NorthWest Colorado Consultants, Inc.

Geotechnical / Environmental Engineering • Materials Testing

January 9, 2018

Twentymile Coal Company
29515 RCR #27
Oak Creek, CO 80467

Attn: Mr. Jerry Nettleton

Job Number: 99-3983

Subject: Quarterly Observation Report, Refuse Pile,
Foidel Creek Mine, Routt County, Colorado.

Mr. Nettleton,

As requested, NWCC, Inc. (NWCC) has prepared this report outlining our observations made during the fourth quarter of 2017 at the Refuse Pile located at Twentymile Coal Company's (TCC) Foidel Creek Mine in Routt County, Colorado. During this quarter, Timothy Travis of NWCC visited the project site on December 29, 2017 to provide the quarterly inspection/observations of the Refuse Pile.

At the time of our site visit on December 29, 2017, NWCC completed a cursory site inspection of the existing refuse pile. Based on our observations made during this visit, it appeared that the contractor was presently stockpiling the refuse coal in the north-northeast portion of the new Expansion Area. At the time of our site visit the refuse coal had been placed and compacted above the second bench along the northeast side of the stockpile.

In addition, a representative of NWCC visited the refuse pile on December 14, 2017 to conduct compaction testing in the new Expansion Area of the refuse pile. A total of three compaction tests (#560 to #562) were taken in Expansion Area during this quarter. All of the tests taken during this quarter met the minimum compaction requirement of 90% of the maximum standard Proctor density. Copies of the compaction test results and the daily field reports are attached. It should be noted that the abbreviations given in the Nuclear Density Test Results (Proctor Data) are as follows: Maximum DD = Maximum Dry Density and OMC = Optimum Moisture Content. Both of these values have been determined in accordance with ASTM D698.

The internal roadways in the new expansion area of the pile were in good condition. The upper haul road to Areas 2, 3 and 4 of the refuse pile was not accessible at the time of our site visit, due to snow cover. The surface drainage conditions generally appeared to be adequate across the top and sides of the pile; however, our observations were limited due to snow cover.

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A seepage area at the toe of the northeast end of the refuse pile expansion area, approximately 30 feet northwest of the outlet of the underdrain, developed in the fall of 2014. At the time of our observations, the seepage was still surfacing at the toe of the slope and flowing into the drainage from the undrain outlet then into the existing pond east of the Refuse Pile Expansion Area. The discharge remains clear, with no evidence of sediment. No signs of washout, slumps or slope instability were observed at this time. The seepage area will be monitored during future inspections and noted in our inspection reports. Photographs of the seepage area taken at the time of our inspection on December 29, 2017 are attached.

Based on our limited observations, the surface drainage conditions generally appeared to be adequate across the top and sides of the pile. Based on our observations, we did not observe any signs of instability, structural weakness or hazardous conditions at the refuse pile.

We were advised that the wash plants had produced approximately 176,515 tons of waste coal during the month of October 2017: approximately 173,175 tons during November 2017: and approximately 107,923 tons during December 2017. It is our understanding that the fines being produced at the wash plant, which consists of approximately 10 to 20 percent of the total materials being produced, are being pumped underground into the mine.

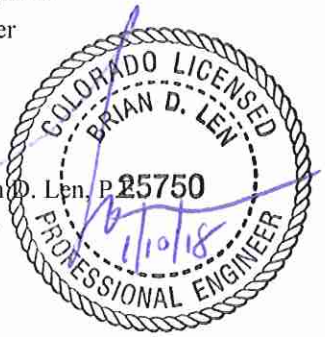
We were previously informed by Brian Watterson of Peabody that all of the original monitor wells installed in the Refuse Pile were destroyed in July 2012. Two new monitor wells were constructed in Area 1 of the Refuse Pile in December 2013. NWCC was provided monthly monitor well readings for this quarter by Miller Water Monitor Service, Inc. The water level in the western monitor well (RW#1) was measured at 57.84 feet below the existing ground surface (bgs) on October 15th, at 57.77 feet bgs on November 18th and at 57.82 feet bgs on December 10th of 2017. The water level in the eastern monitor well (RW#2) was measured at 56.50 feet bgs on October 15th, at 56.44 feet bgs on November 18th and at 56.48 feet bgs on December 10th of 2017. An additional monitor well (RW#3) was constructed at the southeast end of the 1st bench in new Expansion Area in June of 2014. The water level in the expansion area monitor well (RW#3) was dry when checked on October 15th, November 18th and December 10th of 2017.

Based on our limited observations, it appears that the pile is currently being constructed and maintained in general accordance with the project specifications and plans submitted under 2.05.3(8) and that the potential hazard to human life and property at the site in its present condition is minimal. This report fulfills the quarterly inspection requirements as specified by Rules 4.09.1(11)(a), 4.09.1(11)(b), 4.10.2(2)(a) and 4.10.2(2)(b).

If you have any questions regarding this report or our observations, please contact this office.

Sincerely,
NWCC, INC.,

Timothy S. Travis, P.E.
Sr. Project Engineer



Reviewed by Brian D. Len, P.E.
Principal Engineer

cc: Tabetha Lynch – Environmental Protection Specialist - CDRM&S

December 29, 2017-Underdain Outlet/Seepage Area

December 29, 2017-Seepage Area

December 29, 2017- Underdrain Outlet

December 29, 2017-Areas 2, 3, 4 from Expansion Area

December 29, 2017-Stockpile in Expansion Area

December 29, 2017-Haul Road to Areas 2, 3, 4

NWCC, INC.
FIELD REPORT

Project:	Refuse Pile	**Project No.:**	99-3983	**Date:**	12/14/17
				Time:	4.0
Location:	Foidel Creek Mine	**Report No.:**	86	**Mileage:**	44
Client:	Twentymile Coal Co.			**Engr. /Tech:**	CR

Work Performed:

As requested, we visited the project site on today's date and conducted compaction test No's 560 through 562 on the material being placed for the Refuse Pile.

Twentymile Coal Company crews placed and compacted processed waste coal in the Refuse Pile.

We also obtained a sample of material and returned it to our laboratory in Steamboat Springs, CO for standard checkpoint Proctor testing. The sample matched a previous Proctor 12P for this project.

Remarks:

The material tested today generally met project specifications for compaction.

Please refer to attached sheet for results of today's testing.

Verbal Discussions:

Twentymile Coal Co. was on-site during our visit.

NWCC, Inc.
Field Density Tests

PROJECT NAME: Refuse Pile
PROJECT NUMBER: 99-3983
Tech: CR
REPORT NUMBER: 86

TEST NO.	DATE	LOCATION Northing / Easting	PROCTOR NO.	ELEVATION (ft)	IN-PLACE DRY DENSITY (pcf)	MOISTURE CONTENT (%)	MOISTURE VARIANCE	PERCENT COMPACTION (%)	REQUIRED COMPACTION
560	14-Dec-17	30980.04/17019.81	12	6982.739	102.7	2.1	-5.5	94	90
561	14-Dec-17	31234.14/16612.35	12	6976.736	106.3	2.0	-5.6	97	90
562	14-Dec-17	31369.78/17143.01	12	6969.070	105.0	1.8	-5.8	96	90

PROCTOR DATA

Proctor No.	Maximum Dry Density (pcf)	Optimum Moisture Content (%)	Moisture Specification (%)	Relative Minimum Density (pcf)	Relative Maximum Density (pcf)	ASTM Method	Soil Type
7	111.5	11.0				D698	Processed Waste Coal
10	107.6	11.0				D698	Processed Waste Coal
11	100.3	10.2				D698	Processed Waste Coal
12	109.8	7.6				D698	Processed Waste Coal

Comments:

BSG = Below Subgrade Grade
SG = Subgrade Grade
SBG = Subbase Grade
BSBG = Below Subbase Grade
BCG = Base Course Grade

BBCG = Below Base Cousre Grade
FG = Footing Grade
BFG= Below Footing Grade
BTOT Below Top of Trench
BEG = Below Existing Grade

NEC = Northeast Corner
SEC = Southeast Corner
NWC= Northwest Corner
SWC= Southeast Corner