership organized and existing under the laws of the Province of Quebec

By: Westmoreland Canada LLC,
its general partner

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Vice President and Secretary

CANADIAN BORROWERS:

WESTMORELAND CANADA HOLDINGS, INC., a corporation organized and existing under the laws of the Province of Alberta

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Assistant Secretary

WESTMORELAND PRAIRIE RESOURCES INC., a corporation organized and existing under the laws of the Province of Alberta

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Assistant Secretary

WCC BV:

WCC HOLDING B.V., a B.V. organized and existing under the laws of the Netherlands

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Managing Director A

By: /s/ Clemens Conelis van den Broek
Clemens Cornelis van den Broek
Managing Director B

ADMINISTRATIVE AGENT AND A LENDER:

CIBC BANK USA

By: /s/ Douglas Colletti
Douglas Colletti
Managing Director

(Signature Page to Twelfth Amendment to Second Amended and Restated Loan and Security Agreement)

LENDER:

EAST WEST BANK

By: /s/ John E. Kolb
John E. Kolb
Vice President

ELEVENTH AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This **ELEVENTH AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**, dated as of July 31, 2017 (this "Amendment"), is entered into by and among THE PRIVATEBANK AND TRUST COMPANY (in its individual capacity, "PrivateBank"), as administrative agent for the lenders (the "Lenders") party to the Loan Agreement (as defined below) (in such capacity, together with its successors and assigns, the "Administrative Agent"), the Lenders, and each of WESTMORELAND COAL COMPANY, a Delaware corporation ("Westmoreland Parent"), WESTMORELAND ENERGY LLC, a Delaware limited liability company ("Westmoreland Energy"), WESTMORELAND – NORTH CAROLINA POWER, L.L.C., a Virginia limited liability company ("Westmoreland NC"), WEI-ROANOKE VALLEY, INC., a Delaware corporation ("WEI"), WESTMORELAND – ROANOKE VALLEY, L.P., a Delaware limited partnership ("Westmoreland Roanoke"), WESTMORELAND PARTNERS, a Virginia general partnership ("Westmoreland Partners"), WESTMORELAND RESOURCES, INC., a Delaware corporation ("Westmoreland Resources"), WESTMORELAND COAL SALES COMPANY, INC., a Delaware corporation ("Coal Sales"), WRI PARTNERS, INC., a Delaware corporation ("WRI"), WCC LAND HOLDING COMPANY, INC., a Delaware corporation ("WCC"), WESTMORELAND CANADA LLC, a Delaware limited liability company ("WC LLC"), WESTMORELAND ENERGY SERVICES, INC., a Delaware corporation ("WES"), WESTMORELAND MINING LLC, a Delaware limited liability company ("WML"), WESTERN ENERGY COMPANY, a Montana corporation ("WECO"), TEXAS WESTMORELAND COAL CO., a Montana corporation ("TWCC"), WESTMORELAND SAVAGE CORPORATION, a Delaware corporation ("Savage"), DAKOTA WESTMORELAND CORPORATION, a Delaware corporation ("Dakota"), and BUCKINGHAM COAL COMPANY, LLC, an Ohio limited liability company ("Buckingham") and HAYSTACK COAL COMPANY, a Delaware corporation ("Haystack; together with Westmoreland Parent, Westmoreland Energy, Westmoreland NC, WEI, Westmoreland Roanoke, Westmoreland Partners, Westmoreland Resources, Coal Sales, WRI, WCC, WC LLC, WES, WML, WECO, TWCC, Savage, Dakota and Buckingham, each individually a "US Borrower" and collectively, the "US Borrowers"), WESTMORELAND CANADIAN INVESTMENTS L.P., a limited partnership organized and existing under the laws of the Province of Quebec ("WC Investments"), WESTMORELAND CANADA HOLDINGS, INC., a corporation organized and existing under the laws of the Province of Alberta ("Westmoreland Canada"), WESTMORELAND PRAIRIE RESOURCES INC., a corporation organized and existing under the laws of the Province of Alberta ("WPR"), and PRAIRIE MINES & ROYALTY ULC, an unlimited liability company organized under the laws of the Province of Alberta ("PMRL"; together with WC Investments, Westmoreland Canada and WPR, each individually a "Canadian Borrower" and collectively, the "Canadian Borrowers"), and WCC HOLDING B.V., a B.V. organized and existing under the laws of the Netherlands ("WCC BV"; together with the US Borrowers and the Canadian Borrowers, collectively, the "Borrowers").

W I T N E S S E T H:

WHEREAS, the Borrowers, the Administrative Agent and the Lenders entered into a certain Second Amended and Restated Loan and Security Agreement dated as of December 16, 2014, as amended by that certain Joinder and First Amendment to Second Amended and Restated Loan and Security Agreement dated March 26, 2015, that certain Consent and Second Amendment to Second Amended and Restated Loan and Security Agreement dated as of May 29, 2015, that certain Third Amendment to Second Amended and Restated Loan and Security Agreement dated as of December 31, 2015, that certain Consent and Fourth Amendment to Second Amended and Restated Loan and Security Agreement dated as of January 29, 2016, that certain Fifth Amendment to Second Amended and Restated Loan and Security Agreement dated as of May 3, 2016, that certain Sixth Amendment to Second Amended and Restated Loan and Security Agreement dated as of June 28, 2016, that certain Seventh Amendment to Second Amended and Restated Loan and Security Agreement dated as of September 30, 2016, that certain Eighth Amendment to Second Amended and Restated Loan and Security Agreement dated as of October 12, 2016 and that certain Consent and Ninth Amendment to Second Amended and Restated Loan and Security Agreement dated as of March 13, 2017 and that certain Tenth Amendment to Amended and Restated Loan and Security Agreement dated as of May 10, 2017 (as further amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement") pursuant to which the Borrowers established certain financing arrangements with the Lenders;

WHEREAS, pursuant to agreements and other documents listed on Schedule 1 hereto, WPR is being amalgamated into PMRL, with PMRL being the surviving corporation (the "PMRL Amalgamation"); and

WHEREAS, the Lenders are willing to acknowledge the PMRL Amalgamation and revise the Loan Agreement subject to the Borrowers executing and delivering this Amendment to the Administrative Agent and the Lenders.

NOW, THEREFORE, for and in consideration of the premises and mutual agreements herein contained and for the purposes of setting forth the terms and conditions of this Amendment, the parties, intending to be bound, hereby agree as follows:

Section 1. **Incorporation of the Loan Agreement**. All capitalized terms which are not defined hereunder shall have the same meanings as set forth in the Loan Agreement, and the Loan Agreement, to the extent not inconsistent with this Amendment, is incorporated herein by this reference as though the same were set forth in its entirety. To the extent any terms and provisions of the Loan Agreement or the other Loan Documents are inconsistent with the amendments set forth in Section 2 below, such terms and provisions shall be deemed superseded hereby. Except as specifically set forth herein, the Loan Agreement and the other Loan Documents shall remain in full force and effect and its provisions shall be binding on the parties hereto.

Section 2. **Amendments to the Loan Agreement**. Subject to the terms and conditions hereof, the Loan Agreement is amended as follows:

(a) The definitions of the terms "Canadian Borrower", "Canadian Borrowers" and "Canadian Loan Party" contained in the Loan Agreement are hereby amended to account for the PMRL Amalgamation.

Section 3. **<u>Effectiveness Conditions</u>**. The amendments and other agreements set forth herein shall be effective upon the satisfaction of all of the following conditions precedent, each to the satisfaction of the Administrative Agent in its sole discretion:

(a) Receipt by the Administrative Agent from each of the Lenders, the Administrative Agent and Borrowers, of a counterpart of this Amendment signed on behalf of such party; and

(b) Receipt by the Administrative Agent of the documents, instruments, certificates and opinions identified on the Closing Checklist attached hereto as <u>Exhibit A</u>.

Section 4. **<u>Representations and Warranties; No Default</u>**.

(a) The representations and warranties of the Borrowers set forth in <u>Section 11</u> of the Loan Agreement shall be deemed made or remade, as applicable, by each Borrower as of the date hereof, and shall be true and correct in all material respects as of the date hereof after giving effect to the PMRL Amalgamation, except to the extent that such representation or warranty expressly relates to a specified earlier date, in which case such representation and warranty shall be true and correct in all material respects as of such earlier date.

(b) Each Borrower represents and warrants to the Administrative Agent and the Lenders that:

(i) The execution and delivery by such Borrower of this Amendment and the performance by it of the transactions herein contemplated (i) are and will be within its organizational powers, (ii) have been authorized by all necessary organizational action and (iii) are not and will not be in contravention of any order of any court or other agency of government, of law or any other indenture, agreement or contract to which such Borrower is a party or by which the property of such Borrower is bound, or be in violation of, result in a breach of, or constitute with due notice and/or lapse of time a default under any such indenture, agreement or contract, which contravention, violation or breach would reasonably be expected to have a Material Adverse Effect or result in the imposition of any lien, charge or encumbrance of any nature on any of the properties of such Borrower (other than Permitted Liens); and

(ii) No Default or Event of Default has occurred and is continuing.

Section 5. **<u>Affirmation</u>**. Except as specifically amended pursuant to the terms hereof, the Loan Agreement and the other Loan Documents (and all covenants, terms, conditions and agreements therein), shall remain in full force and effect, and are hereby ratified and confirmed in all respects by the Borrowers. Each Borrower hereby represents and warrants to the Administrative Agent and the Lenders that as of the date hereof, there are no claims, counterclaims, offsets or defenses arising out of or with respect to the Obligations. Each Borrower hereby confirms its existing grant to the Administrative Agent, for its benefit and the benefit of the Lenders, of a lien on and security interest in the Collateral. Each Borrower hereby reaffirms that all liens and security interests at any time granted by it to the Administrative Agent, for its benefit and the benefit of the Lenders, continue in full force and effect and secure and shall continue to secure the Obligations after giving effect to the PMRL Amalgamation. Nothing herein contained is intended to in any manner impair or limit the validity, priority and extent of the Administrative Agent's existing security interest in and liens upon the Collateral, after giving effect to the PMRL Amalgamation. Any and all references to the Loan Agreement in each of the Loan Documents shall be deemed to refer to and include this Amendment.

Section 6. **Fees and Expenses**. Each Borrower agrees to comply with Section 4.3.4 of the Loan Agreement, in connection with the evaluation, negotiation, preparation, execution and delivery of this Amendment.

Section 7. **Miscellaneous**.

(a) Each Borrower hereby agrees to take all such actions and to execute and/or deliver to the Administrative Agent all such documents, assignments, financing statements and other documents as the Administrative Agent may reasonably require from time to time, to effectuate and implement the purposes of this Amendment and the other Loan Documents.

(b) This Amendment shall be binding on and shall inure to the benefit of the Borrowers, the Administrative Agent, the Lenders and their respective successors and (to the extent permitted under the Loan Agreement) assigns. No rights are intended to be created hereunder for the benefit of any third-party donee, creditor or incidental beneficiary.

(c) Wherever possible, each provision of this Amendment shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Amendment shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Amendment.

(d) The headings of any paragraph of this Amendment are for convenience only and shall not be used to interpret any provision hereof.

(e) This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Execution and delivery by facsimile or other electronic transmission shall bind the undersigned. Receipt of an executed signature page to this Amendment by facsimile or other electronic transmission shall constitute effective delivery thereof and shall be deemed an original signature hereunder.

(f) No modification hereof or any agreement referred to herein shall be binding or enforceable unless in writing and signed on behalf of the party against whom enforcement is sought.

(g) The terms and conditions of this Amendment shall be governed by and construed in accordance with the internal laws of the State of Illinois excluding conflict of laws statutes or common law principles that would result in the application of laws other than the internal laws of the State of Illinois.

(h) EACH OF THE BORROWERS, THE ADMINISTRATIVE AGENT AND THE LENDERS, BY THE EXECUTION OR ACCEPTANCE OF THIS AMENDMENT, WAIVES ITS AND THEIR RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AMENDMENT, ANY OF THE OTHER LOAN DOCUMENTS, THE OBLIGATIONS OR THE COLLATERAL.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have duly executed this Eleventh Amendment to Second Amended and Restated Loan and Security Agreement as of the date first above written.

US BORROWERS:

WESTMORELAND COAL COMPANY, a Delaware corporation

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Chief Administrative Officer &
Secretary

WESTMORELAND ENERGY LLC,
a Delaware limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND – NORTH CAROLINA POWER, L.L.C., a Virginia limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WEI-ROANOKE VALLEY, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND – ROANOKE VALLEY, L.P., a Delaware limited partnership

By: WEI-Roanoke Valley, Inc.,
its general partner

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

US BORROWERS:

WESTMORELAND PARTNERS, a Virginia general partnership

By: Westmoreland-Roanoke Valley, L.P., *its general partner*

By: WEI-Roanoke Valley, Inc., *its general partner*

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

By: Westmoreland-North Carolina Power, L.L.C., *its general partner*

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND RESOURCES, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND COAL SALES COMPANY, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WRI PARTNERS, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

US BORROWERS:

WCC LAND HOLDING COMPANY, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND CANADA LLC,
a Delaware limited liability company

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Vice President and Secretary

WESTMORELAND ENERGY SERVICES, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND MINING LLC,
a Delaware limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTERN ENERGY COMPANY, a Montana corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

TEXAS WESTMORELAND COAL CO., a Montana corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

US BORROWERS:

WESTMORELAND SAVAGE CORPORATION, a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

DAKOTA WESTMORELAND CORPORATION, a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

BUCKINGHAM COAL COMPANY, LLC, an Ohio limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

HAYSTACK COAL COMPANY, a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

CANADIAN BORROWERS:

WESTMORELAND CANADIAN INVESTMENTS, L.P., a limited partnership organized and existing under the laws of the Province of Quebec

By: Westmoreland Canada LLC,
its general partner

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Vice President and Secretary

CANADIAN BORROWERS:

WESTMORELAND CANADA HOLDINGS, INC., a corporation organized and existing under the laws of the Province of Alberta

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Assistant Secretary

WESTMORELAND PRAIRIE RESOURCES INC., a corporation organized and existing under the laws of the Province of Alberta

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Assistant Secretary

PRAIRIE MINES & ROYALTY ULC, an unlimited liability company organized under the laws of the Province of Alberta

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Assistant Secretary

WCC BV:

WCC HOLDING B.V., a B.V. organized and existing under the laws of the Netherlands

By: /s/ Jennifer S. Grafton
Jennifer S. Grafton
Managing Director A

By: /s/ Clemens Conelis van den Broek
Clemens Cornelis van den Broek
Managing Director B

ADMINISTRATIVE AGENT AND A LENDER:

THE PRIVATEBANK AND TRUST COMPANY

By: /s/ Douglas Colletti
Douglas Colletti
Managing Director

(Signature Page to Eleventh Amendment to Second Amended and Restated Loan and Security Agreement)

LENDER: **EAST WEST BANK**

By: /s/ John E. Kolb
John E. Kolb
Vice President

SCHEDULE 1

PMRL AMALGAMATION DOCUMENTS

1. Certificate and Articles of Amalgamation – Registration Statement
2. Certificate of Amalgamation – PMRU (Amalco)

CONSENT AND FOURTH AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This **CONSENT AND FOURTH AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**, dated as of January 29, 2016 (this "Amendment"), is entered into by and among THE PRIVATEBANK AND TRUST COMPANY (in its individual capacity, "PrivateBank"), as administrative agent for the lenders (the "Lenders") party to the Loan Agreement (as defined below) (in such capacity, together with its successors and assigns, the "Administrative Agent"), the Lenders, and each of WESTMORELAND COAL COMPANY, a Delaware corporation ("Westmoreland Parent"), WESTMORELAND ENERGY LLC, a Delaware limited liability company ("Westmoreland Energy"), WESTMORELAND – NORTH CAROLINA POWER, L.L.C., a Virginia limited liability company ("Westmoreland NC"), WEI-ROANOKE VALLEY, INC., a Delaware corporation ("WEI"), WESTMORELAND – ROANOKE VALLEY, L.P., a Delaware limited partnership ("Westmoreland Roanoke"), WESTMORELAND PARTNERS, a Virginia general partnership ("Westmoreland Partners"), WESTMORELAND RESOURCES, INC., a Delaware corporation ("Westmoreland Resources"), WESTMORELAND COAL SALES COMPANY, INC., a Delaware corporation ("Coal Sales"), WRI PARTNERS, INC., a Delaware corporation ("WRI"), WCC LAND HOLDING COMPANY, INC., a Delaware corporation ("WCC"), WESTMORELAND CANADA LLC, a Delaware limited liability company ("WC LLC"), WESTMORELAND ENERGY SERVICES, INC., a Delaware corporation ("WES"), WESTMORELAND MINING LLC, a Delaware limited liability company ("WML"), WESTERN ENERGY COMPANY, a Montana corporation ("WECO"), TEXAS WESTMORELAND COAL CO., a Montana corporation ("TWCC"), WESTMORELAND SAVAGE CORPORATION, a Delaware corporation ("Savage"), DAKOTA WESTMORELAND CORPORATION, a Delaware corporation ("Dakota"), and BUCKINGHAM COAL COMPANY, LLC, an Ohio limited liability company ("Buckingham"; together with Westmoreland Parent, Westmoreland Energy, Westmoreland NC, WEI, Westmoreland Roanoke, Westmoreland Partners, Westmoreland Resources, Coal Sales, WRI, WCC, WC LLC, WES, WML, WECO, TWCC, Savage and Dakota, each a "US Borrower" and collectively, the "US Borrowers"), WESTMORELAND CANADIAN INVESTMENTS L.P., a limited partnership organized and existing under the laws of the Province of Quebec ("WC Investments"), WESTMORELAND CANADA HOLDINGS, INC., a corporation organized and existing under the laws of the Province of Alberta ("Westmoreland Canada"), WESTMORELAND PRAIRIE RESOURCES INC., a corporation organized and existing under the laws of the Province of Alberta ("WPR"), PRAIRIE MINES & ROYALTY ULC, an unlimited liability company organized under the laws of the Province of Alberta ("PMRL"; together with WC Investments, Westmoreland Canada, WPR, and PMRL, each a "Canadian Borrower" and collectively, the "Canadian Borrowers"), and WCC HOLDING B.V., a B.V. organized and existing under the laws of the Netherlands ("WCC BV").

W I T N E S S E T H:

WHEREAS, the US Borrowers, the Canadian Borrowers, WCC B.V., the Administrative Agent and the Lenders entered into a certain Second Amended and Restated Loan and Security Agreement dated as of December 16, 2014, as amended by that certain Joinder and First Amendment to Second Amended and Restated Loan and Security Agreement dated March 26, 2015, that certain

Consent and Second Amendment to Second Amended and Restated Loan and Security Agreement dated as of May 29, 2015 and that certain Third Amendment to Second Amended and Restated Loan and Security Agreement dated as of December 31, 2015 (as further amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement") pursuant to which the US Borrowers and the Canadian Borrowers established certain financing arrangements with the Lenders;

WHEREAS, Borrowers have notified Lenders that Westmoreland has entered into a Stock Purchase Agreement dated as of July 1, 2015 (together with all exhibits and schedules thereto, the "Purchase Agreement") with BHP Billiton New Mexico Coal, Inc. (the "Seller"), pursuant to which, among other things, (i) Westmoreland has agreed, subject to the terms and conditions set forth in the Purchase Agreement, to purchase all of the issued and outstanding equity of San Juan Coal Company, a Delaware corporation ("SJCC"), and San Juan Transportation Company, a Delaware corporation (together with SJCC, the "Targets"), and (ii) upon closing of such equity purchase, each Target will become a wholly owned subsidiary of Westmoreland (such transactions contemplated by the Purchase Agreement, the "San Juan Acquisition Transaction");

WHEREAS, pursuant to the Consent Under Second Amended and Restated Loan and Security Agreement dated October 19, 2015 among Westmoreland, the other Borrowers and the Lenders, the Lenders consented to the formation of WLB Escrow Corporation, a Delaware corporation, that is a wholly-owned Unrestricted Subsidiary of Westmoreland;

WHEREAS, WLB Escrow Corporation intends to change its name to Westmoreland San Juan Holdings, Inc.("SJ Holdings");

WHEREAS, to complete the San Juan Acquisition Transaction, SJ Holdings intends to form a new subsidiary, Westmoreland San Juan, LLC, a Delaware limited liability company "**Newco**");

WHEREAS, Newco will be an Unrestricted Subsidiary of Westmoreland to which Westmoreland will assign the Purchase Agreement, and Newco's sole purposes will be to purchase the equity of the Targets pursuant to the Purchase Agreement, to act as the holding company for the Targets and to borrow and repay the San Juan Acquisition Debt (as defined below);

WHEREAS, to finance the San Juan Acquisition Transaction, Westmoreland intends to invest $10,000,000 (the "Newco Equity Investment") as equity into Newco and pay expenses in connection with the San Juan Acquisition Transaction and San Juan Acquisition Debt not to exceed $4,000,000 in the aggregate (the "Expenses Payment"), and Newco intends to incur a new term loan in an amount not to exceed $125,000,000 from NM Capital Utility Corporation, a Delaware corporation (the "Newco Lender"), in accordance with the terms of that certain Loan Agreement to be dated as of January 31, 2016 (as amended, modified or restated from time to time, the "San Juan Loan Agreement") among Newco Lender, Bank of Tokyo-Mitsubishi UFJ, Ltd., as agent, Newco, as the borrower thereunder, and SJ Holdings and the Targets, as guarantors (the "San Juan Acquisition Debt");

WHEREAS, in connection with the closing of the San Juan Acquisition Transaction, Westmoreland is required to indemnify Seller or its Affiliates for certain contingent obligations of

Seller relating to San Juan in accordance with the terms of (i) that certain Indemnification Agreement Regarding Guaranty of Payment of Utility Payment Stream dated as of January 31, 2016 (Cimarron) among Westmoreland Coal Company and BHP Minerals International, LLC, a Delaware limited liability company, attached hereto as Exhibit A, (ii) that certain Indemnification Agreement Regarding Fruitland Subleases and Guaranty of Payment dated as of January 31, 2016 among Westmoreland, BHP Minerals International, LLC, a Delaware limited liability company, and BHP Billiton Limited, a company registered in Victoria, Australia, attached hereto as Exhibit B (collectively, the "BHP Indemnification Agreements");

WHEREAS, in connection with the San Juan Acquisition Transaction, Westmoreland agreed to enter into that certain (i) Coal Supply Agreement dated as of July 1, 2015 between Public Service Company of New Mexico ("PNM") and Westmoreland (together with the exhibits and schedules thereto, the "San Juan Coal Supply Agreement"), (ii) Reclamation Services Agreement dated as of July 1, 2015 between PNM and Westmoreland (together with the exhibits and schedules thereto, the "Reclamation Services Agreement"), and (iii) Coal Combustion Residuals Disposal Agreement dated as of July 1, 2015 between PNM and Westmoreland (together with the exhibits and schedules thereto, the "CCRD Agreement" and, collectively with the San Juan Coal Supply Agreement and the Reclamation Services Agreement, the "PNM Agreements");

WHEREAS, neither Westmoreland nor any of the other Borrowers shall (i) be a borrower, guarantor, loan party, or other obligor, or have any obligation or liability to any lender party to the San Juan Loan Agreement, or for any of the San Juan Acquisition Debt or (ii) have any obligation or liability to provide credit support or otherwise be liable to any third party for any other obligation of SJ Holdings, Newco or the Targets or any other Person party to the San Juan Acquisition Transaction other than the contingent obligations of Westmoreland under the BHP Indemnification Agreements and the PNM Agreements;

WHEREAS, the Borrowers recognize that pursuant to the Loan Agreement, the Borrowers are required to obtain the consent of Lenders prior to (i) the consummation of the formation of Newco, (ii) the making of the Newco Equity Investment, (iii) the consummation of the San Juan Acquisition Transaction, (iv) entering into the BHP Indemnification Agreements and (v) the effectiveness of the PNM Agreements;

WHEREAS, the Borrowers are requesting, pursuant to the Loan Agreement, (a) the consent of Lenders to (i) the formation of Newco, (ii) the making of the Newco Equity Investment, (iii) the consummation of the San Juan Acquisition Transaction, (iv) the entry into the BHP Indemnification Agreements and the PNM Agreements and (v) the designation of SJ Holdings, Newco and the Targets as Unrestricted Subsidiaries, and (b) the amendment to the Loan Agreement in accordance with the terms herein; and

WHEREAS, the Lenders are willing to consent to the foregoing transactions and revise the Loan Agreement as set forth herein subject to the Borrowers executing and delivering this Amendment to the Administrative Agent and the Lenders.

NOW, THEREFORE, for and in consideration of the premises and mutual agreements herein contained and for the purposes of setting forth the terms and conditions of this Amendment, the parties, intending to be bound, hereby agree as follows:

Section 1. **Incorporation of the Loan Agreement**. All capitalized terms which are not defined hereunder shall have the same meanings as set forth in the Loan Agreement, and the Loan Agreement, to the extent not inconsistent with this Amendment, is incorporated herein by this reference as though the same were set forth in its entirety. To the extent any terms and provisions of the Loan Agreement or the other Loan Documents are inconsistent with the amendments set forth in Section 2 below, such terms and provisions shall be deemed superseded hereby. Except as specifically set forth herein, the Loan Agreement and the other Loan Documents shall remain in full force and effect and its provisions shall be binding on the parties hereto.

Section 2. **Consent**. Subject to the satisfaction of the conditions precedent set forth in Section 4 hereof and the covenants set forth in Section 5 hereof:

(a) Notwithstanding Section 12.7 (Use of Proceeds), Section 13.4 (Mergers, Sales, Acquisitions, Subsidiaries and Other Transactions Outside the Ordinary Course of Business), Section 13.6 (Investments/Loans), Section 13.9 (Affiliate Transactions) and Section 13.13 (Contingent Obligations) of the Loan Agreement, Lenders hereby consent to (i) the formation of Newco, (ii) the designation of each of SJ Holdings, Newco and the Targets as Unrestricted Subsidiaries, (iii) the making of the Newco Equity Investment, (iv) the consummation of the San Juan Acquisition Transaction, (v) the making of the Expenses Payment, and (vi) entering into the BHP Indemnification Agreements and the PNM Agreements, and the performance of its obligations thereunder (including, without limitation, the entry into, and performance of its obligations under, the guaranties that are exhibits to the PNM Agreements) so long as no Borrower is or shall be required to (A) become a borrower, guarantor or loan party under the San Juan Loan Agreement, or otherwise have any obligation or liability for the San Juan Acquisition Debt at any time, (B) assume any liabilities or obligations of SJ Holdings, Newco or the Targets (including, but not limited to, the San Juan Acquisition Debt) at any time, other than the contingent obligations of Westmoreland under the BHP Indemnification Agreements and the PNM Agreements, or (C) have any obligation or liability to provide credit support or otherwise be liable to any third party at any time, for any other obligation of SJ Holdings, Newco or the Targets other than the contingent obligations under the BHP Indemnification Agreements and the PNM Agreements. In addition to the foregoing, consent to the transaction is subject to the satisfaction of the following financial covenants after giving effect to the closing of the San Juan Acquisition Transaction on a pro-forma basis calculated on a basis consistent with Exhibit C attached hereto: (i) the Borrowers have a Leverage Ratio of no more than 4.0:1.0 as of the last day of the fiscal quarter most recently ended after giving effect to such San Juan Acquisition Transaction (including, but not limited to, the inclusion of the pro-forma EBITDA of the Targets for the twelve month period ending December 31, 2015) and (ii) the Borrowers have total funded indebtedness (comprised of the Secured Term Debt and the San Juan Acquisition Debt) of less than $810,000,000. Lenders acknowledge that pursuant to Section 12.13(c) of the Loan Agreement, neither SJ Holdings, Newco nor the Targets are required to become or will become Borrowers under the Loan Agreement, subject to the continued satisfaction of the terms herein.

(b) The foregoing consent is expressly limited to the transactions described above in this Section 2, and shall not be deemed or otherwise construed to constitute a consent to any other transaction, whether or not similar to the transactions described above in this Section 2. Lenders have granted the consent set forth in this Section 2 in this particular instance and in light of the facts and circumstance that presently exist, and the grant of such consent shall not constitute a course of dealing or impair Lenders' right to withhold any similar consent in the future.

Section 3. **Amendments to the Loan Agreement**. Subject to the terms and conditions hereof, the Loan Agreement is amended as follows:

(a) The definition of the terms "BHP Indemnification Agreements", "CCRD Agreement", "NM Capital", "PNM Agreements", "Reclamation Services Agreement", "San Juan", "San Juan Acquisition", "San Juan Acquisition Debt", "San Juan Coal Supply Agreement", "San Juan Loan Agreement" and "SJ Holdings" are hereby added to the Loan Agreement to read as follows:

"BHP Indemnification Agreements" means (i) that certain Indemnification Agreement Regarding Guaranty of Payment of Utility Payment Stream dated as of January 31, 2016 (Cimarron) among Westmoreland San Juan Coal Company and BHP Minerals International, LLC, a Delaware limited liability company, and (ii) that certain Indemnification Agreement Regarding Fruitland Subleases and Guaranty of Payment dated as of January 31, 2016 among Westmoreland, BHP Minerals International, LLC, a Delaware limited liability company, and BHP Billiton Limited, a company registered in Victoria, Australia.

"CCRD Agreement" means that certain Coal Combustion Residuals Disposal Agreement dated as of July 1, 2015 between Public Service Company of New Mexico and Westmoreland, together with the exhibits and schedules thereto.

"NM Capital" means NM Capital Utility Corporation, a Delaware corporation.

"PNM Agreements" means, collectively, the San Juan Coal Supply Agreement, the Reclamation Services Agreement and the CCRD Agreement.

"Reclamation Services Agreement" means that certain Reclamation Services Agreement dated as of July 1, 2015 between Public Service

Company of New Mexico and Westmoreland, together with the exhibits and schedules thereto.

"San Juan" means collectively, each of San Juan Coal Company, a Delaware corporation, and San Juan Transportation Company, a Delaware corporation.

"San Juan Acquisition" means the purchase by SJ Holdings of the equity interests of San Juan.

"San Juan Acquisition Debt" means all indebtedness and liabilities arising under the San Juan Loan Agreement.

"San Juan Coal Supply Agreement" means that certain Coal Supply Agreement dated as of July 1, 2015 between Public Service Company of New Mexico and Westmoreland.

"San Juan Loan Agreement" means that certain Loan Agreement dated as of January 31, 2016 among NM Capital, as lender, Tokyo-Mitsubishi UFJ, Ltd., as agent, Westmoreland San Juan Holdings, Inc., Westmoreland San Juan LLC, San Juan Transportation Company and San Juan Coal Company, as amended, modified or restated from time to time.

"SJ Holdings" means Westmoreland San Juan Holdings, Inc., a Delaware corporation.

(b) Paragraph (9) of the definition of "Interest Expense" set forth in Section 1 of the Loan Agreement is hereby amended and restated to read as follows:

(9) all interest on any Indebtedness of any other Person guaranteed by such Person; provided, that to the extent directly related to the issuance of the Secured Term Debt, amortization of debt issuance costs, debt discount or premium and other financing fees and expenses shall be excluded. Interest Expense shall be calculated after giving effect to Hedging Obligations (including associated costs) involving interest rate swap and collar agreements, but excluding unrealized gains and losses with respect to Hedging Obligations. Notwithstanding the foregoing, Interest Expense shall be allocated among the Canadian Borrowers and the US Borrowers on a percentage basis for each calendar year as follows:

Computation Date	Canadian Interest Expense	US Interest Expense
Fourth Quarter 2015 and each year thereafter	70.0%	30.0%

(c) Each of Newco and the Targets shall be deemed to be an Unrestricted Subsidiary under the Loan Agreement, subject to the limitations set forth in the definition of "Unrestricted Subsidiary." It is understood and agreed that all financial performance of SJ Holdings, Newco and the Targets shall be excluded from the financial covenant calculations set forth in Section 14 of the Loan Agreement.

(d) A new Section 12.14 is hereby added to the Loan Agreement to read as follows:

> 12.14 San Juan Escrow Account. On or before March 1, 2016, Westmoreland shall cause San Juan to establish an escrow account (or other depository account acceptable to Administrative Agent in its sole discretion) at PrivateBank (the "San Juan Royalty Escrow Account") which will be utilized exclusively for the deposit of all utility payment streams and economic interest payments (collectively, the "San Juan Royalty Payments") received from Public Service Company of New Mexico ("PNM") or Tucson Electric Power Company ("TEP") or any successors thereto as referenced in the BHP Indemnification Agreements. Within three (3) days after receipt of any San Juan Royalty Payment, Westmoreland shall cause San Juan to deposit such royalty payments into the San Juan Royalty Escrow Account. All San Juan Royalty Payments shall remain on deposit in the San Juan Royalty Escrow Account until such time as such royalty payments are required to be paid to Cimarron Coal Company, AU Mines and First Trust of California National Association as set forth in the BHP Indemnification Agreements in accordance with the underlying contractual agreements governing the payment of the San Juan Royalty Payments.

(e) A new Section 12.2.9 is hereby added to the Loan Agreement to read as follows:

> 12.2.9 San Juan Obligations. Promptly advise the Administrative Agent of (i) any default by SJ Holdings, Newco or the Targets under the San Juan Loan Agreement, (ii) any breach or default by Westmoreland or San Juan under any PNM Agreement or (iii) any claim or demand under the BHP Indemnification Agreements.

(f) A new Section 13.15 is hereby added to the Loan Agreement to read as follows:

> 13.15 San Juan Obligations. No Borrower has any obligation or liability (i) for any of the San Juan Acquisition Debt or (ii) to any other Person for liabilities or obligations of SJ Holdings or San Juan,

except in connection with the PNM Agreements and the BHP Indemnification Agreements.

(g) A new Section 15.15 is hereby added to the Loan Agreement to read as follows:

15.15. San Juan Claims. Any (a) material default or breach by Westmoreland or San Juan occurs under any PNM Agreement or (b) claim is made against any Borrower for (i) any obligation or liability of SJ Holdings, Newco or the Targets (including, but not limited to, the San Juan Acquisition Debt) or (ii) any obligation or liability of any Person associated with the San Juan Acquisition (including, but not limited to, any claim or demand arising under the BHP Indemnification Agreements).

(h) Schedule 11.9 attached to the Loan Agreement is hereby amended to include the Supplemental Schedule 11.9 attached hereto as Exhibit D. Such Supplemental Schedule is hereby incorporated into the Loan Agreement as if originally set forth therein as a supplement to the existing Schedule 11.9 to the Loan Agreement.

Section 4. **Effectiveness Conditions**. The amendments and other agreements set forth herein shall be effective upon the satisfaction of all of the following conditions precedent, each to the satisfaction of the Administrative Agent in its sole discretion:

(a) Receipt by the Administrative Agent from each of the Lenders, the Administrative Agent and Borrowers, of a counterpart of this Amendment signed on behalf of such party; and

(b) As a condition to this Amendment (other than the formation of Newco), Administrative Agent shall have received certified copies of the following documents on the date of, or promptly following the closing of the San Juan Acquisition Transaction: (i) a final draft of the Purchase Agreement and all schedules thereto, (ii) a final draft of the San Juan Loan Agreement and all schedules and ancillary documents executed in connection therewith, (iii) all documentation evidencing the Newco Equity Investment, (iv) each PNM Agreement, and (v) the BHP Indemnification Agreements, all of which shall be in form and substance acceptable to the Administrative Agent. In addition to the foregoing, final execution copies of the foregoing documents and all material agreements executed in connection therewith shall be provided to the Administrative Agent within five (5) Business Days of closing of the foregoing transactions.

Section 5. **Representations and Warranties; No Default**.

(a) After giving effect to the information set forth on the Supplemental Schedule 11.9 attached hereto as Exhibit D, the representations and warranties of the Borrowers set forth in Section 11 of the Loan Agreement shall be deemed made or remade, as applicable, by each Borrower as of the date hereof, and shall be true and correct in all material respects as of the date hereof after giving effect to the transactions which are subject to the consents set forth in Section 1 herein except to the extent that such representation or warranty expressly relates to a specified earlier date, in which case such representation and warranty shall be true and correct in all material respects as of such earlier date.

(b) Each Borrower represents and warrants to the Administrative Agent and the Lenders that:

(i) The execution and delivery by such Borrower of this Amendment and the performance by it of the transactions herein contemplated (i) are and will be within its organizational powers, (ii) have been authorized by all necessary organizational action and (iii) are not and will not be in contravention of any order of any court or other agency of government, of law or any other indenture, agreement or contract to which such Borrower is a party or by which the property of such Borrower is bound, or be in violation of, result in a breach of, or constitute with due notice and/or lapse of time a default under any such indenture, agreement or contract, which contravention, violation or breach would reasonably be expected to have a Material Adverse Effect or result in the imposition of any lien, charge or encumbrance of any nature on any of the properties of such Borrower (other than Permitted Liens); and

(ii) No Default or Event of Default has occurred and is continuing.

Section 6. **Affirmation**. Except as specifically amended pursuant to the terms hereof, the Loan Agreement and the other Loan Documents (and all covenants, terms, conditions and agreements therein), shall remain in full force and effect, and are hereby ratified and confirmed in all respects by the Borrowers. Each Borrower hereby represents and warrants to the Administrative Agent and the Lenders that as of the date hereof, there are no claims, counterclaims, offsets or defenses arising out of or with respect to the Obligations. Each Borrower hereby confirms its existing grant to the Administrative Agent, for its benefit and the benefit of the Lenders, of a lien on and security interest in the Collateral. Each Borrower hereby reaffirms that all liens and security interests at any time granted by it to the Administrative Agent, for its benefit and the benefit of the Lenders, continue in full force and effect and secure and shall continue to secure the Obligations. Nothing herein contained is intended to in any manner impair or limit the validity, priority and extent of the Administrative Agent's existing security interest in and liens upon the Collateral, after giving effect to the transactions which are subject to the consents set forth in Section 1 herein. Any and all references to the Loan Agreement in each of the Loan Documents shall be deemed to refer to and include this Amendment.

Section 7. **Fees and Expenses**. Each Borrower agrees to comply with Section 4.3.4 of the Loan Agreement, in connection with the evaluation, negotiation, preparation, execution and delivery of this Amendment. In addition to the foregoing, the Borrowers agree to pay to the Administrative Agent, for the pro-rata benefit of the Lenders, an amendment fee of $30,000 which shall be fully earned and non-refundable as of the date hereof.

Section 8. **Miscellaneous**.

(a) Each Borrower hereby agrees to take all such actions and to execute and/or deliver to the Administrative Agent all such documents, assignments, financing statements and other documents as the Administrative Agent may reasonably require from time to time, to effectuate and implement the purposes of this Amendment and the other Loan Documents.

(b) This Amendment shall be binding on and shall inure to the benefit of the Borrowers, the Administrative Agent, the Lenders and their respective successors and (to the extent permitted under the Loan Agreement) assigns. No rights are intended to be created hereunder for the benefit of any third-party donee, creditor or incidental beneficiary.

(c) Wherever possible, each provision of this Amendment shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Amendment shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Amendment.

(d) The headings of any paragraph of this Amendment are for convenience only and shall not be used to interpret any provision hereof.

(e) This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. Execution and delivery by facsimile or other electronic transmission shall bind the undersigned. Receipt of an executed signature page to this Amendment by facsimile or other electronic transmission shall constitute effective delivery thereof and shall be deemed an original signature hereunder.

(f) No modification hereof or any agreement referred to herein shall be binding or enforceable unless in writing and signed on behalf of the party against whom enforcement is sought.

(g) The terms and conditions of this Amendment shall be governed by and construed in accordance with the internal laws of the State of Illinois excluding conflict of laws statutes or common law principles that would result in the application of laws other than the internal laws of the State of Illinois.

(h) EACH OF THE BORROWERS, THE ADMINISTRATIVE AGENT AND THE LENDERS, BY THE EXECUTION OR ACCEPTANCE OF THIS AMENDMENT, WAIVES ITS AND THEIR RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AMENDMENT, ANY OF THE OTHER LOAN DOCUMENTS, THE OBLIGATIONS OR THE COLLATERAL.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have duly executed this Consent and Fourth Amendment to Second Amended and Restated Loan and Security Agreement as of the date first above written.

US BORROWERS:

WESTMORELAND COAL COMPANY, a Delaware corporation

By: /s/ Jason William Veenstra
Jason William Veenstra
Chief Financial Officer and Treasurer

WESTMORELAND ENERGY LLC, a Delaware limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND – NORTH CAROLINA POWER, L.L.C., a Virginia limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WEI-ROANOKE VALLEY, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND – ROANOKE VALLEY, L.P., a Delaware limited partnership

By: WEI-Roanoke Valley, Inc.,
its general partner

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

US BORROWERS:

WESTMORELAND PARTNERS, a Virginia general partnership

By: Westmoreland-Roanoke Valley, L.P., *its general partner*

By: WEI-Roanoke Valley, Inc., *its general partner*

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

By: Westmoreland-North Carolina Power, L.L.C., *its general partner*

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND RESOURCES, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND COAL SALES COMPANY, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WRI PARTNERS, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

US BORROWERS:

WCC LAND HOLDING COMPANY, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND CANADA LLC,
a Delaware limited liability company

By: /s/ Jason William Veenstra
Jason William Veenstra
President and Treasurer

WESTMORELAND ENERGY SERVICES, INC., a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTMORELAND MINING LLC,
a Delaware limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

WESTERN ENERGY COMPANY, a Montana corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

TEXAS WESTMORELAND COAL CO., a Montana corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

US BORROWERS:

WESTMORELAND SAVAGE CORPORATION, a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

DAKOTA WESTMORELAND CORPORATION, a Delaware corporation

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

BUCKINGHAM COAL COMPANY, LLC, an Ohio limited liability company

By: /s/ Samuel N. Hagreen
Samuel N. Hagreen
Secretary

CANADIAN BORROWERS:

WESTMORELAND CANADIAN INVESTMENTS, L.P., a limited partnership organized and existing under the laws of the Province of Quebec

By: Westmoreland Canada LLC,
its general partner

By: /s/ Jason William Veenstra
Jason William Veenstra
President and Treasurer

WESTMORELAND CANADA HOLDINGS, INC., a corporation organized and existing under the laws of the Province of Alberta

By: /s/ Jason William Veenstra
Jason William Veenstra
Vice President of Finance and Treasurer

CANADIAN BORROWERS:

WESTMORELAND PRAIRIE RESOURCES INC., a corporation organized and existing under the laws of the Province of Alberta

By: /s/ Jason William Veenstra
Jason William Veenstra
Vice President of Finance and Treasurer

PRAIRIE MINES & ROYALTY ULC, an unlimited liability company organized under the laws of the Province of Alberta

By: /s/ Jason William Veenstra
Jason William Veenstra
Vice President of Finance and Treasurer

WCC BV:

WCC HOLDING B.V., a B.V. organized and existing under the laws of the Netherlands

By: /s/ Jason William Veenstra
Jason William Veenstra
Managing Director A

By: /s/ R.H.W. Funnekotter
R.H.W. Funnekotter
Managing Director B

ADMINISTRATIVE AGENT AND A LENDER:

THE PRIVATEBANK AND TRUST COMPANY

By: /s/ Douglas Colletti
Douglas Colletti
Managing Director

LENDER: **BANK OF THE WEST**

By: /s/ Philip Garlinhouse
Philip Garlinghouse
Vice President

EXHIBIT A

CIMARRON INDEMNIFICATION AGREEMENT

EXHIBIT B

FRUITLAND INDEMNIFICATION AGREEMENT

EXHIBIT C

Westmoreland - Compliance Test

In US$ million unless otherwise noted

San Juan inputs

Debt	$125.0
EBITDA	$56.4

Pro forma metrics

All figures shown on an LTM basis	WLB	SJCC	Pro forma
Revolver ($50 mm)	--	--	--
Sr. Secured Term Loan due 2020	$328.0	--	$328.0
Sr. Secured Notes due 2022	$350.0	--	$350.0
Incremental New Debt for San Juan	--	$125.0	$125.0
Total Debt	**$678.0**	**$125.0**	**$803.0**
WLB	$155.0	--	$155.0
San Juan	--	$56.4	$56.4
Distributions from WMLP	$16.0	--	$16.0
Total EBITDA	**$171.0**	**$56.4**	**$227.4**
Total Debt / EBITDA	**3.96x**	**2.22x**	**3.53x**

Source: Management

EXHIBIT D

Supplemental Schedule 11.9 to Loan Agreement

(See attached)

Supplemental Schedule 11.9 - Affiliate Transactions
to the Consent and Fourth Amendment to Second Amended and Restated Loan and Security
Agreement dated as of January 29, 2016, by and among Westmoreland Coal Company, et al. and the
PrivateBank and Trust Company

1. Services Agreement dated as of January 31, 2016 among Westmoreland Coal Company and San Juan Coal Company.

ELIGIBILITY
Employees of Westmoreland Coal Company ("WCC"), or any of its subsidiaries, pay grade 9 or higher scheduled to work at least 40 hours per week are eligible for AIP. Designated front-line supervisors in the U.S. that are pay grade 8 are also eligible. Payments are based on three components: financial, safety, and individual. AIP payout is based on the achievement of each component and is not guaranteed to pay out at target. Awards are capped at two times target for each component. The target percentage of salary is referenced in *Schedule 1*.

COMPONENTS OF AIP

Financial	Based on WCC or the employee's mine location attaining or exceeding its performance goal approved by the Board of Directors each year
Safety	Based on lagging and leading indicators for each mine or for global consolidated
Individual	Based on achievement of 3 individual goals established by individual and approved by manager

Financial Goals: The financial goal is based on the performance of either a specific mine or the global consolidated segment. Please refer to *Schedule 1* for relevant financial goals.

- **Financial Threshold:** Financial Threshold is defined as meeting 80% the financial goal. 50% of the financial component pays out upon achieving Financial Threshold. If performance fails to meet Financial Threshold, there will be no financial payout.

- **Financial Target:** Financial Target is defined as meeting 100% of the financial goal. 100% of the financial component pays out upon achieving Financial Target. Results that fall between Financial Threshold and Financial Target will result in a prorated payout between 50% and 100%.

- **Financial Maximum:** Financial Maximum is defined as exceeding Financial Target by 20%. 200% of the financial component pays out upon achieving Financial Maximum. Performance that falls between Financial Target and Financial Maximum will result in a prorated calculation and payout between 100% and 200%. Two hundred percent (200%) is the maximum payout of the Financial Goal even if performance exceeds Financial Maximum.

If global consolidated financial performance is below 80%, mine financial performance will be capped at 100% regardless of mine level performance.

Safety Goals: The safety goals are comprised of lagging (running 3-year average) and leading indicators. Please refer to *Schedule 1*. The metrics are reported monthly. The safety score is based on actual versus target, and weighted as follows:

- General Managers – 50% on lagging indicators, 50% on leading indicators; and
- All others – 30% on lagging indicators, 70% on leading indicators.

In the event of a reportable fatality due to safety, the following rules shall apply:

- No yearly safety bonus will be paid to the facility incurring the fatality;

- Whether or not a safety bonus will be paid to a corporate employee will be at the discretion of the CEO for employees Grade Level 9 through 13, at the discretion of the Compensation & Benefits Committee for the Named Executive Officers and at the discretion of the Board of Directors for the CEO; and
- All other locations will receive pay out based upon their facility's leading and lagging indicators.

Individual Goals: The individual goal component is based on achievement of individual goals tied to corporate initiatives.

- The percentage payout will be evaluated on achievement of certain individual goals established between the employee and his/her manager. Employees have the opportunity to earn more than 100% of their individual goals up to 200% based on exemplary achievement of these performance objectives as evaluated by their manager and approved by the Chief Executive Officer ("CEO").

- Employees will select three AIP goals. These goals should be defined in writing by January 31, but in no case later than March 31 of each year (or in the event that an employee is hired or promoted into an AIP eligible position after the first of the year, on or within 30 days of the employee's date of event). All goals shall be "SMART" goals: specific, measurable, aligned, realistic, and time-bound. Individual goals cannot be related to safety or financial performance. Further, there will be no payout for individual goals if an employee is deemed responsible for a material weakness relative to the Sarbanes-Oxley Act. WCC reserves the right to recuperate any previous payouts made if gross omission or error is discovered after the fact.

AIP TERMS AND CONDITIONS

- Any incentive award may be adjusted either upward or downward at the sole discretion of the CEO and/or the Board of Directors, based upon company or individual performance and/or any other factor regardless of whether it is earned in accordance with this and/or any other document.

- Awards granted will be calculated based upon the participant's pay grade and base salary on September 30, 2017. For the financial, safety and individual percentages, the location and grade of the employee on September 30 will dictate payout. If the employee is a global employee as of September 30, then global/corporate components and percentages apply. If the employee is a mine employee, then the mine-level components and percentages apply. See Schedule 1 for the components and percentages.

- Any employee hired October 1, 2017 or later is ineligible for the 2017 AIP. Further, changes made to pay grade or salary after September 30 are not considered for purposes of the 2017 AIP.

- Employees must be in a qualified pay grade by September 30 to participate. A participant must be employed by WCC on the date the payments are distributed in 2018 in order to receive payment under the Guideline, except as approved by the Compensation and Benefits ("C&B") Committee.

- Employees must be an active full-time employee, scheduled to work at least 40 hours per week, and in good standing. All incentive awards granted will be calculated excluding disability pay continuation three months or greater. For example, if an employee worked nine months, but was on disability pay continuation for three months, upon return, he/she would receive a 75% AIP bonus (annual salary, less disability pay continuation).
- The C&B Committee shall approve the financial and safety metrics in the 1st quarter of 2018.
- AIP payments will be distributed following completion of WCC's consolidated annual audit and approval of the payout by the Board of Directors.
- Taxes, deferrals, and distributions that are required to be withheld by federal, state, provisional or local or other governmental authority shall be deducted from all cash payments.
- No member of the Board of Directors shall be liable for any action taken or determination made in good faith with respect to the AlP.
- Receipt of any portion of the award is subject to all terms and conditions described in this program.
- Participation in the AIP is neither a contract nor a guarantee of continuing employment. The AIP may be modified, suspended or terminated at any time by the Company and no participant has any entitlement until the annual payout is made.
- WCC's CEO has final say on the interpretation of the AIP and procedures, except where the CEO is directly impacted, in which case the Board of Directors has final say on the interpretation of the AIP.