CLOUD PEAK ENERGY®

2013 ANNUAL CORPORATE REPORT

PROVIDE FOR TODAY, PROTECT FOR TOMORROW™

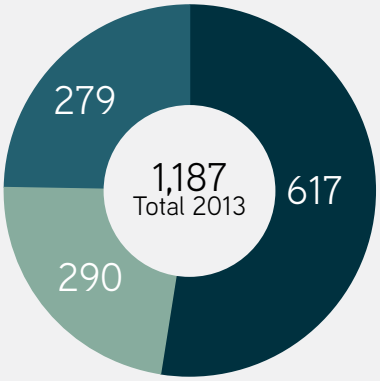
Company Highlights

In 2013, the United States produced about 1 billion tons of coal, which generated approximately 39 percent of U.S. electricity.[1] Cloud Peak Energy's 2013 total coal sales of 89.1 million tons supplied approximately 4 percent of the nation's electricity; enough energy to power approximately 15 million U.S. homes.[2]

Three Company Owned and Operated Mines Proven and Probable Reserves

as of December 31, 2013

(nearest million tons)



Antelope | Cordero Rojo | Spring Creek

Totals reflect rounding.

Non-Reserve Coal Deposits[3]	0.5B Tons
Antelope Mine	9M tons
Cordero Rojo Mine	163M tons
Spring Creek Mine	6M tons
Youngs Creek Project	287M tons

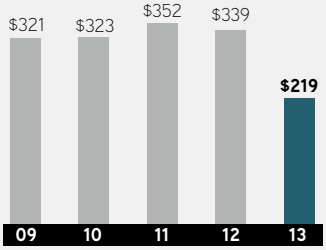
[3] The tons in these deposits are classified as nonreserve coal deposits and are not included in our reported reserves.

Additional Coal	1.4B Tons
Crow Project [4] (subject to exercise of options)	1,380M tons

[4] Represents a current estimate of physical in-place coal tons. Does not represent proven and probable reserves, nonreserve coal deposits or a forecast of tons to be produced and sold in the future. Future production and sales of such tons, if any, are subject to exercise of options and significant risk and uncertainty.

Adjusted EBITDA[6]

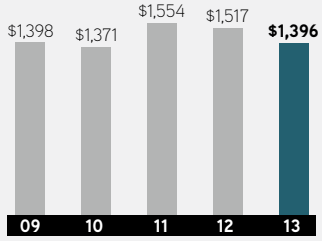
(in millions)



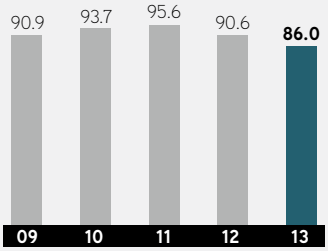
[6] Reconciliation tables for Adjusted EBITDA are included on page 29

Total Gross Revenues from Continuing Operations

(in millions)



Tons Sold from Company Owned and Operated Mines[7]



[7] Includes tons sold from Antelope, Cordero Rojo and Spring Creek Mines

[1] U.S. Energy Information Administration, Monthly Energy Review (February 2014); Electric Power Monthly (February 2014).
[2] The tonnage shown represents sales from our three owned and operated mines, Decker Mine and purchases from third-party sources that were resold.

Cloud Peak Energy Mission Statement

Cloud Peak Energy aims to be a leading energy producer operating in a safe, responsible and caring manner.

- We will operate in accordance with our values.
- We will not lose sight of our goal of maximizing the long-term financial return to our shareholders.
- We believe that by ensuring the safety and long-term health of our employees are not compromised and that by being a good neighbor in the communities in which we live and work, value will be maximized.
- We will run the business in a sustainable way to ensure we maintain our "license to operate" (i.e., support of employees, communities, regulators, elected officials, customers, suppliers).

Our current strategy is to build on our strong U.S. domestic position to develop our export sales and explore international production opportunities.

MAP OF OPERATIONS

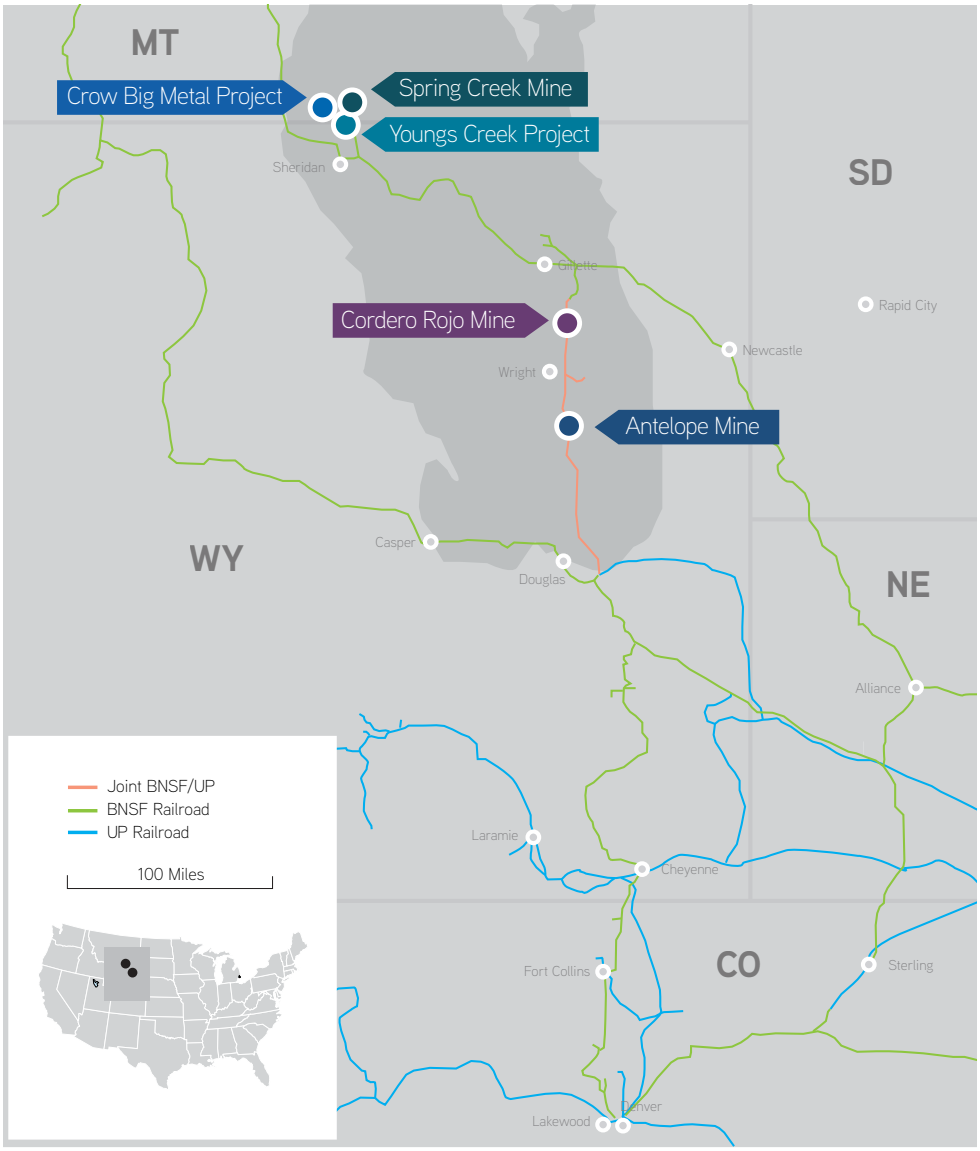


Table of Contents

Values

Cloud Peak Energy's values are the underlying principles of our behaviors that guide the way we do business. We will hold each other accountable to not deviate from these values in all our business dealings.

Safety – The safety of everyone involved in our business will never be compromised.

Caring – We care about the impact of our actions on people and the environment both inside and outside the company.

Honesty – We are honest and transparent in all interactions with each other and those outside the company.

Courage – We will be courageous in all our dealings and will hold ourselves accountable for our actions and not avoid difficult issues.

Respect – We will show respect to all those involved in every interaction and work to engage all our employees in the business.

Welcome to Cloud Peak Energy's 2013 Annual Corporate Report. The goal of this report is to discuss our business performance in 2013 and the outlook for 2014, with a particular focus on our dedication to safety and the environment, as well as our contribution to the economy and our communities throughout the year. This report complements our annual Form 10-K regulatory filing that has much greater financial detail and fewer pictures.

Cloud Peak Energy has a commitment to operate safely and in line with our corporate values at all times. These values are based on safety, environmental stewardship, achieving economic prosperity and our social responsibility to employees, stakeholders and the communities in which we are a part. We believe that operating according to our values is the best way to efficiently produce coal and maximize the long-term value of our business.

Cloud Peak Energy is the only major coal producer with all of its operations in the Powder River Basin (PRB) of Wyoming and Montana and is the only company headquartered in Wyoming that is listed on the New York Stock Exchange. In 2013, we employed approximately 1,700 people and shipped 86 million tons of thermal coal from our three mines. While our 2013 earnings were $52 million, we paid a total of $360 million in state and federal taxes and royalties, approximately 60 percent of which benefited Montana and Wyoming where our mines are located. Approximately 4 percent of the nation's electricity continues to be generated by coal from our three owned and operated surface mines: Antelope, Cordero Rojo and Spring Creek. This is enough electricity to power around 15 million U.S. homes.

Safety and Environmental Performance

During 2013, of our nearly 1,400 full-time mine site employees, nine suffered reportable injuries. This resulted in Cloud Peak Energy having an MSHA All-Injury Frequency Rate (AIFR) of 0.59, or a rate of 0.59 reportable injuries per 200,000 mine site employee hours worked. This was a decrease from our 2012 AIFR of 0.82 and keeps our injury rate among the lowest of the 25 largest U.S. coal companies. Another way to think about this is that at last year's rate, an individual employee would expect to be injured once every 155 years working at our mines. It was notable that two of our mines, Spring Creek and Cordero Rojo, each passed 1.2 million work hours without a reportable injury in early 2014. We continue to hold safety as a core value and will always work toward our goal of zero injuries.

We have continued with our implementation of the National Mining Association's CORESafety program, which targets zero fatalities and a 50 percent reduction in reportable injuries over five years. Good progress has been made with the implementation of the CORESafety systems, which we believe will help us improve our already strong safety performance.

In 2013, we reclaimed 674 acres at our mines and have completed a large part of the prework for final topsoil replacement and revegetation efforts planned for 2014. Cloud Peak Energy's Environmental Management System was recertified under the internationally recognized ISO 14001 standard for the eighth year.

Our Antelope Mine was honored to receive the prestigious 2013 State of Wyoming Reclamation Award from the Wyoming Department of Environmental Quality, Land Quality Division. The award recognized our efforts to sustainably control cheatgrass, which is not easy. We were honored to receive this award and appreciate the recognition we receive for innovative reclamation techniques.

2013 Review

Our 2013 revenues were $1.4 billion, Adjusted EBITDA (defined on page 29) was $219 million and our net income was $52 million. Just like 2012, 2013 was another challenging year for the U.S. coal industry. However, due to the quality of our operations and employees, we were able to produce good financial results and retain our sound financial position.

Domestic Operations

Operationally, it was a frustrating year for Cloud Peak Energy. The normal slow start to shipments was followed by a very wet spring and summer that impacted both the Antelope and Cordero Rojo Mines. To end the year, we had some really cold weather that may be good for the haul roads but is tough on people and equipment. Externally, we had one major customer who was not able to take all their contracted coal, and the BNSF railway had operational problems that reduced shipments. Through the year, our operations did a very good job of controlling costs and reducing capital. I do appreciate the efforts everyone puts in to running the mines 24/7 and that many of our employees are outside in all weather conditions producing the coal that pays our bills.

As I mentioned earlier, we have been careful to manage our finances to ensure Cloud Peak Energy retains a strong balance sheet. This did mean we decided not to bid on the Maysdorf II North LBA tract at Cordero Rojo, and we are planning to reduce production at Cordero Rojo by around 10 million tons starting in 2015. This will help match production to reduced demand for 8,400 Btu coal. We will be working to minimize the impact of this production reduction on employees throughout 2014. Our 2013 cash flow from operations was $181 million. Capital expenditures totaled $57 million, which was a reduction from our original plan as we benefited from our maintenance programs extending equipment lives. In addition, we made federal coal lease payments of $79 million. We ended 2013 with $312 million of cash and investments on the balance sheet.

Early in 2014, we completed three significant refinancing transactions to further strengthen our financial position. Firstly, we repaid $100 million of our total $600 million of debt. Secondly, we refinanced $200 million of our debt at a new lower interest rate of 6.375 percent and extended its maturity until 2024. Thirdly, we renegotiated our $500 million revolving credit facility, which is an undrawn facility. In culmination, these changes will save us approximately $12 million per year in interest costs.

Logistics Business

During 2013, our logistics business exported 4.7 million tons to Asian customers primarily through the Westshore Terminal in British Columbia, Canada. This was an increase from the 4.4 million tons in 2012. We continue to see growing demand for PRB coal from our Asian customers and will continue to seek to fill all available capacity at Westshore. In 2013, our logistics business was the largest U.S. exporter of thermal coal into South Korea. Spring Creek coal is increasingly well regarded in the Asian marketplace and, due to its consistent quality, is now considered equivalent to the best Indonesian coal brands. We will continue to look for opportunities to supply new export customers in China, Japan and Taiwan as part of our efforts to build an established customer base in anticipation of additional port capacity coming on line.

Mine Development

Two notable achievements during the year were the signing of the exploration and lease option agreements with the Crow Tribe and the issuance of the West Antelope II mining permit. The Crow agreements, along with our Youngs Creek project, greatly increase our development options around the Spring Creek Mine, while the WAII mining permit will allow us to access additional reserves and increase the number of mining faces at the Antelope Mine.

West Coast Port Developments

While demand for our coal from Asian utilities remains strong and is forecast to continue to grow, sales to Asian export customers continue to be limited by West Coast terminal capacity. Our logistics business is currently making delivered sales of coal to Asia through the Westshore Terminal where we have rail and terminal agreements which extend to 2023. In early 2013, we announced an agreement with SSA Marine that provides Cloud Peak Energy with an option for up to 17.6 million tons of annual capacity through their planned Gateway Pacific Terminal at Cherry Point in the state of Washington. This terminal is currently expected to begin shipping in 2018, at the earliest. Cloud Peak Energy is a member of the Alliance for Northwest Jobs and Exports and Count on Coal Montana. These groups aim to educate and inform communities and policy makers about the substantial economic and social benefits that additional export-loading facilities would bring to Washington, Montana and Wyoming. I would like to recognize the Crow Tribe for their work in communicating to many of the interested parties the benefits that port development would bring to their tribe.

Regulatory Outlook

Cloud Peak Energy is continuing to advocate for coherent federal legislation that will allow the U.S. to continue to enjoy the long-standing benefits of safe, reliable and low-cost energy, while addressing environmental concerns in an achievable time frame. As current standards ensure that coal plants have very low emissions and do not represent a health hazard, I am increasingly concerned that the "demonization" of coal by some NGO's and politicians could stop it being an acceptable energy option in the future when safe, low-cost, reliable electricity from coal-based generation is needed to meet the demands of a growing economy. We will continue to push for a true "all-of-the-above" energy policy that aims to balance the benefits of low-cost electricity with environmental goals.

Outlook

The cold winter and increased natural gas demand appear to be accelerating the rebalancing of domestic coal markets as we move into 2014. Over the last three years, PRB coal production has decreased significantly in the face of reduced demand. Current coal burns appear to be recovering from the low levels in 2011 and 2012, which should lead to an improved supply-demand balance this year. If it does, we hope to see prices increase to levels that allow profitability to return to previous levels. Over the next few years, we expect PRB coal demand to be stable around projected 2014 levels as the impact of some plant closures is balanced by increased consumption at other power stations. Being the low-cost Basin, we project PRB coal to take an increasing share of an overall declining domestic coal market.

International markets continue to be characterized by very strong demand growth in Asia, particularly China and India, which is currently being met by ample supply from new projects coming on line in Indonesia and Australia. As demand is continuing to grow and investment in new international projects has declined, there should be support for international prices over the next few years. This will hopefully coincide with the development of additional port capacity and, given our development options around Spring Creek, would allow us to expand our production capacity to match. Before this happens, we will look to maximize our shipments through the Westshore Terminal to continue to build our customer base in South Korea, Taiwan and Japan.

Concluding Thoughts

Once again, Cloud Peak Energy has performed well during what was a challenging year for all U.S. coal producers. By running the operations efficiently, we were able to strengthen our balance sheet and generate positive cash flow even with some operational and rail issues. We are well positioned to benefit when markets improve. This is a credit to all our employees and reflects the hard work and dedication put into making Cloud Peak Energy a success. I would also like to recognize the significant discretionary effort many of our employees put into voluntary work that helps the communities in which we live and work. From the "Blessings in a Backpack" program to supporting "Crow Native Days," it is great to see Cloud Peak Energy and our employees having a positive impact beyond our operations.

As you read through this report, please do not hesitate to contact us if you have any questions or comments. Our contact information is listed on the back, and any feedback on the report to help us improve it is welcome.

Colin Marshall
President and Chief Executive Officer

Cloud Peak Energy Inc. is headquartered in Wyoming and is one of the largest U.S. coal producers and the only pure-play Powder River Basin (PRB) coal company. As one of the safest coal producers in the nation, Cloud Peak Energy specializes in the production of low sulfur, subbituminous coal. The company owns and operates three surface coal mines in the PRB, the lowest cost major coal producing region in the nation. The Antelope and Cordero Rojo Mines are located in Wyoming and the Spring Creek Mine is in southeast Montana. Cloud Peak Energy also owns rights to substantial undeveloped coal and complementary surface assets in the northern PRB, further building the company's long-term position to serve Asian export and domestic customers. With approximately 1,700 total employees, the company is widely recognized for its exemplary performance in its safety and environmental programs. Cloud Peak Energy has corporate offices in Gillette, Wyoming, and Broomfield, Colorado, and supplies the fuel used to generate approximately 4 percent of the nation's electricity.

Responsible Stewardship

Responsible stewardship plays an important part in how Cloud Peak Energy conducts business. From the way we operate our mines to the partnerships we establish with our neighboring communities, the company is continually striving to improve. The health and safety of our employees and protection of the environment are overarching values that encompass all our day-to-day operations.

Ethics and Compliance Program

Cloud Peak Energy's long-term success depends on our reputation for responsible resource development. Cloud Peak Energy has established a strong internal ethics and compliance program focused on prevention and designed to maintain a high standard of corporate business practices and to further our commitment to satisfy all legal and regulatory requirements.

Where We Stand

Climate Change

The topic of climate change continues to be in the headlines and the subject of various legislative and regulatory initiatives. Cloud Peak Energy continues to acknowledge that the climate change debate and the impacts on our industry are a political reality and must be recognized as such by our industry. This does not mean that we accept that climate science is "settled" – we are strongly supportive of the view that there is much more the scientific community needs to learn before a defined regulatory pathway can be established. Therefore, our view that climate change discussions require ongoing scientific and economic review to incorporate the inevitable new information and knowledge that the future will bring. Decision makers need to take into consideration both the potential for new insights as well as the economic, social and energy security impacts of any decisions and actions they may make in addressing climate change concerns in the near term.

Any climate change regulatory initiative or CO_2 reduction milestones must specify the actions needed to reduce CO_2 emissions and where those emission reductions will occur. It is also crucial that any such actions distinguish between fuel types and economic sectors to establish approaches that will not negatively impact the U.S. economy or energy security. We believe that carbon capture and sequestration (CCS) is a key technology that will allow for CO_2 reductions and for the continued use of economic carbon-based fuels without economic harm for the nation. Development of that technology at commercial scale is still many years from becoming a reality. As such, it is appropriate for the development of CCS technology to be supported by federal initiatives. Until CCS is deployed widely on a commercial scale, it should not be included in federal rules and standards regarding CO_2 emissions. Toward that same goal, we are continuing to work with trade and industry associations as well as elected officials to develop a framework for progressing CCS technology to be deployable on a commercial scale.

Energy Policies

The abundant, low-cost supply of coal together with more recent technical advances in natural gas extraction mean that the U.S. has a real opportunity to use low-cost domestic energy to drive economic recovery and create genuine energy independence. However, this will require practical approaches in the development of energy-related policies and regulation. We reject the view, presented by some in the environmental movement, that the U.S. can and should transition rapidly away from fossil fuels as the source for the majority of our energy needs. Our view is that the U.S. can have the significant domestic investment and job creation that comes from low-cost, reliable energy from domestic fossil fuels while at the same time meeting society's expectations for clean air and a practical response to climate concerns. This will only happen, however, if state and federal energy policies recognize the vital role fossil fuels play in both U.S. and global energy generation and avoid the temptation to promote alternative energy schemes that are not capable of adequately supporting the U.S. economy.

Data from the U.S. Environmental Protection Agency, which shows that total emissions of the six principal air pollutants decreased 63 percent from 1980 to 2011 (during which period, fossil fuel consumption and the U.S. population both increased significantly), clearly demonstrates the ability of the industry to provide low-cost

Beginning in January 2014, Cloud Peak Energy joined a partnership with the National Carbon Capture Center (NCCC), which brings together the U.S. Department of Energy, utilities led by Southern Company and other stakeholders. The NCCC is responding to the call for the development of cost-effective CO_2 capture technologies for coal-fired power generation. The NCCC provides first-class facilities to test new technologies, ensuring continued use of coal for power generation.

energy while meeting increasingly stringent emission standards.[1] Continuing advances in combustion technologies and emission controls will extend this decade-long trend of reduced environmental impacts from fossil fuel usage. We strongly reject the non-scientifically based public health concerns that have been raised as reasons to discontinue the use of coal and other fossil fuels. We believe modern coal plants meet all of the public health expectations of today's society, and we are confident that the industry has the technical pathway to continue to meet these expectations well into the future.

Cloud Peak Energy believes in the development of a balanced, comprehensive energy policy and is supportive of a true "all-of-the-above" strategy. We support:

- A clean, low-cost, reliable and diversified electricity generation industry.
- Job creation – both direct and via affordable power.
- Energy exports, particularly to our strategic trading partners with a focus on reducing the U.S. trade deficit.
- Market-based generation decisions made with a level playing field where all generation options can compete without regulatory uncertainty.
- Federal government investment in energy R&D but not the subsidy of production-scale generation or consumption.
- A functioning regulatory/permitting system that is fair, balanced, predictable and timely.

Specific to the coal industry, we support:

- The creation of a pathway for maintaining and improving the existing coal fleet.
- The construction of new high-efficiency coal generation with state-of-the-art emission controls as well as ongoing federal R&D investment into advanced coal technology and CCS demonstration.

[1] U.S. Environmental Protection Agency, http://www.epa.gov/airtrends/aqtrends.html#comparison

HEALTH, SAFETY AND ENVIRONMENTAL SNAPSHOT

Environmental

Cloud Peak Energy has built a strong foundation of environmental programs which are central to the company's strong environmental performance. Our sites are certified to the internationally recognized ISO 14001 Environmental Management System (EMS) standard and were most recently recertified in November 2013 for the eighth consecutive year. Key elements of our environmental management system are internal and external audits, establishing objectives and environmental targets, and measuring and reporting our environmental performance.

In 2013, Cloud Peak Energy reclaimed 674 acres which was 95 percent of our internal 710-acre target. Although the Antelope and Spring Creek Mines achieved their respective targets, the Cordero Rojo Mine experienced unseasonably high snowfall in the fall and winter, adversely impacting its reclamation schedule. Our reduction targets for both energy and greenhouse gas emissions were successfully met with energy reductions exceeding target by 21 percent and greenhouse gas emission reductions exceeding target by 18 percent.

Health and Safety

According to Mine Safety and Health Administration (MSHA) data, Cloud Peak Energy's All Injury Frequency Rate (AIFR) of 0.59 was among the lowest of the top-25 U.S. coal producers during 2013. The company's vision is a commitment of continuously working toward zero injuries.

Cloud Peak Energy 2013 Environmental Targets

Objective	Target	Result
Land stewardship: Maximize reclamation acres	Reclaim 710 acres	Reclaimed 674 acres
Reduce total energy (Electrical and Diesel Use)	Projects to reduce energy use by 41.9 billion Btus	Reduced by 50.5 billion Btus
Reduce greenhouse gas emissions	Projects to reduce greenhouse gas emissions by 3.8 kt CO_2-e	Reduced by 4.5 kt CO_2-e
No environmental citations	No environmental citations	No environmental citations

• Btu – British thermal unit • kt CO_2-e – thousand tons carbon dioxide equivalent • GHG – greenhouse gas

The Cloud Peak Energy Rebuild Shop was developed over eight years ago to help reduce external repair costs and increase repair quality on heavy equipment for all of our mine sites.

About Our Operations

Cloud Peak Energy operates safe, reliable mines that are highly productive, well maintained and cost competitive. We have a strong commitment to preventative maintenance and in-house equipment rebuild programs that seek to upgrade our equipment. Our condition monitoring and planned maintenance programs continue to extend equipment life and reduce maintenance costs without compromising equipment integrity. The Cloud Peak Energy Rebuild Shop was started over eight years ago to help reduce external repair costs and increase the quality of repairs on heavy equipment used at all of our mine sites. Through each of these efforts, Cloud Peak Energy is able to improve operational efficiencies at our mines.

Cloud Peak Energy utilizes a formal, structured approach to improve our business. Many of the safety enhancement projects, cost-reduction initiatives and other improvement areas mentioned in this report are a direct result of this approach. Examples of our improvement activities from the past year include:

- Three drills fitted with a compressor management system were installed at the Cordero Rojo and Spring Creek Mine sites. These drills use significantly less fuel than the current drills, saving thousands of gallons of diesel and associated emissions every year.
- The Cordero Rojo Mine implemented a new haul truck tire management process that removed the need for haul trucks to travel to the shop in order to make tire pressure adjustments. Relocating the necessary equipment to the field saves an average of 45 minutes per day per haul truck and improves the tire pressure accuracy across the fleet of trucks.
- Modifications were made to one of the coal crushing circuits at the Antelope Mine in order to limit the frequency of crusher-plugging occurrences. After the modifications, less coal needed to be rerouted to the other crusher on site, resulting in increased haul truck efficiency.

CLOUD PEAK ENERGY PRODUCES ENOUGH COAL TO GENERATE ELECTRICITY FOR 1 HOUR EVERY DAY OF THE YEAR FOR EVERY MAN, WOMEN AND CHILD IN THE U.S.

Source: U.S. Energy Information Administration (EIA) and Internal Sources

Coal Reserves

As of December 31, 2013, Cloud Peak Energy controlled approximately 1.2 billion tons of proven and probable reserves. All of these reserves are classified as thermal coal.

The following table summarizes those Cloud Peak Energy coal reserves that are classified as proven and probable as of December 31, 2013, and the "quality" of those reserves based on average sulfur content and average Btu heating value per pound:

Mine	Total Proven & Probable Reserves (nearest million, in tons)	Average Btu per lb [1]	Average Sulfur Content %	Average Sulfur Content (lbs SO2/mmBtu)
Owned and Operated Mines				
Antelope	617	8,875	0.23	0.52
Cordero Rojo	290	8,425	0.29	0.69
Spring Creek	279	9,350	0.34	0.73
Corporate and Other				
Decker [2]	–	–	–	–
Total [3]	1,187			

[1] Average British thermal unit per pound includes weight of moisture in the coal on an as-sold basis.
[2] Based on our 50 percent nonoperating interest.
[3] Totals reflect rounding.

General Information

The Antelope Mine is located in the southern end of the PRB, approximately 60 miles south of Gillette, Wyoming. The mine extracts thermal coal from the Anderson and Canyon seams, with coal thickness up to 44 and 36 feet, respectively. Antelope sold approximately 31.4 million tons of coal in 2013, containing some of the lowest sulfur levels of all coal produced in the PRB. Coal mined from Antelope is shipped primarily to electric utilities in the midwestern, southwestern and southeastern United States.

2013 Highlights

Production Dozers Move Interburden

In an effort to increase the efficiency of interburden removal and minimize pressure on the dragline, the Production and Technical Services departments at the Antelope Mine developed a plan to add the use of dozers to move interburden between the mine's primary coal seams. The use of the dozers for interburden removal has allowed a more efficient removal of waste material and hence allows faster access to the lower coal seam. Since the implementation of the process, more than 600,000 yards of interburden has been removed in the two cuts where production dozing was used – this proved to be of significant help to the dragline. During the production dozing process, dozers can also be used to build pads for the dragline to walk on, reducing dragline delays and allowing for the uncovering of additional tons of coal. The geology at the Antelope Mine, containing multiple seams, allows this practice to be utilized. The support equipment at the mine moves the material ahead of the dragline, lessening the workload on the excavator.

4 out of every 10 people on the planet today rely on coal to produce electricity.

Source: Coal Association of Canada

Antelope Mine Receives Reclamation Award

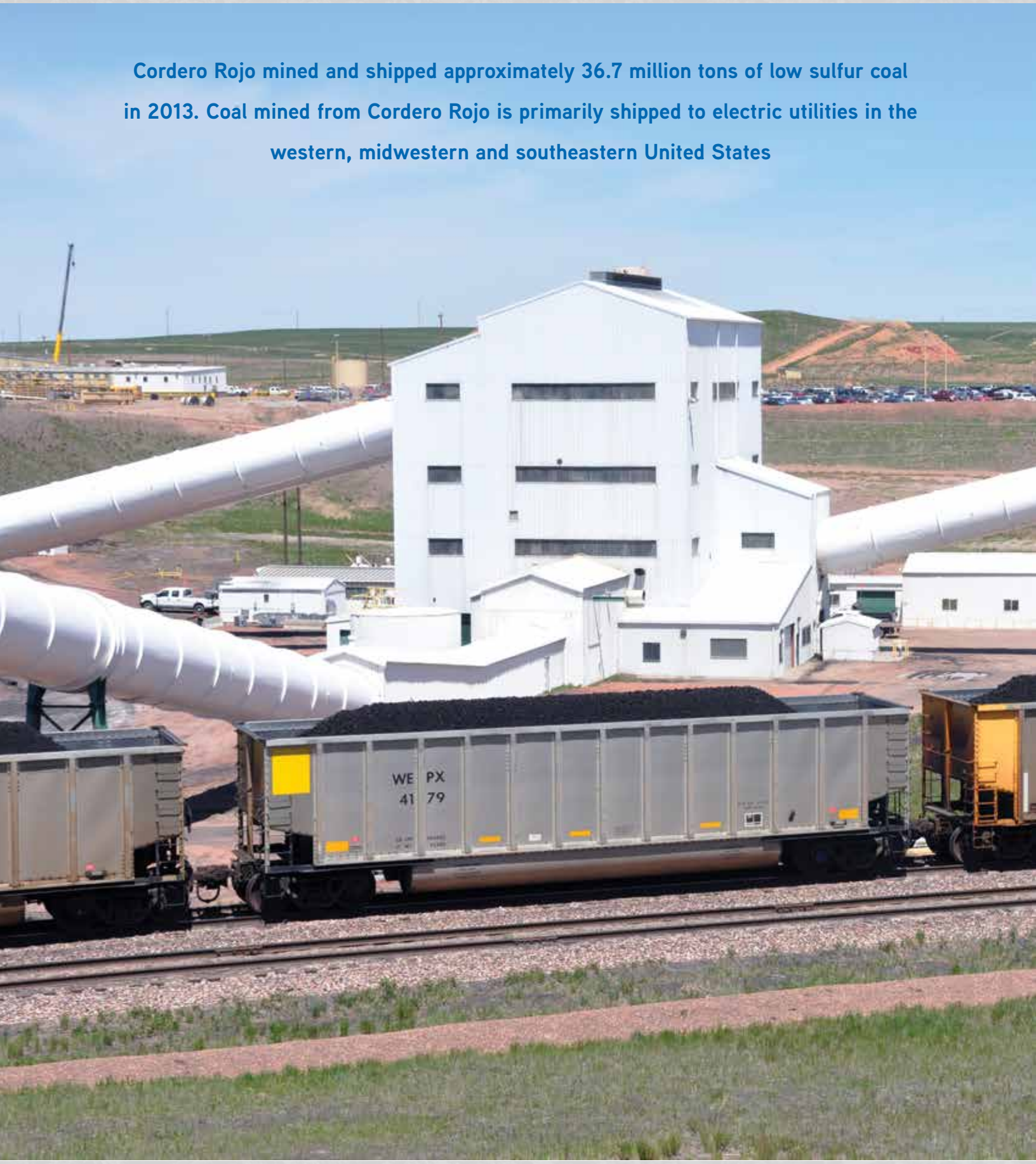
In June 2013, the Antelope Mine received the prestigious State of Wyoming Reclamation Award from the Wyoming Department of Environmental Quality, Land Quality Division. The award was received for the sustainable control of cheatgrass. Cheatgrass is an undesirable, introduced species that readily invades landscapes in reclamation and native rangeland. Through innovative husbandry practices and custom seeding techniques, the Antelope Mine effectively restored reclamation areas dominated by cheatgrass to native cool and warm season plant communities. The technology is applicable to both reclaimed and native lands. Through combined efforts across several departments within Cloud Peak Energy, over 400 acres of cheatgrass-dominated lands were successfully transformed into sustainable native perennial stands that achieve the post-mining land use goal of providing for livestock grazing and wildlife habitats. These reclamation efforts demonstrated Cloud Peak Energy's commitment to environmental stewardship.

West Antelope II Mine Permit Received

After a thorough permitting process, the Antelope Mine was awarded the West Antelope II (WAII) mining permits in the fall of 2013 following an eight and a half year process. Work began in 2005 with Cloud Peak Energy nominating the coal as the initial step in the Bureau of Land Management's Lease by Application (LBA) Process. In the summer of 2011, Cloud Peak Energy was the successful bidder for the West Antelope II North and West Antelope II South coal tracts. The tracts significantly increase the company's proven and probable reserves at the Antelope Mine and also provide favorable geologic mining conditions. Once the leases were awarded, the company obtained the necessary mining permits from the Wyoming Department of Environmental Quality, Land Quality Division, and oversight approval from the Office of Surface Mining in 2014. The WAII permit approvals provide access to an estimated 470 million tons of federal and state coal reserves. The lease tracts lie directly north and west of the existing Antelope Mine operations within both Converse and Campbell Counties. Mining operations began in the new lease area in January 2014. The commencement of mining in these leases is the culmination of work carried out over many years by numerous Cloud Peak Energy employees representing multiple departments at the Antelope Mine and the corporate offices.

The Antelope Mine is located in the southern end of the PRB, approximately 60 miles south of Gillette, Wyoming. The mine extracts thermal coal from the Anderson and Canyon seams, with coal thickness up to 44 and 36 feet, respectively.

Cordero Rojo mined and shipped approximately 36.7 million tons of low sulfur coal in 2013. Coal mined from Cordero Rojo is primarily shipped to electric utilities in the western, midwestern and southeastern United States



General Information

The Cordero Rojo Mine is located approximately 25 miles south of Gillette, Wyoming. The mine extracts thermal coal from the Wyodak seam, which ranges in thickness from approximately 55 to 70 feet. Cordero Rojo sold approximately 36.7 million tons of low sulfur coal in 2013. Coal mined from Cordero Rojo is primarily shipped to electric utilities in the western, midwestern and southeastern United States.

2013 Highlights

T-7 County Road Relocated

In May 2013, the Cordero Rojo Mine began work on relocating the T-7 county road as part of the long-term mine plan. Cordero Rojo Mine employees moved a one and a half mile section of the county road adjacent to the mine with no accidents, incidents or injuries. With the help of contractors, Cloud Peak Energy and Cordero Rojo Mine employees from several different departments worked together to complete the job safely and on time. The planning process to obtain permits involved several different departments within the corporate office, the mine, Campbell County Public Works and the state of Wyoming. While the topsoil, asphalt and other details were contracted out, mine employees took care of contouring the road using trucks and dozers to backfill. During the project, Mine Safety and Health Administration (MSHA) performed an EO1 Inspection, with no safety citations issued.

1 in every 25 light bulbs in the U.S. is powered by Cloud Peak Energy coal.

Source: U.S. EIA and Internal Sources

Development of the South Pit

The Cordero Rojo Mine successfully advanced mining activities into the south Maysdorf I LBA in 2013. Development of the reserves required the mine to relocate one of its draglines to the area in early January 2013 – a process that involved crossing the county road. Additionally, the Belle Fourche River haul road crossing project was completed. The haul road crossing project improved access to the coal loading facilities and allows the Cordero Rojo Mine to maintain planned production levels from the southern Maysdorf I reserves.

General Information

The Spring Creek Mine is located in southeast Montana, approximately 35 miles north of Sheridan, Wyoming. The mine extracts thermal coal from the Anderson-Dietz seam, which averages approximately 80 feet in thickness. Spring Creek sold approximately 18 million tons of low-sulfur coal in 2013. The location of the mine relative to the Great Lakes is attractive to our customers in the northern United States because of lower transportation costs. Coal mined from Spring Creek is shipped to electric utilities and industrial customers in the northwestern, midwestern, northeastern and southwestern United States and various Canadian provinces. The coal is also sold at prevailing market prices to our logistics business, which provides transportation and logistics services, and sells delivered coal to Asian utility customers via the Westshore Terminal in British Columbia, Canada.

2013 Highlights

Dragline Tub Replaced

Continuing Cloud Peak Energy's commitment to preventative maintenance, the Spring Creek Mine replaced the tub on their 520 dragline in 2013. Through the procurement bidding process, Warfab was chosen as the contractor to assist the Spring Creek Mine and Cloud Peak Energy Rebuild Shop employees in the tub assembly. The team worked efficiently to assemble and install the new tub. The work area was designated as a confined space, and air quality was continuously checked with one employee using a gas monitor to ensure the safe working conditions for up to eight workers working in the area. After 58 days and 51,000 work hours, the Spring Creek Mine proudly accomplished the project safely with zero incidents and returned the dragline to production. The replacement provided a significant cost savings and prepared the 520 dragline for many more years of reliable service.

Pit 1 is Reopened after 12 Years

Last active in 2001, Pit 1 at the Spring Creek Mine was prepared for mining during 2013 after a successful LBA in 2007 added additional reserves. Cloud Peak Energy received the mining permit approval in 2011. The last time Pit 1 was active, pit advancement was closely approaching the limit of leased reserves in the area. Due to limited stripping equipment available at the time, operations moved to other areas of the mine. Once additional reserves were obtained through the leasing and permitting process, the engineering and environmental teams at the Spring Creek Mine worked diligently to reopen the pit. Approximately 40 feet of water had accumulated in the bottom of the pit after being idle for over ten years. In the summer of 2011, employees at the mine began dewatering the pit – a process that took more than a year to complete. In the spring of 2013, mining equipment returned to the area, first removing topsoil and truck and shovel pre-strip material. In October, the Spring Creek Mine employees successfully moved the dragline into Pit 1 to uncover the next cut of coal. After several challenges due to weather and geology, Pit 1 coal haulage resumed in November 2013. Thanks to the technological advancements in survey techniques and onboard GPS equipment Cloud Peak Energy installed in 2001, the mine was able to design and successfully execute a mine plan that met customer quality parameters while contributing to the Spring Creek Mine's total production.

Coal generated 39% of America's electricity in 2013.

Source: U.S. EIA

Youngs Creek Project

Youngs Creek Mining Co. LLC, acquired by Cloud Peak Energy in 2012, owns a permitted but undeveloped surface mine project in the northern PRB located in Wyoming, contiguous with the Wyoming-Montana state line. The Youngs Creek project is approximately seven miles south of our Spring Creek Mine, seven miles from the mainline railroad and near the potential Crow Big Metal project. Youngs Creek coal is similar in quality to that at our Spring Creek Mine but offers somewhat lower sodium levels. Youngs Creek, together with CX Ranch, which was also acquired as part of the same transaction in 2012, include approximately 38,800 acres of surface rights. This includes land extending north to our Spring Creek Mine and onto the Crow Indian Reservation to the west. Evaluations of development options are currently underway. Its proximity to the Spring Creek Mine and the potential Crow Big Metal project represent an opportunity to optimize our mine developments in the Northern PRB.

Crow Big Metal Project

In January 2013, we entered an Option Agreement and a corresponding Exploration Agreement with the Crow Tribe of Indians. These agreements were approved by the Bureau of Indian Affairs (part of the U.S. Department of the Interior) on June 14, 2013. This coal project is located on the Crow Indian Reservation in southeast Montana, near our Spring Creek Mine and Youngs Creek project. The Option and Exploration Agreements provide for exploration rights and exclusive options to lease three separate coal deposits on the Crow Indian Reservation. The coal in these deposits is similar quality to that of our Spring Creek Mine and offers lower sodium levels. We are beginning the exploration program and evaluating a number of development options for this project. As mentioned above, this project represents an opportunity to optimize our mine developments around the existing Spring Creek Mine.

1.3 billion people are currently without access to electricity. Without coal as part of the energy mix, these people will remain in energy poverty.

Source: Coal Association of Canada

Cloud Peak Energy focuses on building long-term relationships with customers through our reliable performance and commitment to customer service. We supply coal to approximately 76 electric utilities, both domestic and overseas. In 2013, our logistics business was the largest U.S. exporter of thermal coal into South Korea. Our businesses include both mine site sales from our three mines, primarily to domestic utility customers, and also delivered transactions where Cloud Peak Energy Logistics provides logistics and transportation services to domestic and international customers.

Delivered Sales to International Customers

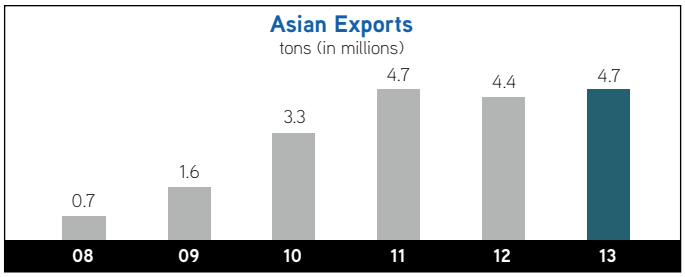
For the past seven years, Cloud Peak Energy's logistics business has been delivering coal primarily to Asian utility customers from the Spring Creek Mine. As part of our delivered transactions for our international customers, Cloud Peak Energy Logistics has entered into long-term rail and terminal contracts. The point of sale occurs when the coal is loaded into customer vessels at the ocean terminal. Our international customers generally pay the cost of ocean freight.

Export deliveries offer a good opportunity for Cloud Peak Energy to grow its business. An integral part of that strategy is increasing terminal capacity on the West Coast. The company continues to put significant effort into the Alliance for Northwest Jobs and Exports, and Count on Coal Montana, both of which promote the benefits of increasing exports, including coal and other bulk commodities.

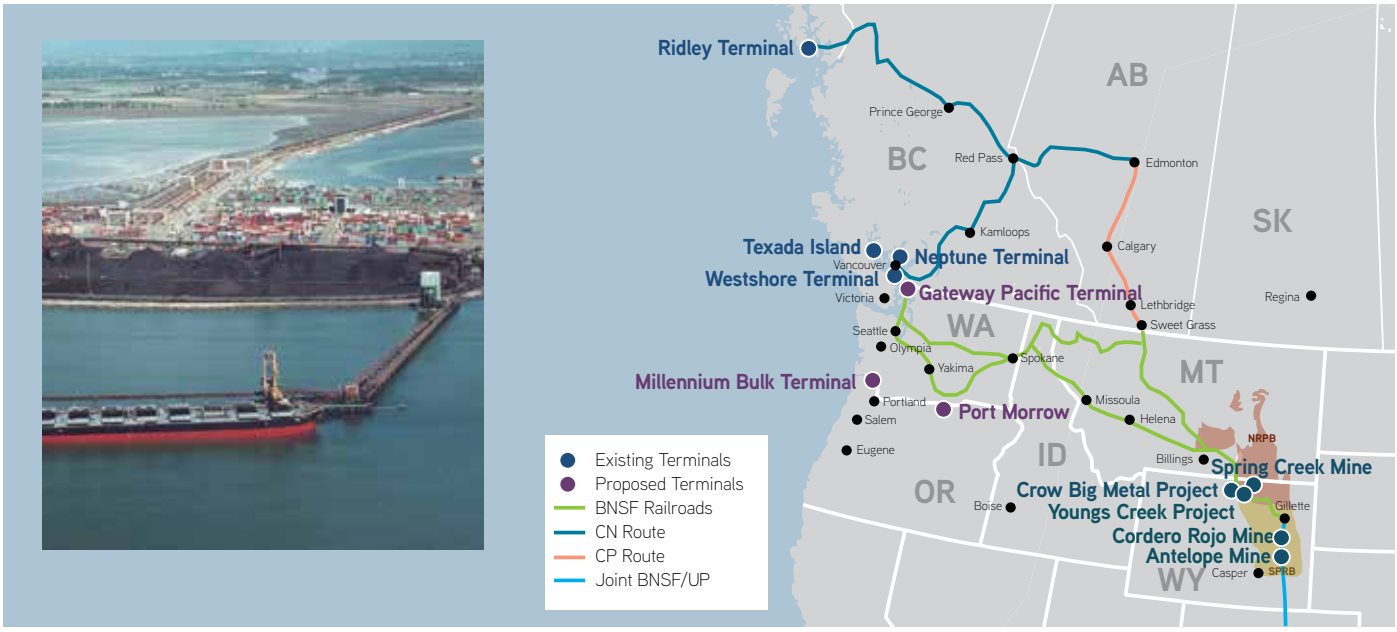
In February 2013, we announced a throughput option agreement with Stevedoring Services of America (SSA) Marine that provides Cloud Peak Energy with an option for up to 16 million tonnes of capacity per year through the planned dry bulk cargo Gateway Pacific Terminal at Cherry Point in the state of Washington. Gateway Pacific Terminal is being designed to allow the export of up to 48 million tonnes of coal annually and is currently undergoing a rigorous and uncertain permitting process. Cloud Peak Energy's potential share of capacity will depend upon the ultimate capacity of the terminal, with commercial operation currently estimated to commence no earlier than 2018.

Our option and exploration agreements with the Crow Tribe, the Youngs Creek acquisition and our agreement with SSA Marine provide multiple, long-term development options to meet anticipated Asian demand for our low sulfur coal. We will continue to focus on deliveries in British Columbia, Canada, through Westshore Terminals as we wait for additional terminal capacity to be developed.

The following table shows our historical delivered sales volumes to Asian export customers:



The following map represents existing and proposed terminals:



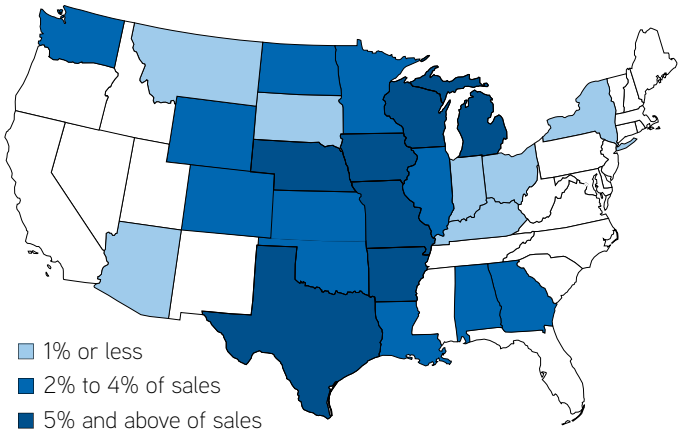
The John W. Turk, Jr., Power Plant in southwestern Arkansas, built in 2012 by American Electric Power, is the only operating U.S. power plant to use ultra-supercritical technology and is among the nation's cleanest, most efficient pulverized coal plants.

Sales to Domestic Customers

The majority of Cloud Peak Energy's domestic customers are electrical utilities, with coal supplied to over 100 individual power plants located primarily in the midwestern and south-central U.S. We also sell to industrial coal users and third party brokers. Our coal is typically sold on a mine-specific basis to utility customers through a request-for-proposal process. Transportation charges to move the coal from our mines to the power plants or factories where it is used is often the largest component of the customer's overall cost of using coal. Domestic coal sales are generally made on a free on board (FOB) basis at the mine or nearest loading facility, and the purchaser of the coal bears the transportation costs. Our mines are served by the BNSF and Union Pacific (UP) railways.

A majority of our coal is shipped to large and midsized generators who produce electricity in their respective regions. Due to the unique qualities of PRB coal, we also supply coal to a significant number of smaller industrial customers that produce and manufacture other products, such as cement, beet sugar, timber and other commodities.

The map below shows the destination of coal produced by our three owned and operated mines during 2013:



2013 Approach

The company believes that all injuries and occupational illnesses are preventable. This belief drives the proactive approach to preventing injuries and work-related illnesses as well as learning from incidents when they occur. The Cloud Peak Energy Health, Safety and Training group is responsible for developing and implementing specific health and safety strategies that guide the skills and behaviors needed to create a workplace free from injury and occupational illness. As part of this approach, Cloud Peak Energy adopts an annual Health and Safety Action Plan and continues to ensure that all leaders have defined health and safety goals in their personal performance plans.

2013 Health and Safety Highlights

Certifications: Cloud Peak Energy confirmed its commitment to excellence in mining safety by demonstrating continual improvement in the practices and procedures described in the Cloud Peak Energy Health, Safety and Environmental Management System (CPE HSE MS). Maintenance of our health and safety system is achieved in part through compliance with OHSAS 18001, an international standard of occupational health and safety management systems. Cloud Peak Energy was recertified on OHSAS 18001 for the eighth year through a third-party audit in 2013.

The coal mining industry supports more than 805,000 jobs.

Source: National Mining Association

Health and Safety Reporting: Cloud Peak Energy continued with the SharePoint-based Health, Safety and Environmental Management application that was implemented in 2012. Monthly safety statistics, incidents, risk assessments and management of change requests are shared across all sites utilizing the Cloud Peak Energy portal. This application was an important step in managing data in a system that advances Cloud Peak Energy's HSE analytical capabilities.

Managing Safety Performance: For the seventh straight year, Cloud Peak Energy's Managing Safety Performance™ workshop was used to train and develop leaders and make a sustainable improvement in the execution of safety leadership. The workshop teaches practical skills and techniques that leaders use to achieve the level of safety performance expected by the company.

Explore Wellness: Cloud Peak Energy believes in improving the health of its employees. We are committed to providing incentives, through a reduced medical insurance premium, to help employees cost-effectively manage their health care needs and those of their families, plus improve their overall wellness.

Cloud Peak Energy proactively promotes healthy lifestyles for our employees through our Explore Wellness program, which includes free wellness visits at any health care provider, wellness testing, confidential health risk assessments, and health advice and coaching from our wellness specialist. The program aims to help Cloud Peak Energy employees and families to commit to and sustain lifestyle changes that will result in healthier and happier lives.

CORESafety

Cloud Peak Energy, along with other members of the National Mining Association (NMA), committed to implementing a new workplace safety and health program called CORESafety. This is a scalable safety and health management system specifically designed for U.S. mining operations and is consistent with existing Cloud Peak Energy approaches. CORESafety provides a comprehensive pathway to achieve the goal by its members of eliminating fatalities and reducing the rate of mining injuries by 50 percent within five years.

COMMUNITIES

Local communities are vital to Cloud Peak Energy's mission and commitment to good corporate citizenship. We are proud to be active in the communities where our employees live and we conduct business. These communities include Douglas, Gillette and Sheridan, Wyoming; the Billings and Crow Tribal areas in Montana; and Broomfield, Colorado.

Community leadership, involvement and volunteerism by our employees are hallmarks of our commitment to good corporate citizenship. Cloud Peak Energy employees volunteer for numerous causes in various ways, from involvement in youth activities and serving on boards, to other worthwhile community endeavors.

Cloud Peak Energy values community involvement and utilizes a variety of means to serve our neighbors, such as: partnering with local community organizations, participation in outreach activities, encouraging employee volunteerism and through our matching gift and nonprofit grant programs. Below is a small sample of the programs Cloud Peak Energy supported throughout the past year.

Matching Gift Program

Cloud Peak Energy's matching gift program encourages and rewards employee support for local community organizations by matching their financial contributions dollar for dollar up to a certain level. In 2013, Cloud Peak Energy matched approximately $45,000 in employee charitable contributions to worthwhile organizations.

Club helps children realize their full potential by using evidence-based and locally developed programs to meet their priority goals of academic success, good character, leadership and healthy lifestyles. The mission of the Boys and Girls Club of Douglas is to inspire and enable all young people, especially those who need help most, to realize their full potential as productive, responsible and caring citizens.

WYOMING

Wyoming Community Foundation

The Wyoming Community Foundation (WCF) is helping small towns prosper in Wyoming. WCF is dedicated to gather, grow and grant charitable resources as an investment in Wyoming's people and communities. Their programs promote rural libraries, child development centers and self-sufficiency programs.

Douglas

Boys and Girls Club of Douglas

The Boys and Girls Club of Douglas makes a positive difference in the lives of youth by providing school and summer programs. The organization served nearly 400 students in 2013 and provides a number of programs that foster responsible, healthy and active young community citizens. The

In 2013, Cloud Peak Energy began a new ad campaign in Montana to further our message regarding coal and its contribution to the community and the economy.

"Cloud Peak Energy is an asset to the communities in which they operate and their employees live. Cloud Peak Energy has made a positive impact on nearly 400 youth in Douglas, Wyoming, through their support of the Boys & Girls Club of Douglas."

BOYS AND GIRLS CLUB OF DOUGLAS
AMY IRENE-SONESON, CHIEF PROFESSIONAL OFFICER

Gillette

Blessings in a Backpack

Cloud Peak Energy is proud to support the Campbell County Chapter of Blessings in a Backpack, a nonprofit organization providing food for elementary school children in need over the weekends during the school year. The Campbell County Chapter began in 2010 when organizer Tama Clapper, a Gillette resident, identified a need in area schools. Through her research, she discovered and formed a partnership with the national nonprofit organization Blessings in a Backpack. In 2013, the Gillette-based Blessings in a Backpack fed more than 600 children in Campbell County schools with many Cloud Peak Energy employees volunteering regularly to help fill backpacks. The program continues to be funded by local companies, organizations and community leaders as the need continues.

Sheridan

Sheridan Memorial Hospital Foundation

Cloud Peak Energy supported the Sheridan Memorial Hospital Foundation in 2013 through sponsorship for the annual Link – Partners in Pink Run/Walk. The event helps increase breast cancer

awareness and raises funds for the Sheridan Memorial Hospital Welch Cancer Center. The Foundation's mission is to cultivate community involvement and support the hospital's vision, "When people think of excellent health care, they think of Sheridan."

MONTANA

Billings Clinic Foundation

One focus area in Montana that Cloud Peak Energy chose to support was health care. Based in Billings, Montana, the Billings Clinic is a community-governed health care organization consisting of a multi-specialty physician group practice, a hospital and a skilled nursing and assisted living facility. Billings Clinic is a member of the Mayo Clinic Care Network and is the community's largest employer serving patients in Montana, Wyoming and the Western Dakotas. In 2013, Cloud Peak Energy supported the Billings Clinic Foundation through the Billings Clinic Classic to raise money for the expansion and renovation of the hospital operating rooms.

Crow Indian Reservation

Native Days and Crow Fair

In 2013, Cloud Peak Energy supported tribal cultural traditions through our sponsorship of Crow Native Days and Crow Fair. These

"We are so thankful for our loyal sponsors, such as Cloud Peak Energy, who partner with us to invest in the health of our region. Because of our generous supporters, we are able to maintain the stability of our superior programs and provide comfort to thousands of patients and their families. These gifts transform lives and give hope."

BILLINGS CLINIC FOUNDATION
AMBERLY PAHUT, SENIOR DEVELOPMENT DIRECTOR

annual celebrations, in June and August, respectively, are a focal point for Crow culture and heritage. Cloud Peak Energy was proud to sponsor and take part in the Native Days youth trail ride, which emphasized efforts to deter substance abuse, and other events.

COLORADO

A Precious Child

A Precious Child is a nonprofit organization whose mission is to make a positive impact in the lives of disadvantaged and displaced children in Colorado. The group works to improve the children's quality of life through its numerous programs. In 2013, Cloud Peak Energy supported the Fill a Backpack and A Precious Gift programs. The Fill a Backpack program ensures that children have the needed school supplies to start the year prepared to succeed. Cloud Peak Energy employees volunteered to fill backpacks and the company provided funding.

"Cloud Peak Energy has gone above and beyond with their support for children in need in Colorado. With a very generous donation through our Fill A Backpack program, Cloud Peak Energy ensured that many children in need went to the first day of school with backpacks filled with age-appropriate school supplies. Cloud Peak Energy also participated in our seasonal holiday giving program and sponsored 40 children to make sure they had gifts so that they could celebrate the holidays despite the difficulties their families were facing. Our partnership with Cloud Peak Energy impacted hundreds of local children in need, and we look forward to continue to partner with this amazing group in 2014 and beyond!"

A PRECIOUS CHILD, BROOMFIELD, COLORADO
COURTNEY ROGERS, DIRECTOR OF PROGRAMS

Cloud Peak Energy partners with a variety of organizations in each of our communities. Here are some of the organizations we supported in 2013:

Wyoming-Wide

- Wyoming Congressional Award
- University of Wyoming School of Energy Project Fund
- Susan G. Komen – Cheyenne
- Volunteers of America Northern Rockies
- SERVE Wyoming
- Audubon Wyoming

Douglas

- Douglas Chamber of Commerce and CANDO
- Douglas Intermediate School – Too Good For Drugs
- Helping Hands
- Bobbi's House, Inc
- Wyoming State Fair
- Wyoming Pioneer Museum
- Douglas Senior Center

Gillette

- YES House Foundation
- Gillette Senior Center
- SkillsUSA
- Campbell County Healthcare Foundation
- United Way of Campbell County
- Gillette College Foundation

Sheridan

- Sheridan County Chamber of Commerce
- YMCA
- Joey's Fly Fishing Foundation
- Advocacy and Resource Center
- Sheridan Senior Center
- Sheridan Recreation District

Billings and the State of Montana

- Interfaith Hospitality Network
- Billings Chamber of Commerce
- MSU Billings
- Chase Hawks Memorial Association
- YWCA
- Children and Family Services, Inc.
- Billings Clinic Foundation

Crow Agency, Montana

- Crow Fair
- Crow Coal Summit
- Senior Center
- Head Start
- Meals for Tribal Elders

Colorado

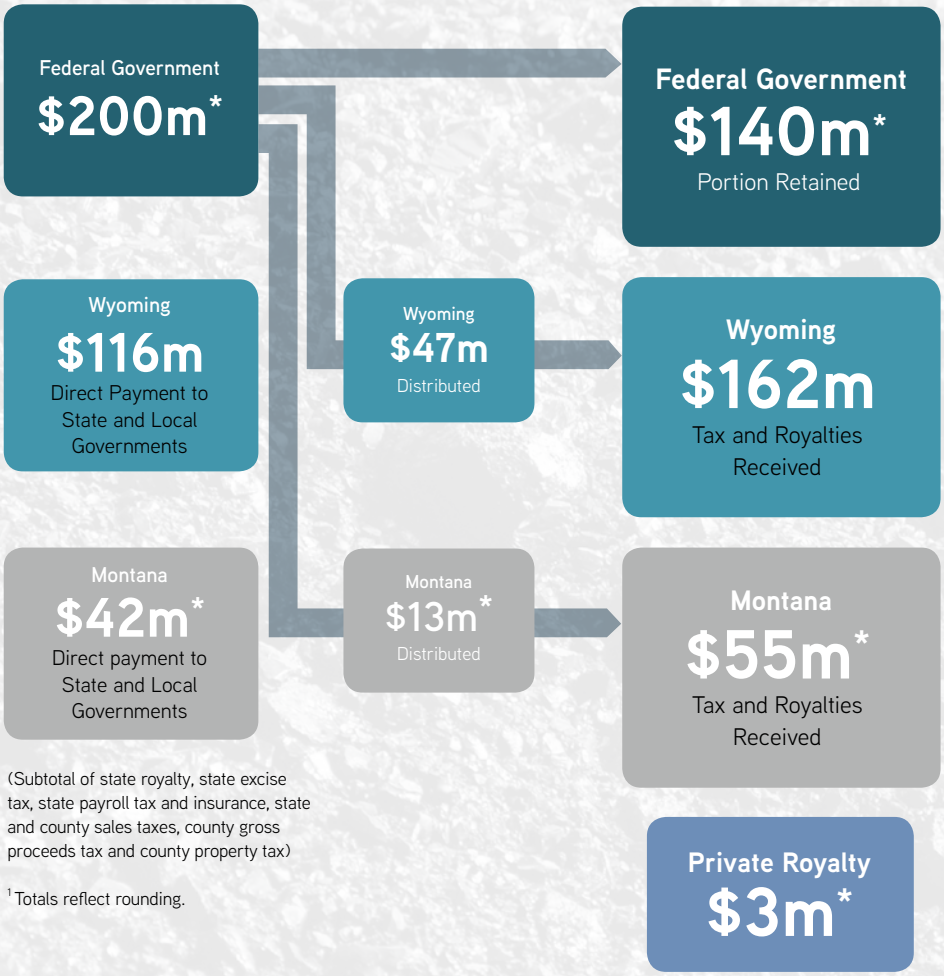
- American Red Cross and Foothills United Way
- Community Services of Broomfield – FISH Program
- Via Mobility Services
- YMCA of Boulder Valley

BROAD-BASED ECONOMIC CONTRIBUTIONS

2013 Taxes and Royalties Paid by Cloud Peak Energy[1]

The following is a brief breakdown of payment categories for 2013 federal and state royalties and taxes paid on coal production and sales (excludes income and other tax).

(Subtotal of black lung excise tax, abandoned mine reclamation fee, federal payroll tax and insurance and 51 percent of federal royalty)



(Subtotal of state royalty, state excise tax, state payroll tax and insurance, state and county sales taxes, county gross proceeds tax and county property tax)

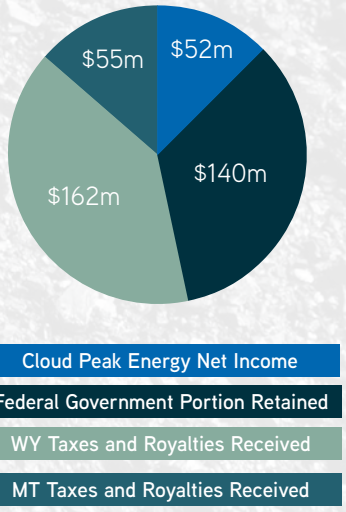
[1] Totals reflect rounding.

2013 Total Tax and Royalties Paid by Cloud Peak Energy

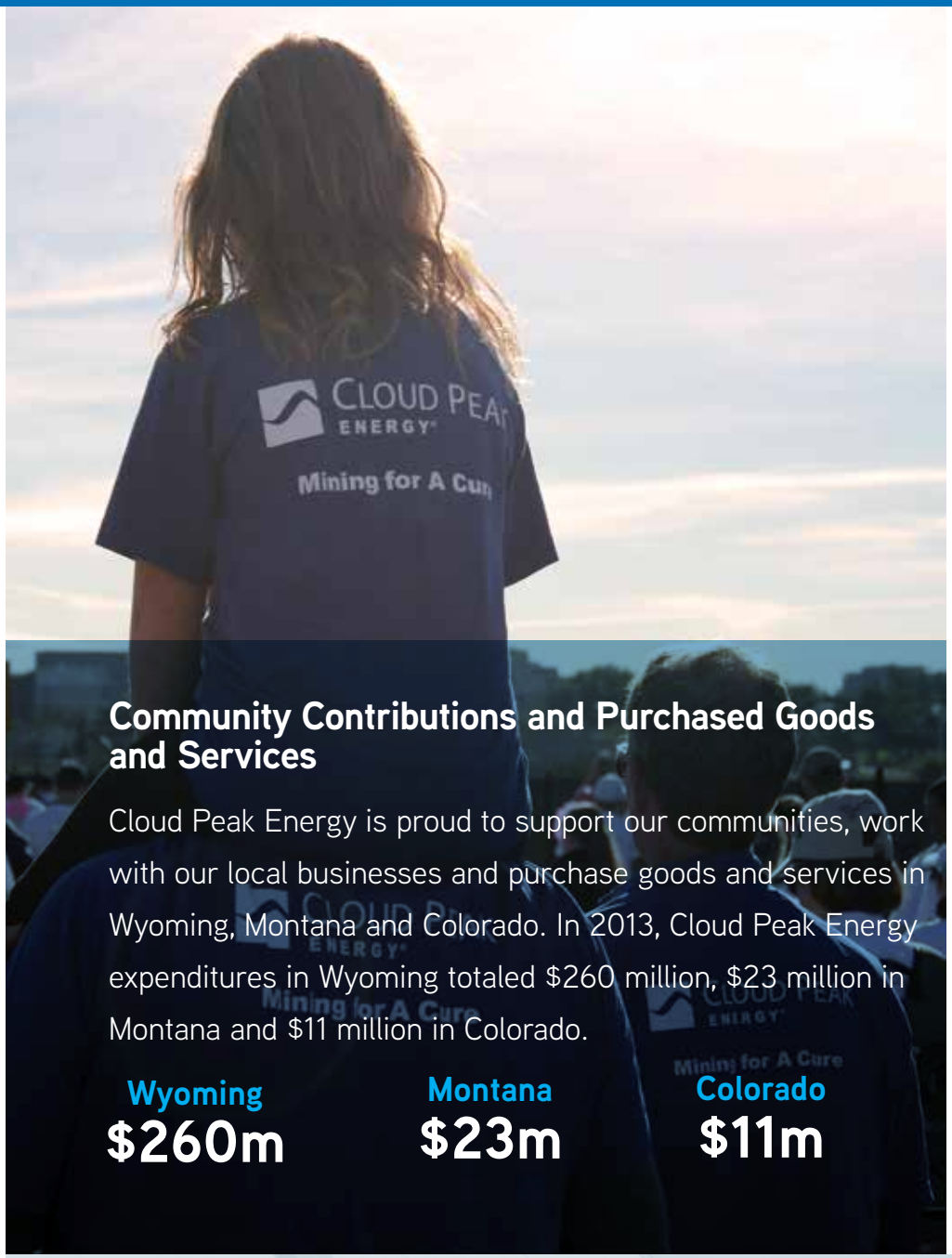
$360m*

Note: These amounts represent accrued taxes and royalties payable on 2013 operations. This differs from amounts actually paid during 2013, which would have included payments for operations in 2011 through 2013. No federal coal lease payments are included in the above amounts.

* Includes 50 percent nonoperating interest in Decker Mine.



Cloud Peak Energy provides significant contributions to U.S., state and local economies, largely impacting Wyoming and Montana. From taxes and royalties paid, to community contributions and goods and services purchased, the company is committed to making our communities a better place to live, work and raise a family.



Community Contributions and Purchased Goods and Services

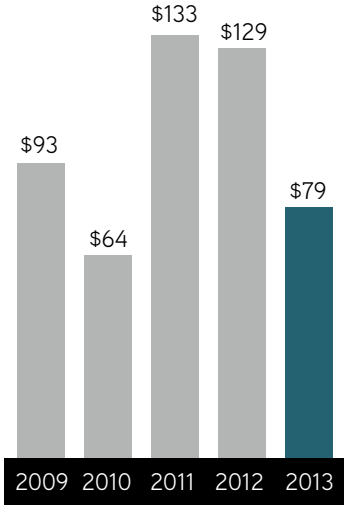
Cloud Peak Energy is proud to support our communities, work with our local businesses and purchase goods and services in Wyoming, Montana and Colorado. In 2013, Cloud Peak Energy expenditures in Wyoming totaled $260 million, $23 million in Montana and $11 million in Colorado.

Wyoming
$260m

Montana
$23m

Colorado
$11m

Federal Coal Lease Payments Made
(in millions)



Committed Future Federal Lease Payments
(in millions)

Crow Tribe of Indians (MT)
$3.75m
Lease Option Payments

"Coal is the largest source of electricity in America and Wyoming proudly produces 40% of the nation's coal. The importance of this industry to the country cannot be overstated. Here in Wyoming, coal has paid for the construction of our new schools, greatly benefiting our education system and local communities."

Wyoming Governor Matt Mead as stated in his news release on Wyoming marking its ten billionth ton of coal mining milestone.

GOVERNMENT AFFAIRS

Wyoming receives over $1 billion annually in revenue from taxes, royalties and fees from coal mining.

Source: Wyoming Mining Association

Coal production is subject to extensive local, state and federal regulations, covering air, land and water quality, wildlife habitat restoration, financial reporting and environmental bonding as well as many other parts of our business. The government affairs team represents the company before appropriate government regulatory bodies and elected officials, providing timely and accurate information to educate and inform decision makers. Cloud Peak Energy actively works with state regulatory and oversight agencies, legislatures and the administrative branches in Wyoming and Montana, along with industry coalitions in major coal consuming states. The company also actively works to promote balanced energy policies at the federal level.

Cloud Peak Energy has taken a leadership role in a number of state, regional and national trade associations such as: the National Mining Association, the National Association of Manufacturers, Rocky Mountain Coal Mining Institute, Western Business Roundtable, Coal Utilization Research Council, Montana Coal Council, Wyoming Mining Association, Balanced Energy Texas and Balanced Energy Arkansas. The government affairs team is also active in promoting activities critical to growing our business, such as the development of additional export terminals in Washington state and Canada. To this end, the company is a member of the Alliance for Northwest Jobs and Exports and Count on Coal Montana. The government affairs team also informs Cloud Peak Energy employees about government proposals and the views of different elected officials that could impact the coal industry, utilizing resources such as vote histories, legislative summaries and the Mine the Vote database to share this information.

Our Government Affairs team also focuses on building relationships with key third party, non-mining industry specific organizations and opinion leaders. These partnerships help to ensure a greater breadth of literacy of, and support for, those issues important to our business.

Cloud Peak Energy has seven internal environmental standards to assist us in protecting air, land and water resources and to achieve our regulatory requirements. These standards cover: acid rock drainage, air quality, closure management, greenhouse gas, hazardous waste, reclamation and water use and quality. Each standard outlines the principles the company follows in carrying out specific programs in these areas.

The commitment to compliance with these environmental standards forms a foundation to develop programs that often exceed regulatory requirements. We also strive for continual improvement in our environmental programs. An independent audit conducted in 2013 highlighted a number of commendations and examples of exceptional environmental performance, such as bird habitat restoration, including use of snags as natural perches, power line exclusion techniques and construction of nesting platforms.

Environmental Performance

We strive to innovate and make changes to our business that improves efficiency. Implementation of these new practices often brings significant reductions in energy use and emission of greenhouse gases. We capture the benefit of these improvements by setting and tracking related energy and greenhouse gas reduction targets. The 2013 mine site projects that captured these benefits include:

- Reuse of waste oil in blasting, which recovers the energy value of this by-product and reduces the amount of diesel that would be used in the blasting process
- Modifications to a truck dump to reduce plugging and increase coal throughput. This project reduced diesel fuel consumption by reducing the frequency of haul trucks needing to be diverted to alternative dump locations
- Retrofitting mine site drills with newly developed innovative air compressor cutoff hardware. These systems automatically shut down the compressors when they are not needed to circulate drill cuttings, thereby reducing fuel and emissions from the drills

Emphasis on the quality and progress of reclamation continues to be a priority with strong management support and aggressive reclamation targets. Reclamation and associated performance bonds continue to be closely monitored and, in recent years, additional emphasis has been placed on seeking bond release of reclaimed lands.

The following are fundamental components toward meeting our goals, improving our practices and remaining compliant with our standards.

Auditing and Monitoring

Cloud Peak Energy mine sites continue to be audited annually, both internally and externally, with the goal of ensuring our performance meets and, ideally, exceeds regulatory requirements, internal Cloud Peak Energy environmental standards and our commitments under ISO 14001. The latter is an international standard of environmental management systems focused on continual improvement. The Cloud Peak Energy management team reviews environmental performance and the company's progress in meeting environmental targets on a regular basis. An annual system review is conducted and presented to senior management to help ensure our policies remain appropriate and continue to provide the necessary framework for achieving environmental objectives.

During 2013, we continued to use a rigorous internal review process to address compliance with all environmental regulations. This review process is regularly assessed to ensure we are keeping abreast of changing regulatory requirements. We also continued to use the computer-based Health, Safety and Environmental (HSE) management application that was deployed in 2012 across the business. This application facilitates our management of change process, incident reporting and tracking, risk assessment and auditing programs. We are currently in the process of evaluating enhancements that will allow for more efficient updating and reporting processes for all HSE management areas.

Incident Management

Cloud Peak Energy is committed to complying with the regulations, as well as the licensing and permitting requirements that govern our business activities. During 2013, we proactively placed a strong focus on procedures for reducing and containing fuel spills on our properties. We are pleased to report that spills were minimized in 2013, and no material escaped the confines of designed containment controls.

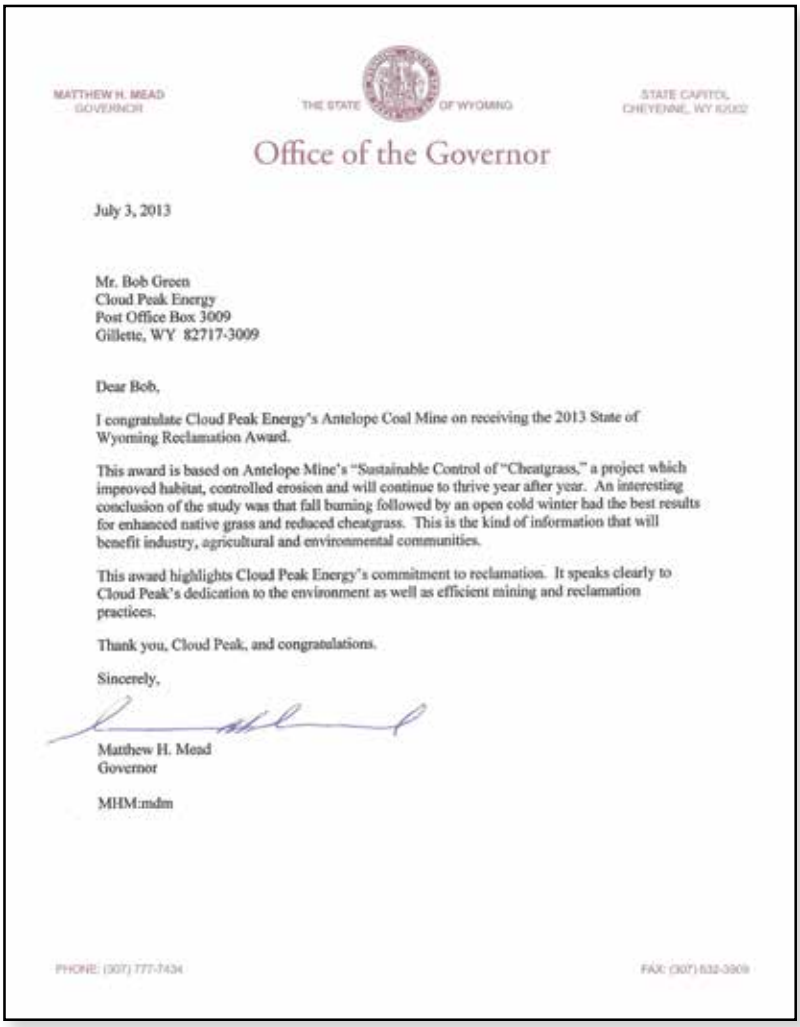
Environmental Awards

Cloud Peak Energy has received numerous state and national environmental awards. In 2013, the company's Antelope Mine received the State of Wyoming Reclamation Award from the Wyoming Department of Environmental Quality, Land Quality Division. The reclamation efforts at the Antelope Mine demonstrate Cloud Peak Energy's voluntary commitment to enhance the science of reclamation and improve biodiversity. To read more about the State of Wyoming Reclamation Award, refer to page 8 in this report.

Biodiversity

Cloud Peak Energy operations maintain extensive biologic databases for each of our sites as well as areas surrounding our permitted properties. Data is collected throughout the year and added to the considerable information from prior baseline studies. Information in the database, together with site work carried out by environmental staff at each mine, provides a deep understanding of the ecosystems and species at each of our mining operations. The mines use this information to develop and refine detailed reclamation and conservation plans that focus on site-specific habitat establishment in the post-mine landscape. Practical applications of this approach include:

- Advanced monitoring and mitigation measures



MATTHEW H. MEAD
GOVERNOR

THE STATE OF WYOMING

STATE CAPITOL
CHEYENNE, WY 82002

Office of the Governor

July 3, 2013

Mr. Bob Green
Cloud Peak Energy
Post Office Box 3009
Gillette, WY 82717-3009

Dear Bob,

I congratulate Cloud Peak Energy's Antelope Coal Mine on receiving the 2013 State of Wyoming Reclamation Award.

This award is based on Antelope Mine's "Sustainable Control of "Cheatgrass," a project which impeoved habitat, controlled erosion and will continue to thrive year after year. An interesting conclusion of the study was that fall burning followed by an open cold winter had the best results for enhanced native grass and reduced cheatgrass. This is the kind of information that will benefit industry, agricultural and environmental communities.

This award highlights Cloud Peak Energy's commitment to reclamation. It speaks clearly to Cloud Peak's dedication to the environment as well as efficient mining and reclamation practices.

Thank you, Cloud Peak, and congratulations.

Sincerely,

Matthew H. Mead
Governor

MHM:mdm

PHONE: (307) 777-7434

FAX: (307) 632-3909

- Innovative reclamation techniques that have created effective weed control methods
- Unique vegetation substrates and quality wildlife habitat on reclamation
- Wetland development
- Shrub establishment in reclamation
- Establishment of landscape-based topographic and habitat diversity in reclamation

Whenever possible, Cloud Peak Energy welcomes opportunities to share information and methodology within the industry and with the regulatory community. Additionally, Cloud Peak Energy seeks out opportunities to collaborate in biodiversity efforts off the mine site.

Cloud Peak Energy continued cooperative efforts with the Thunder Basin Grassland Prairie Ecosystem Association in the development of greater sage-grouse conservation strategies specifically designed for the PRB. We have continued to partner with the Association in sagebrush mapping and radio-tracking individual greater sage-grouse to better understand their unique habitat needs.

Land Use

The company focuses on setting maximum practical reclamation targets encouraging topsoiling and/or seeding disturbed lands as quickly as possible after mining is complete. Land disturbed by mining is continuously reclaimed in sequences concurrent with mining activities (also known as contemporaneous reclamation). The annual reclamation targets are determined on a site-specific basis for each mine according to the site mine plan and with a goal of maximizing the acreage of high quality reclamation. Development of site-specific reclamation plans encourages improvements in reclamation rate while accounting for site operational considerations. See page 5 for the reclamation targets and results.

Waste Management

Waste minimization programs continue to reduce the volume of hazardous waste generated by our operations. All of Cloud Peak Energy's sites are in the lowest EPA generator classes – Small Quantity Generator or less. A combination of controls is utilized to minimize, and eliminate where possible, hazardous waste on the sites. These controls include:

- Contract management and preapproval processes for any proposed material purchases to minimize the introduction of new or additive waste streams
- Substitution of nonhazardous products or procedures and/or engineering controls to reduce and control waste streams

- Recycling wastes, such as steel and large equipment tires, batteries, used oil, cardboard, paper and aluminum, among others

Long-Term Reclamation Approach: Sequatchie Valley Coal

Cloud Peak Energy owns a reclaimed coal mine site, Sequatchie Valley Coal Company, located near Dunlap, Tennessee. We also own approximately 4,200 acres of surrounding surface lands which complement the reclaimed mine areas. The site was in the process of being reclaimed when it was acquired, and it subsequently demonstrated acid rock drainage issues. Even though Cloud Peak Energy did not operate the site, we have completed full reclamation of the disturbance, and we employ state-of-the-art treatment technologies to address the drainage. In 2013, the focus continued to be on implementation of the site mitigation plan. This involved a number of enhancements to treatment structures and corresponding improvements in water quality. The site remains in compliance with all discharge standards. Efforts were also initiated in 2013 to divert off-site runoff around the site, resulting in lower treatment volumes and a reduction in associated treatment costs. Cloud Peak Energy is evaluating both short-term and long-term management of the site's resources. This includes timber harvesting and potential alternative land utilization opportunities under consideration that could add value to Sequatchie Valley Coal reclamation and surrounding lands. This work and continued site compliance are coordinated through the Tennessee Department of Environment and Conservation and the Office of Surface Mining.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(in thousands, except per share data)	December 31, 2013	2012	2011
Revenue	$ 1,396,097	$ 1,516,772	$ 1,553,661
Costs and expenses			
Cost of product sold (exclusive of depreciation, depletion, amortization and accretion, shown separately)	1,136,318	1,132,399	1,151,117
Depreciation and depletion	100,523	94,575	87,127
Accretion	15,342	13,189	12,469
Derivative financial instruments	(25,611)	(22,754)	(2,275)
Selling, general and administrative expenses	53,066	54,548	51,061
Other operating costs	4,077	2,949	1,419
Total costs and expenses	1,283,715	1,274,906	1,300,918
Operating income	112,382	241,866	252,743
Other income (expense)			
Interest income	440	1,086	592
Interest expense	(41,665)	(36,327)	(33,866)
Tax agreement benefit (expense)	(10,515)	29,000	(19,854)
Other, net	2,423	(847)	(170)
Total other expense	(49,317)	(7,088)	(53,298)
Income before income tax provision and earnings from unconsolidated affiliates	63,065	234,778	199,445
Income tax expense	(11,629)	(62,614)	(11,449)
Earnings from unconsolidated affiliates, net of tax	535	1,556	1,801
Net income	51,971	173,720	189,797
Other comprehensive income (loss)			
Retiree medical plan amortization of prior service costs	1,775	1,575	1,305
Retiree medical plan adjustment	10,824	(4,665)	(5,602)
Decker pension adjustments	3,199	204	(1,885)
Income tax on retiree medical plan and pension adjustments	(5,616)	1,039	2,226
Other comprehensive income (loss)	10,182	(1,847)	(3,956)
Total comprehensive income	$ 62,153	$ 171,873	$ 185,841
Earnings per common share:			
Basic	$ 0.86	$ 2.89	$ 3.16
Diluted	$ 0.85	$ 2.85	$ 3.13
Weighted-average shares outstanding - basic	$ 60,652	$ 60,093	$ 60,004
Weighted-average shares outstanding - diluted	$ 61,161	$ 60,927	$ 60,637

CONSOLIDATED BALANCE SHEETS

(in thousands)	December 31, 2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 231,633	$ 197,691
Investments in marketable securities	80,687	80,341
Accounts receivable	74,068	76,117
Due from related parties	742	1,561
Inventories, net	80,144	81,675
Deferred income taxes	18,326	28,112
Derivative financial instruments	26,420	13,785
Other assets	19,541	16,513
Total current assets	531,561	495,795
Noncurrent assets		
Property, plant and equipment, net	1,654,014	1,678,294
Goodwill	35,634	35,634
Deferred income taxes	91,361	101,075
Other assets	44,855	40,525
Total assets	$ 2,357,425	$ 2,351,323
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 59,046	$ 49,589
Royalties and production taxes	131,917	129,351
Accrued expenses	41,463	50,364
Current portion of tax agreement liability	13,504	19,485
Current portion of federal coal lease obligations	58,958	63,191
Other liabilities	2,513	2,770
Total current liabilities	307,401	314,750
Noncurrent liabilities		
Tax agreement liability, net of current portion	90,091	97,053
Senior notes	596,974	596,506
Federal coal lease obligations, net of current portion	63,970	122,928
Asset retirement obligations, net of current portion	246,081	238,991
Other liabilities	50,859	50,073
Total liabilities	1,355,376	1,420,301
Commitments and Contingencies (Note 16)		
Equity		
Common stock ($0.01 par value; 200,000 shares authorized; 61,296 and 61,114 issued and 60,896 and 60,839 outstanding at December 31, 2013 and 2012, respectively)	609	608
Treasury stock 400 shares and 373 shares at December 31, 2013 and 2012, respectively)	(5,667)	(5,390)
Additional paid-in capital	559,602	550,452
Retained earnings	457,784	405,813
Accumulated other comprehensive loss	(10,279)	(20,461)
Total equity	1,002,049	931,022
Total liabilities and equity	$ 2,357,425	$ 2,351,323

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	December 31, 2013	2012	2011
Cash flows from operating activities			
Net income	$ 51,971	$ 173,720	$ 189,797
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and depletion	100,523	94,575	87,127
Accretion	15,342	13,189	12,469
Earnings from unconsolidated affiliates	(535)	(1,556)	(1,801)
Distributions of income from unconsolidated affiliates	2,000	1,023	5,250
Deferred income taxes	13,860	42,210	(11,224)
Tax agreement (benefit) expense	10,515	(29,000)	19,854
Stock compensation expense	8,016	11,796	8,796
Mark-to-market gains	(25,611)	(22,754)	(2,275)
Other	12,256	11,795	11,506
Changes in operating assets and liabilities:			
Accounts receivable	1,874	18,632	(30,074)
Inventories, net	1,709	(9,077)	(6,452)
Due to or from related parties	819	(1,090)	(37)
Other assets	(3,981)	(4,486)	4,436
Accounts payable and accrued expenses	3,540	(32,137)	26,327
Tax agreement liability	(23,459)	(25,097)	(9,409)
Asset retirement obligations	(1,075)	(5,632)	(7,506)
Settlement of derivatives	12,976	11,244	—
Net cash provided by operating activities	180,740	247,355	296,784
Investing activities			
Acquisitions of Youngs Creek and CX Ranch coal and land assets	—	(300,377)	—
Purchases of property, plant and equipment	(46,780)	(53,550)	(108,733)
Cash paid for capitalized interest	(33,230)	(50,119)	(33,989)
Investments in marketable securities	(64,357)	(67,576)	(75,228)
Maturity and redemption of investments	64,011	62,463	—
Investment in development projects	(6,247)	(7,389)	—
Initial payment on federal coal leases	—	—	(69,407)
Return of restricted cash	—	71,244	110,972
Partnership escrow deposit	—	(4,470)	—
Partnership escrow return	4,468	—	—
Other	117	1,909	713
Net cash used in investing activities	(82,018)	(347,865)	(175,672)
Financing activities			
Principal payments on federal coal leases	(63,191)	(102,198)	(54,630)
Payment of deferred financing fees	(1,039)	—	—
Proceeds from issuance of common stock	—	65	—
Other	(550)	(3,906)	(2,343)
Net cash used in financing activities	(64,780)	(106,039)	(56,973)
Net increase (decrease) in cash and cash equivalents	33,942	(206,549)	64,139
Cash and cash equivalents at beginning of period	197,691	404,240	340,101
Cash and cash equivalents at end of period	$ 231,633	$ 197,691	$ 404,240
Supplemental cash flow disclosures:			
Interest paid	$ 69,478	$ 84,201	$ 62,792
Income taxes paid, net	$ 11,419	$ 27,017	$ 6,161
Supplemental noncash investing and financing activities:			
Non-cash interest capitalized	$ 3,994	$ 7,845	$ 16,092
Capital expenditures included in accounts payable	$ 1,957	$ 4,579	$ 10,893
Assets acquired under capital leases	$ 10,222	$ —	$ —
Obligations to acquire federal coal leases and other mineral rights	$ —	$ —	$ 224,658

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA

(in millions)	2013	2012	2011	2010	2009
	Year Ended December 31,				
Net income	$ 52.0	$ 173.7	$ 189.8	$ 117.2	$ *
Income from continuing operations	*	*	*	*	182.5
Interest income	(0.4)	(1.1)	(0.6)	(0.6)	(0.3)
Interest expense	41.7	36.3	33.9	46.9	6.0
Income tax expense	11.6	62.6	11.4	32.0	68.2
Depreciation and depletion	100.5	94.6	87.1	100.0	97.9
Amortization	—	—	—	3.2	28.7
Accretion	15.3	13.2	12.5	12.5	12.6
EBITDA	220.7	379.3	334.1	311.3	395.6
Tax agreement expense (benefit) [1]	10.5	(29.0)	19.9	19.7	—
Derivative financial instruments:					
Exclusion of fair value mark-to-market losses (gains) [2]	(25.6)	(22.8)	(2.3)	—	—
Inclusion of cash amounts received [3]	13.0	11.2	—	—	—
Total derivative financial instruments	(12.6)	(11.5)	(2.3)	—	—
Expired significant broker contract	—	—	—	(8.2)	(75.0)
Adjusted EBITDA	$ 218.6	$ 338.8	$ 351.7	$ 322.7	$ 320.6

* For 2009, Cloud Peak Energy Inc. reported discontinued operations. Accordingly, net income from continuing operations is the comparable U.S. GAAP financial measure for Adjusted EBITDA for this period.
[1] Changes to related deferred taxes are included in income tax expense.
[2] Derivative fair value mark-to-market (gains) losses reflected on the statement of operations.
[3] Derivative cash gains and losses reflected within operating cash flows.

Cautionary Note Regarding Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are not statements of historical facts, and often contain words such as "may," "will," "expect," "believe," "anticipate," "plan," "estimate," "seek," "could," "should," "intend," "potential," or words of similar meaning. Forward-looking statements are based on management's current expectations, beliefs, assumptions and estimates regarding our company, industry, economic conditions, government regulations, energy policies and other factors. These statements are subject to significant risks, uncertainties and assumptions that are difficult to predict and could cause actual results to differ materially and adversely from those expressed or implied in the forward-looking statements. For a description of some of the risks and uncertainties that may adversely affect our future results, refer to the risk factors described from time to time in the reports and registration statements we file with the Securities and Exchange Commission, including those in Item 1A "Risk Factors" of our most recent Form 10-K and any updates thereto in our Forms 10-Q and current reports on Forms 8-K. There may be other risks and uncertainties that are not currently known to us or that we currently believe are not material. We make forward-looking statements based on currently available information, and we assume no obligation to, and expressly disclaim any obligation to, update or revise publicly any forward-looking statements made in this report, whether as a result of new information, future events or otherwise, except as required by law.

Non-GAAP Financial Measures

This report includes the non-GAAP financial measure of Adjusted EBITDA. Adjusted EBITDA is intended to provide additional information only and does not have any standard meaning prescribed by generally accepted accounting principles in the U.S. ("GAAP"). A quantitative reconciliation of historical net income or net income from continuing operations (as applicable) to Adjusted EBITDA is found in the tables included in this report. EBITDA represents net income or net income from continuing operations (as applicable) before (1) interest income (expense) net, (2) income tax provision, (3) depreciation and depletion, (4) amortization, and (5) accretion. Adjusted EBITDA represents EBITDA as further adjusted to exclude specifically identified items that management believes do not directly reflect our core operations. The specifically identified items are the impacts, as applicable, of: (1) the updates to the tax agreement liability, including tax impacts of our 2009 initial public offering and 2010 secondary offering, (2) adjustments for derivative financial instruments including mark-to-market amounts and cash settlements realized, and (3) our significant broker contract that expired in the first quarter of 2010. Because of the inherent uncertainty related to the items identified above, management does not believe it is able to provide a meaningful forecast of the comparable GAAP measures or a reconciliation to any forecasted GAAP measures.

Adjusted EBITDA is an additional tool intended to assist our management in comparing our performance on a consistent basis for purposes of business decision-making by removing the impact of certain items that management believes do not directly reflect our core operations. Adjusted EBITDA is a metric intended to assist management in evaluating operating performance, comparing performance across periods, planning and forecasting future business operations and helping determine levels of operating and capital investments. Period-to-period comparisons of Adjusted EBITDA are intended to help our management identify and assess additional trends potentially impacting our company that may not be shown solely by period-to-period comparisons of net income, income from continuing operations, or other GAAP financial measures. Our chief operating decision maker uses Adjusted EBITDA as a measure of segment performance. Adjusted EBITDA is also used as part of our incentive compensation program for our executive officers and others.

We believe Adjusted EBITDA is also useful to investors, analysts and other external users of our consolidated financial statements in evaluating our operating performance from period to period and comparing our performance to similar operating results of other relevant companies. Adjusted EBITDA allows investors to measure a company's operating performance without regard to items such as interest expense, taxes, depreciation and depletion, amortization and accretion and other specifically identified items that are not considered to directly reflect our core operations.

Our management recognizes that using Adjusted EBITDA as a performance measure has inherent limitations as compared to net income, income from continuing operations or other GAAP financial measures, as this non-GAAP measure excludes certain items, including items that are recurring in nature, which may be meaningful to investors. Adjusted EBITDA should not be considered in isolation and does not purport to be an alternative to net income, income from continuing operations or other GAAP financial measures as a measure of our operating performance. Because not all companies use identical calculations, our presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies. Moreover, our presentation of Adjusted EBITDA is different than EBITDA as defined in our debt financing agreements.

Transfer Agent Information

Cloud Peak Energy's stock transfer agent, Computershare Trust Company, N.A., can be reached at:

The Transfer Agency
By Mail:
Computershare Trust Company, N.A.
P.O. Box 30170
College Station, TX 77842-3170
United States of America

By Overnight Delivery:
Computershare Trust Company, N.A.
211 Quality Circle, Suite 210
College Station, TX 77845
United States of America

Corporate Website:
www.computershare.com

Board of Directors

Keith Bailey, Chairman of the Board
Patrick Condon, Director
William Fox III, Director
Colin Marshall, President, CEO and Director
Steven Nance, Director
William Owens, Director
James Voorhees, Director

Company Management

Colin Marshall, President and Chief Executive Officer
Michael Barrett, Executive Vice President and Chief Financial Officer
Gary Rivenes, Executive Vice President and Chief Operating Officer
Bruce Jones, Senior Vice President, Technical Services
Cary Martin, Senior Vice President, Human Resources
Todd Myers, Senior Vice President, Business Development
Jim Orchard, Senior Vice President, Marketing and Government Affairs
Bryan Pechersky, Senior Vice President, General Counsel and Corporate Secretary

CLOUD PEAK ENERGY®

Corporate Headquarters:
505 South Gillette Ave (82716)
PO Box 3009
Gillette, WY 82717
Phone: 307.687.6000
Website: www.cloudpeakenergy.com

FSC logo

FPO