

CLOUD PEAK ENERGY INC.

RELATED PARTY TRANSACTIONS POLICY

July 2016

The Board of Directors of Cloud Peak Energy Inc. (the “Company”) recognizes that related party transactions potentially present a significant risk of potential conflict of interest and therefore has adopted this Related Party Transactions Policy (the “Policy”), which is designed to provide for the proper review, approval, ratification and disclosure of related party transactions involving the Company.

A. Definitions.

“**Related Party**” means:

1. any director, nominee for director or executive officer of the Company;
2. any beneficial holder of more than 5% of any class of the voting securities of the Company;
3. any immediate family member of a director, director nominee or executive officer of the Company or of a beneficial holder of more than 5% of any class of the voting securities of the Company; an immediate family member means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law and sister-in-law and any other person (other than a tenant or employee) sharing the same household; or
4. an entity that is owned or controlled by someone listed above, or an entity in which someone listed above has a substantial ownership interest or control of the entity.

“**Related Party Transaction**” means a transaction (including, but not limited to, any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar or related transactions, arrangements or relationships) in which the Company or a subsidiary of the Company is a participant and the amount involved is equal to or exceeds \$100,000, and in which any Related Party had, has or will have a direct or indirect material interest. A person’s interest shall not be deemed to be an “indirect material interest” if it arises only (i) from such person’s position as a director of another entity, (ii) from the direct or indirect ownership by such person and all other Related Parties, in the aggregate, of less than a 10% equity interest in another entity, (iii) from both (i) and (ii), or (iv) from such person’s position as a limited partner in a partnership in which such person and all other Related Parties have an interest of less than 10%, and such person is not a general partner of and does not hold another position in the partnership.

B. Audit Committee Review and Approval.

Management shall bring to the Audit Committee for its review each proposed Related Party Transaction to be entered into by the Company or a subsidiary of the Company and each proposed material modification to any previously approved Related Party Transaction. After appropriate review (which shall include consideration of the financial terms of such transaction), the Audit Committee shall approve each such Related Party Transaction if it is consistent with this Policy and is on terms, taken as a whole, which the Audit Committee believes are no less favorable to the Company than could be obtained in an arms'-length transaction with an unrelated third party, unless the Audit Committee otherwise determines that the transaction is not in the best interests of the Company.

If it is not practical for the Audit Committee to review in advance a particular Related Party Transaction or material modification, management shall bring to the Audit Committee for its ratification such Related Party Transaction or modification and shall make such changes as the Audit Committee may require. Any Related Party Transaction or modification therein which has been approved or ratified by the Board of Directors, by the affirmative vote of a majority of directors who do not have a direct or indirect material interest in such Related Party Transaction, need not be approved or ratified by the Audit Committee.

In cases where it is impractical to defer review of a Related Party Transaction until the next Audit Committee meeting, the Chairperson of the Audit Committee has the authority to review and approve such Related Party Transaction. The Chairperson of the Audit Committee shall provide a report at the next Audit Committee meeting regarding each Related Party Transaction so approved. The Chairperson of the Audit Committee also has the authority to call a special meeting of the Audit Committee to review and approve any Related Party Transaction.

Review and approval by the Audit Committee is not required for Related Party Transactions in which the amount involved is less than \$100,000. The Chief Executive Officer and the General Counsel, or their designee, however, shall be required to review and approve such Related Party Transaction, unless the Chief Executive Officer and the General Counsel (or their designee) determines in their discretion that review and approval by the Audit Committee pursuant to this Section B is nonetheless appropriate.

C. Standing Pre-Approval for Certain Interested Transactions.

The Audit Committee has reviewed the types of Related Party Transactions described below and determined that each of the following Related Party Transactions are deemed to be pre-approved or ratified (as applicable) by the Audit Committee, even if the aggregate amount involved exceeds or will exceed \$100,000.

I. *Employment and Compensation of Executive Officers*

Any employment of, and related compensation paid by the Company to, an executive officer of the Company is pre-approved or ratified (as applicable) if:

1. The related compensation is required to be reported in the Company's annual proxy statement under Item 402 of Regulation S-K promulgated by the Securities and Exchange Commission ("SEC"); or

2. The executive officer is not an immediate family member of another executive officer, director or nominee for the Company, the related compensation would be reported in the Company's annual proxy statement under Item 402 of Regulation S-K if the executive officer was a "named executive officer" and the Compensation Committee approved (or recommended that the Board of Directors approve) the compensation.

II. *Director Compensation*

Any compensation paid to a director is pre-approved or ratified (as applicable) if the compensation is required to be reported in the Company's annual proxy statement under Item 402 of Regulation S-K and the compensation is approved by the Board of Directors or the Compensation Committee.

III. *Transactions Where All Shareholders Receive Proportional Benefits*

Any transaction where the Related Party's interest arises solely from the ownership of a class of the Company's equity securities and all holders of that class of equity securities received the same benefit on a pro rata basis (e.g., dividends) is pre-approved or ratified (as applicable).

IV. *Transactions Involving Competitive Bids*

Any transaction involving a Related Party where the rates or charges involved are determined by competitive bids is pre-approved or ratified (as applicable).

V. *Regulated Transactions*

Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority is pre-approved or ratified (as applicable).

VI. *Certain Banking-Related Services*

Any transaction with a Related Party involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture or similar services is pre-approved or ratified (as applicable).

D. *Other Policies and Procedures.*

All transactions, including transactions that would otherwise constitute Related Party Transactions but for the fact that they involve amounts less than \$100,000, are subject to the Company's Code of Conduct and Code of Ethics for Principal Executive and Senior Financial Officers, which contain provisions regarding potential conflicts of interest. This Policy is in addition to any similar policies or procedures applicable to all employees contained in the

Company's Code of Conduct or other policies, and the requirements set forth herein are in addition to, and not in substitution for, any other similar policies, procedures or requests.

E. Disclosure Requirement.

All Related Party Transactions that are required to be disclosed in the Company's filings with the SEC shall be so disclosed in accordance with applicable laws, rules and regulations. Furthermore, the material features of this Policy shall be disclosed in the Company's annual proxy statement as required by applicable laws, rules and regulations.