



# Western Coal

## GOVERNANCE PRACTISES AT WESTERN COAL CORP.

We believe that strong governance practices are necessary to ensure proactive and effective management of opportunities and challenges that may face the Company. We are committed to maintaining a strong corporate governance culture and to further developing and improving our governance practices to achieve our mission statement of “Mining coal to maximize shareholder value while respecting the interests of our stakeholders”.

The Board is comprised of a majority of independent directors and is chaired by an independent director. The size and composition of the Board reflects a breadth of skills and experience that is important for effective governance of a high quality metallurgical and thermal coal producer. The Board is not constrained in its access to information, in its deliberations or in its ability to oversee the business and affairs of the Company and believes that there are sufficient systems and procedures in place to allow the Board to be independent from management.

The Board has responsibility for the strategic direction of Western Coal and the stewardship of the resources with which it has been entrusted as well as to oversee the day to day conduct of the business by management. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, to ensure the Company meets its obligations on an ongoing basis and to ensure that it operates in a reliable and safe manner. The Board sets the standards of conduct for the Company, fostering a culture of ethical behaviour, integrity, honesty and respect.

The Board is assisted in meeting its responsibilities by three Board committees: the Health, Safety and Environment Committee, Audit Committee and the Corporate Governance, Nominating and Compensation Committee.

The primary function of the Health, Safety and Environment Committee is to review, monitor and assess the effectiveness of the environmental policies and activities of the Company and its performance in the areas of occupational health and safety.

The primary function of the Audit Committee is to: (i) oversee management's conduct of the Company's accounting and financial reporting process and systems of internal accounting and financial controls; (ii) select, retain and monitor the independence and performance of the Company's external auditor, including overseeing the audits of the Company's financial statements, and approving any non-audit services; and (iii) provide an avenue of communication among the external auditor, management and the Board.

The primary responsibilities of the Corporate Governance, Nominating and Compensation Committee are to: (i) propose new members to the Board, establish criteria for Board membership; recommend composition of the Board and its committees and assess Directors' performance on an ongoing basis; (ii) to provide a focus on corporate governance that will enhance corporate performance and to ensure on behalf of the Board and shareholders of the Company that the Company's corporate governance system is effective in the discharge of its obligations to the Company's stakeholders; and (iii) assist the Board in fulfilling its oversight responsibilities with respect to (a) key compensation and human resources policies; (b) compensation for senior executives, including the Chief Executive Officer; and (c) succession and development of senior executives, including the Chief Executive Officer.