

Bowie Resources, LLC Announces Co-Investment With Galena Private Equity Resource Fund To Acquire Bowie And Canyon Fuel Mines

LOUISVILLE, Ky., June 28, 2013 /PRNewswire/ -- Bowie Resources, LLC based in Louisville, Kentucky ("Bowie"), and the Galena Private Equity Resource Fund ("Galena") managed by Galena Asset Management, have announced the creation of a joint venture. The new company will bring together the equity owners of Bowie with Galena to purchase Canyon Fuel Company, LLC ("Canyon Fuel") from Arch Coal, Inc. for \$435 million (USD) in cash. The Canyon Fuel sale has been approved by the Arch Board of Directors and is expected to be completed in the third quarter of 2013.

The new company, **Bowie Resource Partners, LLC** ("BRP") will own the Bowie and Canyon Fuel mines and will be based in Louisville, Kentucky, with a regional office in Grand Junction, Colorado. BRP will have an annual productive capacity of 15–17 million tons of thermal coal and a workforce of 1,100 employees. Trafigura AG will be the exclusive marketing agent for all of BRP's production.

"From the beginning with Bowie, our goal has been to establish a core business rooted in the Western Bituminous Region and to grow organically as well as with specifically targeted synergistic acquisitions. We see this as an opportune time to position ourselves, with very selective mining and transportation assets, to be out in front of an anticipated renewed global interest in Western US coal," said John J. Siegel, Chairman of BRP. "The exemplary safety and productivity record of Canyon Fuel, the company's long term relationships with its cornerstone domestic customers, and the superior quality and geology of its reserves, in conjunction with our recent development of significant West Coast export throughput capacity, combine to make this an extraordinary acquisition for us."

The Galena Private Equity Resource Fund was created in 2012 to invest in equity and debt of small- to medium-sized metals and mining companies in a development or expansion phase. The Fund will make a cash equity investment of \$104 million(USD) in BRP to acquire a significant minority stake in the joint venture company.

"Galena has built an impressive record of prudently selecting high performing investments," said Jeremy Weir, CEO of Galena Asset Management. "We believe that Bowie Resource Partners has a unique opportunity to reshape the Western US coal paradigm."

Canyon Fuel

Canyon Fuel includes the Sufco and Skyline longwall mines and the Dugout Canyon continuous miner operation, all located in Utah. Canyon Fuel is projected to generate EBITDA of about \$90 million in 2013. In addition to these active operations and related support facilities, Arch will transfer to BRP approximately 105 million tons of bituminous coal reserves in Utah. BRP plans to expand that reserve base. The workforce at the Canyon Fuel operations will remain in place after the transaction and will become employees of BRP.

Bowie

Bowie is a 5 million ton per year longwall operation located in Paonia, Colorado that opened in 1998, and was purchased by a group headed by John Siegel and Steve M. Rickmeier in July 2009. Sixty percent of Bowie's production and remaining reserves are committed to the Tennessee Valley Authority under a long

term favorably priced contract. Bowie has a state-of-the-art 650 TPH heavy-media wash plant, a 115 car unit train loadout facility, and produces "*super-compliance*" bituminous coal. Bowie has 325 employees and, like Canyon Fuel, has consistently ranked in the top ten most productive and safest longwall operations in the US.

"The Bowie employees' motto of 'the best of the best' dovetails perfectly with the work ethic and commitment to excellence that has long been the hallmark of the workforce at Canyon Fuel. We are proud to bring these two exceptional teams together, and we believe this merger of industry talent gives us the opportunity to create something very special," John Siegel said.

Bowie has a long term agreement with Metropolitan Stevedore Company ("Metro Ports") for the Port of Stockton, which will provide BRP with the opportunity to ship up to 2.3 million tons annually, as the Metro Ports/Stockton agreement will be assigned by Bowie to BRP. Separately, Bowie has been in negotiations with Levin Richmond Terminal Corporation for the port of Richmond, which would provide BRP with annual "topping off" capacity of an additional 1.2 million tons. Bowie has also signed a Letter of Intent for significant export capacity via a Pacific port in the Northwestern US, which would also be assigned to BRP.

"We think the time is right to introduce the new 'Bowie Brand' into markets where the need and appetite for coal-fired power generation is growing, not abating. In that regard, we are excited to have the opportunity to take advantage of (our marketing partner) Trafigura's global coal sales platform" Siegel added.

Transaction Details

Bowie has obtained a committed financing arrangement, led by Morgan Stanley Senior Funding Inc. and Deutsche Bank AG New York Branch, to fund the transaction. The Galena Private Equity Resource Fund will provide equity financing for the transaction through an investment in BRP. Consummation of the transaction is subject to certain governmental and regulatory conditions and approvals and other customary conditions. Morgan Stanley & Co. LLC is acting as the financial advisor to Bowie and Bowie is represented by the law firms of Baker Botts LLP and Fultz Maddox Hovious & Dickens PLC.

Affiliate Companies

Bowie Refined Coal, LLC

In January 2013, principals of Bowie formed Bowie Refined Coal, LLC to purchase ten \$45 Qualified Refined Coal Facilities from Headwaters Inc. of Salt Lake City, Utah. The Facilities were built in 2007 and 2008 at an estimated cost in excess of \$120 million. The Facilities refine coal waste into a reusable salable product with short prox analyses comparable to that of the native coal. There are in excess of 2 billion tons of coal waste derivatives in impoundments, ponds and on abandoned mine lands in the US.

The annual productive capacity of 6 million tons makes Bowie Refined Coal one of the largest independent processors of waste coal in the US. The Bowie Refined Coal product is an extremely low cost component when either blended with run-of-mine coal or sold directly to coal consumers.

ClearStack Power LLC

Principals of Bowie also own a controlling interest in ClearStack Power LLC which is a pre-combustion clean coal technology company with patented technologies that achieve SO₂, NO_x, particulate and Mercury reductions in coal-fired generating units. ClearStack is partially owned by principals of Energy Venture Analysis, of Arlington, Virginia and Sterling Energy, of Munster, Indiana. www.clearstack.com

Galena Private Equity Resource Fund

The Galena Private Equity Resource Fund was created in 2012 to invest in equity and debt of small- to medium-sized metals and mining companies in a development or expansion phase. The Fund is managed by Galena Asset Management which was formed in 2003 and is a wholly owned subsidiary of Trafigura Beheer BV. With over \$2.5 billion (USD) in managed assets, Galena Asset Management operates from Geneva, London and Singapore, offering investment opportunities through an array of specialized absolute return commodity funds. The funds focus on liquid commodity markets, accessing opportunities through derivatives rather than trading physical commodities. Galena is authorized and regulated in the UK by the Financial Conduct Authority. www.galena-invest.com

Trafigura AG

Trafigura AG is a wholly owned subsidiary of Trafigura Beheer BV ("Trafigura"). Trafigura is one of the world's leading international commodity traders, specialising in the oil, minerals and metals markets, with 81 offices in 56 countries in six continents including Houston, Texas and Stamford, Connecticut in the US. Primary trading businesses are the supply and transport of crude oil, petroleum products, renewable energies, coal, refined metals, ferrous and non-ferrous ores and concentrates.

Trafigura is the world's second largest privately owned non-ferrous and oil trading company. Founded in 1993, the company is owned by its founding shareholders and senior management. It has achieved substantial growth in recent years, growing turnover from \$18 billion (USD) in 2004 to \$120.4 billion (USD) in 2012. www.trafigura.com

SOURCE Bowie Resources, LLC