

July 5, 2019

## Blackjewel Employee Update

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As you know, Blackjewel filed voluntary petitions for protection under Chapter 11 of the United States Bankruptcy Code early Monday morning with the goal of lowering its overall debt level and positioning itself for a secure and successful financial future. Prior to filing for court protection, the company had secured a firm commitment for additional financing that would be sufficient to allow the company to continue to operate while the restructuring of its debt was completed. This loan, of course, also would have provided adequate cash to cover employee pay and benefits owed last week and continuing through the next several months during the bankruptcy case.

As a result of a number of unexpected disputes between the company and its lenders (that arose immediately before the initial hearing on Monday but after the filing of the case), the company was unable to obtain the anticipated loan. This resulted in a number of payroll checks, outstanding as of the filing date, to be left unsatisfied. This unexpected lack of funds and the inability to ensure payment to employees are also the reasons behind the unexpected suspension of operations on Monday afternoon.

Management understands the severity of the impact these events have had on our employees and families and apologizes for the hardships created by this unfortunate and unanticipated event. We assure you the company is working as quickly as possible to try to obtain the financing necessary to re-open the mines and to bring our employees back to work. As you may know, the majority of operations have now been re-staffed and are being prepared for a safe and efficient restart. The current staffing, while limited to only those necessary to protect and preserve the operations, is the necessary first step towards the company securing the additional financing necessary to return the operations to full production.

Below is a recap of developments since the bankruptcy filing:

- Late Wednesday (July 3), the company obtained the Bankruptcy Court's approval for an initial commitment of \$5 million in debtor-in-possession (DIP) financing. This financing does not allow us to resume normal operations, but it has allowed us to bring back the first wave of employees that are necessary to ensure the safety of our mines and equipment while we work towards a longer-term solution, including bringing back the rest of our employees and returning to full production.
- As a conditioning of this financing, Jeff Hoops, the former CEO, agreed to step down, and David Beckman of FTI Consulting, Inc. was appointed as Chief Restructuring Officer and Interim CEO. With the help of Mr. Beckman, FTI and its lenders, the company is optimistic about its ability to "right-size" its debt and to return to being a safe, productive and profitable employer that can continue to contribute to its local communities and to the US coal market as a whole.
- The company's implementation of this important and complex restructuring process has also resulted in several unexpected complications that have regretfully impacted our greatest asset, you, our employees. These complications include:

July 5, 2019

- On the Friday before the filing, the ACH transfers of payroll to our Wyoming employees was unexpectedly blocked by the company's bank. As a result, the company worked with the bank to issue approximately 700 cashier's checks to make sure these employees were paid on schedule for work done before the filing. While the process of cashing these checks has been more complicated than expected, all of these checks are valid and will be paid. We are working with our bank to ensure that all of these checks are honored by the local Wyoming banks. Our bank is calling and emailing the local banks to confirm the checks are valid and should be honored. If you have had difficulty in depositing your check, please try again late in the day on Friday and inform the company if you run into any additional difficulties. Any further difficulties with these cashier's checks should be reported to the company's restructuring hot-line at (844) 234-1462, and we will follow up directly with your local bank.
- The payroll checks issued in Kentucky, Virginia and West Virginia (that were to be funded with the initial DIP loan that unexpectedly could not be obtained) are still outstanding. Payment of these checks is dependent on the company's ability to obtain additional financing that will allow normal operations to resume. Employees who are brought back to work will have their checks paid, but until additional financing is obtained, those employees who have not yet resumed work will need to wait to be recalled to work for their checks to be paid. We know this is not the news you had hoped for, nor is it the result that the management is working towards. We assure you that management is doing everything we can to obtain financing to resume normal operations. Once this financing is obtained and operations are resumed, we plan to pay all prepetition amounts due to these employees at that time.

To be perfectly clear: the company is fully committed to securing the additional financing necessary to resume normal operations and to bring our employees back to work as quickly as possible. We will provide updates as we have news to share by posting updated materials to our restructuring website, <https://cases.primeclerk.com/blackjewel/>.

Thank you for all you have contributed to our company and for your patience during this challenging time.