



CLOUD PEAK ENERGY INC.  
CLOUD PEAK ENERGY RESOURCES LLC

## **CODE OF CONDUCT**

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This Code of Conduct applies to Cloud Peak Energy Inc., Cloud Peak Energy Resources LLC and each of its subsidiaries, which are collectively referred to as the “Company” or “Cloud Peak”. Although it is not intended to cover every situation or circumstance that may arise, it is designed as a general guideline for employees. This Code of Conduct should not be viewed as a list of “do’s and don’ts”, but instead a standard of good behavior for all employees.

**THIS CODE OF CONDUCT IS NOT A CONTRACT OF EMPLOYMENT AND DOES NOT CREATE ANY CONTRACTUAL RIGHTS.** It also does not fully reflect all Company policies. These guidelines and policies may vary and the Company may change them in its sole discretion, without notice.

# **A Message from the Chief Executive Officer**

Dear Colleague,

Cloud Peak's business success largely depends on our reputation for acting responsibly and fulfilling our commitment to work ethically and safely.

Actions speak louder than words. The behavior of each and every one of us will influence how well we perform and how the world views our company. This Code of Conduct is our conscience. Our conduct will bring about a success that we can all be proud to share – and one that everyone notices.

By working according to our core values, we will help sustain our long term business success by encouraging more effective relationships with our stakeholders and becoming a safe and ethical member of our communities.

Please take time to read and understand this Code and use it as a continual reference in your work.

Cloud Peak's long term business success depends on what you do.

**Colin Marshall**  
***Chief Executive Officer***  
**Cloud Peak Energy Inc.**

**November 2009**

## About Our Code of Conduct

*Our Code of Conduct is our company-wide code of business conduct. The principles and standards contained in this Code reaffirm our commitment to working ethically and safely and following all the laws that apply to us.*

Our Code of Conduct helps us to meet our strong commitment to ethical business practices and safety in the workplace. It applies to everything we do, from our communications with the public to the safety of our employees and the environment, and defines how we treat each other and our stakeholders. It helps us apply our Core Values to the work we do each and every day.

Corporate governance and responsibility is taken very serious at Cloud Peak, so it is important that you read, understand and closely follow this Code of Conduct. This Code identifies resources available to all of us to help identify and resolve ethical issues we may encounter at work. Your manager and the General Counsel are also available to you to answer questions you may have.

When confronted with a business decision that has ethical considerations, there are several questions we should ask ourselves:

- Are my actions consistent with the Code of Conduct and other Cloud Peak policies?
- Is it legal?
- Are there any direct or indirect negative consequences of my actions for Cloud Peak?
- What would my family, friends and neighbors think of my actions?
- Would I want my actions reported on the front page of the local newspaper?

If you do not feel comfortable with any of your answers to these questions, then the best response is not to take that particular action. If you are unsure of what to do, you should refer to the appropriate section of this Code. If that does not help, you can speak with your supervisor or other contacts referenced in the Code of Conduct.

## Core Values

Our core values help us achieve an ethical and safe workplace and allow us to understand how best to comply with this Code of Conduct. Our chief core values are:

### Business Integrity

We cannot compromise our business integrity. We must deal fairly in all our business relationships in order to foster long-term business success.

### Safety, Health and Environment

We strive to be world-class in our safety, health and environmental performance. We will always act responsibly in our communities, seeking to be a good neighbor and maintain involvement and support for community activities. We are committed to protecting our employees, communities and the environment by operating in a safe and reliable manner.

### Investors

We are committed to providing our investors an attractive return on their long term investments.

### Respect

We should always respect and fairly treat each other and all of our stakeholders, including our fellow employees, shareholders, customers and suppliers.

### Communications

We should strive for open, honest and transparent communications with each other and all of our stakeholders.

## **Employee Commitment**

People are our most valuable resource. Working as a team and empowering our fellow workers enables all of us to realize our fullest potential.

## **Application of Our Code of Conduct**

### **Waivers**

*Compliance with the Code is expected at all times – waivers must be obtained for non-compliance.*

Our Code of Conduct applies to the directors, officers and employees of Cloud Peak. Any waiver of the provisions of the Code of Conduct for directors and executive officers must be made by either the Board of Directors or the Audit Committee and must be promptly disclosed to Cloud Peak's shareholders. Any waiver for non-executive officers and employees must be made by our General Counsel.

Likewise, we require some of our stakeholders to comply with the Code of Conduct in their dealing with or on behalf of the Company. We can help them be aware of the contents of Code of Conduct either by referring them to the version available on Cloud Peak's website at [www.cloudpeakenergy.com](http://www.cloudpeakenergy.com) or, in the absence of internet access, providing them with a paper copy.

### **Reporting Violations of the Code**

*Each of us has a responsibility to act with the highest degree of integrity when acting on behalf of Cloud Peak.*

We are all expected to comply with the standards of conduct contained in the Code of Conduct. This includes reporting any violations. The Company understands that reporting potential violations or problems, especially one involving your co-worker, can sometimes be uncomfortable. The first person you should talk to about your questions or concerns is your supervisor. If your supervisor does not answer your question or address your concern, or if the problem involves your supervisor, you can report your concerns to another member of management, or to Cloud Peak's General Counsel, who has primary responsibility over the Code of Conduct and can also answer any questions related to the meaning or application of this Code.

### **Speak-Out Program**

**NO DISCIPLINARY OR OTHER RETALIATORY ACTION WILL BE TAKEN AGAINST ANYONE FOR REPORTING A SUSPECTED VIOLATION OF LAW, POLICIES OR THIS CODE.**

If your issue is not or cannot be resolved by reporting it to your supervisor or the General Counsel, you also have access to our *Speak Out* program, a confidential, free telephone line to communicate concerns regarding questionable accounting, internal accounting controls or auditing matters to the attention of senior management. Employees, contractors and their families may use the *Speak Out* program to express their concerns, particularly violations of the Code or other Cloud Peak policies.

The *Speak Out* program is available 24 hours a day, seven days a week.

Information on our *Speak Out* program, including local contact telephone numbers, is available at each operating site and is listed on our website at [www.cloudpeakenergy.com](http://www.cloudpeakenergy.com).

All information obtained through the above mentioned reporting channels will, to the extent possible, be received in confidence and will be followed up. Where permitted, reports may be made on an anonymous basis. No action will be taken against anyone for reporting, in good faith, a suspected violation of the law or Cloud Peak policies, or for cooperating in a company investigation into a reported violation.

## Environment

*Excellence in environmental performance is important to our business success.*

Coal mining contributes to development by providing an economic fuel source necessary for modern society. We recognize that extracting and processing coal resources must be conducted in ways that minimize impacts to the environment, local communities, and employees. We implement programs and business strategies to minimize our operational footprint to allow us to meet the needs of the present without compromising the ability of future generations to meet their own needs. Excellence in environmental performance is essential to our business success.

Wherever possible Cloud Peak prevents, or otherwise minimizes, mitigates and remediates, harmful effects its mining operations might have on the environment. Cloud Peak also assists customers in finding better ways to use coal so all of its benefits are delivered. The Company regularly audits, reviews and reports on environmental initiatives to guarantee they are implemented and are effective.

It is the responsibility of all employees to conduct operations in a way that protects the quality of the water, air and land in the surrounding environment. Compliance with all environmental laws and regulations is the foundation on which our environmental performance is built.

## The Workplace

### **Health and Safety**

*Health and safety is our first priority. Our goal is zero injuries.*

Everyone's behavior contributes to an injury free workplace. Full and consistent implementation of Cloud Peak's safety standards, systems and procedures is required wherever we operate.

Cloud Peak is building a sustainable safety culture that requires visible leadership, ongoing education and training and a high level of participation by everyone in the workplace. We concentrate on hazard identification, risk analysis and risk management including identifying low likelihood events that, if they occur, could have major consequences.

We recognize that healthy and productive employees are essential to our success and we are committed to preventing new cases of occupational illness. We have a target of achieving a significant reduction in new cases each year through the identification, evaluation and control of workplace exposures and the implementation of health and wellness programs. We have a set of core occupational health standards addressing both physical and mental health issues, which are implemented through education, training, systems and procedures. We also support disease prevention and management projects that contribute to the sustainable development of communities.

### **Employment**

*We respect the rights and dignity of our employees and those of our business partners.*

In our interactions with employees, including those of our business partners, we are firmly committed to the principles of non-discrimination and equal employment opportunity. Respect is central to a harmonious workplace, where the rights of employees are upheld and where their dignity is affirmed, free of intimidation, discrimination or coercion of any kind.

Therefore, we:

- do not permit discrimination on the basis of race, gender, national origin, religion, age, sexual orientation, politics, or on the basis of any personal characteristic protected by law, while retaining the right of the Company to make exceptions to favor local employment where local laws provide;

- value diversity with respect to a wide range of cultures and races and treat genders equally;
- do not approve of the use of inappropriate language in the workplace, including profanity, swearing, vulgarity or verbal abuse;
- do not allow coercion or intimidation in the workplace;

Sexual or workplace harassment will not be tolerated at Cloud Peak. Sexual harassment may include unwanted sexual advances, sexual jokes, subtle or overt pressure for sexual favors, sexual innuendoes and offensive propositions. Workplace harassment includes threats, intimidation, bullying and subjecting individuals to ridicule or exclusion.

## ***Drugs and Alcohol Impairment***

*We shall not possess or consume illegal drugs, or be impaired by alcohol or drugs while working on Cloud Peak business or premises.*

For the safety, wellbeing and productivity of all our employees, it is essential that we make the best decisions. We also need to keep sharp to be competitive in today's business environment. Therefore, we want our judgment to be clear and unimpaired by drugs and alcohol at all times.

## ***Workplace Security***

*We are committed to ensuring the safety and security of our employees and visitors as well as the protection of our assets.*

To maintain safety and security, we require site inductions for employees and visitors at all of our locations. Cloud Peak representatives and security staff are permitted to direct the search of people, vehicles or property which are on Cloud Peak premises, for good reason and in accordance with local laws. All employees as well as suppliers, consultants, contractors and others are expected to cooperate by allowing a search of their persons and property on Company premises.

## ***Workplace Violence***

*We are committed to providing a workplace that is safe, secure, and free from acts of violence or threats of violence.*

To maintain safety and security, the Company has established a strict policy that prohibits actual or threatened violence against co-workers, visitors, or any other persons who are either on our premises or have contact with employees in the course of their duties. This policy applies to all employees equally, including managers, supervisors, and non-supervisory personnel. Security and safety in the workplace is every employee's responsibility.

Every threat of violence is serious and must be treated as such. Prohibited behavior may include such acts as:

- making a verbal threat, orally or in writing, explicitly or implicitly, to harm another employee or destroy company property;
- attempting to intimidate or harass other employees;
- throwing objects at other employees with the intent to inflict bodily harm;
- making menacing gestures in an effort to upset, frighten, terrorize or otherwise antagonize other employees;
- expressing and maintaining grudges against co-workers or supervisors that are out of proportion with what a "reasonable person" might express;
- displaying a persistent and intense or obsessive romantic or physical interest that is unwanted and unwelcome (e.g., harassing, stalking);
- bringing or threatening to bring a weapon to work and displaying a firearm; and
- exhibiting behavior that a reasonable person would consider to be a possible danger to the exhibitor or to others.

# Business Integrity

## **Conflicts of Interest**

*Our personal activities and interests should not conflict with our responsibilities to Cloud Peak. Even the appearance of a conflict of interest should be avoided.*

A conflict of interest occurs when your private interest interferes in any way or even appears to interfere with the interests of the Company. If you think that you could be in a conflict of interest situation, you should immediately disclose all relevant details to your manager.

Conflicts of interest may involve, among other things:

- outside work or employment;
- an outside business relationship with, or interest in, a supplier, customer or competitor;
- a business relationship on behalf of Cloud Peak with any person who is a relative or a personal friend, or with any company controlled by such a person;
- a position where we have influence or control over the job evaluation or compensation of any person who is a relative or romantic partner;
- personal use or sharing of Cloud Peak confidential information for profit, such as buying or selling, or advising others to buy or sell Cloud Peak property, products or raw materials on the basis of this information; and
- an acceptance of personal benefits, other than modest gifts and entertainment, from a person or organization dealing, or expecting to deal, with Cloud Peak in any type of business transaction.

By exercising common sense and good judgment you can usually avoid any perception of a conflict of interest. If you are a director or executive officer, you should promptly disclose any potential conflict of interest to the General Counsel or the Audit Committee. Everyone else should disclose the potential conflict to your applicable immediate supervisor for reports, or if you are not comfortable with reporting to your supervisor, then to another supervisor.

## **Corporate Opportunities**

*Directors, officers, and employees owe a duty to the Company to advance the Company's legitimate interests when the opportunity to do so arises.*

Subject to the provisions of the organizational documents of the Company, directors, officers and employees are prohibited from taking for themselves personally opportunities that are discovered through the use of corporate property, information or their position with the Company.

## **Competition and Antitrust Issues**

*Cloud Peak is committed to the principles of free and fair competition.*

We believe in competing vigorously and effectively to promote our best interests and the best interests of our employees and other stakeholders. Antitrust and unfair competition laws are there to preserve the free enterprise system by promoting healthy competition. We will always act accordingly within the boundaries of these laws. You should make every effort to deal fairly with our customers, suppliers, competitors and fellow employees.

Contacts and communications with competitors, including at trade association meetings or in non-work settings can be tricky. You should be very careful and realize that discussions with competitors that deal with prices or price-related terms, territories, or that propose to restrict coal output or sales to certain customers is strictly prohibited.

In addition, you should consult with the General Counsel before you do any of the following:

- Disclose or exchange pricing or other sensitive information to competitors
- In our joint ventures, discuss sensitive information that is not specifically related to the joint venture where our partner is a competitor or potential competitor
- Discuss sensitive information during trade or industry association meetings
- Participating in benchmarking exercises

There are other situations not specifically addressed here that should also be avoided because they restrict competition. If you are asked to engage in any prohibited conduct or conduct which you think may be prohibited, you should consult immediately with the General Counsel.

## **Gifts and Entertainment**

*Gifts and entertainment received as a reward or encouragement for preferential treatment are not permitted.*

There are times when giving or receiving modest gifts and entertainment is okay. For example, a business meal can provide a relaxed way of exchanging information. However, offering or receiving gifts and entertainment designed to influence the recipient's judgment or for preferential treatment is strictly prohibited under the Code. You should always err on the side of caution if you are ever concerned about the appropriateness of a gift or entertainment expense.

## **Fair Business Practices**

*We should always carry out our business fairly.*

We should always try to be clear, concise and fair in our dealings with customers, suppliers and competitors. Certain actions should be avoided, including:

Defaming or lying about a competitors business or products;  
 Causing a customer or supplier to terminate a contract with someone else;  
 Obtaining competitive information by inappropriate means.

Kickbacks or gifts, as set out above are also inappropriate actions to take in business dealings. If you are asked to engage in any conduct that is or may appear to be prohibited, you should immediately disclose the circumstances to your immediate supervisor and the General Counsel.

## **Insider Trading**

*When in possession of inside information, we must not trade in securities (e.g. shares, bonds, etc), or disclose such information to family, friends or any other person who may trade in the Company's securities while aware of that information.*

Inside information means information which is material and not publicly available. The fundamental factor for determining what constitutes material information is whether the item of information:

- relates to the business and affairs of the Company; and
- would result in or would reasonably be expected to result in a significant change in the market price or value of any of the Company's listed securities or in the decision of a reasonable investor.

Inside information may include, for example, information about: corporate earnings information, dividends, issues of securities, significant acquisitions or disposals, joint ventures, changes in control, significant capital projects, important contracts, production figures and sales details.

In addition to this general policy against insider trading, Cloud Peak has adopted an Insider Trading Policy which further lays out the rules for directors, officers and employees in possession of material non-public information.

## **Political Contributions**

*Political contributions made by Cloud Peak are done in strict compliance with the laws.*

The Company encourages political activity and our employees' participation in politics when it is appropriate. If you are not engaged in lobbying activities on behalf of Cloud Peak, your involvement should be conducted in compliance with the Code and you are strictly prohibited from conducting political activity on behalf of the Company. Cloud Peak supports a political action committee (PAC). Contributions to the PAC are governed by the rules of the PAC and by the laws under which the PAC was formed. If you would like to contribute to the PAC, you may do so on a voluntary basis.

Company funds cannot be contributed to candidates for federal office or committees formed to support those candidates. However, certain states permit political contributions by corporations. Any contributions made by Cloud Peak are made in strict compliance with these laws and are monitored by the General Counsel.

The Company may from time to time take stands on issues of public policy, particularly those that directly affect our business. In such cases, we may elect to express our views publicly and spend Company funds to ensure its position is broadly disseminated. We may also decide to provide financial support to groups that advocate positions consistent with our own.

## **Company Assets and Information Management**

### **Internal Controls and Company Records**

*All company records must give a true and accurate portrayal of our business.*

All employees are responsible for maintaining the integrity and accuracy of our financial and other corporate records. This includes ensuring proper use of Company funds, property and time. Financial transactions must accurately reflect actual transactions and comply with generally accepted accounting principles (GAAP).

The Company maintains a system of internal controls over financial reporting which includes risk analysis and review of our financial, operational and compliance controls. We follow appropriate accounting and reporting policies, apply them consistently and use reasonable and careful judgment.

If you have concerns about the Company's records or accounting procedures you should report those concerns to your immediate supervisor or the General Counsel.

### **Employee Use of Company Property**

*Cloud Peak property and financial resources are for the sole use of the Company.*

The responsible use of Company assets and resources can impact our financial success and reputation. Generally, we may not take, use, sell or damage Company assets for non-company purposes unless specifically authorized to do so. Occasional personal use of certain company equipment (such as personal telephone calls, facsimiles, e-mails and Internet access) is permissible if the frequency and cost is not excessive and does not interfere with your ability to perform your job or otherwise conflict with Company business or other policies.

When we talk about "electronic resources" we mean items such as email, instant messenger, telephone, fax and voicemail, internet and network access, databases, two way radios, and closed circuit televisions.

Just as we have an obligation to use Company assets responsibly, we must also use electronic resources responsibly and appropriately. Some examples of inappropriate use include:

- any use that relates to material which is offensive, sexually explicit, defamatory, discriminatory, abusive, harassing or violent;
- knowingly causing any material (including software) to be used, copied or distributed in breach of confidentiality or copyright obligations;
- internet gambling;
- engaging or assisting in unlawful activities;
- engaging in activities for the purposes of private profit;
- engaging in unauthorized not for profit activities;
- deleting or attempting to destroy electronic records which are, or reasonably likely to be, required in evidence in a legal proceeding or regulatory investigation; and
- intentionally introducing a computer virus.

Cloud Peak reserves the right to monitor and block the use of the internet, email and other electronic resources at any time to the extent permitted by law. We can also retain anything that may constitute a business record (such as electronic documents and email) for as long as necessary and after the departure of the employee who produced the business record.

An individual's password must be kept secure at all times and must not be shared with other staff members.

## **Confidential Information**

*We should take necessary steps to protect confidential information.*

“Confidential information” includes all non-public information that might be of use to competitors or harmful to Cloud Peak or its customers if disclosed, such as technical information about products or processes, vendor lists or purchase prices, cost, pricing, marketing or service strategies, non-public financial reports and information related to asset sales, mergers and acquisitions. This sometimes includes confidential information that a third party has given to us under an arrangement whereby we agree to not to disclose that information.

Confidential information, whether ours or someone else's, should be protected to prevent inappropriate or unauthorized disclosures. Ways in which we can safeguard confidential information include:

- being careful about where we discuss Cloud Peak confidential information;
- taking precautions to store the confidential information in an appropriate place and manner;
- not disclosing or using any of it for personal profit or advantage; and
- entering into confidentiality agreements with persons outside the Company before discussing what is confidential.

If you are approached to discuss confidential information with someone outside the Company, you should contact the General Counsel to ensure the proper procedures are put in place to protect the disclosure.

## **Intellectual Property**

*Cloud Peak protects its intellectual property and respects the intellectual property rights of others.*

Intellectual property includes patents, copyrights, trademarks and trade secrets. The owners of intellectual property have rights granted to them under the law. Our trademarks and other forms of intellectual property are among the Company's most valuable assets, and in order to protect them, we should all:

- become familiar with all internal policies and procedures relating to intellectual property and brand use;
- be aware of potential infringement of our intellectual property rights (e.g., unauthorized use) by employees, customers, suppliers and competitors;
- not allow our customers, suppliers or business partners to use the Cloud Peak name or brand without appropriate approval; and
- sign a patent or secrecy agreement as necessary.

We also respect the intellectual property rights of others, such as our suppliers and customers. This is particularly important to remember before we copy or distribute written or electronic materials.

## **Data Privacy**

*Cloud Peak regards the lawful and correct treatment of personal data as critically important.*

“Personal data” is all information relating to any identifiable individual. We must protect the personal data of our current and former shareholders, directors, employees, suppliers, customers and any associated family or next of kin information collected for business purposes.

In accordance with the requirements of applicable privacy and data protection laws, personal data is subject to controls to prevent unauthorized or unlawful processing, accidental loss, destruction or damage.

## **Media and Investor Relations**

### **Political Involvement**

*Cloud Peak does not, directly or indirectly, participate in political activity nor make payments to candidates, officeholders, political parties or individual politicians.*

Cloud Peak communicates views to governments and others on matters affecting its business interests and those of shareholders, employees and others involved in our activities. By furthering public dialogue, we contribute to the development of sound legislation and regulation that is relevant and appropriate to our business interests.

The Company respects the right of employees to be involved in political activity and does not restrict individuals from participating in the political process. However, such activity must occur strictly in an individual and private capacity and not on behalf of the Company. Employees may not conduct personal political activity on Company time or use Company property or equipment for this purpose.

### **Communicating with Media and Investors**

*We communicate with the media and investors in an accurate and consistent manner.*

Communicating with the media, investors and analysts is the sole responsibility of Cloud Peak spokespersons. If you are approached by the media, or an investor or analyst, you should immediately refer them to Communications & External Relations and/or Investor Relations as appropriate.

If you are a Cloud Peak spokesperson, you are expected to demonstrate high standards of integrity and transparency while dealing with the media and investors, while also refraining from unauthorized or selective disclosure of proprietary or non-public information. Regardless of whether you are a spokesperson, it is important that you do not present your personal views as being those of Cloud Peak.

## **Transparency**

*We are committed, in principle and in practice, to maximum transparency consistent with good governance and commercial confidentiality.*

For public and non-confidential information, we are committed to transparency in our disclosures. We issue financial and operational information on our business as required by law and consistent with industry practice in a manner which avoids selective disclosure. We provide required information to the relevant agencies that oversee our business. We disseminate the appropriate information through the media as well as directly through our website. On an annual basis, we also seek to voluntarily provide additional information on our sustainable development performance.