



**CLOUD PEAK ENERGY INC.  
CLAWBACK POLICY**

**April 11, 2013**

This Clawback Policy ("Policy") has been adopted by the Board of Directors ("Board") of Cloud Peak Energy Inc. ("Company") as of April 11, 2013. The Company's compensation program for senior executive officers and certain other employees includes cash and equity-based incentive compensation under the Company's (1) Long-Term Incentive Plan, as may be amended from time to time ("LTIP"), and (2) Annual Incentive Plan, as may be amended from time to time ("AIP"). The value of LTIP awards and AIP awards may be impacted by the Company's publicly reported financial results.

If the Board determines, after conducting a reasonable investigation, that fraud, gross negligence, or intentional misconduct ("Wrongful Conduct") committed by or attributable (including by way of being in a supervisory role for an employee who directly engaged in the Wrongful Conduct and intentionally failing to take reasonable steps to prevent the Wrongful Conduct by such supervised employee) to any current or former senior executive officer or other employee who received an award or payout under the LTIP or AIP (each a "Covered Employee") was a significant contributing factor to the Company having to restate all or a portion of its publicly reported financial statements due to material non-compliance with any financial reporting requirement under the U.S. federal securities laws (which shall exclude any restatement caused by a change in applicable accounting rules or interpretations) (a "Restatement"), then the Board shall have the right to take, or cause to be taken, in its sole discretion, such action as it deems necessary to remedy the Wrongful Conduct and seek to prevent its recurrence. In determining what remedies to pursue, the Board will take into account all factors deemed relevant in its business judgment, including, by way of example only, the materiality of the Restatement and the passage of time.

If and to the extent:

1. a Covered Employee intentionally engaged in Wrongful Conduct that was a significant contributing factor to the Restatement; and
2. (a) the amount of cash incentive compensation paid to such Covered Employee, either after the date of this Policy or during the three year period preceding the Restatement, under the AIP was calculated based upon the achievement of certain financial results that were subsequently reduced due to the Restatement, or (b) the value of an LTIP award received by such Covered Employee, either after the date of this Policy or during the three year period preceding the Restatement, was impacted (including based on changes to the trading price of the Company's listed shares of common stock) by the achievement of certain financial results that were subsequently reduced due to the Restatement (2(a) and 2(b) are collectively defined as the "Pre-Restatement Value"); and
3. the amount of the cash incentive compensation or the value of the LTIP award that would have been awarded to or realized by such Covered Employee had the financial results been properly reported would have been lower than the amount actually awarded or realized ("Post-Restatement Value"),

then the Board shall have the right, but not the obligation, to determine the form and timing of the remedy, to the extent permitted by applicable law, including without limitation, Section 409A of the Internal Revenue Code, in all appropriate cases as determined in its business judgment, which may consist of but is not limited to:

- a. requiring reimbursement by such Covered Employee of the difference between the Pre-Restatement Value and the Post-Restatement Value (after deducting taxes previously paid or required to be paid by such Covered Employee on the Pre-Restatement Value, the "Clawback Amount") of any cash incentive compensation paid to such Covered Employee under the AIP;
- b. causing the cancellation, forfeiture or reduction of outstanding equity awards, in whole or in part, issued under the LTIP to such Covered Employee to the extent of the Clawback Amount;
- c. seeking reimbursement of any gains actually realized (net of brokers' commissions and taxes paid) by such Covered Employee on the exercise of Company stock options or sale of stock attributable to other Company stock awards to the extent of the Clawback Amount; and/or
- d. reducing future compensation due to such Covered Employee to the extent of the Clawback Amount.

In addition, the Board may take other action to enforce a Covered Employee's obligations to the Company as the Board may deem appropriate in view of all facts surrounding the particular case, including authorizing termination of the Covered Employee or initiation of appropriate legal action by the Company.

The Board may amend this Policy from time to time, including as necessary to address the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and resulting rules and regulations issued by Securities and Exchange Commission or New York Stock Exchange.

By accepting LTIP awards and AIP awards and continued employment, each Covered Employee agrees that he/she is subject to this Policy, as it may be amended from time to time, and that he/she is not entitled to seek indemnification or contribution from the Company for any amounts clawed back pursuant to this Policy.

Before the Board determines to seek recovery pursuant to this Policy, it shall provide to the Covered Employee written notice and the opportunity to be heard at a meeting of the Board.

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