

|                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                              |
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| <b>Form 5500</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security<br>Administration<br><br>Pension Benefit Guaranty Corporation | <b>Annual Return/Report of Employee Benefit Plan</b><br><br>This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code).<br><br><p style="text-align: center;">▶ <b>Complete all entries in accordance with the instructions to the Form 5500.</b></p> | OMB Nos. 1210-0110<br>1210-0089<br><br><div style="text-align: center; font-size: 1.5em; font-weight: bold;">2010</div><br><br><b>This Form is Open to Public Inspection</b> |
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|                                                                                                          |                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part I</b>                                                                                            | <b>Annual Report Identification Information</b>                                                                                                                                                                                           |
| For calendar plan year 2010 or fiscal plan year beginning <u>12/01/2010</u> and ending <u>11/30/2011</u> |                                                                                                                                                                                                                                           |
| <b>A</b> This return/report is for:                                                                      | <input type="checkbox"/> a multiemployer plan; <input type="checkbox"/> a multiple-employer plan; or<br><input checked="" type="checkbox"/> a single-employer plan; <input type="checkbox"/> a DFE (specify) ____                         |
| <b>B</b> This return/report is:                                                                          | <input type="checkbox"/> the first return/report; <input type="checkbox"/> the final return/report;<br><input type="checkbox"/> an amended return/report; <input type="checkbox"/> a short plan year return/report (less than 12 months). |
| <b>C</b> If the plan is a collectively-bargained plan, check here. . . . .                               | <input checked="" type="checkbox"/>                                                                                                                                                                                                       |
| <b>D</b> Check box if filing under:                                                                      | <input checked="" type="checkbox"/> Form 5558; <input type="checkbox"/> automatic extension; <input type="checkbox"/> the DFVC program;<br><input type="checkbox"/> special extension (enter description)                                 |

|                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                        |                                                                     |                                                             |                                                             |  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|--|
| <b>Part II</b>                                                                                                                                                                                                                                        | <b>Basic Plan Information</b> —enter all requested information                                                                                                                                                                                                                                                                         |                                                                     |                                                             |                                                             |  |
| <b>1a</b> Name of plan<br><u>BEULAH AND SAVAGE MINES HOURLY EMPLOYEES PENSION PLAN</u>                                                                                                                                                                | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"><b>1b</b> Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>005</u></td> </tr> <tr> <td colspan="2"><b>1c</b> Effective date of plan<br/><u>05/01/2001</u></td> </tr> </table>                        | <b>1b</b> Three-digit plan number (PN) ▶                            | <u>005</u>                                                  | <b>1c</b> Effective date of plan<br><u>05/01/2001</u>       |  |
| <b>1b</b> Three-digit plan number (PN) ▶                                                                                                                                                                                                              | <u>005</u>                                                                                                                                                                                                                                                                                                                             |                                                                     |                                                             |                                                             |  |
| <b>1c</b> Effective date of plan<br><u>05/01/2001</u>                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                        |                                                                     |                                                             |                                                             |  |
| <b>2a</b> Plan sponsor's name and address (employer, if for a single-employer plan)<br>(Address should include room or suite no.)<br><u>WESTMORELAND COAL COMPANY</u><br><br><u>9540 SOUTH MAROON CIRCLE, SUITE 200</u><br><u>ENGLEWOOD, CO 80112</u> | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td><b>2b</b> Employer Identification Number (EIN)<br/><u>84-1575176</u></td> </tr> <tr> <td><b>2c</b> Sponsor's telephone number<br/><u>720-354-4472</u></td> </tr> <tr> <td><b>2d</b> Business code (see instructions)<br/><u>212110</u></td> </tr> </table> | <b>2b</b> Employer Identification Number (EIN)<br><u>84-1575176</u> | <b>2c</b> Sponsor's telephone number<br><u>720-354-4472</u> | <b>2d</b> Business code (see instructions)<br><u>212110</u> |  |
| <b>2b</b> Employer Identification Number (EIN)<br><u>84-1575176</u>                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                        |                                                                     |                                                             |                                                             |  |
| <b>2c</b> Sponsor's telephone number<br><u>720-354-4472</u>                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                        |                                                                     |                                                             |                                                             |  |
| <b>2d</b> Business code (see instructions)<br><u>212110</u>                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                        |                                                                     |                                                             |                                                             |  |

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

|                  |                                                   |            |                                                              |
|------------------|---------------------------------------------------|------------|--------------------------------------------------------------|
| <b>SIGN HERE</b> | Filed with authorized/valid electronic signature. | 09/12/2012 | MARY A. HAUCK                                                |
|                  | Signature of plan administrator                   | Date       | Enter name of individual signing as plan administrator       |
| <b>SIGN HERE</b> |                                                   |            |                                                              |
|                  | Signature of employer/plan sponsor                | Date       | Enter name of individual signing as employer or plan sponsor |
| <b>SIGN HERE</b> |                                                   |            |                                                              |
|                  | Signature of DFE                                  | Date       | Enter name of individual signing as DFE                      |

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2010)  
v.092307.1

|                                                                                                                                                                                        |                                                                                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| <b>3a</b> Plan administrator's name and address (if same as plan sponsor, enter "Same")<br>WESTMORELAND COAL COMPANY<br><br>9540 SOUTH MAROON CIRCLE, SUITE 200<br>ENGLEWOOD, CO 80112 | <b>3b</b> Administrator's EIN<br>84-1575176<br><br><b>3c</b> Administrator's telephone number<br>720-354-4472 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                       |                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| <b>4</b> If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:<br><br><b>a</b> Sponsor's name | <b>4b</b> EIN<br><br><b>4c</b> PN |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|

|                                                                         |          |     |
|-------------------------------------------------------------------------|----------|-----|
| <b>5</b> Total number of participants at the beginning of the plan year | <b>5</b> | 163 |
|-------------------------------------------------------------------------|----------|-----|

|                                                                                                                                                        |           |     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----|
| <b>6</b> Number of participants as of the end of the plan year (welfare plans complete only lines <b>6a</b> , <b>6b</b> , <b>6c</b> , and <b>6d</b> ). |           |     |
| <b>a</b> Active participants.....                                                                                                                      | <b>6a</b> | 109 |
| <b>b</b> Retired or separated participants receiving benefits.....                                                                                     | <b>6b</b> | 40  |
| <b>c</b> Other retired or separated participants entitled to future benefits.....                                                                      | <b>6c</b> | 10  |
| <b>d</b> Subtotal. Add lines <b>6a</b> , <b>6b</b> , and <b>6c</b> .....                                                                               | <b>6d</b> | 159 |
| <b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....                                              | <b>6e</b> | 1   |
| <b>f</b> Total. Add lines <b>6d</b> and <b>6e</b> .....                                                                                                | <b>6f</b> | 160 |
| <b>g</b> Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....         | <b>6g</b> |     |
| <b>h</b> Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....             | <b>6h</b> | 1   |

|                                                                                                                                      |          |  |
|--------------------------------------------------------------------------------------------------------------------------------------|----------|--|
| <b>7</b> Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) ..... | <b>7</b> |  |
|--------------------------------------------------------------------------------------------------------------------------------------|----------|--|

**8a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:  
 1B 1G 3H

**b** If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

|                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>9a</b> Plan funding arrangement (check all that apply)<br>(1) <input checked="" type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor | <b>9b</b> Plan benefit arrangement (check all that apply)<br>(1) <input checked="" type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**10** Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

**a Pension Schedules**

- (1) ☒ **R** (Retirement Plan Information)  
 (2) ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary  
 (3) ☒ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

**b General Schedules**

- (1) ☒ **H** (Financial Information)  
 (2) ☐ **I** (Financial Information – Small Plan)  
 (3) ☒ <sup>1</sup> **A** (Insurance Information)  
 (4) ☒ **C** (Service Provider Information)  
 (5) ☒ **D** (DFE/Participating Plan Information)  
 (6) ☐ **G** (Financial Transaction Schedules)

|                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                           |                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| <b>SCHEDULE A</b><br><b>(Form 5500)</b><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Insurance Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).<br><br>▶ <b>File as an attachment to Form 5500.</b><br><br>▶ Insurance companies are required to provide the information pursuant to ERISA section 103(a)(2). | OMB No. 1210-0110<br><br><b>2010</b><br><br><b>This Form is Open to Public Inspection</b> |
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|                                                                                             |                                                             |
|---------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| For calendar plan year 2010 or fiscal plan year beginning 12/01/2010 and ending 11/30/2011  |                                                             |
| <b>A</b> Name of plan<br>BEULAH AND SAVAGE MINES HOURLY EMPLOYEES PENSION PLAN              | <b>B</b> Three-digit plan number (PN) ▶ 005                 |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500.<br>WESTMORELAND COAL COMPANY | <b>D</b> Employer Identification Number (EIN)<br>84-1575176 |

|               |                                                                                                                                                                                                                                                     |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part I</b> | <b>Information Concerning Insurance Contract Coverage, Fees, and Commissions</b> Provide information for each contract on a separate Schedule A. Individual contracts grouped as a unit in Parts II and III can be reported on a single Schedule A. |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                |
|--------------------------------|
| <b>1</b> Coverage Information: |
|--------------------------------|

|                                                                                             |
|---------------------------------------------------------------------------------------------|
| <b>(a)</b> Name of insurance carrier<br>PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY |
|---------------------------------------------------------------------------------------------|

| (b) EIN    | (c) NAIC code | (d) Contract or identification number | (e) Approximate number of persons covered at end of policy or contract year | Policy or contract year |            |
|------------|---------------|---------------------------------------|-----------------------------------------------------------------------------|-------------------------|------------|
|            |               |                                       |                                                                             | (f) From                | (g) To     |
| 06-1050034 | 93629         | 017368                                | 160                                                                         | 12/01/2010              | 11/30/2011 |

|                                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2</b> Insurance fee and commission information. Enter the total fees and total commissions paid. List in item 3 the agents, brokers, and other persons in descending order of the amount paid. |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                             |                                      |
|---------------------------------------------|--------------------------------------|
| <b>(a)</b> Total amount of commissions paid | <b>(b)</b> Total amount of fees paid |
| 0                                           | 0                                    |

|                                                                                                              |
|--------------------------------------------------------------------------------------------------------------|
| <b>3</b> Persons receiving commissions and fees. (Complete as many entries as needed to report all persons). |
|--------------------------------------------------------------------------------------------------------------|

|                                                                                                         |
|---------------------------------------------------------------------------------------------------------|
| <b>(a)</b> Name and address of the agent, broker, or other person to whom commissions or fees were paid |
|---------------------------------------------------------------------------------------------------------|

| (b) Amount of sales and base commissions paid | Fees and other commissions paid |             | (e) Organization code |
|-----------------------------------------------|---------------------------------|-------------|-----------------------|
|                                               | (c) Amount                      | (d) Purpose |                       |
|                                               |                                 |             |                       |

|                                                                                                         |
|---------------------------------------------------------------------------------------------------------|
| <b>(a)</b> Name and address of the agent, broker, or other person to whom commissions or fees were paid |
|---------------------------------------------------------------------------------------------------------|

| (b) Amount of sales and base commissions paid | Fees and other commissions paid |             | (e) Organization code |
|-----------------------------------------------|---------------------------------|-------------|-----------------------|
|                                               | (c) Amount                      | (d) Purpose |                       |
|                                               |                                 |             |                       |

---

**(a)** Name and address of the agent, broker, or other person to whom commissions or fees were paid

---

| <b>(b)</b> Amount of sales and base commissions paid | Fees and other commissions paid |                    | <b>(e)</b> Organization code |
|------------------------------------------------------|---------------------------------|--------------------|------------------------------|
|                                                      | <b>(c)</b> Amount               | <b>(d)</b> Purpose |                              |
|                                                      |                                 |                    |                              |

---

**(a)** Name and address of the agent, broker, or other person to whom commissions or fees were paid

---

| <b>(b)</b> Amount of sales and base commissions paid | Fees and other commissions paid |                    | <b>(e)</b> Organization code |
|------------------------------------------------------|---------------------------------|--------------------|------------------------------|
|                                                      | <b>(c)</b> Amount               | <b>(d)</b> Purpose |                              |
|                                                      |                                 |                    |                              |

---

**(a)** Name and address of the agent, broker, or other person to whom commissions or fees were paid

---

| <b>(b)</b> Amount of sales and base commissions paid | Fees and other commissions paid |                    | <b>(e)</b> Organization code |
|------------------------------------------------------|---------------------------------|--------------------|------------------------------|
|                                                      | <b>(c)</b> Amount               | <b>(d)</b> Purpose |                              |
|                                                      |                                 |                    |                              |

---

**(a)** Name and address of the agent, broker, or other person to whom commissions or fees were paid

---

| <b>(b)</b> Amount of sales and base commissions paid | Fees and other commissions paid |                    | <b>(e)</b> Organization code |
|------------------------------------------------------|---------------------------------|--------------------|------------------------------|
|                                                      | <b>(c)</b> Amount               | <b>(d)</b> Purpose |                              |
|                                                      |                                 |                    |                              |

---

**(a)** Name and address of the agent, broker, or other person to whom commissions or fees were paid

---

| <b>(b)</b> Amount of sales and base commissions paid | Fees and other commissions paid |                    | <b>(e)</b> Organization code |
|------------------------------------------------------|---------------------------------|--------------------|------------------------------|
|                                                      | <b>(c)</b> Amount               | <b>(d)</b> Purpose |                              |
|                                                      |                                 |                    |                              |

**Part II Investment and Annuity Contract Information**

Where individual contracts are provided, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

|                                                                                                        |          |          |
|--------------------------------------------------------------------------------------------------------|----------|----------|
| <b>4</b> Current value of plan's interest under this contract in the general account at year end ..... | <b>4</b> |          |
| <b>5</b> Current value of plan's interest under this contract in separate accounts at year end .....   | <b>5</b> | 14848418 |

**6** Contracts With Allocated Funds:**a** State the basis of premium rates ▶

|                                                                                                                                                                                                                |           |  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--|
| <b>b</b> Premiums paid to carrier .....                                                                                                                                                                        | <b>6b</b> |  |
| <b>c</b> Premiums due but unpaid at the end of the year .....                                                                                                                                                  | <b>6c</b> |  |
| <b>d</b> If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, enter amount. ....<br>Specify nature of costs ▶ | <b>6d</b> |  |

**e** Type of contract: (1) ☐ individual policies (2) ☐ group deferred annuity  
(3) ☐ other (specify) ▶

**f** If contract purchased, in whole or in part, to distribute benefits from a terminating plan check here ▶ ☐**7** Contracts With Unallocated Funds (Do not include portions of these contracts maintained in separate accounts)

**a** Type of contract: (1) ☐ deposit administration (2) ☐ immediate participation guarantee  
(3) ☐ guaranteed investment (4) ☐ other ▶

|                                                                                             |              |  |
|---------------------------------------------------------------------------------------------|--------------|--|
| <b>b</b> Balance at the end of the previous year .....                                      | <b>7b</b>    |  |
| <b>c</b> Additions: (1) Contributions deposited during the year .....                       | <b>7c(1)</b> |  |
| (2) Dividends and credits .....                                                             | <b>7c(2)</b> |  |
| (3) Interest credited during the year .....                                                 | <b>7c(3)</b> |  |
| (4) Transferred from separate account .....                                                 | <b>7c(4)</b> |  |
| (5) Other (specify below) .....                                                             | <b>7c(5)</b> |  |
| ▶                                                                                           |              |  |
| (6) Total additions .....                                                                   | <b>7c(6)</b> |  |
| <b>d</b> Total of balance and additions (add <b>b</b> and <b>c(6)</b> ) .....               | <b>7d</b>    |  |
| <b>e</b> Deductions:                                                                        |              |  |
| (1) Disbursed from fund to pay benefits or purchase annuities during year .....             | <b>7e(1)</b> |  |
| (2) Administration charge made by carrier .....                                             | <b>7e(2)</b> |  |
| (3) Transferred to separate account .....                                                   | <b>7e(3)</b> |  |
| (4) Other (specify below) .....                                                             | <b>7e(4)</b> |  |
| ▶                                                                                           |              |  |
| (5) Total deductions .....                                                                  | <b>7e(5)</b> |  |
| <b>f</b> Balance at the end of the current year (subtract <b>e(5)</b> from <b>d</b> ) ..... | <b>7f</b>    |  |

**Part III Welfare Benefit Contract Information**

If more than one contract covers the same group of employees of the same employer(s) or members of the same employee organization(s), the information may be combined for reporting purposes if such contracts are experience-rated as a unit. Where contracts cover individual employees, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

**8** Benefit and contract type (check all applicable boxes)

- a** ☐ Health (other than dental or vision)     
**b** ☐ Dental     
**c** ☐ Vision     
**d** ☐ Life insurance  
**e** ☐ Temporary disability (accident and sickness)     
**f** ☐ Long-term disability     
**g** ☐ Supplemental unemployment     
**h** ☐ Prescription drug  
**i** ☐ Stop loss (large deductible)     
**j** ☐ HMO contract     
**k** ☐ PPO contract     
**l** ☐ Indemnity contract  
**m** ☐ Other (specify) ▶

**9** Experience-rated contracts:

|                                                                                                                                                   |                 |                 |  |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|--|
| <b>a</b> Premiums: (1) Amount received.....                                                                                                       | <b>9a(1)</b>    |                 |  |
| (2) Increase (decrease) in amount due but unpaid.....                                                                                             | <b>9a(2)</b>    |                 |  |
| (3) Increase (decrease) in unearned premium reserve.....                                                                                          | <b>9a(3)</b>    |                 |  |
| (4) Earned ((1) + (2) - (3)).....                                                                                                                 |                 | <b>9a(4)</b>    |  |
| <b>b</b> Benefit charges (1) Claims paid.....                                                                                                     | <b>9b(1)</b>    |                 |  |
| (2) Increase (decrease) in claim reserves.....                                                                                                    | <b>9b(2)</b>    |                 |  |
| (3) Incurred claims (add (1) and (2)).....                                                                                                        |                 | <b>9b(3)</b>    |  |
| (4) Claims charged.....                                                                                                                           |                 | <b>9b(4)</b>    |  |
| <b>c</b> Remainder of premium: (1) Retention charges (on an accrual basis) --                                                                     |                 |                 |  |
| (A) Commissions.....                                                                                                                              | <b>9c(1)(A)</b> |                 |  |
| (B) Administrative service or other fees.....                                                                                                     | <b>9c(1)(B)</b> |                 |  |
| (C) Other specific acquisition costs.....                                                                                                         | <b>9c(1)(C)</b> |                 |  |
| (D) Other expenses.....                                                                                                                           | <b>9c(1)(D)</b> |                 |  |
| (E) Taxes.....                                                                                                                                    | <b>9c(1)(E)</b> |                 |  |
| (F) Charges for risks or other contingencies.....                                                                                                 | <b>9c(1)(F)</b> |                 |  |
| (G) Other retention charges.....                                                                                                                  | <b>9c(1)(G)</b> |                 |  |
| (H) Total retention.....                                                                                                                          |                 | <b>9c(1)(H)</b> |  |
| (2) Dividends or retroactive rate refunds. (These amounts were <input type="checkbox"/> paid in cash, or <input type="checkbox"/> credited.)..... |                 | <b>9c(2)</b>    |  |
| <b>d</b> Status of policyholder reserves at end of year: (1) Amount held to provide benefits after retirement.....                                |                 | <b>9d(1)</b>    |  |
| (2) Claim reserves.....                                                                                                                           |                 | <b>9d(2)</b>    |  |
| (3) Other reserves.....                                                                                                                           |                 | <b>9d(3)</b>    |  |
| <b>e</b> Dividends or retroactive rate refunds due. (Do not include amount entered in c(2).).....                                                 |                 | <b>9e</b>       |  |

**10** Nonexperience-rated contracts:

|                                                                                                                                                                                                                                 |            |  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> Total premiums or subscription charges paid to carrier.....                                                                                                                                                            | <b>10a</b> |  |
| <b>b</b> If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in Part I, item 2 above, report amount. .... | <b>10b</b> |  |

Specify nature of costs ▶

**Part IV Provision of Information**

**11** Did the insurance company fail to provide any information necessary to complete Schedule A? ..... ☐ Yes ☐ No

**12** If the answer to line 11 is "Yes," specify the information not provided. ▶

|                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                    |                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| <b>SCHEDULE SB</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Single-Employer Defined Benefit Plan</b><br><b>Actuarial Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).<br><br>▶ <b>File as an attachment to Form 5500 or 5500-SF.</b> | OMB No. 1210-0110<br><br><b>2010</b><br><br><b>This Form is Open to Public Inspection</b> |
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For calendar plan year 2010 or fiscal plan year beginning 12/01/2010 and ending 11/30/2011

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

|                                                                                                                                           |                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>A</b> Name of plan<br><u>BEULAH AND SAVAGE MINES HOURLY EMPLOYEES PENSION PLAN</u>                                                     | <b>B</b> Three-digit plan number (PN) ▶ <u>005</u>                                                                                                      |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF<br><u>WESTMORELAND COAL COMPANY</u>                              | <b>D</b> Employer Identification Number (EIN)<br><u>84-1575176</u>                                                                                      |
| <b>E</b> Type of plan: <input checked="" type="checkbox"/> Single <input type="checkbox"/> Multiple-A <input type="checkbox"/> Multiple-B | <b>F</b> Prior year plan size: <input type="checkbox"/> 100 or fewer <input checked="" type="checkbox"/> 101-500 <input type="checkbox"/> More than 500 |

|                                                                                                                                                                                                       |                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| <b>Part I</b>                                                                                                                                                                                         | <b>Basic Information</b>                                    |
| <b>1</b> Enter the valuation date: Month <u>12</u> Day <u>01</u> Year <u>2010</u>                                                                                                                     |                                                             |
| <b>2</b> Assets:                                                                                                                                                                                      |                                                             |
| <b>a</b> Market value .....                                                                                                                                                                           | <b>2a</b> <u>16551316</u>                                   |
| <b>b</b> Actuarial value .....                                                                                                                                                                        | <b>2b</b> <u>15906610</u>                                   |
| <b>3</b> Funding target/participant count breakdown                                                                                                                                                   |                                                             |
|                                                                                                                                                                                                       | <b>(1) Number of participants</b> <b>(2) Funding Target</b> |
| <b>a</b> For retired participants and beneficiaries receiving payment .....                                                                                                                           | <b>3a</b> <u>39</u> <u>7567911</u>                          |
| <b>b</b> For terminated vested participants .....                                                                                                                                                     | <b>3b</b> <u>9</u> <u>1014780</u>                           |
| <b>c</b> For active participants:                                                                                                                                                                     |                                                             |
| <b>(1)</b> Non-vested benefits .....                                                                                                                                                                  | <b>3c(1)</b> <u>350468</u>                                  |
| <b>(2)</b> Vested benefits .....                                                                                                                                                                      | <b>3c(2)</b> <u>8738040</u>                                 |
| <b>(3)</b> Total active .....                                                                                                                                                                         | <b>3c(3)</b> <u>115</u> <u>9088508</u>                      |
| <b>d</b> Total .....                                                                                                                                                                                  | <b>3d</b> <u>163</u> <u>17671199</u>                        |
| <b>4</b> If the plan is at-risk, check the box and complete items (a) and (b) .....                                                                                                                   | <input type="checkbox"/>                                    |
| <b>a</b> Funding target disregarding prescribed at-risk assumptions .....                                                                                                                             | <b>4a</b>                                                   |
| <b>b</b> Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor ..... | <b>4b</b>                                                   |
| <b>5</b> Effective interest rate .....                                                                                                                                                                | <b>5</b> <u>6.38</u> %                                      |
| <b>6</b> Target normal cost .....                                                                                                                                                                     | <b>6</b> <u>453614</u>                                      |

**Statement by Enrolled Actuary**

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

|                                                              |                                        |
|--------------------------------------------------------------|----------------------------------------|
| <b>SIGN HERE</b>                                             | <u>09/04/2012</u>                      |
| Signature of actuary                                         | Date                                   |
| <u>ALEXANDER E. KIRIMOV</u>                                  | <u>11-05454</u>                        |
| Type or print name of actuary                                | Most recent enrollment number          |
| <u>PRIAC</u>                                                 | <u>617-477-9025</u>                    |
| Firm name                                                    | Telephone number (including area code) |
| <u>280 TRUMBULL STREET</u><br><u>HARTFORD, CT 06103-2975</u> |                                        |
| Address of the firm                                          |                                        |

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

**For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 or 5500-SF.**

**Schedule SB (Form 5500) 2010**  
**v.092308.1**

| <b>Part II</b> |                                                                                                 | <b>Beginning of year carryover and prefunding balances</b> |                        |
|----------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------|
|                |                                                                                                 | (a) Carryover balance                                      | (b) Prefunding balance |
| <b>7</b>       | Balance at beginning of prior year after applicable adjustments (Item 13 from prior year) ..... | 0                                                          | 1610346                |
| <b>8</b>       | Portion used to offset prior year's funding requirement (Item 35 from prior year) .....         | 0                                                          | 0                      |
| <b>9</b>       | Amount remaining (Item 7 minus item 8).....                                                     | 0                                                          | 1610346                |
| <b>10</b>      | Interest on item 9 using prior year's actual return of <u>10.40</u> % .....                     |                                                            | 167476                 |
| <b>11</b>      | Prior year's excess contributions to be added to prefunding balance:                            |                                                            |                        |
| <b>a</b>       | Excess contributions (Item 38 from prior year) .....                                            |                                                            | 1246938                |
| <b>b</b>       | Interest on (a) using prior year's effective rate of <u>6.71</u> % .....                        |                                                            | 83670                  |
| <b>c</b>       | Total available at beginning of current plan year to add to prefunding balance .....            |                                                            | 1330608                |
| <b>d</b>       | Portion of (c) to be added to prefunding balance.....                                           |                                                            | 1330608                |
| <b>12</b>      | Reduction in balances due to elections or deemed elections.....                                 |                                                            | 1338780                |
| <b>13</b>      | Balance at beginning of current year (item 9 + item 10 + item 11d – item 12).....               | 0                                                          | 1769650                |

| <b>Part III</b> |                                                                                                                                                                 | <b>Funding percentages</b> |         |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|---------|
| <b>14</b>       | Funding target attainment percentage.....                                                                                                                       | <b>14</b>                  | 80.00 % |
| <b>15</b>       | Adjusted funding target attainment percentage.....                                                                                                              | <b>15</b>                  | 80.00 % |
| <b>16</b>       | Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement..... | <b>16</b>                  | 90.14 % |
| <b>17</b>       | If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.....                                        | <b>17</b>                  | %       |

| <b>Part IV</b>                                                                           |                                   | <b>Contributions and liquidity shortfalls</b> |                          |                                   |                                 |
|------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------|--------------------------|-----------------------------------|---------------------------------|
| <b>18</b> Contributions made to the plan for the plan year by employer(s) and employees: |                                   |                                               |                          |                                   |                                 |
| (a) Date<br>(MM-DD-YYYY)                                                                 | (b) Amount paid by<br>employer(s) | (c) Amount paid by<br>employees               | (a) Date<br>(MM-DD-YYYY) | (b) Amount paid by<br>employer(s) | (c) Amount paid by<br>employees |
| 03/15/2011                                                                               | 251000                            |                                               |                          |                                   |                                 |
| 06/15/2011                                                                               | 251000                            |                                               |                          |                                   |                                 |
|                                                                                          |                                   |                                               |                          |                                   |                                 |
|                                                                                          |                                   |                                               |                          |                                   |                                 |
|                                                                                          |                                   |                                               |                          |                                   |                                 |
|                                                                                          |                                   |                                               |                          |                                   |                                 |
| <b>Totals ▶</b>                                                                          |                                   |                                               | <b>18(b)</b>             | 502000                            | <b>18(c)</b>                    |
|                                                                                          |                                   |                                               |                          |                                   | 0                               |

|                                                                                                                                                                           |                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| <b>19</b> Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:                                      |                   |
| a Contributions allocated toward unpaid minimum required contribution from prior years.....                                                                               | <b>19a</b> 0      |
| b Contributions made to avoid restrictions adjusted to valuation date .....                                                                                               | <b>19b</b> 0      |
| c Contributions allocated toward minimum required contribution for current year adjusted to valuation date.....                                                           | <b>19c</b> 489417 |
| <b>20</b> Quarterly contributions and liquidity shortfalls:                                                                                                               |                   |
| a Did the plan have a "funding shortfall" for the prior year? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No                                         |                   |
| b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |                   |
| c If 20a is "Yes," see instructions and complete the following table as applicable:                                                                                       |                   |
| Liquidity shortfall as of end of Quarter of this plan year                                                                                                                |                   |
| (1) 1st                                                                                                                                                                   | (2) 2nd           |
| 0                                                                                                                                                                         | 0                 |
| (3) 3rd                                                                                                                                                                   | (4) 4th           |
| 0                                                                                                                                                                         | 0                 |

**Part V Assumptions used to determine funding target and target normal cost**

|                                                                                                                                                                                              |                        |                        |                        |                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|------------------------|-----------------------------------------------------|
| <b>21</b> Discount rate:                                                                                                                                                                     |                        |                        |                        |                                                     |
| <b>a</b> Segment rates:                                                                                                                                                                      | 1st segment:<br>3.92 % | 2nd segment:<br>6.40 % | 3rd segment:<br>6.61 % | <input type="checkbox"/> N/A, full yield curve used |
| <b>b</b> Applicable month (enter code) .....                                                                                                                                                 |                        |                        |                        | <b>21b</b> 4                                        |
| <b>22</b> Weighted average retirement age .....                                                                                                                                              |                        |                        |                        | <b>22</b> 62                                        |
| <b>23</b> Mortality table(s) (see instructions) <input type="checkbox"/> Prescribed - combined <input checked="" type="checkbox"/> Prescribed - separate <input type="checkbox"/> Substitute |                        |                        |                        |                                                     |

**Part VI Miscellaneous items**

|                                                                                                                                                                        |                                                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| <b>24</b> Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment. .... | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <b>25</b> Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment. ....                                      | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| <b>26</b> Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.....                             | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <b>27</b> If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment.....                   | <b>27</b>                                                           |

**Part VII Reconciliation of unpaid minimum required contributions for prior years**

|                                                                                                                                     |           |   |
|-------------------------------------------------------------------------------------------------------------------------------------|-----------|---|
| <b>28</b> Unpaid minimum required contribution for all prior years .....                                                            | <b>28</b> | 0 |
| <b>29</b> Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a)..... | <b>29</b> | 0 |
| <b>30</b> Remaining amount of unpaid minimum required contributions (item 28 minus item 29) .....                                   | <b>30</b> | 0 |

**Part VIII Minimum required contribution for current year**

|                                                                                                                                                                                      |                     |                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|
| <b>31</b> Target normal cost, adjusted, if applicable (see instructions).....                                                                                                        | <b>31</b>           | 453614             |
| <b>32</b> Amortization installments:                                                                                                                                                 | Outstanding Balance | Installment        |
| <b>a</b> Net shortfall amortization installment .....                                                                                                                                | 3534239             | 696945             |
| <b>b</b> Waiver amortization installment .....                                                                                                                                       | 0                   | 0                  |
| <b>33</b> If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount ..... | <b>33</b>           |                    |
| <b>34</b> Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b – item 33).....                                                   | <b>34</b>           | 1150559            |
|                                                                                                                                                                                      | Carryover balance   | Prefunding balance |
| <b>35</b> Balances used to offset funding requirement .....                                                                                                                          | 0                   | 661142             |
| <b>36</b> Additional cash requirement (item 34 minus item 35).....                                                                                                                   | <b>36</b>           | 489417             |
| <b>37</b> Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c).....                                                   | <b>37</b>           | 489417             |
| <b>38</b> Interest-adjusted excess contributions for current year (see instructions).....                                                                                            | <b>38</b>           | 0                  |
| <b>39</b> Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37).....                                                                       | <b>39</b>           | 0                  |
| <b>40</b> Unpaid minimum required contribution for all years .....                                                                                                                   | <b>40</b>           | 0                  |

|                                                                                                                                                                                                                           |                                                                                                                                                                                                                        |                                                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| <b>SCHEDULE C</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Service Provider Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).<br><br>▶ <b>File as an attachment to Form 5500.</b> | OMB No. 1210-0110                              |
|                                                                                                                                                                                                                           |                                                                                                                                                                                                                        | <b>2010</b>                                    |
|                                                                                                                                                                                                                           |                                                                                                                                                                                                                        | <b>This Form is Open to Public Inspection.</b> |
| For calendar plan year 2010 or fiscal plan year beginning 12/01/2010 and ending 11/30/2011                                                                                                                                |                                                                                                                                                                                                                        |                                                |
| <b>A</b> Name of plan<br>BEULAH AND SAVAGE MINES HOURLY EMPLOYEES PENSION PLAN                                                                                                                                            | <b>B</b> Three-digit plan number (PN) ▶                                                                                                                                                                                | 005                                            |
|                                                                                                                                                                                                                           |                                                                                                                                                                                                                        |                                                |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br>WESTMORELAND COAL COMPANY                                                                                                                                | <b>D</b> Employer Identification Number (EIN)<br>84-1575176                                                                                                                                                            |                                                |

|               |                                                        |
|---------------|--------------------------------------------------------|
| <b>Part I</b> | <b>Service Provider Information (see instructions)</b> |
|---------------|--------------------------------------------------------|

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

**1 Information on Persons Receiving Only Eligible Indirect Compensation**

**a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No

**b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

|                                                                                                                   |
|-------------------------------------------------------------------------------------------------------------------|
| <b>(b)</b> Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation |
| PRUDENTIAL RETIREMENT INS & ANNUITY                                                                               |

06-1050034

|                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------|
| <b>(b)</b> Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation |
|------------------------------------------------------------------------------------------------------------------|

|                                                                                                                   |
|-------------------------------------------------------------------------------------------------------------------|
| <b>(b)</b> Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation |
|-------------------------------------------------------------------------------------------------------------------|

|                                                                                                                   |
|-------------------------------------------------------------------------------------------------------------------|
| <b>(b)</b> Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation |
|-------------------------------------------------------------------------------------------------------------------|

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

PRUDENTIAL RETIREMENT INS & ANNUITY

06-1050034

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| 13                            | NONE                                                                                                     | 45398                                                                         | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                         | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                                                   | 0                                                                                                                                                                                      | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                 |

**(a)** Enter name and EIN or address (see instructions)

GLOBAL PORTFOLIO STRATEGIES, INC.

06-1055669

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| 28                            | NONE                                                                                                     | 8484                                                                          | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                         | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**(a)** Enter name and EIN or address (see instructions)

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|                               |                                                                                                          |                                                                               | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                    | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**(a)** Enter name and EIN or address (see instructions)

| <b>(b)</b><br>Service<br>Code(s) | <b>(c)</b><br>Relationship to<br>employer, employee<br>organization, or<br>person known to be<br>a party-in-interest | <b>(d)</b><br>Enter direct<br>compensation paid<br>by the plan. If none,<br>enter -0-. | <b>(e)</b><br>Did service provider<br>receive indirect<br>compensation? (sources<br>other than plan or plan<br>sponsor) | <b>(f)</b><br>Did indirect compensation<br>include eligible indirect<br>compensation, for which the<br>plan received the required<br>disclosures? | <b>(g)</b><br>Enter total indirect<br>compensation received by<br>service provider excluding<br>eligible indirect<br>compensation for which you<br>answered "Yes" to element<br>(f). If none, enter -0-. | <b>(h)</b><br>Did the service<br>provider give you a<br>formula instead of<br>an amount or<br>estimated amount? |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
|                                  |                                                                                                                      |                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                                          |                                                                                                                                                                                                          | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                        |

**(a)** Enter name and EIN or address (see instructions)

| <b>(b)</b><br>Service<br>Code(s) | <b>(c)</b><br>Relationship to<br>employer, employee<br>organization, or<br>person known to be<br>a party-in-interest | <b>(d)</b><br>Enter direct<br>compensation paid<br>by the plan. If none,<br>enter -0-. | <b>(e)</b><br>Did service provider<br>receive indirect<br>compensation? (sources<br>other than plan or plan<br>sponsor) | <b>(f)</b><br>Did indirect compensation<br>include eligible indirect<br>compensation, for which the<br>plan received the required<br>disclosures? | <b>(g)</b><br>Enter total indirect<br>compensation received by<br>service provider excluding<br>eligible indirect<br>compensation for which you<br>answered "Yes" to element<br>(f). If none, enter -0-. | <b>(h)</b><br>Did the service<br>provider give you a<br>formula instead of<br>an amount or<br>estimated amount? |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
|                                  |                                                                                                                      |                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                                          |                                                                                                                                                                                                          | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                        |

**(a)** Enter name and EIN or address (see instructions)

| <b>(b)</b><br>Service<br>Code(s) | <b>(c)</b><br>Relationship to<br>employer, employee<br>organization, or<br>person known to be<br>a party-in-interest | <b>(d)</b><br>Enter direct<br>compensation paid<br>by the plan. If none,<br>enter -0-. | <b>(e)</b><br>Did service provider<br>receive indirect<br>compensation? (sources<br>other than plan or plan<br>sponsor) | <b>(f)</b><br>Did indirect compensation<br>include eligible indirect<br>compensation, for which the<br>plan received the required<br>disclosures? | <b>(g)</b><br>Enter total indirect<br>compensation received by<br>service provider excluding<br>eligible indirect<br>compensation for which you<br>answered "Yes" to element<br>(f). If none, enter -0-. | <b>(h)</b><br>Did the service<br>provider give you a<br>formula instead of<br>an amount or<br>estimated amount? |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
|                                  |                                                                                                                      |                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                                          |                                                                                                                                                                                                          | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                        |

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| <b>(a)</b> Enter service provider name as it appears on line 2 | <b>(b)</b> Service Codes<br>(see instructions) | <b>(c)</b> Enter amount of indirect compensation |
|----------------------------------------------------------------|------------------------------------------------|--------------------------------------------------|
|                                                                |                                                |                                                  |

| <b>(d)</b> Enter name and EIN (address) of source of indirect compensation | <b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                            |                                                                                                                                                                           |

| <b>(a)</b> Enter service provider name as it appears on line 2 | <b>(b)</b> Service Codes<br>(see instructions) | <b>(c)</b> Enter amount of indirect compensation |
|----------------------------------------------------------------|------------------------------------------------|--------------------------------------------------|
|                                                                |                                                |                                                  |

| <b>(d)</b> Enter name and EIN (address) of source of indirect compensation | <b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                            |                                                                                                                                                                           |

| <b>(a)</b> Enter service provider name as it appears on line 2 | <b>(b)</b> Service Codes<br>(see instructions) | <b>(c)</b> Enter amount of indirect compensation |
|----------------------------------------------------------------|------------------------------------------------|--------------------------------------------------|
|                                                                |                                                |                                                  |

| <b>(d)</b> Enter name and EIN (address) of source of indirect compensation | <b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                            |                                                                                                                                                                           |

**Part II Service Providers Who Fail or Refuse to Provide Information**

**4** Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

| <b>(a)</b> Enter name and EIN or address of service provider (see instructions) | <b>(b)</b> Nature of Service Code(s) | <b>(c)</b> Describe the information that the service provider failed or refused to provide |
|---------------------------------------------------------------------------------|--------------------------------------|--------------------------------------------------------------------------------------------|
|                                                                                 |                                      |                                                                                            |
|                                                                                 |                                      |                                                                                            |
|                                                                                 |                                      |                                                                                            |
|                                                                                 |                                      |                                                                                            |
|                                                                                 |                                      |                                                                                            |
|                                                                                 |                                      |                                                                                            |
|                                                                                 |                                      |                                                                                            |
|                                                                                 |                                      |                                                                                            |
|                                                                                 |                                      |                                                                                            |
|                                                                                 |                                      |                                                                                            |
|                                                                                 |                                      |                                                                                            |

**Part III** **Termination Information on Accountants and Enrolled Actuaries (see instructions)**  
(complete as many entries as needed)

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN;       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN;       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                                                                                                                                                                                                           |                                                                                                                                                                                                                          |                                                                                            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <b>SCHEDULE D</b><br><b>(Form 5500)</b><br><small>Department of the Treasury<br/>Internal Revenue Service</small><br><br><small>Department of Labor<br/>Employee Benefits Security Administration</small> | <b>DFE/Participating Plan Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).<br><b>► File as an attachment to Form 5500.</b> | OMB No. 1210-0110<br><br><b>2010</b><br><br><b>This Form is Open to Public Inspection.</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|

For calendar plan year 2010 or fiscal plan year beginning 12/01/2010 and ending 11/30/2011

|                                                                                                          |                                                                    |            |
|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|------------|
| <b>A</b> Name of plan<br><u>BEULAH AND SAVAGE MINES HOURLY EMPLOYEES PENSION PLAN</u>                    | <b>B</b> Three-digit plan number (PN) <b>►</b>                     | <u>005</u> |
| <b>C</b> Plan or DFE sponsor's name as shown on line 2a of Form 5500<br><u>WESTMORELAND COAL COMPANY</u> | <b>D</b> Employer Identification Number (EIN)<br><u>84-1575176</u> |            |

|               |                                                                                                                                                                                  |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part I</b> | <b>Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs)</b><br>(Complete as many entries as needed to report all interests in DFEs) |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                     |                               |                                                                                                                    |  |  |
|-------------------------------------------------------------------------------------|-------------------------------|--------------------------------------------------------------------------------------------------------------------|--|--|
| <b>a</b> Name of MTIA, CCT, PSA, or 103-12 IE: <u>CORE BOND ENHANCED INDEX/PIM</u>  |                               |                                                                                                                    |  |  |
| <b>b</b> Name of sponsor of entity listed in (a): <u>PRUDENTIAL RETIREMENT INS.</u> |                               |                                                                                                                    |  |  |
| <b>c</b> EIN-PN <u>06-1050034-036</u>                                               | <b>d</b> Entity code <u>P</u> | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>5647429</u> |  |  |
| <b>a</b> Name of MTIA, CCT, PSA, or 103-12 IE: <u>DRYDEN S&amp;P 500 INDEX</u>      |                               |                                                                                                                    |  |  |
| <b>b</b> Name of sponsor of entity listed in (a): <u>PRUDENTIAL RETIREMENT INS.</u> |                               |                                                                                                                    |  |  |
| <b>c</b> EIN-PN <u>06-1050034-123</u>                                               | <b>d</b> Entity code <u>P</u> | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>5063987</u> |  |  |
| <b>a</b> Name of MTIA, CCT, PSA, or 103-12 IE: <u>INTL BLD/PICTET ASSET MGMT</u>    |                               |                                                                                                                    |  |  |
| <b>b</b> Name of sponsor of entity listed in (a): <u>PRUDENTIAL RETIREMENT INS.</u> |                               |                                                                                                                    |  |  |
| <b>c</b> EIN-PN <u>06-1050034-534</u>                                               | <b>d</b> Entity code <u>P</u> | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>772683</u>  |  |  |
| <b>a</b> Name of MTIA, CCT, PSA, or 103-12 IE: <u>PRUDENTIAL SHORT-TERM</u>         |                               |                                                                                                                    |  |  |
| <b>b</b> Name of sponsor of entity listed in (a): <u>PRUDENTIAL RETIREMENT INS.</u> |                               |                                                                                                                    |  |  |
| <b>c</b> EIN-PN <u>06-1050034-041</u>                                               | <b>d</b> Entity code <u>P</u> | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>834565</u>  |  |  |
| <b>a</b> Name of MTIA, CCT, PSA, or 103-12 IE: <u>SMALL CAP GRW/COLUMBUS</u>        |                               |                                                                                                                    |  |  |
| <b>b</b> Name of sponsor of entity listed in (a): <u>PRUDENTIAL RETIREMENT INS.</u> |                               |                                                                                                                    |  |  |
| <b>c</b> EIN-PN <u>06-1050034-650</u>                                               | <b>d</b> Entity code <u>P</u> | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>756917</u>  |  |  |
| <b>a</b> Name of MTIA, CCT, PSA, or 103-12 IE: <u>SMALL CAP VALUE/TS&amp;W</u>      |                               |                                                                                                                    |  |  |
| <b>b</b> Name of sponsor of entity listed in (a): <u>PRUDENTIAL RETIREMENT INS.</u> |                               |                                                                                                                    |  |  |
| <b>c</b> EIN-PN <u>06-1050034-256</u>                                               | <b>d</b> Entity code <u>P</u> | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>708656</u>  |  |  |
| <b>a</b> Name of MTIA, CCT, PSA, or 103-12 IE: <u>MID CAP VALUE/SYSTEMATIC</u>      |                               |                                                                                                                    |  |  |
| <b>b</b> Name of sponsor of entity listed in (a): <u>PRUDENTIAL RETIREMENT INS.</u> |                               |                                                                                                                    |  |  |
| <b>c</b> EIN-PN <u>06-1050034-647</u>                                               | <b>d</b> Entity code <u>P</u> | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>522381</u>  |  |  |

**a** Name of MTIA, CCT, PSA, or 103-12 IE: **MID GROWTH/FRONTIER CAPITAL**  
**PRUDENTIAL RETIREMENT INS.**

**b** Name of sponsor of entity listed in (a):

|                                       |                               |                                                                                                                   |
|---------------------------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN <b>06-1050034-559</b> | <b>d</b> Entity code <b>P</b> | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <b>541800</b> |
|---------------------------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

|                 |                      |                                                                                                     |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN | <b>d</b> Entity code | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

|                 |                      |                                                                                                     |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN | <b>d</b> Entity code | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

|                 |                      |                                                                                                     |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN | <b>d</b> Entity code | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

|                 |                      |                                                                                                     |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN | <b>d</b> Entity code | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

|                 |                      |                                                                                                     |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN | <b>d</b> Entity code | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

|                 |                      |                                                                                                     |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN | <b>d</b> Entity code | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

|                 |                      |                                                                                                     |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN | <b>d</b> Entity code | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

|                 |                      |                                                                                                     |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN | <b>d</b> Entity code | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

|                 |                      |                                                                                                     |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN | <b>d</b> Entity code | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|

**Part II Information on Participating Plans (to be completed by DFEs)**

(Complete as many entries as needed to report all participating plans)

**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN

|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                              |                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| <b>SCHEDULE H</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Financial Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).<br><br><b>► File as an attachment to Form 5500.</b> | OMB No. 1210-0110                             |
|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                              | <b>2010</b>                                   |
|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                              | <b>This Form is Open to Public Inspection</b> |

For calendar plan year 2010 or fiscal plan year beginning **12/01/2010** and ending **11/30/2011**

|                                                                                                   |                                                                        |            |
|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------|
| <b>A</b> Name of plan<br><b>BEULAH AND SAVAGE MINES HOURLY EMPLOYEES PENSION PLAN</b>             | <b>B</b> Three-digit plan number (PN) ►                                | <b>005</b> |
|                                                                                                   |                                                                        |            |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><b>WESTMORELAND COAL COMPANY</b> | <b>D</b> Employer Identification Number (EIN)<br><br><b>84-1575176</b> |            |

|               |                                      |
|---------------|--------------------------------------|
| <b>Part I</b> | <b>Asset and Liability Statement</b> |
|---------------|--------------------------------------|

**1** Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

| Assets                                                                                             |                 | (a) Beginning of Year | (b) End of Year |
|----------------------------------------------------------------------------------------------------|-----------------|-----------------------|-----------------|
| <b>a</b> Total noninterest-bearing cash .....                                                      | <b>1a</b>       |                       |                 |
| <b>b</b> Receivables (less allowance for doubtful accounts):                                       |                 |                       |                 |
| <b>(1)</b> Employer contributions .....                                                            | <b>1b(1)</b>    | 1647320               | 0               |
| <b>(2)</b> Participant contributions .....                                                         | <b>1b(2)</b>    |                       |                 |
| <b>(3)</b> Other .....                                                                             | <b>1b(3)</b>    |                       |                 |
| <b>c</b> General investments:                                                                      |                 |                       |                 |
| <b>(1)</b> Interest-bearing cash (include money market accounts & certificates of deposit) .....   | <b>1c(1)</b>    | 136720                | 88              |
| <b>(2)</b> U.S. Government securities .....                                                        | <b>1c(2)</b>    |                       |                 |
| <b>(3)</b> Corporate debt instruments (other than employer securities):                            |                 |                       |                 |
| <b>(A)</b> Preferred .....                                                                         | <b>1c(3)(A)</b> |                       |                 |
| <b>(B)</b> All other .....                                                                         | <b>1c(3)(B)</b> |                       |                 |
| <b>(4)</b> Corporate stocks (other than employer securities):                                      |                 |                       |                 |
| <b>(A)</b> Preferred .....                                                                         | <b>1c(4)(A)</b> |                       |                 |
| <b>(B)</b> Common .....                                                                            | <b>1c(4)(B)</b> |                       |                 |
| <b>(5)</b> Partnership/joint venture interests .....                                               | <b>1c(5)</b>    | 292386                | 244875          |
| <b>(6)</b> Real estate (other than employer real property) .....                                   | <b>1c(6)</b>    |                       |                 |
| <b>(7)</b> Loans (other than to participants) .....                                                | <b>1c(7)</b>    |                       |                 |
| <b>(8)</b> Participant loans .....                                                                 | <b>1c(8)</b>    |                       |                 |
| <b>(9)</b> Value of interest in common/collective trusts .....                                     | <b>1c(9)</b>    |                       |                 |
| <b>(10)</b> Value of interest in pooled separate accounts .....                                    | <b>1c(10)</b>   | 12373798              | 14848418        |
| <b>(11)</b> Value of interest in master trust investment accounts .....                            | <b>1c(11)</b>   |                       |                 |
| <b>(12)</b> Value of interest in 103-12 investment entities .....                                  | <b>1c(12)</b>   |                       |                 |
| <b>(13)</b> Value of interest in registered investment companies (e.g., mutual funds) .....        | <b>1c(13)</b>   | 693400                | 813639          |
| <b>(14)</b> Value of funds held in insurance company general account (unallocated contracts) ..... | <b>1c(14)</b>   |                       |                 |
| <b>(15)</b> Other .....                                                                            | <b>1c(15)</b>   |                       |                 |

**1d** Employer-related investments:

|                                                                      |              | (a) Beginning of Year | (b) End of Year |
|----------------------------------------------------------------------|--------------|-----------------------|-----------------|
| (1) Employer securities .....                                        | <b>1d(1)</b> | 1025980               | 201823          |
| (2) Employer real property .....                                     | <b>1d(2)</b> |                       |                 |
| <b>e</b> Buildings and other property used in plan operation .....   | <b>1e</b>    |                       |                 |
| <b>f</b> Total assets (add all amounts in lines 1a through 1e) ..... | <b>1f</b>    | 16169604              | 16108843        |

**Liabilities**

|                                                                           |           |   |   |
|---------------------------------------------------------------------------|-----------|---|---|
| <b>g</b> Benefit claims payable .....                                     | <b>1g</b> |   |   |
| <b>h</b> Operating payables .....                                         | <b>1h</b> |   |   |
| <b>i</b> Acquisition indebtedness .....                                   | <b>1i</b> |   |   |
| <b>j</b> Other liabilities .....                                          | <b>1j</b> |   |   |
| <b>k</b> Total liabilities (add all amounts in lines 1g through 1j) ..... | <b>1k</b> | 0 | 0 |

**Net Assets**

|                                                           |           |          |          |
|-----------------------------------------------------------|-----------|----------|----------|
| <b>l</b> Net assets (subtract line 1k from line 1f) ..... | <b>1l</b> | 16169604 | 16108843 |
|-----------------------------------------------------------|-----------|----------|----------|

**Part II Income and Expense Statement**

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

**Income****a Contributions:**

|                                                                                                            |                 | (a) Amount | (b) Total |
|------------------------------------------------------------------------------------------------------------|-----------------|------------|-----------|
| (1) Received or receivable in cash from: <b>(A)</b> Employers .....                                        | <b>2a(1)(A)</b> | 939001     |           |
| <b>(B)</b> Participants .....                                                                              | <b>2a(1)(B)</b> |            |           |
| <b>(C)</b> Others (including rollovers) .....                                                              | <b>2a(1)(C)</b> |            |           |
| (2) Noncash contributions .....                                                                            | <b>2a(2)</b>    |            |           |
| (3) Total contributions. Add lines <b>2a(1)(A)</b> , <b>(B)</b> , <b>(C)</b> , and line <b>2a(2)</b> ..... | <b>2a(3)</b>    |            | 939001    |

**b Earnings on investments:****(1) Interest:**

|                                                                                                      |                 |        |        |
|------------------------------------------------------------------------------------------------------|-----------------|--------|--------|
| <b>(A)</b> Interest-bearing cash (including money market accounts and certificates of deposit) ..... | <b>2b(1)(A)</b> |        |        |
| <b>(B)</b> U.S. Government securities .....                                                          | <b>2b(1)(B)</b> |        |        |
| <b>(C)</b> Corporate debt instruments .....                                                          | <b>2b(1)(C)</b> |        |        |
| <b>(D)</b> Loans (other than to participants) .....                                                  | <b>2b(1)(D)</b> |        |        |
| <b>(E)</b> Participant loans .....                                                                   | <b>2b(1)(E)</b> |        |        |
| <b>(F)</b> Other .....                                                                               | <b>2b(1)(F)</b> | 267852 |        |
| <b>(G)</b> Total interest. Add lines <b>2b(1)(A)</b> through <b>(F)</b> .....                        | <b>2b(1)(G)</b> |        | 267852 |
| (2) Dividends: <b>(A)</b> Preferred stock .....                                                      | <b>2b(2)(A)</b> |        |        |
| <b>(B)</b> Common stock .....                                                                        | <b>2b(2)(B)</b> |        |        |
| <b>(C)</b> Registered investment company shares (e.g. mutual funds) .....                            | <b>2b(2)(C)</b> |        |        |
| <b>(D)</b> Total dividends. Add lines <b>2b(2)(A)</b> , <b>(B)</b> , and <b>(C)</b> .....            | <b>2b(2)(D)</b> |        | 0      |
| (3) Rents .....                                                                                      | <b>2b(3)</b>    |        |        |
| (4) Net gain (loss) on sale of assets: <b>(A)</b> Aggregate proceeds .....                           | <b>2b(4)(A)</b> |        |        |
| <b>(B)</b> Aggregate carrying amount (see instructions) .....                                        | <b>2b(4)(B)</b> |        |        |
| <b>(C)</b> Subtract line <b>2b(4)(B)</b> from line <b>2b(4)(A)</b> and enter result .....            | <b>2b(4)(C)</b> |        | 0      |

|                                                                                                   |                 | (a) Amount | (b) Total |
|---------------------------------------------------------------------------------------------------|-----------------|------------|-----------|
| <b>2b</b> (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....              | <b>2b(5)(A)</b> |            |           |
| (B) Other .....                                                                                   | <b>2b(5)(B)</b> |            |           |
| (C) Total unrealized appreciation of assets.<br>Add lines <b>2b(5)(A)</b> and <b>(B)</b> .....    | <b>2b(5)(C)</b> |            | 0         |
| (6) Net investment gain (loss) from common/collective trusts .....                                | <b>2b(6)</b>    |            |           |
| (7) Net investment gain (loss) from pooled separate accounts .....                                | <b>2b(7)</b>    |            | 691297    |
| (8) Net investment gain (loss) from master trust investment accounts .....                        | <b>2b(8)</b>    |            |           |
| (9) Net investment gain (loss) from 103-12 investment entities .....                              | <b>2b(9)</b>    |            |           |
| (10) Net investment gain (loss) from registered investment<br>companies (e.g., mutual funds)..... | <b>2b(10)</b>   |            |           |
| <b>c</b> Other income.....                                                                        | <b>2c</b>       |            |           |
| <b>d</b> Total income. Add all <b>income</b> amounts in column (b) and enter total.....           | <b>2d</b>       |            | 1898150   |

**Expenses**

|                                                                                            |              |         |         |
|--------------------------------------------------------------------------------------------|--------------|---------|---------|
| <b>e</b> Benefit payment and payments to provide benefits:                                 |              |         |         |
| (1) Directly to participants or beneficiaries, including direct rollovers .....            | <b>2e(1)</b> | 1891268 |         |
| (2) To insurance carriers for the provision of benefits .....                              | <b>2e(2)</b> |         |         |
| (3) Other .....                                                                            | <b>2e(3)</b> |         |         |
| (4) Total benefit payments. Add lines <b>2e(1)</b> through <b>(3)</b> .....                | <b>2e(4)</b> |         | 1891268 |
| <b>f</b> Corrective distributions (see instructions) .....                                 | <b>2f</b>    |         |         |
| <b>g</b> Certain deemed distributions of participant loans (see instructions).....         | <b>2g</b>    |         |         |
| <b>h</b> Interest expense.....                                                             | <b>2h</b>    |         |         |
| <b>i</b> Administrative expenses: (1) Professional fees .....                              | <b>2i(1)</b> |         |         |
| (2) Contract administrator fees .....                                                      | <b>2i(2)</b> |         |         |
| (3) Investment advisory and management fees .....                                          | <b>2i(3)</b> |         |         |
| (4) Other .....                                                                            | <b>2i(4)</b> | 67643   |         |
| (5) Total administrative expenses. Add lines <b>2i(1)</b> through <b>(4)</b> .....         | <b>2i(5)</b> |         | 67643   |
| <b>j</b> Total expenses. Add all <b>expense</b> amounts in column (b) and enter total..... | <b>2j</b>    |         | 1958911 |

**Net Income and Reconciliation**

|                                                                               |              |  |        |
|-------------------------------------------------------------------------------|--------------|--|--------|
| <b>k</b> Net income (loss). Subtract line <b>2j</b> from line <b>2d</b> ..... | <b>2k</b>    |  | -60761 |
| <b>l</b> Transfers of assets:                                                 |              |  |        |
| (1) To this plan.....                                                         | <b>2l(1)</b> |  |        |
| (2) From this plan .....                                                      | <b>2l(2)</b> |  |        |

**Part III Accountant's Opinion**

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

**b** Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

**c** Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: EHRHARDT KEEFE STEINER & HOTTMAN

(2) EIN: 84-0869721

**d** The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

**Part IV Compliance Questions**

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

|                                                                                                                                                                                                                                                                                                                 | Yes | No | Amount   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|----------|
| <b>a</b> Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....                 |     | X  |          |
| <b>b</b> Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)..... |     | X  |          |
| <b>c</b> Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.) .....                                                                                                                            |     | X  |          |
| <b>d</b> Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....                                                                                                                  |     | X  |          |
| <b>e</b> Was this plan covered by a fidelity bond?.....                                                                                                                                                                                                                                                         | X   |    | 10000000 |
| <b>f</b> Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? .....                                                                                                                                                                         |     | X  |          |
| <b>g</b> Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser? .....                                                                                                                                      | X   |    | 244875   |
| <b>h</b> Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser? .....                                                                                                                            |     | X  |          |
| <b>i</b> Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....                                                                                                                                                   | X   |    |          |
| <b>j</b> Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....                                                                                    | X   |    |          |
| <b>k</b> Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....                                                                                                                                              |     | X  |          |
| <b>l</b> Has the plan failed to provide any benefit when due under the plan? .....                                                                                                                                                                                                                              |     | X  |          |
| <b>m</b> If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....                                                                                                                                                                                     |     |    |          |
| <b>n</b> If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3. ....                                                                                                                        |     |    |          |

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?  
If yes, enter the amount of any plan assets that reverted to the employer this year ..... ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

**5b(1)** Name of plan(s)

| 5b(2) EIN(s) | 5b(3) PN(s) |
|--------------|-------------|
|              |             |
|              |             |
|              |             |
|              |             |

|                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                            |                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <b>SCHEDULE R</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Retirement Plan Information</b><br><br>This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).<br><br>▶ <b>File as an attachment to Form 5500.</b> | OMB No. 1210-0110<br><br><b>2010</b><br><br><b>This Form is Open to Public Inspection.</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|

For calendar plan year 2010 or fiscal plan year beginning 12/01/2010 and ending 11/30/2011

|                                                                                                   |                                                                    |
|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| <b>A</b> Name of plan<br><u>BEULAH AND SAVAGE MINES HOURLY EMPLOYEES PENSION PLAN</u>             | <b>B</b> Three-digit plan number (PN) ▶<br><u>005</u>              |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>WESTMORELAND COAL COMPANY</u> | <b>D</b> Employer Identification Number (EIN)<br><u>84-1575176</u> |

|               |                      |
|---------------|----------------------|
| <b>Part I</b> | <b>Distributions</b> |
|---------------|----------------------|

All references to distributions relate only to payments of benefits during the plan year.

|                                                                                                                                                                                                                                                                    |          |          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|
| <b>1</b> Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....                                                                                                                              | <b>1</b> | <u>0</u> |
| <b>2</b> Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):<br><br>EIN(s): <u>22-1211670</u> |          |          |
| Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.                                                                                                                                                                                                   |          |          |
| <b>3</b> Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....                                                                                                                                    | <b>3</b> | <u>5</u> |

|                |                                                                                                                                                                              |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part II</b> | <b>Funding Information</b> (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part) |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                                                                                                                                                             |                              |                             |                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|-----------------------------------------|
| <b>4</b> Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....                                                                                                                                                                                                                                         | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input checked="" type="checkbox"/> N/A |
| If the plan is a defined benefit plan, go to line 8.                                                                                                                                                                                                                                                                                                        |                              |                             |                                         |
| <b>5</b> If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____<br>If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule. |                              |                             |                                         |
| <b>6 a</b> Enter the minimum required contribution for this plan year .....                                                                                                                                                                                                                                                                                 | <b>6a</b>                    |                             |                                         |
| <b>b</b> Enter the amount contributed by the employer to the plan for this plan year .....                                                                                                                                                                                                                                                                  | <b>6b</b>                    |                             |                                         |
| <b>c</b> Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....                                                                                                                                                                                                             | <b>6c</b>                    |                             |                                         |
| If you completed line 6c, skip lines 8 and 9.                                                                                                                                                                                                                                                                                                               |                              |                             |                                         |
| <b>7</b> Will the minimum funding amount reported on line 6c be met by the funding deadline? .....                                                                                                                                                                                                                                                          | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> N/A            |
| <b>8</b> If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....                                                                                                     | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input checked="" type="checkbox"/> N/A |

|                 |                   |
|-----------------|-------------------|
| <b>Part III</b> | <b>Amendments</b> |
|-----------------|-------------------|

|                                                                                                                                                                                                                                |                                   |                                   |                               |                                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|----------------------------------------|
| <b>9</b> If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box..... | <input type="checkbox"/> Increase | <input type="checkbox"/> Decrease | <input type="checkbox"/> Both | <input checked="" type="checkbox"/> No |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------|----------------------------------------|

|                |                                                                                                                                                   |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part IV</b> | <b>ESOPs</b> (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part. |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                              |                              |                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|
| <b>10</b> Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....                                                       | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>11 a</b> Does the ESOP hold any preferred stock? .....                                                                                                                                    | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>b</b> If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| <b>12</b> Does the ESOP hold any stock that is not readily tradable on an established securities market? .....                                                                               | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2010  
v.092308.1

**Part V Additional Information for Multiemployer Defined Benefit Pension Plans**

**13** Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month  Day  Year

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month  Day  Year

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month  Day  Year

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month  Day  Year

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month  Day  Year

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month  Day  Year

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

|                                                                          |            |  |
|--------------------------------------------------------------------------|------------|--|
| <b>a</b> The current year .....                                          | <b>14a</b> |  |
| <b>b</b> The plan year immediately preceding the current plan year ..... | <b>14b</b> |  |
| <b>c</b> The second preceding plan year .....                            | <b>14c</b> |  |

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

|                                                                                                       |            |  |
|-------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> The corresponding number for the plan year immediately preceding the current plan year ..... | <b>15a</b> |  |
| <b>b</b> The corresponding number for the second preceding plan year .....                            | <b>15b</b> |  |

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

|                                                                                                                                                                        |            |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> Enter the number of employers who withdrew during the preceding plan year .....                                                                               | <b>16a</b> |  |
| <b>b</b> If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers ..... | <b>16b</b> |  |

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. .... ☐

**Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans**

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment. .... ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

- a** Enter the percentage of plan assets held as:  
 Stock: \_\_\_\_\_% Investment-Grade Debt: \_\_\_\_\_% High-Yield Debt: \_\_\_\_\_% Real Estate: \_\_\_\_\_% Other: \_\_\_\_\_%
- b** Provide the average duration of the combined investment-grade and high-yield debt:  
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more
- c** What duration measure was used to calculate item 19(b)?  
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): \_\_\_\_\_

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Financial Statements  
and  
Independent Auditors' Report  
November 30, 2011 and 2010**

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

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## INDEPENDENT AUDITORS' REPORT

Westmoreland Coal Company Pension Committee  
Beulah & Savage Mines Hourly Employees' Pension Plan  
Englewood, Colorado

We were engaged to audit the statements of net assets available for benefits of Beulah & Savage Mines Hourly Employees' Pension Plan (the "Plan") as of November 30, 2011 and 2010, the related statements of changes in net assets available for benefits for the years then ended, the statement of accumulated plan benefits as of December 1, 2010, the related statement of changes in accumulated plan benefits for the year ended December 1, 2010, and the supplemental schedules as of November 30, 2011, as listed in the accompanying table of contents. These financial statements and the supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Prudential Retirement Insurance and Annuity Company, the custodian of the Plan, except for comparing such information with the related information included in the financial statements and the supplemental schedules. We have been informed by the Plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the custodian as of November 30, 2011 and 2010, and for the years ended November 30, 2011 and 2010, that the information provided to the Plan administrator by the custodian is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and the supplemental schedules taken as a whole. The supplemental schedules are presented for the purposes of additional analysis and are not a required part of the financial statements but are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The form and content of the information included in the financial statements and the supplemental schedules, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.



Ehrhardt Keefe Steiner & Hottman PC

September 12, 2012  
Denver, Colorado

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Statements of Net Assets Available for Benefits

|                                                      | November 30,         |                      |
|------------------------------------------------------|----------------------|----------------------|
|                                                      | 2011                 | 2010                 |
| <b>Assets</b>                                        |                      |                      |
| Investments, at fair value                           |                      |                      |
| Pooled separate accounts                             | \$ 14,848,418        | \$ 12,373,798        |
| Westmoreland Coal Company common stock               | 201,823              | 1,025,980            |
| Registered investment companies                      | 813,639              | 693,400              |
| Limited partnerships and limited liability companies | 244,875              | 292,386              |
| Cash and cash equivalents                            | 88                   | 136,720              |
| Total investments                                    | <u>16,108,843</u>    | <u>14,522,284</u>    |
| Receivables                                          |                      |                      |
| Employer contributions receivable                    | -                    | 1,647,320            |
| Total receivables                                    | <u>-</u>             | <u>1,647,320</u>     |
| Net assets available for benefits                    | <u>\$ 16,108,843</u> | <u>\$ 16,169,604</u> |

See notes to financial statements.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Statements of Changes in Net Assets Available for Benefits

|                                        | For the Years Ended<br>November 30, |                      |
|----------------------------------------|-------------------------------------|----------------------|
|                                        | 2011                                | 2010                 |
| Employer contributions                 |                                     |                      |
| Westmoreland Coal Company common stock | \$ -                                | 449,250              |
| Cash and cash equivalents              | <u>939,001</u>                      | <u>1,571,506</u>     |
| Total employer contributions           | <u>939,001</u>                      | <u>2,020,756</u>     |
| Investment income                      |                                     |                      |
| Interest and dividend income           | 267,852                             | 200,800              |
| Realized and unrealized gains          | <u>691,297</u>                      | <u>1,162,725</u>     |
| Total investment income                | <u>959,149</u>                      | <u>1,363,525</u>     |
| Deductions from net assets             |                                     |                      |
| Benefits paid to participants          | 1,891,268                           | 665,889              |
| Administrative fees                    | <u>67,643</u>                       | <u>63,842</u>        |
| Total deductions from net assets       | <u>1,958,911</u>                    | <u>729,731</u>       |
| Net (decrease) increase                | (60,761)                            | 2,654,550            |
| Net assets available for benefits      |                                     |                      |
| Beginning of year                      | <u>16,169,604</u>                   | <u>13,515,054</u>    |
| End of year                            | <u>\$ 16,108,843</u>                | <u>\$ 16,169,604</u> |

See notes to financial statements.

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Statement of Accumulated Plan Benefits  
December 1, 2010**

|                                                            |                      |
|------------------------------------------------------------|----------------------|
| Actuarial present value of accumulated plan benefits       |                      |
| Vested benefits                                            |                      |
| Active participants                                        | \$ 7,324,286         |
| Retired participants and beneficiaries                     | <u>7,384,404</u>     |
| Total vested benefits                                      | 14,708,690           |
| Non-vested benefits                                        | <u>301,819</u>       |
| Total actuarial present value of accumulated plan benefits | <u>\$ 15,010,509</u> |

See notes to financial statements.

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Statement of Changes in Accumulated Plan Benefits  
For the Year Ended December 1, 2010**

|                                                                           |                      |
|---------------------------------------------------------------------------|----------------------|
| Actuarial present value of accumulated plan benefits at beginning of year | <u>\$ 13,383,240</u> |
| Changes due to                                                            |                      |
| Benefits paid                                                             | (665,889)            |
| Benefits accumulated and actuarial loss                                   | 1,018,411            |
| Interest                                                                  | 635,284              |
| Change in actuarial assumptions                                           | <u>639,463</u>       |
| Net increase                                                              | <u>1,627,269</u>     |
| Actuarial present value of accumulated plan benefits at end of year       | <u>\$ 15,010,509</u> |

See notes to financial statements.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies**

The following description of the Beulah & Savage Mines Hourly Employees' Pension Plan (the "Plan") provides only general information. Participants and all others should refer to the Plan document for a more complete description of the Plan's provisions.

#### General

The Plan is a defined benefit plan covering all hourly employees of the Dakota Westmoreland Corporation and the Westmoreland Savage Corporation and affiliated companies (collectively, the "Company") provided they are not leased employees. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Employees of the Company who were participants in the Knife River Corporation Hourly Employees' Pension Plan on April 30, 2001 became participants in the Plan as of May 1, 2001. Otherwise, participation commences on the first day of the next entry date after an hourly paid person regularly employed by the Company completes one year of service in which the employee completes 1,000 or more hours of service. The Plan's entry dates are December 1 and June 1. Hourly employees hired by the Westmoreland Savage Company subsequent to December 31, 2006 are not eligible to participate in the Plan.

The Westmoreland Coal Company Pension Committee administers the Plan and manages the Plan assets. Prudential Retirement Insurance and Annuity Company ("Prudential Retirement") is the Plan's custodian and maintains the Plan's records.

#### Funding Policy

The Plan is non-contributory; all funding is provided for by the Company. The Company has voluntarily agreed to make contributions to the Plan sufficient to provide the Plan with assets with which to pay pension benefits to Plan participants. For the Plan years ended November 30, 2011 and 2010, minimum funding requirements of ERISA and the Internal Revenue Code (the "Code") were \$1,150,559 and \$1,003,159, respectively.

The minimum funding requirements were met through contributions of \$939,001 and \$2,020,756, including employer contributions receivable, made in 2011 and 2010, respectively. The remaining funding requirements were met through prefunding actuarial credit provided by the actuary of \$708,518.

The Plan sponsor is required by loan covenants to fund the Plan within 8 1/2 months of the valuation date, as defined by the Plan, not less than 80% of the actuarial-determined pension liability as of the prior year-end. Employer contributions made subsequent to year-end to meet contractual or legal requirements existing as of year-end are recorded as employer contributions receivable and contributions revenue. Employer contributions receivable was \$1,647,320 as of November 30, 2010. There were no employer contributions receivable as of November 30, 2011.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies (continued)**

#### Benefits and Vesting

Employees with five or more years of vesting service are entitled to monthly pension benefits beginning at the normal retirement age of 65 equal to a factor times the number of years of credited service. The factor for Dakota Westmoreland Corporation participants is \$55. The factor for participants of Westmoreland Savage Corporation is \$35.25 for years of credited service earned prior to January 1, 1988, \$42 for years of credited service earned in 1988 and 1989, \$46.50 for years of service earned from 1990 through 1993, and \$49.50 for years of credited service earned from December 31, 1993 to December 31, 2006. The Plan permits early retirement at age 55 with at least five years of vesting service. If the employee is at least age 62, there are no reductions in benefit factors for early retirement. If the employee is between 55 and 62, benefits are reduced by 1/4 of 1% for every month between the date that benefits begin and the month of their 62nd birthday. The Plan permits deferred vested pension payments for employees whose employment is terminated for reasons other than death, retirement, or disability on or after the completion of five years of vested service.

Married employees will receive their benefits in the form of a joint and 75% survivor annuity unless an alternate method has been selected and properly approved. Unmarried employees will receive their benefits in the form of a life annuity. Participants may receive a single lump-sum distribution under certain circumstances. Benefits are recorded when paid.

#### Death and Disability Benefits

If an active employee dies prior to retirement and has rendered five years of service, a monthly pension equal to the survivor's annuity is paid to the employee's spouse. If an employee dies after retirement, the benefit provided by the form of payment elected at retirement is paid to the employee's beneficiary. Active employees with five years of service who become totally disabled receive monthly disability benefits that are equal to \$15 times the number of years of credited service. Active employees with less than five years of service receive monthly disability benefits equal to \$7.50 times the number of years of credited service.

#### Administrative Expenses

During the years ended November 30, 2011 and 2010, the Company paid certain administrative expenses of the Plan.

#### Valuation of Investments and Income Recognition

Investments are stated at fair value as reported by the Plan custodian. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. See Note 2 for discussion of fair value measures.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies (continued)**

#### Valuation of Investments and Income Recognition (continued)

The net realized and unrealized investments gain or loss (net appreciation or depreciation in fair value of investments) is reflected in the accompanying statements of changes in net assets available for benefits and is determined as the difference between fair value at the beginning of the year (or date purchased if during the year) and selling price (if sold during the year) or year-end fair value. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recognized on the accrual basis. Dividends are recognized on the ex-dividend date.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Risk and Uncertainties

The Plan provides for various investments that, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the investment account balances and the amounts reported in the statements of net assets available for benefits.

Additionally, some investments held by the Plan are invested in the securities of foreign companies, which involve special risks and considerations not typically associated with investing in U.S. companies. These risks include devaluation of currencies, less reliable information about issuers, different securities transaction clearance and settlement practices, and possible adverse political and economic developments. Moreover, securities of many foreign companies and their markets may be less liquid and their prices more volatile than those of comparable U.S. companies.

Plan contributions are made and the actuarial value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would have a material impact on Plan contributions and the financial statements.

#### Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances – retirement, death, disability, and termination of employment – are included, to the extent they are deemed attributable to employee service rendered prior to the valuation date.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 1 - Description of the Plan and Significant Accounting Policies (continued)

#### Actuarial Present Value of Accumulated Plan Benefits (continued)

The actuarial present value of accumulated plan benefits is determined by the Plan's independent actuary and is the amount that results from applying actuarial assumptions to the accumulated plan benefits to reflect the time value of money (through discounts and for interest) and the probability of payment (by means of decrements such as death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. Actuarial assumptions for the Plan are made as of the beginning of the Plan year. The statement of accumulated plan benefits and the statement of changes in accumulated plan benefits were prepared as of December 1, 2010 and for the year ended December 1, 2010. Had the reports been prepared as of and for the year ended November 30, 2010, no material change would have been necessary. The significant actuarial assumptions used in the valuations as of December 1, 2010 are as follows:

- Life expectancy of participants was obtained from the RP-2000 Blue Collar (male/female);
- Funding was based on Internal Revenue Service ("IRS") 2010 Static Mortality Table (male/female);
- The assumed funding interest rate of return was 5.6%;
- The assumed long-term investment return was 7.4%;
- No disabilities were assumed;
- Estimated administrative expenses expected to be paid from Plan assets are \$60,000;
- Benefit commencement date - pre-retirement death benefit is the later of the death of the active participant or the date the participant would have attained age 55, deferred vested benefit and retirement benefit are the later of age 62 or termination of employment;
- Form of payment - deferred vested benefit is 50% joint and survivor annuity for married, life for single, retirement benefit is 75% joint and survivor annuity for married, life for single;
- Percent Married - 85% of males, 50% of females;
- Spouse age - Wife four years younger than husband;
- Participants are assumed to retire based on rates of retirement varying by age;

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 55         | 5%          |
| 62         | 30%         |
| 65         | 40%         |
| 70         | 100%        |

- Participants are assumed to terminate based on rates of expected termination varying by age;

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 25         | 13%         |
| 40         | 4.4%        |
| 55         | 3%          |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies (continued)**

#### **Actuarial Present Value of Accumulated Plan Benefits (continued)**

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The following changes in actuarial assumptions were made from the December 1, 2009 valuation to the December 1, 2010 valuation:

- For funding purposes, the Mortality Table has been changed to the IRS's 2010 Mortality Table.
- The assumed funding interest rate of return was changed from 6.2% to 5.6%.
- The assumed long-term investment return was changed from 7.8% to 7.4%.
- Expenses have been changed from \$30,000 to \$60,000.

### **Note 2 - Fair Value Accounting**

Generally accepted accounting principles establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at November 30, 2011 and 2010.

*Registered investment companies:* Valued at the net asset value of shares held by the Plan at year-end based on the quoted price in an active market.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 2 - Fair Value Accounting (continued)

*Pooled separate accounts:* Valued based on the quoted market prices of the securities underlying the investments.

*Westmoreland Coal Company common stock and cash and cash equivalents:* Valued at the closing price reported on the active market on which the individual investments are traded.

*Limited partnerships and limited liability companies:* Valued by the respective partnership or company manager using the market and income approaches. The market approach consists of using comparable market transactions or values. The income approach consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and other risk factors. The inputs considered in the valuations include original transaction prices, recent transactions in the same or similar instruments, changes in financial ratios or cash flows, discounted cash flow valuations, and general economic and market conditions.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's investment assets at fair value as of November 30, 2011 and 2010.

Assets at fair value as of November 30, 2011 are as follows:

| Description                                          | Level 1             | Level 2              | Level 3           | Total                |
|------------------------------------------------------|---------------------|----------------------|-------------------|----------------------|
| Pooled separate accounts                             |                     |                      |                   |                      |
| Large-cap                                            | \$ -                | \$ 5,063,987         | \$ -              | \$ 5,063,987         |
| Medium-cap                                           | -                   | 1,064,181            | -                 | 1,064,181            |
| Small-cap                                            | -                   | 1,465,573            | -                 | 1,465,573            |
| International blend                                  | -                   | 772,683              | -                 | 772,683              |
| Short-term bond                                      | -                   | 834,565              | -                 | 834,565              |
| Fixed income - domestic                              | -                   | 5,647,429            | -                 | 5,647,429            |
| Limited partnerships and limited liability companies | -                   | -                    | 244,875           | 244,875              |
| Westmoreland Coal Company common stock               | 201,823             | -                    | -                 | 201,823              |
| Registered investment companies                      | 813,639             | -                    | -                 | 813,639              |
| Cash and cash equivalents                            | 88                  | -                    | -                 | 88                   |
| Total                                                | <u>\$ 1,015,550</u> | <u>\$ 14,848,418</u> | <u>\$ 244,875</u> | <u>\$ 16,108,843</u> |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 2 - Fair Value Accounting (continued)

Assets at fair value as of December 1, 2010 are as follows:

| Description                                          | Level 1             | Level 2              | Level 3           | Total                |
|------------------------------------------------------|---------------------|----------------------|-------------------|----------------------|
| Pooled separate accounts                             |                     |                      |                   |                      |
| Large-cap                                            | \$ -                | \$ 3,952,856         | \$ -              | \$ 3,952,856         |
| Medium-cap                                           | -                   | 841,486              | -                 | 841,486              |
| Small-cap                                            | -                   | 1,228,695            | -                 | 1,228,695            |
| International blend                                  | -                   | 651,680              | -                 | 651,680              |
| Short-term bond                                      | -                   | 638,241              | -                 | 638,241              |
| Fixed income - domestic                              | -                   | 5,060,840            | -                 | 5,060,840            |
| Limited partnerships and limited liability companies | -                   | -                    | 292,386           | 292,386              |
| Westmoreland Coal Company common stock               | 1,025,980           | -                    | -                 | 1,025,980            |
| Registered investment companies                      | 693,400             | -                    | -                 | 693,400              |
| Cash and cash equivalents                            | 136,720             | -                    | -                 | 136,720              |
| Total                                                | <u>\$ 1,856,100</u> | <u>\$ 12,373,798</u> | <u>\$ 292,386</u> | <u>\$ 14,522,284</u> |

### Level 3 Changes

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the periods ending November 30, 2011 and 2010. Both observable and unobservable inputs may be used to determine the fair value of the positions classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category may include changes in the fair value that were attributable to both observable and unobservable inputs.

|                                             | Limited Partnerships and Limited Liability Companies |                    |
|---------------------------------------------|------------------------------------------------------|--------------------|
|                                             | 2011                                                 | 2010               |
| Beginning balance                           | \$ 292,386                                           | \$ 1,283,809       |
| Total gains or losses (realized/unrealized) | 25,594                                               | 12,397             |
| Transfers                                   | <u>(73,105)</u>                                      | <u>(1,003,820)</u> |
| Ending balance                              | <u>\$ 244,875</u>                                    | <u>\$ 292,386</u>  |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 3 - Investments

Prudential Retirement has certified in writing to the Plan administrator that the stated amounts for investments at fair value as of November 30, 2011 and 2010 and the income earned on the investments for the year ended November 30, 2011 and 2010, as reflected in the accompanying financial statements and the supplemental schedules, are complete and accurate.

The Plan administrator has elected the method of compliance as permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such election, the Plan administrator instructed the Plan's auditors not to perform any auditing procedures with respect to the investment information certified by Prudential Retirement, except for comparing the information contained therein to information included in the financial statements and the supplemental schedules.

The fair values of investments greater than 5% of net assets available for benefits were the following:

|                                        | November 30, |              |
|----------------------------------------|--------------|--------------|
|                                        | 2011         | 2010         |
| Pooled separate accounts               |              |              |
| Core bond Enhanced Index/PIM Fund      | \$ 5,647,429 | \$ 5,060,840 |
| Dryden S&P 500 Index                   | \$ 5,063,987 | \$ 3,952,856 |
| Prudential Short term                  | \$ 834,565   | \$ 638,241 * |
| Westmoreland Coal Company Common Stock | \$ 201,823 * | \$ 1,025,980 |
| Registered investment companies        |              |              |
| American EuroPacific Growth            | \$ 813,639   | \$ 693,400 * |

\* Indicates investments less than 5% of net assets available for benefits.

Net appreciation (depreciation) by investment type for the periods ending:

|                                                                               | November 30,      |                     |
|-------------------------------------------------------------------------------|-------------------|---------------------|
|                                                                               | 2011              | 2010                |
| Investments type                                                              |                   |                     |
| Pooled separate accounts                                                      | \$ 379,613        | \$ 858,042          |
| Registered investment companies                                               | (65,756)          | 32,650              |
| Westmoreland Coal Company common stock                                        | 351,846           | 259,636             |
| Limited partnerships and limited liability companies, at estimated fair value | 25,594            | 12,397              |
| Total                                                                         | <u>\$ 691,297</u> | <u>\$ 1,162,725</u> |

# **BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

## **Notes to Financial Statements**

### **Note 3 - Investments (continued)**

#### **Reported Net Asset Values**

The investments in pooled separate accounts as of November 30, 2011 and 2010 are \$14,848,418 and \$12,373,798, respectively, as valued based on the net asset value as a practical expedient. There are no unfunded commitments and the units may be redeemed on a daily basis.

### **Note 4 - Income Taxes**

The Plan has received a tax determination letter dated April 26, 2012 from the IRS covering changes made to comply with ERISA and indicating that the Plan qualifies under the provisions of Section 401(a) of the Code and is exempt from federal income taxes.

The Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income taxes has been included in the accompanying financial statements.

Generally accepted accounting principles require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan and has concluded that, as of November 30, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

### **Note 5 - Administration of the Plan**

The Company provides at no cost to the Plan certain administrative, accounting, and legal services to the Plan and also pays the cost of certain outside services for the Plan.

### **Note 6 - Related Party Transactions**

Plan investments include mutual funds and a money market fund managed by Prudential Retirement. Prudential Retirement is the custodian, as defined by the Plan; therefore, these transactions qualify as party-in-interest. These transactions are exempt from prohibited transaction regulations. The Plan also held certain investments in registered investment companies and common stock of Wells Fargo, who was the custodian, as defined by the Plan, through April 17, 2009; therefore, these transactions qualify as party-in-interest. These transactions are exempt from prohibited transaction regulations.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 6 - Related Party Transactions (continued)**

During the Plan years ended November 30, 2011 and 2010, Westmoreland Coal Company contributed 25,000 and 150,000 shares, respectively, of its common stock in the amount of \$449,250 and \$1,614,300, respectively. The Plan sold 100,750 and 135,720 shares, respectively, of the Westmoreland Coal Company common stock during the years ended November 30, 2011 and 2010 for \$1,625,253 and \$1,395,786, respectively, realizing losses of \$598,338 and \$10,879, respectively. As of November 30, 2011 and 2010, the Plan holds 19,690 and 95,440 shares, respectively, of Westmoreland Coal Company common stock with a fair value of \$201,823 and \$1,025,980, respectively.

### **Note 7 - Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions of ERISA. If the Plan is terminated for any reason, the net assets of the Plan would be allocated, as prescribed by ERISA and its regulations, generally to provide the following benefits in the order indicated:

- Annuity benefits that former employees or their beneficiaries have been receiving for at least three years or that employees eligible to retire for the three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under Plan provisions in effect at any time during the five years preceding Plan termination;
- Other vested benefits insured by the Pension Benefit Guaranty Corporation ("PBGC"), a U.S. government agency, up to the applicable limitations (discussed below);
- All other vested benefits not insured by the PBGC; or
- All non-vested benefits.

Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees. The ceiling applies to those pensioners who elect to receive their benefits in the form of a single-life annuity and are at least 65 years old at the time of retirement or Plan termination (whichever comes later). For younger annuitants or for those who elect to receive their benefits in some form more valuable than a single-life annuity, the corresponding ceilings are actuarially adjusted downward.

# **BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

## **Notes to Financial Statements**

### **Note 7 - Plan Termination (continued)**

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the Plan sponsor and the level of benefits guaranteed by the PBGC.

### **Note 8 - Subsequent Event**

The Company has evaluated all subsequent events through September 12, 2012, which is the date the financial statements were available to be issued.

## **SUPPLEMENTAL SCHEDULES**

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year) As of November 30, 2011

Employer Identification Number 84-1575176

Plan Number - 005

| (a) | (b) Identity of Issue, Borrower,<br>Lessor, or Similar Party | (c) Description of Investment Including<br>Maturity Date, Rate of Interest,<br>Collateral, Par, or Maturity Value | (d) Cost             | (e) Current<br>Value |
|-----|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
|     | Pooled separate accounts                                     |                                                                                                                   |                      |                      |
| *   | Prudential                                                   | Core bond Enhanced Index/PIM Fund                                                                                 | \$ 5,348,745         | \$ 5,647,429         |
| *   | Prudential                                                   | Dryden S&P 500 Index                                                                                              | 4,075,471            | 5,063,987            |
| *   | Prudential                                                   | Prudential Short Term                                                                                             | 834,549              | 834,565              |
| *   | Prudential                                                   | Intl Bld/Pictet Asset Management Fund                                                                             | 682,490              | 772,683              |
| *   | Prudential                                                   | Small Cap Growth/Columbus Fund                                                                                    | 478,962              | 756,917              |
| *   | Prudential                                                   | Small Cap Value/TS&W Fund                                                                                         | 581,378              | 708,656              |
| *   | Prudential                                                   | Mid Cap Growth/Frontier Capital Fund                                                                              | 475,430              | 541,800              |
| *   | Prudential                                                   | Mid Cap Value/Systematic Fund                                                                                     | 474,922              | 522,381              |
|     | Registered investment companies                              |                                                                                                                   |                      |                      |
|     | American Funds                                               | American Europacific Growth Fund                                                                                  | 941,692              | 813,639              |
|     | Limited partnerships and limited liability companies         |                                                                                                                   |                      |                      |
|     | Siguler Guff Distressed Opportunities Fund, LLC              | Siguler Guff Distressed LLC                                                                                       | 86,963               | 140,040              |
|     | Oaktree Capital Management, L.P.                             | OCM Real Estate Opportunity Fund III LP                                                                           | -                    | 104,835              |
|     | Common stock                                                 |                                                                                                                   |                      |                      |
| *   | Westmoreland Coal Company                                    | Westmoreland Coal Company common stock, 19,690 shares of \$1 par value                                            | 353,829              | 201,823              |
|     | Cash and cash equivalents                                    |                                                                                                                   |                      |                      |
| *   | Prudential                                                   | Prudential Brokerage                                                                                              | <u>88</u>            | <u>88</u>            |
|     | Total investments                                            |                                                                                                                   | <u>\$ 14,334,519</u> | <u>\$ 16,108,843</u> |

\* Party-in-interest

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Schedule H, Part IV, Line 4j - Schedule of Non-Exempt Transactions  
For the Year Ended November 30, 2011**

Employer Identification Number 84-1575176

Plan Number - 005

Series of transactions which exceed 5% of net assets available for benefits as of the beginning of the Plan year:

| (a) Identity of Party<br>Involved | (b) Description of<br>Asset                  | (c) Purchase<br>Price | (d) Selling<br>Price | (g) Cost of Asset |              | (h) Current Value of Asset<br>on Transaction Date |              | (i) Net Gain<br>(Loss) |
|-----------------------------------|----------------------------------------------|-----------------------|----------------------|-------------------|--------------|---------------------------------------------------|--------------|------------------------|
|                                   |                                              |                       |                      | Purchase          | Sales        | Purchase                                          | Sales        |                        |
| Series of<br>transactions         |                                              |                       |                      |                   |              |                                                   |              |                        |
| Prudential                        | Dryden S&P Index<br>Fund                     | \$ 1,146,612          | \$ 355,000           | \$ 1,146,612      | \$ 271,203   | \$ 1,146,612                                      | \$ 355,000   | \$ 83,797              |
| Prudential                        | Core Bond<br>Enhanced<br>Index/PIM Fund      | \$ 1,478,512          | \$ 1,200,000         | \$ 1,478,512      | \$ 1,130,442 | \$ 1,478,512                                      | \$ 1,200,000 | \$ 69,558              |
| Prudential                        | Prudential Short-<br>Term Fund               | \$ 2,154,502          | \$ 1,958,771         | \$ 2,154,502      | \$ 1,958,757 | \$ 2,154,502                                      | \$ 1,958,771 | \$ 14                  |
| Westmoreland Coal<br>Company      | Westmoreland Coal<br>Company Common<br>Stock | \$ -                  | \$ 1,625,253         | \$ -              | \$ 1,026,915 | \$ -                                              | \$ 1,625,253 | \$ 598,338             |

**Beulah and Savage Mines Hourly Employees' Pension Plan**

**EIN / PN: 84-1575176 / 005**

**12/1/2010**

**Line 22 - Description of Weighted Average Retirement Age**

| <u>Age</u> | <u>Probability</u> | <u>Number Retiring</u> | <u>Number Remaining</u> | <u>Result</u> |
|------------|--------------------|------------------------|-------------------------|---------------|
| 55         | 5.00%              | 0.050000               | 0.950000                | 2.750000      |
| 56         | 5.00%              | 0.047500               | 0.902500                | 2.660000      |
| 57         | 5.00%              | 0.045125               | 0.857375                | 2.572125      |
| 58         | 5.00%              | 0.042869               | 0.814506                | 2.486388      |
| 59         | 5.00%              | 0.040725               | 0.773781                | 2.402793      |
| 60         | 8.00%              | 0.061902               | 0.711878                | 3.714149      |
| 61         | 8.00%              | 0.056950               | 0.654928                | 3.473967      |
| 62         | 30.00%             | 0.196478               | 0.458450                | 12.181664     |
| 63         | 20.00%             | 0.091690               | 0.366760                | 5.776467      |
| 64         | 20.00%             | 0.073352               | 0.293408                | 4.694525      |
| 65         | 40.00%             | 0.117363               | 0.176045                | 7.628604      |
| 66         | 40.00%             | 0.070418               | 0.105627                | 4.647580      |
| 67         | 40.00%             | 0.042251               | 0.063376                | 2.830799      |
| 68         | 40.00%             | 0.025350               | 0.038026                | 1.723830      |
| 69         | 40.00%             | 0.015210               | 0.022815                | 1.049508      |
| 70         | 100.00%            | 0.022815               | 0.000000                | 1.597077      |
|            |                    |                        |                         | 62.189475     |

## Section I

## Summary of Valuation Results (continued)

### **Changes Since Last Year's Valuation**

#### **Changes in Pension Plan Provisions**

There were no changes in the pension plan provisions recognized with this actuarial valuation.

#### **New Legislation**

There were no legislative changes recognized with this actuarial valuation .

#### **Changes in Actuarial Assumptions**

For funding purposes, the Mortality Table has been changed to the IRS 2010 Mortality Table and the interest rate used is the August 2010 Segment Rates with no transition (3.92% for the first 5 years, 6.40% for the next 15 years, 6.61% thereafter). For ASC#960, accounting purposes, the discount rate has been changed to 7.40%. Expenses for 2010 have been estimated to be \$60,000 vs. \$30,000 in 2009 to better anticipate future experience.

#### **Changes in Actuarial Cost Method**

There were no changes to the actuarial cost method recognized with this actuarial valuation.

### **Benefit Restrictions and "At Risk" Status**

There are no benefit restrictions associated with the current plan year.

The plan is not considered "At Risk" for the current plan year.

## Distribution of Active Participants by Age and Service

### Number of Active Employees as of December 1, 2010 – Distribution by Age and Service

| Attained<br>Age | Years of Credited Service |            |            |              |              |              |              |              |              |             | Total |
|-----------------|---------------------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------|
|                 | <u>Under 1</u>            | <u>1-4</u> | <u>5-9</u> | <u>10-14</u> | <u>15-19</u> | <u>20-24</u> | <u>25-29</u> | <u>30-34</u> | <u>35-39</u> | <u>40 +</u> |       |
| Under 25        |                           |            |            |              |              |              |              |              |              |             |       |
| 25-29           |                           | 4          | 2          |              |              |              |              |              |              |             | 6     |
| 30-34           |                           | 7          | 8          |              |              |              |              |              |              |             | 15    |
| 35-39           |                           | 3          | 8          |              |              |              |              |              |              |             | 11    |
| 40-44           |                           | 3          | 4          | 1            | 1            |              |              |              |              |             | 9     |
| 45-49           |                           | 4          | 3          | 3            | 1            |              | 1            |              |              |             | 12    |
| 50-54           |                           | 2          | 2          | 2            | 1            |              | 2            | 7            |              |             | 16    |
| 55-59           |                           | 1          | 3          | 3            | 1            |              | 1            | 18           | 7            |             | 34    |
| 60-64           |                           |            | 1          | 5            | 1            |              |              | 3            | 2            |             | 12    |
| 65-69           |                           |            |            |              |              |              |              |              |              |             |       |
| 70 +            |                           |            |            |              |              |              |              |              |              |             |       |
| Total           |                           | 24         | 31         | 14           | 5            |              | 4            | 28           | 9            |             | 115   |

## Section IV

## Minimum Contribution Amortization

The prior year amortization values and the development of the amortization for the 2010 plan year are shown below.

### **I. Prior Year Amortization Amounts**

| <u>Plan Year</u> | <u>Installment</u> | <u>PV Factor</u> | <u>Present Value</u> |
|------------------|--------------------|------------------|----------------------|
| 2009             | 185,290            | 5.370067         | 995,020              |
| 2008             | 394,395            | 4.636749         | 1,828,711            |
| 2007             | 0                  | 3.779310         | 0                    |
| 2006             | 0                  | 2.888259         | 0                    |
| 2005             | 0                  | 1.962279         | 0                    |
| 2004             | 0                  | 1.000000         | 0                    |
|                  | <b>\$579,685</b>   |                  | <b>\$ 2,823,731</b>  |

### **II. Current Year Amortization**

|                                                              |             |
|--------------------------------------------------------------|-------------|
| Exemption from Current Year Amortization                     | No          |
| 1. Funding Shortfall to be amortized                         | \$3,534,239 |
| 2. Present Value of Prior Year Amortization Installments     | 2,823,731   |
| 3. Current Year Amortization Base<br>(1 - 2)                 | 710,508     |
| 4. Shortfall Amortization Factor                             | 6.059274    |
| 5. Current Year Amortization Installment<br>(3 divided by 4) | 117,260     |
| 6. Sum of Prior Year Amortization Installments               | 579,685     |
| 7. Net Shortfall Amortization Charge<br>(5 + 6)              | \$696,945   |

## Actuarial Cost Method

### I. ACTUARIAL COST METHOD

Costs have been computed in accordance with the Unit Credit Actuarial Cost Method and reflect the actuarial assumptions described in "Plan Assumptions" of this report as provided under the applicable regulations of the Pension Protection Act of 2006.

#### **Target Normal Cost**

The Target Normal Cost is the present value of benefits expected to accrue during the plan year for all Participants plus an estimate of the expenses to be paid from the plan assets during the plan year.

#### **Target Liability and Funding Shortfall**

As of December 1, 2008, a Target Liability is established which represents the present value of accrued benefits. This Target Liability is offset by adjusted assets, and the remainder (i.e. Funding Shortfall), if any, is amortized over seven years.

Subsequent changes in the Funding Shortfall due to asset experience, liability experience, plan amendments, and/or actuarial assumption changes will be amortized over a seven year period from their valuation dates.

#### **Discount Rate**

The plan sponsor has elected to use the Segment Rate approach for discount rate purposes, with an applicable month that is 4 months prior to the valuation date.

### II. ASSET VALUATION METHOD

Assets have been valued in accordance with generally accepted procedures as described below.

All funds invested are valued in the following manner:

#### **Definitions**

|        |                                                                                                                                               |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| i(t)   | assumed growth rate, set equal to the lesser of the expected return on assets or the applicable 3 <sup>rd</sup> segment rate for Plan Year t. |
| C(t)   | sum of contributions and other additions to the fund from all sources other than investment transactions in Plan Year t                       |
| W(t)   | sum of all withdrawals and other decreases to the fund from all sources other than investment transactions in Plan Year t                     |
| AV(t)  | Actuarial Value of Assets as of Plan Year t                                                                                                   |
| MV(t)  | Market Value of Assets as of Plan Year t                                                                                                      |
| EV(t)  | Expected Value of Assets as of Plan Year t                                                                                                    |
| G/L(t) | Gain or Loss for Plan Year t                                                                                                                  |

## Actuarial Cost Method

### Method

A description of the method used to determine the current year's Actuarial Value of Assets {AV(t)} is below.

For the preceding 2 years, G/L(t) is determined as follows:

$$EV(t) = MV(t-1) * (1 + i(t-1)) + [C(t-1) - W(t-1)] * (1 + i(t-1) * m)$$

Where m represents a proportionate yield consistent with the portion of the year for which C and W are invested

$$G/L(t-1) = EV(t) - MV(t)$$

For the current year, AV(t) is determined as follows:

$$AV(t) = MV(t) + 2/3 * G/L(t-1) + 1/3 * G/L(t-2)$$

### Corridor Limits

The Actuarial Value of Assets may not be less than 90% or more than 110% of the current market value of plan assets as of the applicable valuation date [as required by IRC Section 430(g)(3)(B)(iii)]

Please note, as highlighted above, the assumed asset growth rate for each year is limited to the applicable 3<sup>rd</sup> segment rate by law. As a result, if the plan's expected rate of return is greater than this applicable rate, this method is expected to produce an actuarial value of assets that can be expected to be slightly less than the market value of assets, on average.

## Actuarial Assumptions

Assumptions have been chosen to anticipate the long range experience of the Plan. Consistency among assumptions is important as each interacts with the others; equally important is the recognition of inflationary trends in the economy.

As the Enrolled Actuary for the Plan, I will certify to the reasonableness of these assumptions, in aggregate, as required by ERISA.

The actuarial assumptions used to compute Plan costs are:

**Mortality:**

*Funding:*

The IRS 2010 Static Mortality Table (male/female).

*Accounting:*

RP-2000 Blue Collar (male/female).

**Termination:**

Sample rates:

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 25         | 13.0%       |
| 40         | 4.4%        |
| 55         | 3.0%        |

**Disability:**

No disabilities were assumed.

**Retirement Age:**

Rates varying by age.

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 55         | 5%          |
| 62         | 30%         |
| 65         | 40%         |
| 70         | 100%        |

**Investment Return:**

*Funding:*

Non-transitional segment rates with 4 month look back: August 2010 rates, 3.92%, 6.40%, 6.61%.

*Accounting:*

7.40% per annum, compounded annually.

**Estimated Expenses:**

Estimated administrative expenses expected to be paid from Plan Assets are \$60,000.

## Actuarial Assumptions

### Benefit commencement date:

- **Preretirement death benefit** The later of the death of the active participant or the date the participant would have attained age 55.
- **Deferred vested benefit** The later of age 62 or termination of employment.
- **Retirement benefit** The later of age 62 or termination of employment.

### Form of payment:

- **Deferred vested benefit** 50% joint and survivor annuity for married, life for single.
- **Retirement benefit** 75% joint and survivor annuity for married, life for single.

### Percent Married:

85% of males; 50% of females.

### Spouse age:

Wife four years younger than husband.

***PLAN PROVISIONS***

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|                                                        |                                                                                                                                                                           |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Covered Employees</b>                               | Any hourly-paid person regularly employed by any participating employer, with respect to Beulah or Savage Mines.                                                          |
| <b>Participation Date</b>                              | December 1, or June 1, after completing one year of service with 1,000 hours of service.                                                                                  |
| <b>Definitions</b>                                     |                                                                                                                                                                           |
| Vesting Service                                        | Years and months of service as a covered employee.                                                                                                                        |
| Pension service                                        | Years and months of service as a covered employee.                                                                                                                        |
| Normal retirement date (NRD)                           | Later of first of month coinciding with or next following the attainment of age 65 or fifth anniversary of the date the participant became a qualified employee if later. |
| Monthly pension benefit                                | \$55 times pension service.                                                                                                                                               |
| Monthly preretirement death benefit                    | 75% (100% if death is work related) of the monthly pension benefit as of the participant's date of death, payable immediately for early commencement.                     |
| <b>Eligibility for Benefits</b>                        |                                                                                                                                                                           |
| Normal retirement                                      | Retirement on NRD.                                                                                                                                                        |
| Early retirement                                       | Retirement before NRD and on or after both attaining age 55 and completing five years of vesting service.                                                                 |
| Postponed retirement                                   | Retirement after NRD.                                                                                                                                                     |
| Vested termination                                     | Termination for reasons other than death or retirement after completing five years of vesting service.                                                                    |
| Preretirement death benefit                            | Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse.                                                       |
| <b>Monthly Benefits Paid Upon the Following Events</b> |                                                                                                                                                                           |
| Normal retirement                                      | Monthly pension benefit determined as of NRD.                                                                                                                             |
| Early retirement                                       | Monthly pension benefit determined as of early retirement date, reduced 3.0% for each year of payment before age 62.                                                      |
| Postponed retirement                                   | Monthly pension benefit determined as of actual retirement date.                                                                                                          |

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***PLAN PROVISIONS***

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|                    |                                                                                                                                         |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Vested termination | Monthly pension benefit determined as of termination date, reduced 3.0% for each year of payment before the participant reaches age 62. |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------|

|                                         |                                                                                                |
|-----------------------------------------|------------------------------------------------------------------------------------------------|
| Death with preretirement spouse benefit | Monthly preretirement death benefit payable upon death of an active or deferred vested member. |
|-----------------------------------------|------------------------------------------------------------------------------------------------|

**Other Plan Provisions**

|                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Forms of payment | <p>Preretirement death benefits are payable only as described above. Monthly pension benefits are paid as described above as a life annuity, if the participant has no spouse as of the date payments begin, or if the participant so elects. Otherwise, benefits are paid in the form of 75% joint and survivor annuity or 50% joint and survivor annuity for deferred vested retirements. If the participant elects and the spouse consents, participant may elect to receive another actuarially equivalent optional form offered by the plan. Optional forms include a lump sum payment provided termination occurs prior to age 55.</p> |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                    |                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| <b>SCHEDULE SB</b><br><b>(Form 5500)</b><br><br><small>Department of the Treasury<br/>Internal Revenue Service</small><br><br><small>Department of Labor<br/>Employee Benefits Security Administration</small><br><br><small>Pension Benefit Guaranty Corporation</small> | <b>Single-Employer Defined Benefit Plan</b><br><b>Actuarial Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).<br><br><b>► File as an attachment to Form 5500 or 5500-SF.</b> | OMB No. 1210-0110<br><br><b>2010</b><br><br><b>This Form is Open to Public Inspection</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|

For calendar plan year 2010 or fiscal plan year beginning 12/01/2010 and ending 11/30/2011

► **Round off amounts to nearest dollar.**

► **Caution:** A penalty of \$1,000 will be assessed for late filing of this report unless reasonable cause is established.

|                                                                                                                                                         |                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <b>A</b> Name of plan<br><br>BEULAH AND SAVAGE MINES HOURLY EMPLOYEES PENSION PLAN                                                                      | <b>B</b> Three-digit plan number (PN) <span style="float: right;">►</span> <u>005</u> |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF<br><br>WESTMORELAND COAL COMPANY                                               | <b>D</b> Employer Identification Number (EIN)<br><br>84-1575176                       |
| <b>E</b> Type of plan: <input checked="" type="checkbox"/> Single <input type="checkbox"/> Multiple-A <input type="checkbox"/> Multiple-B               |                                                                                       |
| <b>F</b> Prior year plan size: <input type="checkbox"/> 100 or fewer <input checked="" type="checkbox"/> 101-500 <input type="checkbox"/> More than 500 |                                                                                       |

|                                                                                                                                                                                               |              |                            |                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----------------------------|--------------------|
| <b>Part I Basic Information</b>                                                                                                                                                               |              |                            |                    |
| <b>1</b> Enter the valuation date: Month <u>12</u> Day <u>1</u> Year <u>2010</u>                                                                                                              |              |                            |                    |
| <b>2</b> Assets:                                                                                                                                                                              |              |                            |                    |
| a Market value.....                                                                                                                                                                           | <b>2a</b>    | 16,551,316                 |                    |
| b Actuarial value.....                                                                                                                                                                        | <b>2b</b>    | 15,906,610                 |                    |
| <b>3</b> Funding target/participant count breakdown                                                                                                                                           |              | (1) Number of participants | (2) Funding Target |
| a For retired participants and beneficiaries receiving payment.....                                                                                                                           | <b>3a</b>    | 39                         | 7,567,911          |
| b For terminated vested participants.....                                                                                                                                                     | <b>3b</b>    | 9                          | 1,014,780          |
| c For active participants:                                                                                                                                                                    |              |                            |                    |
| (1) Non-vested benefits.....                                                                                                                                                                  | <b>3c(1)</b> |                            | 350,468            |
| (2) Vested benefits.....                                                                                                                                                                      | <b>3c(2)</b> |                            | 8,738,040          |
| (3) Total active.....                                                                                                                                                                         | <b>3c(3)</b> | 115                        | 9,088,508          |
| d Total.....                                                                                                                                                                                  | <b>3d</b>    | 163                        | 17,671,199         |
| <b>4</b> If the plan is at-risk, check the box and complete items (a) and (b) <input type="checkbox"/>                                                                                        |              |                            |                    |
| a Funding target disregarding prescribed at-risk assumptions.....                                                                                                                             | <b>4a</b>    |                            |                    |
| b Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor..... | <b>4b</b>    |                            |                    |
| <b>5</b> Effective interest rate.....                                                                                                                                                         | <b>5</b>     | 6.38 %                     |                    |
| <b>6</b> Target normal cost.....                                                                                                                                                              | <b>6</b>     | 453,614                    |                    |

**Statement by Enrolled Actuary**  
 To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

|                                                       |                          |                                                                 |
|-------------------------------------------------------|--------------------------|-----------------------------------------------------------------|
| <b>SIGN HERE</b>                                      | <br>Signature of actuary | <u>09-04-2012</u><br>Date                                       |
| Alexander E. Kirimov<br>Type or print name of actuary |                          | <u>11-05454</u><br>Most recent enrollment number                |
| PRIAC<br>Firm name                                    |                          | <u>(617) 477-9025</u><br>Telephone number (including area code) |
| 280 Trumbull Street<br>Address of the firm            |                          |                                                                 |
| Hartford CT 06103-2975                                |                          |                                                                 |

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions ☐

| <b>Part II Beginning of year carryover and prefunding balances</b> |                                                                                                 | (a) Carryover balance | (b) Prefunding balance |
|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-----------------------|------------------------|
| <b>7</b>                                                           | Balance at beginning of prior year after applicable adjustments (Item 13 from prior year) ..... | 0                     | 1, 610, 346            |
| <b>8</b>                                                           | Portion used to offset prior year's funding requirement (Item 35 from prior year) .....         | 0                     | 0                      |
| <b>9</b>                                                           | Amount remaining (Item 7 minus item 8).....                                                     | 0                     | 1, 610, 346            |
| <b>10</b>                                                          | Interest on item 9 using prior year's actual return of <u>10.40</u> % .....                     |                       | 167, 476               |
| <b>11</b>                                                          | Prior year's excess contributions to be added to prefunding balance:                            |                       |                        |
| <b>a</b>                                                           | Excess contributions (Item 38 from prior year) .....                                            |                       | 1, 246, 938            |
| <b>b</b>                                                           | Interest on (a) using prior year's effective rate of <u>6.71</u> % .....                        |                       | 83, 670                |
| <b>c</b>                                                           | Total available at beginning of current plan year to add to prefunding balance .....            |                       | 1, 330, 608            |
| <b>d</b>                                                           | Portion of (c) to be added to prefunding balance.....                                           |                       | 1, 330, 608            |
| <b>12</b>                                                          | Reduction in balances due to elections or deemed elections.....                                 |                       | 1, 338, 780            |
| <b>13</b>                                                          | Balance at beginning of current year (item 9 + item 10 + item 11d - item 12) .....              | 0                     | 1, 769, 650            |

| <b>Part III Funding percentages</b> |                                                                                                                                                                 |           |         |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------|
| <b>14</b>                           | Funding target attainment percentage.....                                                                                                                       | <b>14</b> | 80.00 % |
| <b>15</b>                           | Adjusted funding target attainment percentage.....                                                                                                              | <b>15</b> | 80.00 % |
| <b>16</b>                           | Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement..... | <b>16</b> | 90.14 % |
| <b>17</b>                           | If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage.....                                        | <b>17</b> | %       |

| <b>Part IV Contributions and liquidity shortfalls</b>                                    |                                   |                                 |                          |                                   |                                 |
|------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------|--------------------------|-----------------------------------|---------------------------------|
| <b>18</b> Contributions made to the plan for the plan year by employer(s) and employees: |                                   |                                 |                          |                                   |                                 |
| (a) Date<br>(MM-DD-YYYY)                                                                 | (b) Amount paid by<br>employer(s) | (c) Amount paid by<br>employees | (a) Date<br>(MM-DD-YYYY) | (b) Amount paid by<br>employer(s) | (c) Amount paid by<br>employees |
| 03/15/2011                                                                               | 251, 000                          |                                 |                          |                                   |                                 |
| 06/15/2011                                                                               | 251, 000                          |                                 |                          |                                   |                                 |
|                                                                                          |                                   |                                 |                          |                                   |                                 |
|                                                                                          |                                   |                                 |                          |                                   |                                 |
|                                                                                          |                                   |                                 |                          |                                   |                                 |
|                                                                                          |                                   |                                 |                          |                                   |                                 |
| <b>Totals ▶</b>                                                                          |                                   |                                 | <b>18(b)</b>             | 502, 000                          | <b>18(c)</b>                    |
|                                                                                          |                                   |                                 |                          |                                   | 0                               |

**19** Discounted employer contributions - see instructions for small plan with a valuation date after the beginning of the year:

|                                                                                                                 |            |          |
|-----------------------------------------------------------------------------------------------------------------|------------|----------|
| a Contributions allocated toward unpaid minimum required contribution from prior years. ....                    | <b>19a</b> | 0        |
| b Contributions made to avoid restrictions adjusted to valuation date .....                                     | <b>19b</b> | 0        |
| c Contributions allocated toward minimum required contribution for current year adjusted to valuation date..... | <b>19c</b> | 489, 417 |

**20** Quarterly contributions and liquidity shortfalls:

a Did the plan have a "funding shortfall" for the prior year? ..... ☒ Yes ☐ No

b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner? ..... ☒ Yes ☐ No

c If 20a is "Yes," see instructions and complete the following table as applicable:

| Liquidity shortfall as of end of Quarter of this plan year |         |         |         |
|------------------------------------------------------------|---------|---------|---------|
| (1) 1st                                                    | (2) 2nd | (3) 3rd | (4) 4th |
| 0                                                          | 0       | 0       | 0       |

**Part V Assumptions used to determine funding target and target normal cost**

|                                                                                                                                                                                              |                        |                        |                        |                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|------------------------|-----------------------------------------------------|
| <b>21</b> Discount rate:                                                                                                                                                                     |                        |                        |                        |                                                     |
| <b>a</b> Segment rates:                                                                                                                                                                      | 1st segment:<br>3.92 % | 2nd segment:<br>6.40 % | 3rd segment:<br>6.61 % | <input type="checkbox"/> N/A, full yield curve used |
| <b>b</b> Applicable month (enter code) .....                                                                                                                                                 |                        |                        |                        | <b>21b</b> 4                                        |
| <b>22</b> Weighted average retirement age .....                                                                                                                                              |                        |                        |                        | <b>22</b> 62                                        |
| <b>23</b> Mortality table(s) (see instructions) <input type="checkbox"/> Prescribed - combined <input checked="" type="checkbox"/> Prescribed - separate <input type="checkbox"/> Substitute |                        |                        |                        |                                                     |

**Part VI Miscellaneous items**

|                                                                                                                                                                        |                                                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| <b>24</b> Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment. .... | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <b>25</b> Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment. ....                                      | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| <b>26</b> Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment.....                             | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <b>27</b> If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment.....                   | <b>27</b>                                                           |

**Part VII Reconciliation of unpaid minimum required contributions for prior years**

|                                                                                                                                     |           |   |
|-------------------------------------------------------------------------------------------------------------------------------------|-----------|---|
| <b>28</b> Unpaid minimum required contribution for all prior years .....                                                            | <b>28</b> | 0 |
| <b>29</b> Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a)..... | <b>29</b> | 0 |
| <b>30</b> Remaining amount of unpaid minimum required contributions (item 28 minus item 29).....                                    | <b>30</b> | 0 |

**Part VIII Minimum required contribution for current year**

|                                                                                                                                                                                      |                     |                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|
| <b>31</b> Target normal cost, adjusted, if applicable (see instructions).....                                                                                                        | <b>31</b>           | 453,614            |
| <b>32</b> Amortization installments:                                                                                                                                                 | Outstanding Balance | Installment        |
| <b>a</b> Net shortfall amortization installment .....                                                                                                                                | 3,534,239           | 696,945            |
| <b>b</b> Waiver amortization installment .....                                                                                                                                       | 0                   | 0                  |
| <b>33</b> If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount ..... | <b>33</b>           |                    |
| <b>34</b> Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b - item 33).....                                                   | <b>34</b>           | 1,150,559          |
|                                                                                                                                                                                      | Carryover balance   | Prefunding balance |
| <b>35</b> Balances used to offset funding requirement .....                                                                                                                          | 0                   | 661,142            |
| <b>36</b> Additional cash requirement (item 34 minus item 35).....                                                                                                                   | <b>36</b>           | 489,417            |
| <b>37</b> Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c).....                                                   | <b>37</b>           | 489,417            |
| <b>38</b> Interest-adjusted excess contributions for current year (see instructions).....                                                                                            | <b>38</b>           | 0                  |
| <b>39</b> Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37).....                                                                       | <b>39</b>           | 0                  |
| <b>40</b> Unpaid minimum required contribution for all years .....                                                                                                                   | <b>40</b>           | 0                  |

**Beulah and Savage Mines Hourly Employees' Pension Plan**  
**EIN / PN: 84-1575176 / 005**  
**12/1/2010**  
**Line 22 - Description of Weighted Average Retirement Age**

| <u>Age</u> | <u>Probability</u> | <u>Number Retiring</u> | <u>Number Remaining</u> | <u>Result</u> |
|------------|--------------------|------------------------|-------------------------|---------------|
| 55         | 5.00%              | 0.050000               | 0.950000                | 2.750000      |
| 56         | 5.00%              | 0.047500               | 0.902500                | 2.660000      |
| 57         | 5.00%              | 0.045125               | 0.857375                | 2.572125      |
| 58         | 5.00%              | 0.042869               | 0.814506                | 2.486388      |
| 59         | 5.00%              | 0.040725               | 0.773781                | 2.402793      |
| 60         | 8.00%              | 0.061902               | 0.711878                | 3.714149      |
| 61         | 8.00%              | 0.056950               | 0.654928                | 3.473967      |
| 62         | 30.00%             | 0.196478               | 0.458450                | 12.181664     |
| 63         | 20.00%             | 0.091690               | 0.366760                | 5.776467      |
| 64         | 20.00%             | 0.073352               | 0.293408                | 4.694525      |
| 65         | 40.00%             | 0.117363               | 0.176045                | 7.628604      |
| 66         | 40.00%             | 0.070418               | 0.105627                | 4.647580      |
| 67         | 40.00%             | 0.042251               | 0.063376                | 2.830799      |
| 68         | 40.00%             | 0.025350               | 0.038026                | 1.723830      |
| 69         | 40.00%             | 0.015210               | 0.022815                | 1.049508      |
| 70         | 100.00%            | 0.022815               | 0.000000                | 1.597077      |
|            |                    |                        |                         | 62.189475     |

## Actuarial Cost Method

### I. ACTUARIAL COST METHOD

Costs have been computed in accordance with the Unit Credit Actuarial Cost Method and reflect the actuarial assumptions described in "Plan Assumptions" of this report as provided under the applicable regulations of the Pension Protection Act of 2006.

#### Target Normal Cost

The Target Normal Cost is the present value of benefits expected to accrue during the plan year for all Participants plus an estimate of the expenses to be paid from the plan assets during the plan year.

#### Target Liability and Funding Shortfall

As of December 1, 2008, a Target Liability is established which represents the present value of accrued benefits. This Target Liability is offset by adjusted assets, and the remainder (i.e. Funding Shortfall), if any, is amortized over seven years.

Subsequent changes in the Funding Shortfall due to asset experience, liability experience, plan amendments, and/or actuarial assumption changes will be amortized over a seven year period from their valuation dates.

#### Discount Rate

The plan sponsor has elected to use the Segment Rate approach for discount rate purposes, with an applicable month that is 4 months prior to the valuation date.

### II. ASSET VALUATION METHOD

Assets have been valued in accordance with generally accepted procedures as described below.

All funds invested are valued in the following manner:

#### Definitions

|        |                                                                                                                                               |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| i(t)   | assumed growth rate, set equal to the lesser of the expected return on assets or the applicable 3 <sup>rd</sup> segment rate for Plan Year t. |
| C(t)   | sum of contributions and other additions to the fund from all sources other than investment transactions in Plan Year t                       |
| W(t)   | sum of all withdrawals and other decreases to the fund from all sources other than investment transactions in Plan Year t                     |
| AV(t)  | Actuarial Value of Assets as of Plan Year t                                                                                                   |
| MV(t)  | Market Value of Assets as of Plan Year t                                                                                                      |
| EV(t)  | Expected Value of Assets as of Plan Year t                                                                                                    |
| G/L(t) | Gain or Loss for Plan Year t                                                                                                                  |

## Actuarial Cost Method

### Method

A description of the method used to determine the current year's Actuarial Value of Assets {AV(t)} is below.

For the preceding 2 years, G/L(t) is determined as follows:

$$EV(t) = MV(t-1) * (1 + i(t-1)) + [C(t-1) - W(t-1)] * (1 + i(t-1) * m)$$

Where m represents a proportionate yield consistent with the portion of the year for which C and W are invested

$$G/L(t-1) = EV(t) - MV(t)$$

For the current year, AV(t) is determined as follows:

$$AV(t) = MV(t) + 2/3 * G/L(t-1) + 1/3 * G/L(t-2)$$

### Corridor Limits

The Actuarial Value of Assets may not be less than 90% or more than 110% of the current market value of plan assets as of the applicable valuation date [as required by IRC Section 430(g)(3)(B)(iii)]

Please note, as highlighted above, the assumed asset growth rate for each year is limited to the applicable 3<sup>rd</sup> segment rate by law. As a result, if the plan's expected rate of return is greater than this applicable rate, this method is expected to produce an actuarial value of assets that can be expected to be slightly less than the market value of assets, on average.

## Actuarial Assumptions

Assumptions have been chosen to anticipate the long range experience of the Plan. Consistency among assumptions is important as each interacts with the others; equally important is the recognition of inflationary trends in the economy.

As the Enrolled Actuary for the Plan, I will certify to the reasonableness of these assumptions, in aggregate, as required by ERISA.

The actuarial assumptions used to compute Plan costs are:

**Mortality:**

*Funding:*

The IRS 2010 Static Mortality Table (male/female).

*Accounting:*

RP-2000 Blue Collar (male/female).

**Termination:**

Sample rates:

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 25         | 13.0%       |
| 40         | 4.4%        |
| 55         | 3.0%        |

**Disability:**

No disabilities were assumed.

**Retirement Age:**

Rates varying by age.

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 55         | 5%          |
| 62         | 30%         |
| 65         | 40%         |
| 70         | 100%        |

**Investment Return:**

*Funding:*

Non-transitional segment rates with 4 month look back: August 2010 rates, 3.92%, 6.40%, 6.61%.

*Accounting:*

7.40% per annum, compounded annually.

**Estimated Expenses:**

Estimated administrative expenses expected to be paid from Plan Assets are \$60,000.

## Actuarial Assumptions

### Benefit commencement date:

- **Preretirement death benefit** The later of the death of the active participant or the date the participant would have attained age 55.
- **Deferred vested benefit** The later of age 62 or termination of employment.
- **Retirement benefit** The later of age 62 or termination of employment.

### Form of payment:

- **Deferred vested benefit** 50% joint and survivor annuity for married, life for single.
- **Retirement benefit** 75% joint and survivor annuity for married, life for single.

### Percent Married:

85% of males; 50% of females.

### Spouse age:

Wife four years younger than husband.

***PLAN PROVISIONS***

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|                                                        |                                                                                                                                                                           |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Covered Employees</b>                               | Any hourly-paid person regularly employed by any participating employer, with respect to Beulah or Savage Mines.                                                          |
| <b>Participation Date</b>                              | December 1, or June 1, after completing one year of service with 1,000 hours of service.                                                                                  |
| <b>Definitions</b>                                     |                                                                                                                                                                           |
| Vesting Service                                        | Years and months of service as a covered employee.                                                                                                                        |
| Pension service                                        | Years and months of service as a covered employee.                                                                                                                        |
| Normal retirement date (NRD)                           | Later of first of month coinciding with or next following the attainment of age 65 or fifth anniversary of the date the participant became a qualified employee if later. |
| Monthly pension benefit                                | \$55 times pension service.                                                                                                                                               |
| Monthly preretirement death benefit                    | 75% (100% if death is work related) of the monthly pension benefit as of the participant's date of death, payable immediately for early commencement.                     |
| <b>Eligibility for Benefits</b>                        |                                                                                                                                                                           |
| Normal retirement                                      | Retirement on NRD.                                                                                                                                                        |
| Early retirement                                       | Retirement before NRD and on or after both attaining age 55 and completing five years of vesting service.                                                                 |
| Postponed retirement                                   | Retirement after NRD.                                                                                                                                                     |
| Vested termination                                     | Termination for reasons other than death or retirement after completing five years of vesting service.                                                                    |
| Preretirement death benefit                            | Death while eligible for normal, early, postponed, or deferred vested retirement benefits, with a surviving spouse.                                                       |
| <b>Monthly Benefits Paid Upon the Following Events</b> |                                                                                                                                                                           |
| Normal retirement                                      | Monthly pension benefit determined as of NRD.                                                                                                                             |
| Early retirement                                       | Monthly pension benefit determined as of early retirement date, reduced 3.0% for each year of payment before age 62.                                                      |
| Postponed retirement                                   | Monthly pension benefit determined as of actual retirement date.                                                                                                          |

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***PLAN PROVISIONS***

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|                    |                                                                                                                                         |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Vested termination | Monthly pension benefit determined as of termination date, reduced 3.0% for each year of payment before the participant reaches age 62. |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------|

|                                         |                                                                                                |
|-----------------------------------------|------------------------------------------------------------------------------------------------|
| Death with preretirement spouse benefit | Monthly preretirement death benefit payable upon death of an active or deferred vested member. |
|-----------------------------------------|------------------------------------------------------------------------------------------------|

**Other Plan Provisions**

|                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Forms of payment | <p>Preretirement death benefits are payable only as described above. Monthly pension benefits are paid as described above as a life annuity, if the participant has no spouse as of the date payments begin, or if the participant so elects. Otherwise, benefits are paid in the form of 75% joint and survivor annuity or 50% joint and survivor annuity for deferred vested retirements. If the participant elects and the spouse consents, participant may elect to receive another actuarially equivalent optional form offered by the plan. Optional forms include a lump sum payment provided termination occurs prior to age 55.</p> |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## Section I

## Summary of Valuation Results (continued)

### **Changes Since Last Year's Valuation**

#### **Changes in Pension Plan Provisions**

There were no changes in the pension plan provisions recognized with this actuarial valuation.

#### **New Legislation**

There were no legislative changes recognized with this actuarial valuation .

#### **Changes in Actuarial Assumptions**

For funding purposes, the Mortality Table has been changed to the IRS 2010 Mortality Table and the interest rate used is the August 2010 Segment Rates with no transition (3.92% for the first 5 years, 6.40% for the next 15 years, 6.61% thereafter). For ASC#960, accounting purposes, the discount rate has been changed to 7.40%. Expenses for 2010 have been estimated to be \$60,000 vs. \$30,000 in 2009 to better anticipate future experience.

#### **Changes in Actuarial Cost Method**

There were no changes to the actuarial cost method recognized with this actuarial valuation.

### **Benefit Restrictions and "At Risk" Status**

There are no benefit restrictions associated with the current plan year.

The plan is not considered "At Risk" for the current plan year.

## Distribution of Active Participants by Age and Service

### Number of Active Employees as of December 1, 2010 – Distribution by Age and Service

| Attained<br>Age | Years of Credited Service |            |            |              |              |              |              |              |              |             | Total |
|-----------------|---------------------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------|
|                 | <u>Under 1</u>            | <u>1-4</u> | <u>5-9</u> | <u>10-14</u> | <u>15-19</u> | <u>20-24</u> | <u>25-29</u> | <u>30-34</u> | <u>35-39</u> | <u>40 +</u> |       |
| Under 25        |                           |            |            |              |              |              |              |              |              |             |       |
| 25-29           |                           | 4          | 2          |              |              |              |              |              |              |             | 6     |
| 30-34           |                           | 7          | 8          |              |              |              |              |              |              |             | 15    |
| 35-39           |                           | 3          | 8          |              |              |              |              |              |              |             | 11    |
| 40-44           |                           | 3          | 4          | 1            | 1            |              |              |              |              |             | 9     |
| 45-49           |                           | 4          | 3          | 3            | 1            |              | 1            |              |              |             | 12    |
| 50-54           |                           | 2          | 2          | 2            | 1            |              | 2            | 7            |              |             | 16    |
| 55-59           |                           | 1          | 3          | 3            | 1            |              | 1            | 18           | 7            |             | 34    |
| 60-64           |                           |            | 1          | 5            | 1            |              |              | 3            | 2            |             | 12    |
| 65-69           |                           |            |            |              |              |              |              |              |              |             |       |
| 70 +            |                           |            |            |              |              |              |              |              |              |             |       |
| Total           |                           | 24         | 31         | 14           | 5            |              | 4            | 28           | 9            |             | 115   |

## Section IV

## Minimum Contribution Amortization

The prior year amortization values and the development of the amortization for the 2010 plan year are shown below.

### **I. Prior Year Amortization Amounts**

| <u>Plan Year</u> | <u>Installment</u> | <u>PV Factor</u> | <u>Present Value</u> |
|------------------|--------------------|------------------|----------------------|
| 2009             | 185,290            | 5.370067         | 995,020              |
| 2008             | 394,395            | 4.636749         | 1,828,711            |
| 2007             | 0                  | 3.779310         | 0                    |
| 2006             | 0                  | 2.888259         | 0                    |
| 2005             | 0                  | 1.962279         | 0                    |
| 2004             | 0                  | 1.000000         | 0                    |
|                  | <b>\$579,685</b>   |                  | <b>\$ 2,823,731</b>  |

### **II. Current Year Amortization**

|                                                              |             |
|--------------------------------------------------------------|-------------|
| Exemption from Current Year Amortization                     | No          |
| 1. Funding Shortfall to be amortized                         | \$3,534,239 |
| 2. Present Value of Prior Year Amortization Installments     | 2,823,731   |
| 3. Current Year Amortization Base<br>(1 - 2)                 | 710,508     |
| 4. Shortfall Amortization Factor                             | 6.059274    |
| 5. Current Year Amortization Installment<br>(3 divided by 4) | 117,260     |
| 6. Sum of Prior Year Amortization Installments               | 579,685     |
| 7. Net Shortfall Amortization Charge<br>(5 + 6)              | \$696,945   |

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Financial Statements  
and  
Independent Auditors' Report  
November 30, 2011 and 2010**

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

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## INDEPENDENT AUDITORS' REPORT

Westmoreland Coal Company Pension Committee  
Beulah & Savage Mines Hourly Employees' Pension Plan  
Englewood, Colorado

We were engaged to audit the statements of net assets available for benefits of Beulah & Savage Mines Hourly Employees' Pension Plan (the "Plan") as of November 30, 2011 and 2010, the related statements of changes in net assets available for benefits for the years then ended, the statement of accumulated plan benefits as of December 1, 2010, the related statement of changes in accumulated plan benefits for the year ended December 1, 2010, and the supplemental schedules as of November 30, 2011, as listed in the accompanying table of contents. These financial statements and the supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Prudential Retirement Insurance and Annuity Company, the custodian of the Plan, except for comparing such information with the related information included in the financial statements and the supplemental schedules. We have been informed by the Plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the custodian as of November 30, 2011 and 2010, and for the years ended November 30, 2011 and 2010, that the information provided to the Plan administrator by the custodian is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and the supplemental schedules taken as a whole. The supplemental schedules are presented for the purposes of additional analysis and are not a required part of the financial statements but are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The form and content of the information included in the financial statements and the supplemental schedules, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.



Ehrhardt Keefe Steiner & Hottman PC

September 12, 2012  
Denver, Colorado

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Statements of Net Assets Available for Benefits

|                                                      | November 30,         |                      |
|------------------------------------------------------|----------------------|----------------------|
|                                                      | 2011                 | 2010                 |
| <b>Assets</b>                                        |                      |                      |
| Investments, at fair value                           |                      |                      |
| Pooled separate accounts                             | \$ 14,848,418        | \$ 12,373,798        |
| Westmoreland Coal Company common stock               | 201,823              | 1,025,980            |
| Registered investment companies                      | 813,639              | 693,400              |
| Limited partnerships and limited liability companies | 244,875              | 292,386              |
| Cash and cash equivalents                            | 88                   | 136,720              |
| Total investments                                    | <u>16,108,843</u>    | <u>14,522,284</u>    |
| Receivables                                          |                      |                      |
| Employer contributions receivable                    | -                    | 1,647,320            |
| Total receivables                                    | <u>-</u>             | <u>1,647,320</u>     |
| Net assets available for benefits                    | <u>\$ 16,108,843</u> | <u>\$ 16,169,604</u> |

See notes to financial statements.

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN****Statements of Changes in Net Assets Available for Benefits**

|                                        | For the Years Ended<br>November 30, |                      |
|----------------------------------------|-------------------------------------|----------------------|
|                                        | <u>2011</u>                         | <u>2010</u>          |
| Employer contributions                 |                                     |                      |
| Westmoreland Coal Company common stock | \$ -                                | 449,250              |
| Cash and cash equivalents              | <u>939,001</u>                      | <u>1,571,506</u>     |
| Total employer contributions           | <u>939,001</u>                      | <u>2,020,756</u>     |
| Investment income                      |                                     |                      |
| Interest and dividend income           | 267,852                             | 200,800              |
| Realized and unrealized gains          | <u>691,297</u>                      | <u>1,162,725</u>     |
| Total investment income                | <u>959,149</u>                      | <u>1,363,525</u>     |
| Deductions from net assets             |                                     |                      |
| Benefits paid to participants          | 1,891,268                           | 665,889              |
| Administrative fees                    | <u>67,643</u>                       | <u>63,842</u>        |
| Total deductions from net assets       | <u>1,958,911</u>                    | <u>729,731</u>       |
| Net (decrease) increase                | (60,761)                            | 2,654,550            |
| Net assets available for benefits      |                                     |                      |
| Beginning of year                      | <u>16,169,604</u>                   | <u>13,515,054</u>    |
| End of year                            | <u>\$ 16,108,843</u>                | <u>\$ 16,169,604</u> |

See notes to financial statements.

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Statement of Accumulated Plan Benefits  
December 1, 2010**

|                                                            |                             |
|------------------------------------------------------------|-----------------------------|
| Actuarial present value of accumulated plan benefits       |                             |
| Vested benefits                                            |                             |
| Active participants                                        | \$ 7,324,286                |
| Retired participants and beneficiaries                     | <u>7,384,404</u>            |
| Total vested benefits                                      | 14,708,690                  |
| Non-vested benefits                                        | <u>301,819</u>              |
| Total actuarial present value of accumulated plan benefits | <u><u>\$ 15,010,509</u></u> |

See notes to financial statements.

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Statement of Changes in Accumulated Plan Benefits  
For the Year Ended December 1, 2010**

|                                                                           |                      |
|---------------------------------------------------------------------------|----------------------|
| Actuarial present value of accumulated plan benefits at beginning of year | <u>\$ 13,383,240</u> |
| Changes due to                                                            |                      |
| Benefits paid                                                             | (665,889)            |
| Benefits accumulated and actuarial loss                                   | 1,018,411            |
| Interest                                                                  | 635,284              |
| Change in actuarial assumptions                                           | <u>639,463</u>       |
| Net increase                                                              | <u>1,627,269</u>     |
| Actuarial present value of accumulated plan benefits at end of year       | <u>\$ 15,010,509</u> |

See notes to financial statements.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies**

The following description of the Beulah & Savage Mines Hourly Employees' Pension Plan (the "Plan") provides only general information. Participants and all others should refer to the Plan document for a more complete description of the Plan's provisions.

#### **General**

The Plan is a defined benefit plan covering all hourly employees of the Dakota Westmoreland Corporation and the Westmoreland Savage Corporation and affiliated companies (collectively, the "Company") provided they are not leased employees. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Employees of the Company who were participants in the Knife River Corporation Hourly Employees' Pension Plan on April 30, 2001 became participants in the Plan as of May 1, 2001. Otherwise, participation commences on the first day of the next entry date after an hourly paid person regularly employed by the Company completes one year of service in which the employee completes 1,000 or more hours of service. The Plan's entry dates are December 1 and June 1. Hourly employees hired by the Westmoreland Savage Company subsequent to December 31, 2006 are not eligible to participate in the Plan.

The Westmoreland Coal Company Pension Committee administers the Plan and manages the Plan assets. Prudential Retirement Insurance and Annuity Company ("Prudential Retirement") is the Plan's custodian and maintains the Plan's records.

#### **Funding Policy**

The Plan is non-contributory; all funding is provided for by the Company. The Company has voluntarily agreed to make contributions to the Plan sufficient to provide the Plan with assets with which to pay pension benefits to Plan participants. For the Plan years ended November 30, 2011 and 2010, minimum funding requirements of ERISA and the Internal Revenue Code (the "Code") were \$1,150,559 and \$1,003,159, respectively.

The minimum funding requirements were met through contributions of \$939,001 and \$2,020,756, including employer contributions receivable, made in 2011 and 2010, respectively. The remaining funding requirements were met through prefunding actuarial credit provided by the actuary of \$708,518.

The Plan sponsor is required by loan covenants to fund the Plan within 8 1/2 months of the valuation date, as defined by the Plan, not less than 80% of the actuarial-determined pension liability as of the prior year-end. Employer contributions made subsequent to year-end to meet contractual or legal requirements existing as of year-end are recorded as employer contributions receivable and contributions revenue. Employer contributions receivable was \$1,647,320 as of November 30, 2010. There were no employer contributions receivable as of November 30, 2011.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies (continued)**

#### **Benefits and Vesting**

Employees with five or more years of vesting service are entitled to monthly pension benefits beginning at the normal retirement age of 65 equal to a factor times the number of years of credited service. The factor for Dakota Westmoreland Corporation participants is \$55. The factor for participants of Westmoreland Savage Corporation is \$35.25 for years of credited service earned prior to January 1, 1988, \$42 for years of credited service earned in 1988 and 1989, \$46.50 for years of service earned from 1990 through 1993, and \$49.50 for years of credited service earned from December 31, 1993 to December 31, 2006. The Plan permits early retirement at age 55 with at least five years of vesting service. If the employee is at least age 62, there are no reductions in benefit factors for early retirement. If the employee is between 55 and 62, benefits are reduced by 1/4 of 1% for every month between the date that benefits begin and the month of their 62nd birthday. The Plan permits deferred vested pension payments for employees whose employment is terminated for reasons other than death, retirement, or disability on or after the completion of five years of vested service.

Married employees will receive their benefits in the form of a joint and 75% survivor annuity unless an alternate method has been selected and properly approved. Unmarried employees will receive their benefits in the form of a life annuity. Participants may receive a single lump-sum distribution under certain circumstances. Benefits are recorded when paid.

#### **Death and Disability Benefits**

If an active employee dies prior to retirement and has rendered five years of service, a monthly pension equal to the survivor's annuity is paid to the employee's spouse. If an employee dies after retirement, the benefit provided by the form of payment elected at retirement is paid to the employee's beneficiary. Active employees with five years of service who become totally disabled receive monthly disability benefits that are equal to \$15 times the number of years of credited service. Active employees with less than five years of service receive monthly disability benefits equal to \$7.50 times the number of years of credited service.

#### **Administrative Expenses**

During the years ended November 30, 2011 and 2010, the Company paid certain administrative expenses of the Plan.

#### **Valuation of Investments and Income Recognition**

Investments are stated at fair value as reported by the Plan custodian. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. See Note 2 for discussion of fair value measures.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies (continued)**

#### Valuation of Investments and Income Recognition (continued)

The net realized and unrealized investments gain or loss (net appreciation or depreciation in fair value of investments) is reflected in the accompanying statements of changes in net assets available for benefits and is determined as the difference between fair value at the beginning of the year (or date purchased if during the year) and selling price (if sold during the year) or year-end fair value. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recognized on the accrual basis. Dividends are recognized on the ex-dividend date.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Risk and Uncertainties

The Plan provides for various investments that, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the investment account balances and the amounts reported in the statements of net assets available for benefits.

Additionally, some investments held by the Plan are invested in the securities of foreign companies, which involve special risks and considerations not typically associated with investing in U.S. companies. These risks include devaluation of currencies, less reliable information about issuers, different securities transaction clearance and settlement practices, and possible adverse political and economic developments. Moreover, securities of many foreign companies and their markets may be less liquid and their prices more volatile than those of comparable U.S. companies.

Plan contributions are made and the actuarial value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would have a material impact on Plan contributions and the financial statements.

#### Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances – retirement, death, disability, and termination of employment – are included, to the extent they are deemed attributable to employee service rendered prior to the valuation date.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 1 - Description of the Plan and Significant Accounting Policies (continued)

#### Actuarial Present Value of Accumulated Plan Benefits (continued)

The actuarial present value of accumulated plan benefits is determined by the Plan's independent actuary and is the amount that results from applying actuarial assumptions to the accumulated plan benefits to reflect the time value of money (through discounts and for interest) and the probability of payment (by means of decrements such as death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. Actuarial assumptions for the Plan are made as of the beginning of the Plan year. The statement of accumulated plan benefits and the statement of changes in accumulated plan benefits were prepared as of December 1, 2010 and for the year ended December 1, 2010. Had the reports been prepared as of and for the year ended November 30, 2010, no material change would have been necessary. The significant actuarial assumptions used in the valuations as of December 1, 2010 are as follows:

- Life expectancy of participants was obtained from the RP-2000 Blue Collar (male/female);
- Funding was based on Internal Revenue Service ("IRS") 2010 Static Mortality Table (male/female);
- The assumed funding interest rate of return was 5.6%;
- The assumed long-term investment return was 7.4%;
- No disabilities were assumed;
- Estimated administrative expenses expected to be paid from Plan assets are \$60,000;
- Benefit commencement date - pre-retirement death benefit is the later of the death of the active participant or the date the participant would have attained age 55, deferred vested benefit and retirement benefit are the later of age 62 or termination of employment;
- Form of payment - deferred vested benefit is 50% joint and survivor annuity for married, life for single, retirement benefit is 75% joint and survivor annuity for married, life for single;
- Percent Married - 85% of males, 50% of females;
- Spouse age - Wife four years younger than husband;
- Participants are assumed to retire based on rates of retirement varying by age;

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 55         | 5%          |
| 62         | 30%         |
| 65         | 40%         |
| 70         | 100%        |

- Participants are assumed to terminate based on rates of expected termination varying by age;

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 25         | 13%         |
| 40         | 4.4%        |
| 55         | 3%          |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies (continued)**

#### **Actuarial Present Value of Accumulated Plan Benefits (continued)**

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The following changes in actuarial assumptions were made from the December 1, 2009 valuation to the December 1, 2010 valuation:

- For funding purposes, the Mortality Table has been changed to the IRS's 2010 Mortality Table.
- The assumed funding interest rate of return was changed from 6.2% to 5.6%.
- The assumed long-term investment return was changed from 7.8% to 7.4%.
- Expenses have been changed from \$30,000 to \$60,000.

### **Note 2 - Fair Value Accounting**

Generally accepted accounting principles establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at November 30, 2011 and 2010.

*Registered investment companies:* Valued at the net asset value of shares held by the Plan at year-end based on the quoted price in an active market.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 2 - Fair Value Accounting (continued)

*Pooled separate accounts:* Valued based on the quoted market prices of the securities underlying the investments.

*Westmoreland Coal Company common stock and cash and cash equivalents:* Valued at the closing price reported on the active market on which the individual investments are traded.

*Limited partnerships and limited liability companies:* Valued by the respective partnership or company manager using the market and income approaches. The market approach consists of using comparable market transactions or values. The income approach consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and other risk factors. The inputs considered in the valuations include original transaction prices, recent transactions in the same or similar instruments, changes in financial ratios or cash flows, discounted cash flow valuations, and general economic and market conditions.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's investment assets at fair value as of November 30, 2011 and 2010.

Assets at fair value as of November 30, 2011 are as follows:

| Description                                          | Level 1             | Level 2              | Level 3           | Total                |
|------------------------------------------------------|---------------------|----------------------|-------------------|----------------------|
| Pooled separate accounts                             |                     |                      |                   |                      |
| Large-cap                                            | \$ -                | \$ 5,063,987         | \$ -              | \$ 5,063,987         |
| Medium-cap                                           | -                   | 1,064,181            | -                 | 1,064,181            |
| Small-cap                                            | -                   | 1,465,573            | -                 | 1,465,573            |
| International blend                                  | -                   | 772,683              | -                 | 772,683              |
| Short-term bond                                      | -                   | 834,565              | -                 | 834,565              |
| Fixed income - domestic                              | -                   | 5,647,429            | -                 | 5,647,429            |
| Limited partnerships and limited liability companies | -                   | -                    | 244,875           | 244,875              |
| Westmoreland Coal Company common stock               | 201,823             | -                    | -                 | 201,823              |
| Registered investment companies                      | 813,639             | -                    | -                 | 813,639              |
| Cash and cash equivalents                            | 88                  | -                    | -                 | 88                   |
| Total                                                | <u>\$ 1,015,550</u> | <u>\$ 14,848,418</u> | <u>\$ 244,875</u> | <u>\$ 16,108,843</u> |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 2 - Fair Value Accounting (continued)

Assets at fair value as of December 1, 2010 are as follows:

| Description                                          | Level 1             | Level 2              | Level 3           | Total                |
|------------------------------------------------------|---------------------|----------------------|-------------------|----------------------|
| Pooled separate accounts                             |                     |                      |                   |                      |
| Large-cap                                            | \$ -                | \$ 3,952,856         | \$ -              | \$ 3,952,856         |
| Medium-cap                                           | -                   | 841,486              | -                 | 841,486              |
| Small-cap                                            | -                   | 1,228,695            | -                 | 1,228,695            |
| International blend                                  | -                   | 651,680              | -                 | 651,680              |
| Short-term bond                                      | -                   | 638,241              | -                 | 638,241              |
| Fixed income - domestic                              | -                   | 5,060,840            | -                 | 5,060,840            |
| Limited partnerships and limited liability companies | -                   | -                    | 292,386           | 292,386              |
| Westmoreland Coal Company common stock               | 1,025,980           | -                    | -                 | 1,025,980            |
| Registered investment companies                      | 693,400             | -                    | -                 | 693,400              |
| Cash and cash equivalents                            | 136,720             | -                    | -                 | 136,720              |
| Total                                                | <u>\$ 1,856,100</u> | <u>\$ 12,373,798</u> | <u>\$ 292,386</u> | <u>\$ 14,522,284</u> |

### Level 3 Changes

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the periods ending November 30, 2011 and 2010. Both observable and unobservable inputs may be used to determine the fair value of the positions classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category may include changes in the fair value that were attributable to both observable and unobservable inputs.

|                                             | Limited Partnerships and Limited Liability Companies |                    |
|---------------------------------------------|------------------------------------------------------|--------------------|
|                                             | 2011                                                 | 2010               |
| Beginning balance                           | \$ 292,386                                           | \$ 1,283,809       |
| Total gains or losses (realized/unrealized) | 25,594                                               | 12,397             |
| Transfers                                   | <u>(73,105)</u>                                      | <u>(1,003,820)</u> |
| Ending balance                              | <u>\$ 244,875</u>                                    | <u>\$ 292,386</u>  |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 3 - Investments

Prudential Retirement has certified in writing to the Plan administrator that the stated amounts for investments at fair value as of November 30, 2011 and 2010 and the income earned on the investments for the year ended November 30, 2011 and 2010, as reflected in the accompanying financial statements and the supplemental schedules, are complete and accurate.

The Plan administrator has elected the method of compliance as permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such election, the Plan administrator instructed the Plan's auditors not to perform any auditing procedures with respect to the investment information certified by Prudential Retirement, except for comparing the information contained therein to information included in the financial statements and the supplemental schedules.

The fair values of investments greater than 5% of net assets available for benefits were the following:

|                                        | November 30, |              |
|----------------------------------------|--------------|--------------|
|                                        | 2011         | 2010         |
| Pooled separate accounts               |              |              |
| Core bond Enhanced Index/PIM Fund      | \$ 5,647,429 | \$ 5,060,840 |
| Dryden S&P 500 Index                   | \$ 5,063,987 | \$ 3,952,856 |
| Prudential Short term                  | \$ 834,565   | \$ 638,241 * |
| Westmoreland Coal Company Common Stock | \$ 201,823 * | \$ 1,025,980 |
| Registered investment companies        |              |              |
| American EuroPacific Growth            | \$ 813,639   | \$ 693,400 * |

\* Indicates investments less than 5% of net assets available for benefits.

Net appreciation (depreciation) by investment type for the periods ending:

|                                                                               | November 30,      |                     |
|-------------------------------------------------------------------------------|-------------------|---------------------|
|                                                                               | 2011              | 2010                |
| Investments type                                                              |                   |                     |
| Pooled separate accounts                                                      | \$ 379,613        | \$ 858,042          |
| Registered investment companies                                               | (65,756)          | 32,650              |
| Westmoreland Coal Company common stock                                        | 351,846           | 259,636             |
| Limited partnerships and limited liability companies, at estimated fair value | <u>25,594</u>     | <u>12,397</u>       |
| Total                                                                         | <u>\$ 691,297</u> | <u>\$ 1,162,725</u> |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 3 - Investments (continued)**

#### **Reported Net Asset Values**

The investments in pooled separate accounts as of November 30, 2011 and 2010 are \$14,848,418 and \$12,373,798, respectively, as valued based on the net asset value as a practical expedient. There are no unfunded commitments and the units may be redeemed on a daily basis.

### **Note 4 - Income Taxes**

The Plan has received a tax determination letter dated April 26, 2012 from the IRS covering changes made to comply with ERISA and indicating that the Plan qualifies under the provisions of Section 401(a) of the Code and is exempt from federal income taxes.

The Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income taxes has been included in the accompanying financial statements.

Generally accepted accounting principles require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan and has concluded that, as of November 30, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

### **Note 5 - Administration of the Plan**

The Company provides at no cost to the Plan certain administrative, accounting, and legal services to the Plan and also pays the cost of certain outside services for the Plan.

### **Note 6 - Related Party Transactions**

Plan investments include mutual funds and a money market fund managed by Prudential Retirement. Prudential Retirement is the custodian, as defined by the Plan; therefore, these transactions qualify as party-in-interest. These transactions are exempt from prohibited transaction regulations. The Plan also held certain investments in registered investment companies and common stock of Wells Fargo, who was the custodian, as defined by the Plan, through April 17, 2009; therefore, these transactions qualify as party-in-interest. These transactions are exempt from prohibited transaction regulations.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 6 - Related Party Transactions (continued)**

During the Plan years ended November 30, 2011 and 2010, Westmoreland Coal Company contributed 25,000 and 150,000 shares, respectively, of its common stock in the amount of \$449,250 and \$1,614,300, respectively. The Plan sold 100,750 and 135,720 shares, respectively, of the Westmoreland Coal Company common stock during the years ended November 30, 2011 and 2010 for \$1,625,253 and \$1,395,786, respectively, realizing losses of \$598,338 and \$10,879, respectively. As of November 30, 2011 and 2010, the Plan holds 19,690 and 95,440 shares, respectively, of Westmoreland Coal Company common stock with a fair value of \$201,823 and \$1,025,980, respectively.

### **Note 7 - Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions of ERISA. If the Plan is terminated for any reason, the net assets of the Plan would be allocated, as prescribed by ERISA and its regulations, generally to provide the following benefits in the order indicated:

- Annuity benefits that former employees or their beneficiaries have been receiving for at least three years or that employees eligible to retire for the three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under Plan provisions in effect at any time during the five years preceding Plan termination;
- Other vested benefits insured by the Pension Benefit Guaranty Corporation ("PBGC"), a U.S. government agency, up to the applicable limitations (discussed below);
- All other vested benefits not insured by the PBGC; or
- All non-vested benefits.

Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees. The ceiling applies to those pensioners who elect to receive their benefits in the form of a single-life annuity and are at least 65 years old at the time of retirement or Plan termination (whichever comes later). For younger annuitants or for those who elect to receive their benefits in some form more valuable than a single-life annuity, the corresponding ceilings are actuarially adjusted downward.

# **BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

## **Notes to Financial Statements**

### **Note 7 - Plan Termination (continued)**

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the Plan sponsor and the level of benefits guaranteed by the PBGC.

### **Note 8 - Subsequent Event**

The Company has evaluated all subsequent events through September 12, 2012, which is the date the financial statements were available to be issued.

## **SUPPLEMENTAL SCHEDULES**

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year) As of November 30, 2011

Employer Identification Number 84-1575176

Plan Number - 005

| (a) | (b) Identity of Issue, Borrower,<br>Lessor, or Similar Party | (c) Description of Investment Including<br>Maturity Date, Rate of Interest,<br>Collateral, Par, or Maturity Value | (d) Cost             | (e) Current<br>Value |
|-----|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
|     | Pooled separate accounts                                     |                                                                                                                   |                      |                      |
| *   | Prudential                                                   | Core bond Enhanced Index/PIM Fund                                                                                 | \$ 5,348,745         | \$ 5,647,429         |
| *   | Prudential                                                   | Dryden S&P 500 Index                                                                                              | 4,075,471            | 5,063,987            |
| *   | Prudential                                                   | Prudential Short Term                                                                                             | 834,549              | 834,565              |
| *   | Prudential                                                   | Intl Bld/Pictet Asset Management Fund                                                                             | 682,490              | 772,683              |
| *   | Prudential                                                   | Small Cap Growth/Columbus Fund                                                                                    | 478,962              | 756,917              |
| *   | Prudential                                                   | Small Cap Value/TS&W Fund                                                                                         | 581,378              | 708,656              |
| *   | Prudential                                                   | Mid Cap Growth/Frontier Capital Fund                                                                              | 475,430              | 541,800              |
| *   | Prudential                                                   | Mid Cap Value/Systematic Fund                                                                                     | 474,922              | 522,381              |
|     | Registered investment companies                              |                                                                                                                   |                      |                      |
|     | American Funds                                               | American Europacific Growth Fund                                                                                  | 941,692              | 813,639              |
|     | Limited partnerships and limited liability companies         |                                                                                                                   |                      |                      |
|     | Siguler Guff Distressed Opportunities Fund, LLC              | Siguler Guff Distressed LLC                                                                                       | 86,963               | 140,040              |
|     | Oaktree Capital Management, L.P.                             | OCM Real Estate Opportunity Fund III LP                                                                           | -                    | 104,835              |
|     | Common stock                                                 |                                                                                                                   |                      |                      |
| *   | Westmoreland Coal Company                                    | Westmoreland Coal Company common stock, 19,690 shares of \$1 par value                                            | 353,829              | 201,823              |
|     | Cash and cash equivalents                                    |                                                                                                                   |                      |                      |
| *   | Prudential                                                   | Prudential Brokerage                                                                                              | <u>88</u>            | <u>88</u>            |
|     | Total investments                                            |                                                                                                                   | <u>\$ 14,334,519</u> | <u>\$ 16,108,843</u> |

\* Party-in-interest

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Schedule H, Part IV, Line 4j - Schedule of Non-Exempt Transactions  
For the Year Ended November 30, 2011**

Employer Identification Number 84-1575176

Plan Number - 005

Series of transactions which exceed 5% of net assets available for benefits as of the beginning of the Plan year:

| (a) Identity of Party<br>Involved | (b) Description of<br>Asset                  | (c) Purchase<br>Price | (d) Selling<br>Price | (g) Cost of Asset |              | (h) Current Value of Asset<br>on Transaction Date |              | (i) Net Gain<br>(Loss) |
|-----------------------------------|----------------------------------------------|-----------------------|----------------------|-------------------|--------------|---------------------------------------------------|--------------|------------------------|
|                                   |                                              |                       |                      | Purchase          | Sales        | Purchase                                          | Sales        |                        |
| Series of<br>transactions         |                                              |                       |                      |                   |              |                                                   |              |                        |
| Prudential                        | Dryden S&P Index<br>Fund                     | \$ 1,146,612          | \$ 355,000           | \$ 1,146,612      | \$ 271,203   | \$ 1,146,612                                      | \$ 355,000   | \$ 83,797              |
| Prudential                        | Core Bond<br>Enhanced<br>Index/PIM Fund      | \$ 1,478,512          | \$ 1,200,000         | \$ 1,478,512      | \$ 1,130,442 | \$ 1,478,512                                      | \$ 1,200,000 | \$ 69,558              |
| Prudential                        | Prudential Short-<br>Term Fund               | \$ 2,154,502          | \$ 1,958,771         | \$ 2,154,502      | \$ 1,958,757 | \$ 2,154,502                                      | \$ 1,958,771 | \$ 14                  |
| Westmoreland Coal<br>Company      | Westmoreland Coal<br>Company Common<br>Stock | \$ -                  | \$ 1,625,253         | \$ -              | \$ 1,026,915 | \$ -                                              | \$ 1,625,253 | \$ 598,338             |

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Financial Statements  
and  
Independent Auditors' Report  
November 30, 2011 and 2010**

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

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## INDEPENDENT AUDITORS' REPORT

Westmoreland Coal Company Pension Committee  
Beulah & Savage Mines Hourly Employees' Pension Plan  
Englewood, Colorado

We were engaged to audit the statements of net assets available for benefits of Beulah & Savage Mines Hourly Employees' Pension Plan (the "Plan") as of November 30, 2011 and 2010, the related statements of changes in net assets available for benefits for the years then ended, the statement of accumulated plan benefits as of December 1, 2010, the related statement of changes in accumulated plan benefits for the year ended December 1, 2010, and the supplemental schedules as of November 30, 2011, as listed in the accompanying table of contents. These financial statements and the supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Prudential Retirement Insurance and Annuity Company, the custodian of the Plan, except for comparing such information with the related information included in the financial statements and the supplemental schedules. We have been informed by the Plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the custodian as of November 30, 2011 and 2010, and for the years ended November 30, 2011 and 2010, that the information provided to the Plan administrator by the custodian is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and the supplemental schedules taken as a whole. The supplemental schedules are presented for the purposes of additional analysis and are not a required part of the financial statements but are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The form and content of the information included in the financial statements and the supplemental schedules, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.



Ehrhardt Keefe Steiner & Hottman PC

September 12, 2012  
Denver, Colorado

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Statements of Net Assets Available for Benefits

|                                                      | November 30,         |                      |
|------------------------------------------------------|----------------------|----------------------|
|                                                      | 2011                 | 2010                 |
| <b>Assets</b>                                        |                      |                      |
| Investments, at fair value                           |                      |                      |
| Pooled separate accounts                             | \$ 14,848,418        | \$ 12,373,798        |
| Westmoreland Coal Company common stock               | 201,823              | 1,025,980            |
| Registered investment companies                      | 813,639              | 693,400              |
| Limited partnerships and limited liability companies | 244,875              | 292,386              |
| Cash and cash equivalents                            | 88                   | 136,720              |
| Total investments                                    | <u>16,108,843</u>    | <u>14,522,284</u>    |
| Receivables                                          |                      |                      |
| Employer contributions receivable                    | -                    | 1,647,320            |
| Total receivables                                    | <u>-</u>             | <u>1,647,320</u>     |
| Net assets available for benefits                    | <u>\$ 16,108,843</u> | <u>\$ 16,169,604</u> |

See notes to financial statements.

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN****Statements of Changes in Net Assets Available for Benefits**

|                                        | For the Years Ended<br>November 30, |                      |
|----------------------------------------|-------------------------------------|----------------------|
|                                        | 2011                                | 2010                 |
| Employer contributions                 |                                     |                      |
| Westmoreland Coal Company common stock | \$ -                                | 449,250              |
| Cash and cash equivalents              | <u>939,001</u>                      | <u>1,571,506</u>     |
| Total employer contributions           | <u>939,001</u>                      | <u>2,020,756</u>     |
| Investment income                      |                                     |                      |
| Interest and dividend income           | 267,852                             | 200,800              |
| Realized and unrealized gains          | <u>691,297</u>                      | <u>1,162,725</u>     |
| Total investment income                | <u>959,149</u>                      | <u>1,363,525</u>     |
| Deductions from net assets             |                                     |                      |
| Benefits paid to participants          | 1,891,268                           | 665,889              |
| Administrative fees                    | <u>67,643</u>                       | <u>63,842</u>        |
| Total deductions from net assets       | <u>1,958,911</u>                    | <u>729,731</u>       |
| Net (decrease) increase                | (60,761)                            | 2,654,550            |
| Net assets available for benefits      |                                     |                      |
| Beginning of year                      | <u>16,169,604</u>                   | <u>13,515,054</u>    |
| End of year                            | <u>\$ 16,108,843</u>                | <u>\$ 16,169,604</u> |

See notes to financial statements.

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Statement of Accumulated Plan Benefits  
December 1, 2010**

|                                                            |                             |
|------------------------------------------------------------|-----------------------------|
| Actuarial present value of accumulated plan benefits       |                             |
| Vested benefits                                            |                             |
| Active participants                                        | \$ 7,324,286                |
| Retired participants and beneficiaries                     | <u>7,384,404</u>            |
| Total vested benefits                                      | 14,708,690                  |
| Non-vested benefits                                        | <u>301,819</u>              |
| Total actuarial present value of accumulated plan benefits | <u><u>\$ 15,010,509</u></u> |

See notes to financial statements.

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Statement of Changes in Accumulated Plan Benefits  
For the Year Ended December 1, 2010**

|                                                                           |                      |
|---------------------------------------------------------------------------|----------------------|
| Actuarial present value of accumulated plan benefits at beginning of year | <u>\$ 13,383,240</u> |
| Changes due to                                                            |                      |
| Benefits paid                                                             | (665,889)            |
| Benefits accumulated and actuarial loss                                   | 1,018,411            |
| Interest                                                                  | 635,284              |
| Change in actuarial assumptions                                           | <u>639,463</u>       |
| Net increase                                                              | <u>1,627,269</u>     |
| Actuarial present value of accumulated plan benefits at end of year       | <u>\$ 15,010,509</u> |

See notes to financial statements.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies**

The following description of the Beulah & Savage Mines Hourly Employees' Pension Plan (the "Plan") provides only general information. Participants and all others should refer to the Plan document for a more complete description of the Plan's provisions.

#### General

The Plan is a defined benefit plan covering all hourly employees of the Dakota Westmoreland Corporation and the Westmoreland Savage Corporation and affiliated companies (collectively, the "Company") provided they are not leased employees. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Employees of the Company who were participants in the Knife River Corporation Hourly Employees' Pension Plan on April 30, 2001 became participants in the Plan as of May 1, 2001. Otherwise, participation commences on the first day of the next entry date after an hourly paid person regularly employed by the Company completes one year of service in which the employee completes 1,000 or more hours of service. The Plan's entry dates are December 1 and June 1. Hourly employees hired by the Westmoreland Savage Company subsequent to December 31, 2006 are not eligible to participate in the Plan.

The Westmoreland Coal Company Pension Committee administers the Plan and manages the Plan assets. Prudential Retirement Insurance and Annuity Company ("Prudential Retirement") is the Plan's custodian and maintains the Plan's records.

#### Funding Policy

The Plan is non-contributory; all funding is provided for by the Company. The Company has voluntarily agreed to make contributions to the Plan sufficient to provide the Plan with assets with which to pay pension benefits to Plan participants. For the Plan years ended November 30, 2011 and 2010, minimum funding requirements of ERISA and the Internal Revenue Code (the "Code") were \$1,150,559 and \$1,003,159, respectively.

The minimum funding requirements were met through contributions of \$939,001 and \$2,020,756, including employer contributions receivable, made in 2011 and 2010, respectively. The remaining funding requirements were met through prefunding actuarial credit provided by the actuary of \$708,518.

The Plan sponsor is required by loan covenants to fund the Plan within 8 1/2 months of the valuation date, as defined by the Plan, not less than 80% of the actuarial-determined pension liability as of the prior year-end. Employer contributions made subsequent to year-end to meet contractual or legal requirements existing as of year-end are recorded as employer contributions receivable and contributions revenue. Employer contributions receivable was \$1,647,320 as of November 30, 2010. There were no employer contributions receivable as of November 30, 2011.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies (continued)**

#### **Benefits and Vesting**

Employees with five or more years of vesting service are entitled to monthly pension benefits beginning at the normal retirement age of 65 equal to a factor times the number of years of credited service. The factor for Dakota Westmoreland Corporation participants is \$55. The factor for participants of Westmoreland Savage Corporation is \$35.25 for years of credited service earned prior to January 1, 1988, \$42 for years of credited service earned in 1988 and 1989, \$46.50 for years of service earned from 1990 through 1993, and \$49.50 for years of credited service earned from December 31, 1993 to December 31, 2006. The Plan permits early retirement at age 55 with at least five years of vesting service. If the employee is at least age 62, there are no reductions in benefit factors for early retirement. If the employee is between 55 and 62, benefits are reduced by 1/4 of 1% for every month between the date that benefits begin and the month of their 62nd birthday. The Plan permits deferred vested pension payments for employees whose employment is terminated for reasons other than death, retirement, or disability on or after the completion of five years of vested service.

Married employees will receive their benefits in the form of a joint and 75% survivor annuity unless an alternate method has been selected and properly approved. Unmarried employees will receive their benefits in the form of a life annuity. Participants may receive a single lump-sum distribution under certain circumstances. Benefits are recorded when paid.

#### **Death and Disability Benefits**

If an active employee dies prior to retirement and has rendered five years of service, a monthly pension equal to the survivor's annuity is paid to the employee's spouse. If an employee dies after retirement, the benefit provided by the form of payment elected at retirement is paid to the employee's beneficiary. Active employees with five years of service who become totally disabled receive monthly disability benefits that are equal to \$15 times the number of years of credited service. Active employees with less than five years of service receive monthly disability benefits equal to \$7.50 times the number of years of credited service.

#### **Administrative Expenses**

During the years ended November 30, 2011 and 2010, the Company paid certain administrative expenses of the Plan.

#### **Valuation of Investments and Income Recognition**

Investments are stated at fair value as reported by the Plan custodian. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. See Note 2 for discussion of fair value measures.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies (continued)**

#### Valuation of Investments and Income Recognition (continued)

The net realized and unrealized investments gain or loss (net appreciation or depreciation in fair value of investments) is reflected in the accompanying statements of changes in net assets available for benefits and is determined as the difference between fair value at the beginning of the year (or date purchased if during the year) and selling price (if sold during the year) or year-end fair value. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recognized on the accrual basis. Dividends are recognized on the ex-dividend date.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Risk and Uncertainties

The Plan provides for various investments that, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the investment account balances and the amounts reported in the statements of net assets available for benefits.

Additionally, some investments held by the Plan are invested in the securities of foreign companies, which involve special risks and considerations not typically associated with investing in U.S. companies. These risks include devaluation of currencies, less reliable information about issuers, different securities transaction clearance and settlement practices, and possible adverse political and economic developments. Moreover, securities of many foreign companies and their markets may be less liquid and their prices more volatile than those of comparable U.S. companies.

Plan contributions are made and the actuarial value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would have a material impact on Plan contributions and the financial statements.

#### Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances – retirement, death, disability, and termination of employment – are included, to the extent they are deemed attributable to employee service rendered prior to the valuation date.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 1 - Description of the Plan and Significant Accounting Policies (continued)

#### Actuarial Present Value of Accumulated Plan Benefits (continued)

The actuarial present value of accumulated plan benefits is determined by the Plan's independent actuary and is the amount that results from applying actuarial assumptions to the accumulated plan benefits to reflect the time value of money (through discounts and for interest) and the probability of payment (by means of decrements such as death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. Actuarial assumptions for the Plan are made as of the beginning of the Plan year. The statement of accumulated plan benefits and the statement of changes in accumulated plan benefits were prepared as of December 1, 2010 and for the year ended December 1, 2010. Had the reports been prepared as of and for the year ended November 30, 2010, no material change would have been necessary. The significant actuarial assumptions used in the valuations as of December 1, 2010 are as follows:

- Life expectancy of participants was obtained from the RP-2000 Blue Collar (male/female);
- Funding was based on Internal Revenue Service ("IRS") 2010 Static Mortality Table (male/female);
- The assumed funding interest rate of return was 5.6%;
- The assumed long-term investment return was 7.4%;
- No disabilities were assumed;
- Estimated administrative expenses expected to be paid from Plan assets are \$60,000;
- Benefit commencement date - pre-retirement death benefit is the later of the death of the active participant or the date the participant would have attained age 55, deferred vested benefit and retirement benefit are the later of age 62 or termination of employment;
- Form of payment - deferred vested benefit is 50% joint and survivor annuity for married, life for single, retirement benefit is 75% joint and survivor annuity for married, life for single;
- Percent Married - 85% of males, 50% of females;
- Spouse age - Wife four years younger than husband;
- Participants are assumed to retire based on rates of retirement varying by age;

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 55         | 5%          |
| 62         | 30%         |
| 65         | 40%         |
| 70         | 100%        |

- Participants are assumed to terminate based on rates of expected termination varying by age;

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 25         | 13%         |
| 40         | 4.4%        |
| 55         | 3%          |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies (continued)**

#### **Actuarial Present Value of Accumulated Plan Benefits (continued)**

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The following changes in actuarial assumptions were made from the December 1, 2009 valuation to the December 1, 2010 valuation:

- For funding purposes, the Mortality Table has been changed to the IRS's 2010 Mortality Table.
- The assumed funding interest rate of return was changed from 6.2% to 5.6%.
- The assumed long-term investment return was changed from 7.8% to 7.4%.
- Expenses have been changed from \$30,000 to \$60,000.

### **Note 2 - Fair Value Accounting**

Generally accepted accounting principles establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at November 30, 2011 and 2010.

*Registered investment companies:* Valued at the net asset value of shares held by the Plan at year-end based on the quoted price in an active market.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 2 - Fair Value Accounting (continued)

*Pooled separate accounts:* Valued based on the quoted market prices of the securities underlying the investments.

*Westmoreland Coal Company common stock and cash and cash equivalents:* Valued at the closing price reported on the active market on which the individual investments are traded.

*Limited partnerships and limited liability companies:* Valued by the respective partnership or company manager using the market and income approaches. The market approach consists of using comparable market transactions or values. The income approach consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and other risk factors. The inputs considered in the valuations include original transaction prices, recent transactions in the same or similar instruments, changes in financial ratios or cash flows, discounted cash flow valuations, and general economic and market conditions.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's investment assets at fair value as of November 30, 2011 and 2010.

Assets at fair value as of November 30, 2011 are as follows:

| Description                                          | Level 1             | Level 2              | Level 3           | Total                |
|------------------------------------------------------|---------------------|----------------------|-------------------|----------------------|
| Pooled separate accounts                             |                     |                      |                   |                      |
| Large-cap                                            | \$ -                | \$ 5,063,987         | \$ -              | \$ 5,063,987         |
| Medium-cap                                           | -                   | 1,064,181            | -                 | 1,064,181            |
| Small-cap                                            | -                   | 1,465,573            | -                 | 1,465,573            |
| International blend                                  | -                   | 772,683              | -                 | 772,683              |
| Short-term bond                                      | -                   | 834,565              | -                 | 834,565              |
| Fixed income - domestic                              | -                   | 5,647,429            | -                 | 5,647,429            |
| Limited partnerships and limited liability companies | -                   | -                    | 244,875           | 244,875              |
| Westmoreland Coal Company common stock               | 201,823             | -                    | -                 | 201,823              |
| Registered investment companies                      | 813,639             | -                    | -                 | 813,639              |
| Cash and cash equivalents                            | 88                  | -                    | -                 | 88                   |
| Total                                                | <u>\$ 1,015,550</u> | <u>\$ 14,848,418</u> | <u>\$ 244,875</u> | <u>\$ 16,108,843</u> |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 2 - Fair Value Accounting (continued)

Assets at fair value as of December 1, 2010 are as follows:

| Description                                          | Level 1             | Level 2              | Level 3           | Total                |
|------------------------------------------------------|---------------------|----------------------|-------------------|----------------------|
| Pooled separate accounts                             |                     |                      |                   |                      |
| Large-cap                                            | \$ -                | \$ 3,952,856         | \$ -              | \$ 3,952,856         |
| Medium-cap                                           | -                   | 841,486              | -                 | 841,486              |
| Small-cap                                            | -                   | 1,228,695            | -                 | 1,228,695            |
| International blend                                  | -                   | 651,680              | -                 | 651,680              |
| Short-term bond                                      | -                   | 638,241              | -                 | 638,241              |
| Fixed income - domestic                              | -                   | 5,060,840            | -                 | 5,060,840            |
| Limited partnerships and limited liability companies | -                   | -                    | 292,386           | 292,386              |
| Westmoreland Coal Company common stock               | 1,025,980           | -                    | -                 | 1,025,980            |
| Registered investment companies                      | 693,400             | -                    | -                 | 693,400              |
| Cash and cash equivalents                            | 136,720             | -                    | -                 | 136,720              |
| Total                                                | <u>\$ 1,856,100</u> | <u>\$ 12,373,798</u> | <u>\$ 292,386</u> | <u>\$ 14,522,284</u> |

### Level 3 Changes

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the periods ending November 30, 2011 and 2010. Both observable and unobservable inputs may be used to determine the fair value of the positions classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category may include changes in the fair value that were attributable to both observable and unobservable inputs.

|                                             | Limited Partnerships and Limited Liability Companies |                    |
|---------------------------------------------|------------------------------------------------------|--------------------|
|                                             | 2011                                                 | 2010               |
| Beginning balance                           | \$ 292,386                                           | \$ 1,283,809       |
| Total gains or losses (realized/unrealized) | 25,594                                               | 12,397             |
| Transfers                                   | <u>(73,105)</u>                                      | <u>(1,003,820)</u> |
| Ending balance                              | <u>\$ 244,875</u>                                    | <u>\$ 292,386</u>  |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 3 - Investments

Prudential Retirement has certified in writing to the Plan administrator that the stated amounts for investments at fair value as of November 30, 2011 and 2010 and the income earned on the investments for the year ended November 30, 2011 and 2010, as reflected in the accompanying financial statements and the supplemental schedules, are complete and accurate.

The Plan administrator has elected the method of compliance as permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such election, the Plan administrator instructed the Plan's auditors not to perform any auditing procedures with respect to the investment information certified by Prudential Retirement, except for comparing the information contained therein to information included in the financial statements and the supplemental schedules.

The fair values of investments greater than 5% of net assets available for benefits were the following:

|                                        | November 30, |              |
|----------------------------------------|--------------|--------------|
|                                        | 2011         | 2010         |
| Pooled separate accounts               |              |              |
| Core bond Enhanced Index/PIM Fund      | \$ 5,647,429 | \$ 5,060,840 |
| Dryden S&P 500 Index                   | \$ 5,063,987 | \$ 3,952,856 |
| Prudential Short term                  | \$ 834,565   | \$ 638,241 * |
| Westmoreland Coal Company Common Stock | \$ 201,823 * | \$ 1,025,980 |
| Registered investment companies        |              |              |
| American EuroPacific Growth            | \$ 813,639   | \$ 693,400 * |

\* Indicates investments less than 5% of net assets available for benefits.

Net appreciation (depreciation) by investment type for the periods ending:

|                                                                               | November 30,      |                     |
|-------------------------------------------------------------------------------|-------------------|---------------------|
|                                                                               | 2011              | 2010                |
| Investments type                                                              |                   |                     |
| Pooled separate accounts                                                      | \$ 379,613        | \$ 858,042          |
| Registered investment companies                                               | (65,756)          | 32,650              |
| Westmoreland Coal Company common stock                                        | 351,846           | 259,636             |
| Limited partnerships and limited liability companies, at estimated fair value | <u>25,594</u>     | <u>12,397</u>       |
| Total                                                                         | <u>\$ 691,297</u> | <u>\$ 1,162,725</u> |

# **BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

## **Notes to Financial Statements**

### **Note 3 - Investments (continued)**

#### **Reported Net Asset Values**

The investments in pooled separate accounts as of November 30, 2011 and 2010 are \$14,848,418 and \$12,373,798, respectively, as valued based on the net asset value as a practical expedient. There are no unfunded commitments and the units may be redeemed on a daily basis.

### **Note 4 - Income Taxes**

The Plan has received a tax determination letter dated April 26, 2012 from the IRS covering changes made to comply with ERISA and indicating that the Plan qualifies under the provisions of Section 401(a) of the Code and is exempt from federal income taxes.

The Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income taxes has been included in the accompanying financial statements.

Generally accepted accounting principles require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan and has concluded that, as of November 30, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

### **Note 5 - Administration of the Plan**

The Company provides at no cost to the Plan certain administrative, accounting, and legal services to the Plan and also pays the cost of certain outside services for the Plan.

### **Note 6 - Related Party Transactions**

Plan investments include mutual funds and a money market fund managed by Prudential Retirement. Prudential Retirement is the custodian, as defined by the Plan; therefore, these transactions qualify as party-in-interest. These transactions are exempt from prohibited transaction regulations. The Plan also held certain investments in registered investment companies and common stock of Wells Fargo, who was the custodian, as defined by the Plan, through April 17, 2009; therefore, these transactions qualify as party-in-interest. These transactions are exempt from prohibited transaction regulations.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 6 - Related Party Transactions (continued)**

During the Plan years ended November 30, 2011 and 2010, Westmoreland Coal Company contributed 25,000 and 150,000 shares, respectively, of its common stock in the amount of \$449,250 and \$1,614,300, respectively. The Plan sold 100,750 and 135,720 shares, respectively, of the Westmoreland Coal Company common stock during the years ended November 30, 2011 and 2010 for \$1,625,253 and \$1,395,786, respectively, realizing losses of \$598,338 and \$10,879, respectively. As of November 30, 2011 and 2010, the Plan holds 19,690 and 95,440 shares, respectively, of Westmoreland Coal Company common stock with a fair value of \$201,823 and \$1,025,980, respectively.

### **Note 7 - Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions of ERISA. If the Plan is terminated for any reason, the net assets of the Plan would be allocated, as prescribed by ERISA and its regulations, generally to provide the following benefits in the order indicated:

- Annuity benefits that former employees or their beneficiaries have been receiving for at least three years or that employees eligible to retire for the three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under Plan provisions in effect at any time during the five years preceding Plan termination;
- Other vested benefits insured by the Pension Benefit Guaranty Corporation ("PBGC"), a U.S. government agency, up to the applicable limitations (discussed below);
- All other vested benefits not insured by the PBGC; or
- All non-vested benefits.

Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees. The ceiling applies to those pensioners who elect to receive their benefits in the form of a single-life annuity and are at least 65 years old at the time of retirement or Plan termination (whichever comes later). For younger annuitants or for those who elect to receive their benefits in some form more valuable than a single-life annuity, the corresponding ceilings are actuarially adjusted downward.

# **BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

## **Notes to Financial Statements**

### **Note 7 - Plan Termination (continued)**

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the Plan sponsor and the level of benefits guaranteed by the PBGC.

### **Note 8 - Subsequent Event**

The Company has evaluated all subsequent events through September 12, 2012, which is the date the financial statements were available to be issued.

## **SUPPLEMENTAL SCHEDULES**

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year) As of November 30, 2011

Employer Identification Number 84-1575176

Plan Number - 005

| (a) | (b) Identity of Issue, Borrower,<br>Lessor, or Similar Party | (c) Description of Investment Including<br>Maturity Date, Rate of Interest,<br>Collateral, Par, or Maturity Value | (d) Cost             | (e) Current<br>Value |
|-----|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
|     | Pooled separate accounts                                     |                                                                                                                   |                      |                      |
| *   | Prudential                                                   | Core bond Enhanced Index/PIM Fund                                                                                 | \$ 5,348,745         | \$ 5,647,429         |
| *   | Prudential                                                   | Dryden S&P 500 Index                                                                                              | 4,075,471            | 5,063,987            |
| *   | Prudential                                                   | Prudential Short Term                                                                                             | 834,549              | 834,565              |
| *   | Prudential                                                   | Intl Bld/Pictet Asset Management Fund                                                                             | 682,490              | 772,683              |
| *   | Prudential                                                   | Small Cap Growth/Columbus Fund                                                                                    | 478,962              | 756,917              |
| *   | Prudential                                                   | Small Cap Value/TS&W Fund                                                                                         | 581,378              | 708,656              |
| *   | Prudential                                                   | Mid Cap Growth/Frontier Capital Fund                                                                              | 475,430              | 541,800              |
| *   | Prudential                                                   | Mid Cap Value/Systematic Fund                                                                                     | 474,922              | 522,381              |
|     | Registered investment companies                              |                                                                                                                   |                      |                      |
|     | American Funds                                               | American Europacific Growth Fund                                                                                  | 941,692              | 813,639              |
|     | Limited partnerships and limited liability companies         |                                                                                                                   |                      |                      |
|     | Siguler Guff Distressed Opportunities Fund, LLC              | Siguler Guff Distressed LLC                                                                                       | 86,963               | 140,040              |
|     | Oaktree Capital Management, L.P.                             | OCM Real Estate Opportunity Fund III LP                                                                           | -                    | 104,835              |
|     | Common stock                                                 |                                                                                                                   |                      |                      |
| *   | Westmoreland Coal Company                                    | Westmoreland Coal Company common stock, 19,690 shares of \$1 par value                                            | 353,829              | 201,823              |
|     | Cash and cash equivalents                                    |                                                                                                                   |                      |                      |
| *   | Prudential                                                   | Prudential Brokerage                                                                                              | <u>88</u>            | <u>88</u>            |
|     | Total investments                                            |                                                                                                                   | <u>\$ 14,334,519</u> | <u>\$ 16,108,843</u> |

\* Party-in-interest

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Schedule H, Part IV, Line 4j - Schedule of Non-Exempt Transactions For the Year Ended November 30, 2011

Employer Identification Number 84-1575176

Plan Number - 005

Series of transactions which exceed 5% of net assets available for benefits as of the beginning of the Plan year:

| (a) Identity of Party<br>Involved | (b) Description of<br>Asset                  | (c) Purchase<br>Price | (d) Selling<br>Price | (g) Cost of Asset |              | (h) Current Value of Asset<br>on Transaction Date |              | (i) Net Gain<br>(Loss) |
|-----------------------------------|----------------------------------------------|-----------------------|----------------------|-------------------|--------------|---------------------------------------------------|--------------|------------------------|
|                                   |                                              |                       |                      | Purchase          | Sales        | Purchase                                          | Sales        |                        |
| Series of<br>transactions         |                                              |                       |                      |                   |              |                                                   |              |                        |
| Prudential                        | Dryden S&P Index<br>Fund                     | \$ 1,146,612          | \$ 355,000           | \$ 1,146,612      | \$ 271,203   | \$ 1,146,612                                      | \$ 355,000   | \$ 83,797              |
| Prudential                        | Core Bond<br>Enhanced<br>Index/PIM Fund      | \$ 1,478,512          | \$ 1,200,000         | \$ 1,478,512      | \$ 1,130,442 | \$ 1,478,512                                      | \$ 1,200,000 | \$ 69,558              |
| Prudential                        | Prudential Short-<br>Term Fund               | \$ 2,154,502          | \$ 1,958,771         | \$ 2,154,502      | \$ 1,958,757 | \$ 2,154,502                                      | \$ 1,958,771 | \$ 14                  |
| Westmoreland Coal<br>Company      | Westmoreland Coal<br>Company Common<br>Stock | \$ -                  | \$ 1,625,253         | \$ -              | \$ 1,026,915 | \$ -                                              | \$ 1,625,253 | \$ 598,338             |

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Financial Statements  
and  
Independent Auditors' Report  
November 30, 2011 and 2010**

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

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## INDEPENDENT AUDITORS' REPORT

Westmoreland Coal Company Pension Committee  
Beulah & Savage Mines Hourly Employees' Pension Plan  
Englewood, Colorado

We were engaged to audit the statements of net assets available for benefits of Beulah & Savage Mines Hourly Employees' Pension Plan (the "Plan") as of November 30, 2011 and 2010, the related statements of changes in net assets available for benefits for the years then ended, the statement of accumulated plan benefits as of December 1, 2010, the related statement of changes in accumulated plan benefits for the year ended December 1, 2010, and the supplemental schedules as of November 30, 2011, as listed in the accompanying table of contents. These financial statements and the supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Prudential Retirement Insurance and Annuity Company, the custodian of the Plan, except for comparing such information with the related information included in the financial statements and the supplemental schedules. We have been informed by the Plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the custodian as of November 30, 2011 and 2010, and for the years ended November 30, 2011 and 2010, that the information provided to the Plan administrator by the custodian is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and the supplemental schedules taken as a whole. The supplemental schedules are presented for the purposes of additional analysis and are not a required part of the financial statements but are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The form and content of the information included in the financial statements and the supplemental schedules, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.



Ehrhardt Keefe Steiner & Hottman PC

September 12, 2012  
Denver, Colorado

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Statements of Net Assets Available for Benefits

|                                                      | November 30,         |                      |
|------------------------------------------------------|----------------------|----------------------|
|                                                      | 2011                 | 2010                 |
| <b>Assets</b>                                        |                      |                      |
| Investments, at fair value                           |                      |                      |
| Pooled separate accounts                             | \$ 14,848,418        | \$ 12,373,798        |
| Westmoreland Coal Company common stock               | 201,823              | 1,025,980            |
| Registered investment companies                      | 813,639              | 693,400              |
| Limited partnerships and limited liability companies | 244,875              | 292,386              |
| Cash and cash equivalents                            | 88                   | 136,720              |
| Total investments                                    | <u>16,108,843</u>    | <u>14,522,284</u>    |
| Receivables                                          |                      |                      |
| Employer contributions receivable                    | -                    | 1,647,320            |
| Total receivables                                    | <u>-</u>             | <u>1,647,320</u>     |
| Net assets available for benefits                    | <u>\$ 16,108,843</u> | <u>\$ 16,169,604</u> |

See notes to financial statements.

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN****Statements of Changes in Net Assets Available for Benefits**

|                                        | For the Years Ended<br>November 30, |                      |
|----------------------------------------|-------------------------------------|----------------------|
|                                        | 2011                                | 2010                 |
| Employer contributions                 |                                     |                      |
| Westmoreland Coal Company common stock | \$ -                                | 449,250              |
| Cash and cash equivalents              | <u>939,001</u>                      | <u>1,571,506</u>     |
| Total employer contributions           | <u>939,001</u>                      | <u>2,020,756</u>     |
| Investment income                      |                                     |                      |
| Interest and dividend income           | 267,852                             | 200,800              |
| Realized and unrealized gains          | <u>691,297</u>                      | <u>1,162,725</u>     |
| Total investment income                | <u>959,149</u>                      | <u>1,363,525</u>     |
| Deductions from net assets             |                                     |                      |
| Benefits paid to participants          | 1,891,268                           | 665,889              |
| Administrative fees                    | <u>67,643</u>                       | <u>63,842</u>        |
| Total deductions from net assets       | <u>1,958,911</u>                    | <u>729,731</u>       |
| Net (decrease) increase                | (60,761)                            | 2,654,550            |
| Net assets available for benefits      |                                     |                      |
| Beginning of year                      | <u>16,169,604</u>                   | <u>13,515,054</u>    |
| End of year                            | <u>\$ 16,108,843</u>                | <u>\$ 16,169,604</u> |

See notes to financial statements.

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Statement of Accumulated Plan Benefits  
December 1, 2010**

|                                                            |                      |
|------------------------------------------------------------|----------------------|
| Actuarial present value of accumulated plan benefits       |                      |
| Vested benefits                                            |                      |
| Active participants                                        | \$ 7,324,286         |
| Retired participants and beneficiaries                     | <u>7,384,404</u>     |
| Total vested benefits                                      | 14,708,690           |
| Non-vested benefits                                        | <u>301,819</u>       |
| Total actuarial present value of accumulated plan benefits | <u>\$ 15,010,509</u> |

See notes to financial statements.

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Statement of Changes in Accumulated Plan Benefits  
For the Year Ended December 1, 2010**

|                                                                           |                      |
|---------------------------------------------------------------------------|----------------------|
| Actuarial present value of accumulated plan benefits at beginning of year | <u>\$ 13,383,240</u> |
| Changes due to                                                            |                      |
| Benefits paid                                                             | (665,889)            |
| Benefits accumulated and actuarial loss                                   | 1,018,411            |
| Interest                                                                  | 635,284              |
| Change in actuarial assumptions                                           | <u>639,463</u>       |
| Net increase                                                              | <u>1,627,269</u>     |
| Actuarial present value of accumulated plan benefits at end of year       | <u>\$ 15,010,509</u> |

See notes to financial statements.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies**

The following description of the Beulah & Savage Mines Hourly Employees' Pension Plan (the "Plan") provides only general information. Participants and all others should refer to the Plan document for a more complete description of the Plan's provisions.

#### General

The Plan is a defined benefit plan covering all hourly employees of the Dakota Westmoreland Corporation and the Westmoreland Savage Corporation and affiliated companies (collectively, the "Company") provided they are not leased employees. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Employees of the Company who were participants in the Knife River Corporation Hourly Employees' Pension Plan on April 30, 2001 became participants in the Plan as of May 1, 2001. Otherwise, participation commences on the first day of the next entry date after an hourly paid person regularly employed by the Company completes one year of service in which the employee completes 1,000 or more hours of service. The Plan's entry dates are December 1 and June 1. Hourly employees hired by the Westmoreland Savage Company subsequent to December 31, 2006 are not eligible to participate in the Plan.

The Westmoreland Coal Company Pension Committee administers the Plan and manages the Plan assets. Prudential Retirement Insurance and Annuity Company ("Prudential Retirement") is the Plan's custodian and maintains the Plan's records.

#### Funding Policy

The Plan is non-contributory; all funding is provided for by the Company. The Company has voluntarily agreed to make contributions to the Plan sufficient to provide the Plan with assets with which to pay pension benefits to Plan participants. For the Plan years ended November 30, 2011 and 2010, minimum funding requirements of ERISA and the Internal Revenue Code (the "Code") were \$1,150,559 and \$1,003,159, respectively.

The minimum funding requirements were met through contributions of \$939,001 and \$2,020,756, including employer contributions receivable, made in 2011 and 2010, respectively. The remaining funding requirements were met through prefunding actuarial credit provided by the actuary of \$708,518.

The Plan sponsor is required by loan covenants to fund the Plan within 8 1/2 months of the valuation date, as defined by the Plan, not less than 80% of the actuarial-determined pension liability as of the prior year-end. Employer contributions made subsequent to year-end to meet contractual or legal requirements existing as of year-end are recorded as employer contributions receivable and contributions revenue. Employer contributions receivable was \$1,647,320 as of November 30, 2010. There were no employer contributions receivable as of November 30, 2011.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies (continued)**

#### Benefits and Vesting

Employees with five or more years of vesting service are entitled to monthly pension benefits beginning at the normal retirement age of 65 equal to a factor times the number of years of credited service. The factor for Dakota Westmoreland Corporation participants is \$55. The factor for participants of Westmoreland Savage Corporation is \$35.25 for years of credited service earned prior to January 1, 1988, \$42 for years of credited service earned in 1988 and 1989, \$46.50 for years of service earned from 1990 through 1993, and \$49.50 for years of credited service earned from December 31, 1993 to December 31, 2006. The Plan permits early retirement at age 55 with at least five years of vesting service. If the employee is at least age 62, there are no reductions in benefit factors for early retirement. If the employee is between 55 and 62, benefits are reduced by 1/4 of 1% for every month between the date that benefits begin and the month of their 62nd birthday. The Plan permits deferred vested pension payments for employees whose employment is terminated for reasons other than death, retirement, or disability on or after the completion of five years of vested service.

Married employees will receive their benefits in the form of a joint and 75% survivor annuity unless an alternate method has been selected and properly approved. Unmarried employees will receive their benefits in the form of a life annuity. Participants may receive a single lump-sum distribution under certain circumstances. Benefits are recorded when paid.

#### Death and Disability Benefits

If an active employee dies prior to retirement and has rendered five years of service, a monthly pension equal to the survivor's annuity is paid to the employee's spouse. If an employee dies after retirement, the benefit provided by the form of payment elected at retirement is paid to the employee's beneficiary. Active employees with five years of service who become totally disabled receive monthly disability benefits that are equal to \$15 times the number of years of credited service. Active employees with less than five years of service receive monthly disability benefits equal to \$7.50 times the number of years of credited service.

#### Administrative Expenses

During the years ended November 30, 2011 and 2010, the Company paid certain administrative expenses of the Plan.

#### Valuation of Investments and Income Recognition

Investments are stated at fair value as reported by the Plan custodian. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. See Note 2 for discussion of fair value measures.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies (continued)**

#### Valuation of Investments and Income Recognition (continued)

The net realized and unrealized investments gain or loss (net appreciation or depreciation in fair value of investments) is reflected in the accompanying statements of changes in net assets available for benefits and is determined as the difference between fair value at the beginning of the year (or date purchased if during the year) and selling price (if sold during the year) or year-end fair value. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recognized on the accrual basis. Dividends are recognized on the ex-dividend date.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Risk and Uncertainties

The Plan provides for various investments that, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the investment account balances and the amounts reported in the statements of net assets available for benefits.

Additionally, some investments held by the Plan are invested in the securities of foreign companies, which involve special risks and considerations not typically associated with investing in U.S. companies. These risks include devaluation of currencies, less reliable information about issuers, different securities transaction clearance and settlement practices, and possible adverse political and economic developments. Moreover, securities of many foreign companies and their markets may be less liquid and their prices more volatile than those of comparable U.S. companies.

Plan contributions are made and the actuarial value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would have a material impact on Plan contributions and the financial statements.

#### Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances – retirement, death, disability, and termination of employment – are included, to the extent they are deemed attributable to employee service rendered prior to the valuation date.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 1 - Description of the Plan and Significant Accounting Policies (continued)

#### Actuarial Present Value of Accumulated Plan Benefits (continued)

The actuarial present value of accumulated plan benefits is determined by the Plan's independent actuary and is the amount that results from applying actuarial assumptions to the accumulated plan benefits to reflect the time value of money (through discounts and for interest) and the probability of payment (by means of decrements such as death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. Actuarial assumptions for the Plan are made as of the beginning of the Plan year. The statement of accumulated plan benefits and the statement of changes in accumulated plan benefits were prepared as of December 1, 2010 and for the year ended December 1, 2010. Had the reports been prepared as of and for the year ended November 30, 2010, no material change would have been necessary. The significant actuarial assumptions used in the valuations as of December 1, 2010 are as follows:

- Life expectancy of participants was obtained from the RP-2000 Blue Collar (male/female);
- Funding was based on Internal Revenue Service ("IRS") 2010 Static Mortality Table (male/female);
- The assumed funding interest rate of return was 5.6%;
- The assumed long-term investment return was 7.4%;
- No disabilities were assumed;
- Estimated administrative expenses expected to be paid from Plan assets are \$60,000;
- Benefit commencement date - pre-retirement death benefit is the later of the death of the active participant or the date the participant would have attained age 55, deferred vested benefit and retirement benefit are the later of age 62 or termination of employment;
- Form of payment - deferred vested benefit is 50% joint and survivor annuity for married, life for single, retirement benefit is 75% joint and survivor annuity for married, life for single;
- Percent Married - 85% of males, 50% of females;
- Spouse age - Wife four years younger than husband;
- Participants are assumed to retire based on rates of retirement varying by age;

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 55         | 5%          |
| 62         | 30%         |
| 65         | 40%         |
| 70         | 100%        |

- Participants are assumed to terminate based on rates of expected termination varying by age;

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 25         | 13%         |
| 40         | 4.4%        |
| 55         | 3%          |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies (continued)**

#### **Actuarial Present Value of Accumulated Plan Benefits (continued)**

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The following changes in actuarial assumptions were made from the December 1, 2009 valuation to the December 1, 2010 valuation:

- For funding purposes, the Mortality Table has been changed to the IRS's 2010 Mortality Table.
- The assumed funding interest rate of return was changed from 6.2% to 5.6%.
- The assumed long-term investment return was changed from 7.8% to 7.4%.
- Expenses have been changed from \$30,000 to \$60,000.

### **Note 2 - Fair Value Accounting**

Generally accepted accounting principles establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at November 30, 2011 and 2010.

*Registered investment companies:* Valued at the net asset value of shares held by the Plan at year-end based on the quoted price in an active market.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 2 - Fair Value Accounting (continued)

*Pooled separate accounts:* Valued based on the quoted market prices of the securities underlying the investments.

*Westmoreland Coal Company common stock and cash and cash equivalents:* Valued at the closing price reported on the active market on which the individual investments are traded.

*Limited partnerships and limited liability companies:* Valued by the respective partnership or company manager using the market and income approaches. The market approach consists of using comparable market transactions or values. The income approach consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and other risk factors. The inputs considered in the valuations include original transaction prices, recent transactions in the same or similar instruments, changes in financial ratios or cash flows, discounted cash flow valuations, and general economic and market conditions.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's investment assets at fair value as of November 30, 2011 and 2010.

Assets at fair value as of November 30, 2011 are as follows:

| Description                                          | Level 1             | Level 2              | Level 3           | Total                |
|------------------------------------------------------|---------------------|----------------------|-------------------|----------------------|
| Pooled separate accounts                             |                     |                      |                   |                      |
| Large-cap                                            | \$ -                | \$ 5,063,987         | \$ -              | \$ 5,063,987         |
| Medium-cap                                           | -                   | 1,064,181            | -                 | 1,064,181            |
| Small-cap                                            | -                   | 1,465,573            | -                 | 1,465,573            |
| International blend                                  | -                   | 772,683              | -                 | 772,683              |
| Short-term bond                                      | -                   | 834,565              | -                 | 834,565              |
| Fixed income - domestic                              | -                   | 5,647,429            | -                 | 5,647,429            |
| Limited partnerships and limited liability companies | -                   | -                    | 244,875           | 244,875              |
| Westmoreland Coal Company common stock               | 201,823             | -                    | -                 | 201,823              |
| Registered investment companies                      | 813,639             | -                    | -                 | 813,639              |
| Cash and cash equivalents                            | 88                  | -                    | -                 | 88                   |
| Total                                                | <u>\$ 1,015,550</u> | <u>\$ 14,848,418</u> | <u>\$ 244,875</u> | <u>\$ 16,108,843</u> |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 2 - Fair Value Accounting (continued)

Assets at fair value as of December 1, 2010 are as follows:

| Description                                          | Level 1             | Level 2              | Level 3           | Total                |
|------------------------------------------------------|---------------------|----------------------|-------------------|----------------------|
| Pooled separate accounts                             |                     |                      |                   |                      |
| Large-cap                                            | \$ -                | \$ 3,952,856         | \$ -              | \$ 3,952,856         |
| Medium-cap                                           | -                   | 841,486              | -                 | 841,486              |
| Small-cap                                            | -                   | 1,228,695            | -                 | 1,228,695            |
| International blend                                  | -                   | 651,680              | -                 | 651,680              |
| Short-term bond                                      | -                   | 638,241              | -                 | 638,241              |
| Fixed income - domestic                              | -                   | 5,060,840            | -                 | 5,060,840            |
| Limited partnerships and limited liability companies | -                   | -                    | 292,386           | 292,386              |
| Westmoreland Coal Company common stock               | 1,025,980           | -                    | -                 | 1,025,980            |
| Registered investment companies                      | 693,400             | -                    | -                 | 693,400              |
| Cash and cash equivalents                            | 136,720             | -                    | -                 | 136,720              |
| Total                                                | <u>\$ 1,856,100</u> | <u>\$ 12,373,798</u> | <u>\$ 292,386</u> | <u>\$ 14,522,284</u> |

### Level 3 Changes

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the periods ending November 30, 2011 and 2010. Both observable and unobservable inputs may be used to determine the fair value of the positions classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category may include changes in the fair value that were attributable to both observable and unobservable inputs.

|                                             | Limited Partnerships and Limited Liability Companies |                    |
|---------------------------------------------|------------------------------------------------------|--------------------|
|                                             | 2011                                                 | 2010               |
| Beginning balance                           | \$ 292,386                                           | \$ 1,283,809       |
| Total gains or losses (realized/unrealized) | 25,594                                               | 12,397             |
| Transfers                                   | <u>(73,105)</u>                                      | <u>(1,003,820)</u> |
| Ending balance                              | <u>\$ 244,875</u>                                    | <u>\$ 292,386</u>  |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 3 - Investments

Prudential Retirement has certified in writing to the Plan administrator that the stated amounts for investments at fair value as of November 30, 2011 and 2010 and the income earned on the investments for the year ended November 30, 2011 and 2010, as reflected in the accompanying financial statements and the supplemental schedules, are complete and accurate.

The Plan administrator has elected the method of compliance as permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such election, the Plan administrator instructed the Plan's auditors not to perform any auditing procedures with respect to the investment information certified by Prudential Retirement, except for comparing the information contained therein to information included in the financial statements and the supplemental schedules.

The fair values of investments greater than 5% of net assets available for benefits were the following:

|                                        | November 30, |              |
|----------------------------------------|--------------|--------------|
|                                        | 2011         | 2010         |
| Pooled separate accounts               |              |              |
| Core bond Enhanced Index/PIM Fund      | \$ 5,647,429 | \$ 5,060,840 |
| Dryden S&P 500 Index                   | \$ 5,063,987 | \$ 3,952,856 |
| Prudential Short term                  | \$ 834,565   | \$ 638,241 * |
| Westmoreland Coal Company Common Stock | \$ 201,823 * | \$ 1,025,980 |
| Registered investment companies        |              |              |
| American EuroPacific Growth            | \$ 813,639   | \$ 693,400 * |

\* Indicates investments less than 5% of net assets available for benefits.

Net appreciation (depreciation) by investment type for the periods ending:

|                                                                               | November 30,      |                     |
|-------------------------------------------------------------------------------|-------------------|---------------------|
|                                                                               | 2011              | 2010                |
| Investments type                                                              |                   |                     |
| Pooled separate accounts                                                      | \$ 379,613        | \$ 858,042          |
| Registered investment companies                                               | (65,756)          | 32,650              |
| Westmoreland Coal Company common stock                                        | 351,846           | 259,636             |
| Limited partnerships and limited liability companies, at estimated fair value | <u>25,594</u>     | <u>12,397</u>       |
| Total                                                                         | <u>\$ 691,297</u> | <u>\$ 1,162,725</u> |

# **BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

## **Notes to Financial Statements**

### **Note 3 - Investments (continued)**

#### **Reported Net Asset Values**

The investments in pooled separate accounts as of November 30, 2011 and 2010 are \$14,848,418 and \$12,373,798, respectively, as valued based on the net asset value as a practical expedient. There are no unfunded commitments and the units may be redeemed on a daily basis.

### **Note 4 - Income Taxes**

The Plan has received a tax determination letter dated April 26, 2012 from the IRS covering changes made to comply with ERISA and indicating that the Plan qualifies under the provisions of Section 401(a) of the Code and is exempt from federal income taxes.

The Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income taxes has been included in the accompanying financial statements.

Generally accepted accounting principles require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan and has concluded that, as of November 30, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

### **Note 5 - Administration of the Plan**

The Company provides at no cost to the Plan certain administrative, accounting, and legal services to the Plan and also pays the cost of certain outside services for the Plan.

### **Note 6 - Related Party Transactions**

Plan investments include mutual funds and a money market fund managed by Prudential Retirement. Prudential Retirement is the custodian, as defined by the Plan; therefore, these transactions qualify as party-in-interest. These transactions are exempt from prohibited transaction regulations. The Plan also held certain investments in registered investment companies and common stock of Wells Fargo, who was the custodian, as defined by the Plan, through April 17, 2009; therefore, these transactions qualify as party-in-interest. These transactions are exempt from prohibited transaction regulations.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 6 - Related Party Transactions (continued)**

During the Plan years ended November 30, 2011 and 2010, Westmoreland Coal Company contributed 25,000 and 150,000 shares, respectively, of its common stock in the amount of \$449,250 and \$1,614,300, respectively. The Plan sold 100,750 and 135,720 shares, respectively, of the Westmoreland Coal Company common stock during the years ended November 30, 2011 and 2010 for \$1,625,253 and \$1,395,786, respectively, realizing losses of \$598,338 and \$10,879, respectively. As of November 30, 2011 and 2010, the Plan holds 19,690 and 95,440 shares, respectively, of Westmoreland Coal Company common stock with a fair value of \$201,823 and \$1,025,980, respectively.

### **Note 7 - Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions of ERISA. If the Plan is terminated for any reason, the net assets of the Plan would be allocated, as prescribed by ERISA and its regulations, generally to provide the following benefits in the order indicated:

- Annuity benefits that former employees or their beneficiaries have been receiving for at least three years or that employees eligible to retire for the three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under Plan provisions in effect at any time during the five years preceding Plan termination;
- Other vested benefits insured by the Pension Benefit Guaranty Corporation ("PBGC"), a U.S. government agency, up to the applicable limitations (discussed below);
- All other vested benefits not insured by the PBGC; or
- All non-vested benefits.

Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees. The ceiling applies to those pensioners who elect to receive their benefits in the form of a single-life annuity and are at least 65 years old at the time of retirement or Plan termination (whichever comes later). For younger annuitants or for those who elect to receive their benefits in some form more valuable than a single-life annuity, the corresponding ceilings are actuarially adjusted downward.

# **BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

## **Notes to Financial Statements**

### **Note 7 - Plan Termination (continued)**

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the Plan sponsor and the level of benefits guaranteed by the PBGC.

### **Note 8 - Subsequent Event**

The Company has evaluated all subsequent events through September 12, 2012, which is the date the financial statements were available to be issued.

## **SUPPLEMENTAL SCHEDULES**

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year) As of November 30, 2011

Employer Identification Number 84-1575176

Plan Number - 005

| (a) | (b) Identity of Issue, Borrower,<br>Lessor, or Similar Party | (c) Description of Investment Including<br>Maturity Date, Rate of Interest,<br>Collateral, Par, or Maturity Value | (d) Cost             | (e) Current<br>Value |
|-----|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
|     | Pooled separate accounts                                     |                                                                                                                   |                      |                      |
| *   | Prudential                                                   | Core bond Enhanced Index/PIM Fund                                                                                 | \$ 5,348,745         | \$ 5,647,429         |
| *   | Prudential                                                   | Dryden S&P 500 Index                                                                                              | 4,075,471            | 5,063,987            |
| *   | Prudential                                                   | Prudential Short Term                                                                                             | 834,549              | 834,565              |
| *   | Prudential                                                   | Intl Bld/Pictet Asset Management Fund                                                                             | 682,490              | 772,683              |
| *   | Prudential                                                   | Small Cap Growth/Columbus Fund                                                                                    | 478,962              | 756,917              |
| *   | Prudential                                                   | Small Cap Value/TS&W Fund                                                                                         | 581,378              | 708,656              |
| *   | Prudential                                                   | Mid Cap Growth/Frontier Capital Fund                                                                              | 475,430              | 541,800              |
| *   | Prudential                                                   | Mid Cap Value/Systematic Fund                                                                                     | 474,922              | 522,381              |
|     | Registered investment companies                              |                                                                                                                   |                      |                      |
|     | American Funds                                               | American Europacific Growth Fund                                                                                  | 941,692              | 813,639              |
|     | Limited partnerships and limited liability companies         |                                                                                                                   |                      |                      |
|     | Siguler Guff Distressed Opportunities Fund, LLC              | Siguler Guff Distressed LLC                                                                                       | 86,963               | 140,040              |
|     | Oaktree Capital Management, L.P.                             | OCM Real Estate Opportunity Fund III LP                                                                           | -                    | 104,835              |
|     | Common stock                                                 |                                                                                                                   |                      |                      |
| *   | Westmoreland Coal Company                                    | Westmoreland Coal Company common stock, 19,690 shares of \$1 par value                                            | 353,829              | 201,823              |
|     | Cash and cash equivalents                                    |                                                                                                                   |                      |                      |
| *   | Prudential                                                   | Prudential Brokerage                                                                                              | <u>88</u>            | <u>88</u>            |
|     | Total investments                                            |                                                                                                                   | <u>\$ 14,334,519</u> | <u>\$ 16,108,843</u> |

\* Party-in-interest

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Schedule H, Part IV, Line 4j - Schedule of Non-Exempt Transactions  
For the Year Ended November 30, 2011**

Employer Identification Number 84-1575176

Plan Number - 005

Series of transactions which exceed 5% of net assets available for benefits as of the beginning of the Plan year:

| (a) Identity of Party<br>Involved | (b) Description of<br>Asset                  | (c) Purchase<br>Price | (d) Selling<br>Price | (g) Cost of Asset |              | (h) Current Value of Asset<br>on Transaction Date |              | (i) Net Gain<br>(Loss) |
|-----------------------------------|----------------------------------------------|-----------------------|----------------------|-------------------|--------------|---------------------------------------------------|--------------|------------------------|
|                                   |                                              |                       |                      | Purchase          | Sales        | Purchase                                          | Sales        |                        |
| Series of<br>transactions         |                                              |                       |                      |                   |              |                                                   |              |                        |
| Prudential                        | Dryden S&P Index<br>Fund                     | \$ 1,146,612          | \$ 355,000           | \$ 1,146,612      | \$ 271,203   | \$ 1,146,612                                      | \$ 355,000   | \$ 83,797              |
| Prudential                        | Core Bond<br>Enhanced<br>Index/PIM Fund      | \$ 1,478,512          | \$ 1,200,000         | \$ 1,478,512      | \$ 1,130,442 | \$ 1,478,512                                      | \$ 1,200,000 | \$ 69,558              |
| Prudential                        | Prudential Short-<br>Term Fund               | \$ 2,154,502          | \$ 1,958,771         | \$ 2,154,502      | \$ 1,958,757 | \$ 2,154,502                                      | \$ 1,958,771 | \$ 14                  |
| Westmoreland Coal<br>Company      | Westmoreland Coal<br>Company Common<br>Stock | \$ -                  | \$ 1,625,253         | \$ -              | \$ 1,026,915 | \$ -                                              | \$ 1,625,253 | \$ 598,338             |

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Financial Statements  
and  
Independent Auditors' Report  
November 30, 2011 and 2010**

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

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## INDEPENDENT AUDITORS' REPORT

Westmoreland Coal Company Pension Committee  
Beulah & Savage Mines Hourly Employees' Pension Plan  
Englewood, Colorado

We were engaged to audit the statements of net assets available for benefits of Beulah & Savage Mines Hourly Employees' Pension Plan (the "Plan") as of November 30, 2011 and 2010, the related statements of changes in net assets available for benefits for the years then ended, the statement of accumulated plan benefits as of December 1, 2010, the related statement of changes in accumulated plan benefits for the year ended December 1, 2010, and the supplemental schedules as of November 30, 2011, as listed in the accompanying table of contents. These financial statements and the supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Prudential Retirement Insurance and Annuity Company, the custodian of the Plan, except for comparing such information with the related information included in the financial statements and the supplemental schedules. We have been informed by the Plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the custodian as of November 30, 2011 and 2010, and for the years ended November 30, 2011 and 2010, that the information provided to the Plan administrator by the custodian is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and the supplemental schedules taken as a whole. The supplemental schedules are presented for the purposes of additional analysis and are not a required part of the financial statements but are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The form and content of the information included in the financial statements and the supplemental schedules, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.



Ehrhardt Keefe Steiner & Hottman PC

September 12, 2012  
Denver, Colorado

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Statements of Net Assets Available for Benefits

|                                                      | November 30,         |                      |
|------------------------------------------------------|----------------------|----------------------|
|                                                      | 2011                 | 2010                 |
| <b>Assets</b>                                        |                      |                      |
| Investments, at fair value                           |                      |                      |
| Pooled separate accounts                             | \$ 14,848,418        | \$ 12,373,798        |
| Westmoreland Coal Company common stock               | 201,823              | 1,025,980            |
| Registered investment companies                      | 813,639              | 693,400              |
| Limited partnerships and limited liability companies | 244,875              | 292,386              |
| Cash and cash equivalents                            | 88                   | 136,720              |
| Total investments                                    | <u>16,108,843</u>    | <u>14,522,284</u>    |
| Receivables                                          |                      |                      |
| Employer contributions receivable                    | -                    | 1,647,320            |
| Total receivables                                    | <u>-</u>             | <u>1,647,320</u>     |
| Net assets available for benefits                    | <u>\$ 16,108,843</u> | <u>\$ 16,169,604</u> |

See notes to financial statements.

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN****Statements of Changes in Net Assets Available for Benefits**

|                                        | For the Years Ended<br>November 30, |                      |
|----------------------------------------|-------------------------------------|----------------------|
|                                        | 2011                                | 2010                 |
| Employer contributions                 |                                     |                      |
| Westmoreland Coal Company common stock | \$ -                                | 449,250              |
| Cash and cash equivalents              | <u>939,001</u>                      | <u>1,571,506</u>     |
| Total employer contributions           | <u>939,001</u>                      | <u>2,020,756</u>     |
| Investment income                      |                                     |                      |
| Interest and dividend income           | 267,852                             | 200,800              |
| Realized and unrealized gains          | <u>691,297</u>                      | <u>1,162,725</u>     |
| Total investment income                | <u>959,149</u>                      | <u>1,363,525</u>     |
| Deductions from net assets             |                                     |                      |
| Benefits paid to participants          | 1,891,268                           | 665,889              |
| Administrative fees                    | <u>67,643</u>                       | <u>63,842</u>        |
| Total deductions from net assets       | <u>1,958,911</u>                    | <u>729,731</u>       |
| Net (decrease) increase                | (60,761)                            | 2,654,550            |
| Net assets available for benefits      |                                     |                      |
| Beginning of year                      | <u>16,169,604</u>                   | <u>13,515,054</u>    |
| End of year                            | <u>\$ 16,108,843</u>                | <u>\$ 16,169,604</u> |

See notes to financial statements.

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Statement of Accumulated Plan Benefits  
December 1, 2010**

|                                                            |                      |
|------------------------------------------------------------|----------------------|
| Actuarial present value of accumulated plan benefits       |                      |
| Vested benefits                                            |                      |
| Active participants                                        | \$ 7,324,286         |
| Retired participants and beneficiaries                     | <u>7,384,404</u>     |
| Total vested benefits                                      | 14,708,690           |
| Non-vested benefits                                        | <u>301,819</u>       |
| Total actuarial present value of accumulated plan benefits | <u>\$ 15,010,509</u> |

See notes to financial statements.

**BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

**Statement of Changes in Accumulated Plan Benefits  
For the Year Ended December 1, 2010**

|                                                                           |                      |
|---------------------------------------------------------------------------|----------------------|
| Actuarial present value of accumulated plan benefits at beginning of year | <u>\$ 13,383,240</u> |
| Changes due to                                                            |                      |
| Benefits paid                                                             | (665,889)            |
| Benefits accumulated and actuarial loss                                   | 1,018,411            |
| Interest                                                                  | 635,284              |
| Change in actuarial assumptions                                           | <u>639,463</u>       |
| Net increase                                                              | <u>1,627,269</u>     |
| Actuarial present value of accumulated plan benefits at end of year       | <u>\$ 15,010,509</u> |

See notes to financial statements.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies**

The following description of the Beulah & Savage Mines Hourly Employees' Pension Plan (the "Plan") provides only general information. Participants and all others should refer to the Plan document for a more complete description of the Plan's provisions.

#### **General**

The Plan is a defined benefit plan covering all hourly employees of the Dakota Westmoreland Corporation and the Westmoreland Savage Corporation and affiliated companies (collectively, the "Company") provided they are not leased employees. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Employees of the Company who were participants in the Knife River Corporation Hourly Employees' Pension Plan on April 30, 2001 became participants in the Plan as of May 1, 2001. Otherwise, participation commences on the first day of the next entry date after an hourly paid person regularly employed by the Company completes one year of service in which the employee completes 1,000 or more hours of service. The Plan's entry dates are December 1 and June 1. Hourly employees hired by the Westmoreland Savage Company subsequent to December 31, 2006 are not eligible to participate in the Plan.

The Westmoreland Coal Company Pension Committee administers the Plan and manages the Plan assets. Prudential Retirement Insurance and Annuity Company ("Prudential Retirement") is the Plan's custodian and maintains the Plan's records.

#### **Funding Policy**

The Plan is non-contributory; all funding is provided for by the Company. The Company has voluntarily agreed to make contributions to the Plan sufficient to provide the Plan with assets with which to pay pension benefits to Plan participants. For the Plan years ended November 30, 2011 and 2010, minimum funding requirements of ERISA and the Internal Revenue Code (the "Code") were \$1,150,559 and \$1,003,159, respectively.

The minimum funding requirements were met through contributions of \$939,001 and \$2,020,756, including employer contributions receivable, made in 2011 and 2010, respectively. The remaining funding requirements were met through prefunding actuarial credit provided by the actuary of \$708,518.

The Plan sponsor is required by loan covenants to fund the Plan within 8 1/2 months of the valuation date, as defined by the Plan, not less than 80% of the actuarial-determined pension liability as of the prior year-end. Employer contributions made subsequent to year-end to meet contractual or legal requirements existing as of year-end are recorded as employer contributions receivable and contributions revenue. Employer contributions receivable was \$1,647,320 as of November 30, 2010. There were no employer contributions receivable as of November 30, 2011.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies (continued)**

#### Benefits and Vesting

Employees with five or more years of vesting service are entitled to monthly pension benefits beginning at the normal retirement age of 65 equal to a factor times the number of years of credited service. The factor for Dakota Westmoreland Corporation participants is \$55. The factor for participants of Westmoreland Savage Corporation is \$35.25 for years of credited service earned prior to January 1, 1988, \$42 for years of credited service earned in 1988 and 1989, \$46.50 for years of service earned from 1990 through 1993, and \$49.50 for years of credited service earned from December 31, 1993 to December 31, 2006. The Plan permits early retirement at age 55 with at least five years of vesting service. If the employee is at least age 62, there are no reductions in benefit factors for early retirement. If the employee is between 55 and 62, benefits are reduced by 1/4 of 1% for every month between the date that benefits begin and the month of their 62nd birthday. The Plan permits deferred vested pension payments for employees whose employment is terminated for reasons other than death, retirement, or disability on or after the completion of five years of vested service.

Married employees will receive their benefits in the form of a joint and 75% survivor annuity unless an alternate method has been selected and properly approved. Unmarried employees will receive their benefits in the form of a life annuity. Participants may receive a single lump-sum distribution under certain circumstances. Benefits are recorded when paid.

#### Death and Disability Benefits

If an active employee dies prior to retirement and has rendered five years of service, a monthly pension equal to the survivor's annuity is paid to the employee's spouse. If an employee dies after retirement, the benefit provided by the form of payment elected at retirement is paid to the employee's beneficiary. Active employees with five years of service who become totally disabled receive monthly disability benefits that are equal to \$15 times the number of years of credited service. Active employees with less than five years of service receive monthly disability benefits equal to \$7.50 times the number of years of credited service.

#### Administrative Expenses

During the years ended November 30, 2011 and 2010, the Company paid certain administrative expenses of the Plan.

#### Valuation of Investments and Income Recognition

Investments are stated at fair value as reported by the Plan custodian. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. See Note 2 for discussion of fair value measures.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies (continued)**

#### Valuation of Investments and Income Recognition (continued)

The net realized and unrealized investments gain or loss (net appreciation or depreciation in fair value of investments) is reflected in the accompanying statements of changes in net assets available for benefits and is determined as the difference between fair value at the beginning of the year (or date purchased if during the year) and selling price (if sold during the year) or year-end fair value. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recognized on the accrual basis. Dividends are recognized on the ex-dividend date.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Risk and Uncertainties

The Plan provides for various investments that, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the investment account balances and the amounts reported in the statements of net assets available for benefits.

Additionally, some investments held by the Plan are invested in the securities of foreign companies, which involve special risks and considerations not typically associated with investing in U.S. companies. These risks include devaluation of currencies, less reliable information about issuers, different securities transaction clearance and settlement practices, and possible adverse political and economic developments. Moreover, securities of many foreign companies and their markets may be less liquid and their prices more volatile than those of comparable U.S. companies.

Plan contributions are made and the actuarial value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would have a material impact on Plan contributions and the financial statements.

#### Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances – retirement, death, disability, and termination of employment – are included, to the extent they are deemed attributable to employee service rendered prior to the valuation date.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 1 - Description of the Plan and Significant Accounting Policies (continued)

#### Actuarial Present Value of Accumulated Plan Benefits (continued)

The actuarial present value of accumulated plan benefits is determined by the Plan's independent actuary and is the amount that results from applying actuarial assumptions to the accumulated plan benefits to reflect the time value of money (through discounts and for interest) and the probability of payment (by means of decrements such as death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. Actuarial assumptions for the Plan are made as of the beginning of the Plan year. The statement of accumulated plan benefits and the statement of changes in accumulated plan benefits were prepared as of December 1, 2010 and for the year ended December 1, 2010. Had the reports been prepared as of and for the year ended November 30, 2010, no material change would have been necessary. The significant actuarial assumptions used in the valuations as of December 1, 2010 are as follows:

- Life expectancy of participants was obtained from the RP-2000 Blue Collar (male/female);
- Funding was based on Internal Revenue Service ("IRS") 2010 Static Mortality Table (male/female);
- The assumed funding interest rate of return was 5.6%;
- The assumed long-term investment return was 7.4%;
- No disabilities were assumed;
- Estimated administrative expenses expected to be paid from Plan assets are \$60,000;
- Benefit commencement date - pre-retirement death benefit is the later of the death of the active participant or the date the participant would have attained age 55, deferred vested benefit and retirement benefit are the later of age 62 or termination of employment;
- Form of payment - deferred vested benefit is 50% joint and survivor annuity for married, life for single, retirement benefit is 75% joint and survivor annuity for married, life for single;
- Percent Married - 85% of males, 50% of females;
- Spouse age - Wife four years younger than husband;
- Participants are assumed to retire based on rates of retirement varying by age;

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 55         | 5%          |
| 62         | 30%         |
| 65         | 40%         |
| 70         | 100%        |

- Participants are assumed to terminate based on rates of expected termination varying by age;

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 25         | 13%         |
| 40         | 4.4%        |
| 55         | 3%          |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 1 - Description of the Plan and Significant Accounting Policies (continued)**

#### **Actuarial Present Value of Accumulated Plan Benefits (continued)**

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. If the Plan were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The following changes in actuarial assumptions were made from the December 1, 2009 valuation to the December 1, 2010 valuation:

- For funding purposes, the Mortality Table has been changed to the IRS's 2010 Mortality Table.
- The assumed funding interest rate of return was changed from 6.2% to 5.6%.
- The assumed long-term investment return was changed from 7.8% to 7.4%.
- Expenses have been changed from \$30,000 to \$60,000.

### **Note 2 - Fair Value Accounting**

Generally accepted accounting principles establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at November 30, 2011 and 2010.

*Registered investment companies:* Valued at the net asset value of shares held by the Plan at year-end based on the quoted price in an active market.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 2 - Fair Value Accounting (continued)

*Pooled separate accounts:* Valued based on the quoted market prices of the securities underlying the investments.

*Westmoreland Coal Company common stock and cash and cash equivalents:* Valued at the closing price reported on the active market on which the individual investments are traded.

*Limited partnerships and limited liability companies:* Valued by the respective partnership or company manager using the market and income approaches. The market approach consists of using comparable market transactions or values. The income approach consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and other risk factors. The inputs considered in the valuations include original transaction prices, recent transactions in the same or similar instruments, changes in financial ratios or cash flows, discounted cash flow valuations, and general economic and market conditions.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's investment assets at fair value as of November 30, 2011 and 2010.

Assets at fair value as of November 30, 2011 are as follows:

| Description                                          | Level 1             | Level 2              | Level 3           | Total                |
|------------------------------------------------------|---------------------|----------------------|-------------------|----------------------|
| Pooled separate accounts                             |                     |                      |                   |                      |
| Large-cap                                            | \$ -                | \$ 5,063,987         | \$ -              | \$ 5,063,987         |
| Medium-cap                                           | -                   | 1,064,181            | -                 | 1,064,181            |
| Small-cap                                            | -                   | 1,465,573            | -                 | 1,465,573            |
| International blend                                  | -                   | 772,683              | -                 | 772,683              |
| Short-term bond                                      | -                   | 834,565              | -                 | 834,565              |
| Fixed income - domestic                              | -                   | 5,647,429            | -                 | 5,647,429            |
| Limited partnerships and limited liability companies | -                   | -                    | 244,875           | 244,875              |
| Westmoreland Coal Company common stock               | 201,823             | -                    | -                 | 201,823              |
| Registered investment companies                      | 813,639             | -                    | -                 | 813,639              |
| Cash and cash equivalents                            | 88                  | -                    | -                 | 88                   |
| Total                                                | <u>\$ 1,015,550</u> | <u>\$ 14,848,418</u> | <u>\$ 244,875</u> | <u>\$ 16,108,843</u> |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 2 - Fair Value Accounting (continued)

Assets at fair value as of December 1, 2010 are as follows:

| Description                                          | Level 1             | Level 2              | Level 3           | Total                |
|------------------------------------------------------|---------------------|----------------------|-------------------|----------------------|
| Pooled separate accounts                             |                     |                      |                   |                      |
| Large-cap                                            | \$ -                | \$ 3,952,856         | \$ -              | \$ 3,952,856         |
| Medium-cap                                           | -                   | 841,486              | -                 | 841,486              |
| Small-cap                                            | -                   | 1,228,695            | -                 | 1,228,695            |
| International blend                                  | -                   | 651,680              | -                 | 651,680              |
| Short-term bond                                      | -                   | 638,241              | -                 | 638,241              |
| Fixed income - domestic                              | -                   | 5,060,840            | -                 | 5,060,840            |
| Limited partnerships and limited liability companies | -                   | -                    | 292,386           | 292,386              |
| Westmoreland Coal Company common stock               | 1,025,980           | -                    | -                 | 1,025,980            |
| Registered investment companies                      | 693,400             | -                    | -                 | 693,400              |
| Cash and cash equivalents                            | 136,720             | -                    | -                 | 136,720              |
| Total                                                | <u>\$ 1,856,100</u> | <u>\$ 12,373,798</u> | <u>\$ 292,386</u> | <u>\$ 14,522,284</u> |

### Level 3 Changes

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the periods ending November 30, 2011 and 2010. Both observable and unobservable inputs may be used to determine the fair value of the positions classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category may include changes in the fair value that were attributable to both observable and unobservable inputs.

|                                             | Limited Partnerships and Limited Liability Companies |                    |
|---------------------------------------------|------------------------------------------------------|--------------------|
|                                             | 2011                                                 | 2010               |
| Beginning balance                           | \$ 292,386                                           | \$ 1,283,809       |
| Total gains or losses (realized/unrealized) | 25,594                                               | 12,397             |
| Transfers                                   | <u>(73,105)</u>                                      | <u>(1,003,820)</u> |
| Ending balance                              | <u>\$ 244,875</u>                                    | <u>\$ 292,386</u>  |

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### Note 3 - Investments

Prudential Retirement has certified in writing to the Plan administrator that the stated amounts for investments at fair value as of November 30, 2011 and 2010 and the income earned on the investments for the year ended November 30, 2011 and 2010, as reflected in the accompanying financial statements and the supplemental schedules, are complete and accurate.

The Plan administrator has elected the method of compliance as permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such election, the Plan administrator instructed the Plan's auditors not to perform any auditing procedures with respect to the investment information certified by Prudential Retirement, except for comparing the information contained therein to information included in the financial statements and the supplemental schedules.

The fair values of investments greater than 5% of net assets available for benefits were the following:

|                                        | November 30, |              |
|----------------------------------------|--------------|--------------|
|                                        | 2011         | 2010         |
| Pooled separate accounts               |              |              |
| Core bond Enhanced Index/PIM Fund      | \$ 5,647,429 | \$ 5,060,840 |
| Dryden S&P 500 Index                   | \$ 5,063,987 | \$ 3,952,856 |
| Prudential Short term                  | \$ 834,565   | \$ 638,241 * |
| Westmoreland Coal Company Common Stock | \$ 201,823 * | \$ 1,025,980 |
| Registered investment companies        |              |              |
| American EuroPacific Growth            | \$ 813,639   | \$ 693,400 * |

\* Indicates investments less than 5% of net assets available for benefits.

Net appreciation (depreciation) by investment type for the periods ending:

|                                                                               | November 30,      |                     |
|-------------------------------------------------------------------------------|-------------------|---------------------|
|                                                                               | 2011              | 2010                |
| Investments type                                                              |                   |                     |
| Pooled separate accounts                                                      | \$ 379,613        | \$ 858,042          |
| Registered investment companies                                               | (65,756)          | 32,650              |
| Westmoreland Coal Company common stock                                        | 351,846           | 259,636             |
| Limited partnerships and limited liability companies, at estimated fair value | 25,594            | 12,397              |
| Total                                                                         | <u>\$ 691,297</u> | <u>\$ 1,162,725</u> |

# **BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

## **Notes to Financial Statements**

### **Note 3 - Investments (continued)**

#### **Reported Net Asset Values**

The investments in pooled separate accounts as of November 30, 2011 and 2010 are \$14,848,418 and \$12,373,798, respectively, as valued based on the net asset value as a practical expedient. There are no unfunded commitments and the units may be redeemed on a daily basis.

### **Note 4 - Income Taxes**

The Plan has received a tax determination letter dated April 26, 2012 from the IRS covering changes made to comply with ERISA and indicating that the Plan qualifies under the provisions of Section 401(a) of the Code and is exempt from federal income taxes.

The Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income taxes has been included in the accompanying financial statements.

Generally accepted accounting principles require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan and has concluded that, as of November 30, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

### **Note 5 - Administration of the Plan**

The Company provides at no cost to the Plan certain administrative, accounting, and legal services to the Plan and also pays the cost of certain outside services for the Plan.

### **Note 6 - Related Party Transactions**

Plan investments include mutual funds and a money market fund managed by Prudential Retirement. Prudential Retirement is the custodian, as defined by the Plan; therefore, these transactions qualify as party-in-interest. These transactions are exempt from prohibited transaction regulations. The Plan also held certain investments in registered investment companies and common stock of Wells Fargo, who was the custodian, as defined by the Plan, through April 17, 2009; therefore, these transactions qualify as party-in-interest. These transactions are exempt from prohibited transaction regulations.

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Notes to Financial Statements

### **Note 6 - Related Party Transactions (continued)**

During the Plan years ended November 30, 2011 and 2010, Westmoreland Coal Company contributed 25,000 and 150,000 shares, respectively, of its common stock in the amount of \$449,250 and \$1,614,300, respectively. The Plan sold 100,750 and 135,720 shares, respectively, of the Westmoreland Coal Company common stock during the years ended November 30, 2011 and 2010 for \$1,625,253 and \$1,395,786, respectively, realizing losses of \$598,338 and \$10,879, respectively. As of November 30, 2011 and 2010, the Plan holds 19,690 and 95,440 shares, respectively, of Westmoreland Coal Company common stock with a fair value of \$201,823 and \$1,025,980, respectively.

### **Note 7 - Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions of ERISA. If the Plan is terminated for any reason, the net assets of the Plan would be allocated, as prescribed by ERISA and its regulations, generally to provide the following benefits in the order indicated:

- Annuity benefits that former employees or their beneficiaries have been receiving for at least three years or that employees eligible to retire for the three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under Plan provisions in effect at any time during the five years preceding Plan termination;
- Other vested benefits insured by the Pension Benefit Guaranty Corporation ("PBGC"), a U.S. government agency, up to the applicable limitations (discussed below);
- All other vested benefits not insured by the PBGC; or
- All non-vested benefits.

Certain benefits under the Plan are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees. The ceiling applies to those pensioners who elect to receive their benefits in the form of a single-life annuity and are at least 65 years old at the time of retirement or Plan termination (whichever comes later). For younger annuitants or for those who elect to receive their benefits in some form more valuable than a single-life annuity, the corresponding ceilings are actuarially adjusted downward.

# **BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN**

## **Notes to Financial Statements**

### **Note 7 - Plan Termination (continued)**

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the Plan sponsor and the level of benefits guaranteed by the PBGC.

### **Note 8 - Subsequent Event**

The Company has evaluated all subsequent events through September 12, 2012, which is the date the financial statements were available to be issued.

## **SUPPLEMENTAL SCHEDULES**

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year) As of November 30, 2011

Employer Identification Number 84-1575176

Plan Number - 005

| (a) | (b) Identity of Issue, Borrower,<br>Lessor, or Similar Party | (c) Description of Investment Including<br>Maturity Date, Rate of Interest,<br>Collateral, Par, or Maturity Value | (d) Cost             | (e) Current<br>Value |
|-----|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
|     | Pooled separate accounts                                     |                                                                                                                   |                      |                      |
| *   | Prudential                                                   | Core bond Enhanced Index/PIM Fund                                                                                 | \$ 5,348,745         | \$ 5,647,429         |
| *   | Prudential                                                   | Dryden S&P 500 Index                                                                                              | 4,075,471            | 5,063,987            |
| *   | Prudential                                                   | Prudential Short Term                                                                                             | 834,549              | 834,565              |
| *   | Prudential                                                   | Intl Bld/Pictet Asset Management Fund                                                                             | 682,490              | 772,683              |
| *   | Prudential                                                   | Small Cap Growth/Columbus Fund                                                                                    | 478,962              | 756,917              |
| *   | Prudential                                                   | Small Cap Value/TS&W Fund                                                                                         | 581,378              | 708,656              |
| *   | Prudential                                                   | Mid Cap Growth/Frontier Capital Fund                                                                              | 475,430              | 541,800              |
| *   | Prudential                                                   | Mid Cap Value/Systematic Fund                                                                                     | 474,922              | 522,381              |
|     | Registered investment companies                              |                                                                                                                   |                      |                      |
|     | American Funds                                               | American Europacific Growth Fund                                                                                  | 941,692              | 813,639              |
|     | Limited partnerships and limited liability companies         |                                                                                                                   |                      |                      |
|     | Siguler Guff Distressed Opportunities Fund, LLC              | Siguler Guff Distressed LLC                                                                                       | 86,963               | 140,040              |
|     | Oaktree Capital Management, L.P.                             | OCM Real Estate Opportunity Fund III LP                                                                           | -                    | 104,835              |
|     | Common stock                                                 |                                                                                                                   |                      |                      |
| *   | Westmoreland Coal Company                                    | Westmoreland Coal Company common stock, 19,690 shares of \$1 par value                                            | 353,829              | 201,823              |
|     | Cash and cash equivalents                                    |                                                                                                                   |                      |                      |
| *   | Prudential                                                   | Prudential Brokerage                                                                                              | <u>88</u>            | <u>88</u>            |
|     | Total investments                                            |                                                                                                                   | <u>\$ 14,334,519</u> | <u>\$ 16,108,843</u> |

\* Party-in-interest

# BEULAH & SAVAGE MINES HOURLY EMPLOYEES' PENSION PLAN

## Schedule H, Part IV, Line 4j - Schedule of Non-Exempt Transactions For the Year Ended November 30, 2011

Employer Identification Number 84-1575176

Plan Number - 005

Series of transactions which exceed 5% of net assets available for benefits as of the beginning of the Plan year:

| (a) Identity of Party<br>Involved | (b) Description of<br>Asset                  | (c) Purchase<br>Price | (d) Selling<br>Price | (g) Cost of Asset |              | (h) Current Value of Asset<br>on Transaction Date |              | (i) Net Gain<br>(Loss) |
|-----------------------------------|----------------------------------------------|-----------------------|----------------------|-------------------|--------------|---------------------------------------------------|--------------|------------------------|
|                                   |                                              |                       |                      | Purchase          | Sales        | Purchase                                          | Sales        |                        |
| Series of<br>transactions         |                                              |                       |                      |                   |              |                                                   |              |                        |
| Prudential                        | Dryden S&P Index<br>Fund                     | \$ 1,146,612          | \$ 355,000           | \$ 1,146,612      | \$ 271,203   | \$ 1,146,612                                      | \$ 355,000   | \$ 83,797              |
| Prudential                        | Core Bond<br>Enhanced<br>Index/PIM Fund      | \$ 1,478,512          | \$ 1,200,000         | \$ 1,478,512      | \$ 1,130,442 | \$ 1,478,512                                      | \$ 1,200,000 | \$ 69,558              |
| Prudential                        | Prudential Short-<br>Term Fund               | \$ 2,154,502          | \$ 1,958,771         | \$ 2,154,502      | \$ 1,958,757 | \$ 2,154,502                                      | \$ 1,958,771 | \$ 14                  |
| Westmoreland Coal<br>Company      | Westmoreland Coal<br>Company Common<br>Stock | \$ -                  | \$ 1,625,253         | \$ -              | \$ 1,026,915 | \$ -                                              | \$ 1,625,253 | \$ 598,338             |