

2012 ANNUAL REPORT



METALLURGICAL COAL

2012 OVERVIEW

(U.S. Dollars)

Walter Energy is a leading, publicly traded “pure-play” metallurgical coal producer for the global steel industry with strategic access to high-growth steel markets in Asia, South America and Europe. The company also produces thermal coal, anthracite, metallurgical coke and coal bed methane gas.

OPERATIONAL STATISTICS

Revenue:	\$2.4 Billion
Adjusted Net Income ⁽¹⁾ :	\$31 Million
Net Loss Per Share:	\$16.96
Adjusted EBITDA ⁽²⁾ :	\$412 Million
Quarterly Dividend Per Share:	\$0.125
Metallurgical Coal Sales:	10.4 Million Metric Tons (“MMT”)
Thermal Coal Sales:	3.3 MMTs
Employees:	4,100

HIGHLIGHTS

- Achieved record metallurgical coal production of 11.7* MMTs
- Improved cash cost per ton of production of met coal by six percent
- Enhanced liquidity and extended debt maturities by issuing \$500 million of senior notes due in 2020
- Reduced the total reportable injury rate by 26 percent compared to 2011
- Received awards including the Sentinels of Safety Award from the National Mining Association, the Edward Prior Safety Award from the Province of British Columbia and a Surface Mine Reclamation Award co-sponsored by the West Virginia Coal Association and the West Virginia Department of Environmental Protection
- Established a new senior management team to accelerate progress

⁽¹⁾ Defined and reconciled on page 8 of this document.

⁽²⁾ Defined and reconciled on page 79 in the 2012 Form 10-K.

* Inclusive of an approximate 200,000 Metric Tons (“MT”) favorable impact from the re-alignment of methodology for accounting for production between the U.S. and Canada performed in the third quarter 2012.

WALTER ENERGY GLOBAL OPERATIONS



To Our Valued Shareholders,

Walter Energy is focused on creating shareholder value by safely and profitably serving the needs of our global steel customers. In 2012 we demonstrated our ability to reconfigure our operations and significantly improve our metallurgical coal production while reducing our operating costs in a difficult environment.

Our new senior leadership team is accelerating change throughout the Company to respond to a cyclically low pricing environment while preparing for the future. Near the end of 2012, as global demand and pricing declined, we reduced production at certain operations, restrained capital expenditures and enhanced our balance sheet to improve liquidity.

As we enter 2013, we are already beginning to see signs of improving trends in global markets. However, we will remain cautious and focus on driving greater efficiency throughout our operations by reducing overhead costs and investing selectively in high return opportunities.

As I complete my first 18 months as CEO, I am highly focused on continuing our successful cost reduction and production initiatives to position us to maximize the benefit from improvements in demand and pricing when the market turns.

Safety and Stewardship

I have made a steadfast commitment to make safe operations our top priority. In 2012, we improved our Total Reportable Injury (TRI)

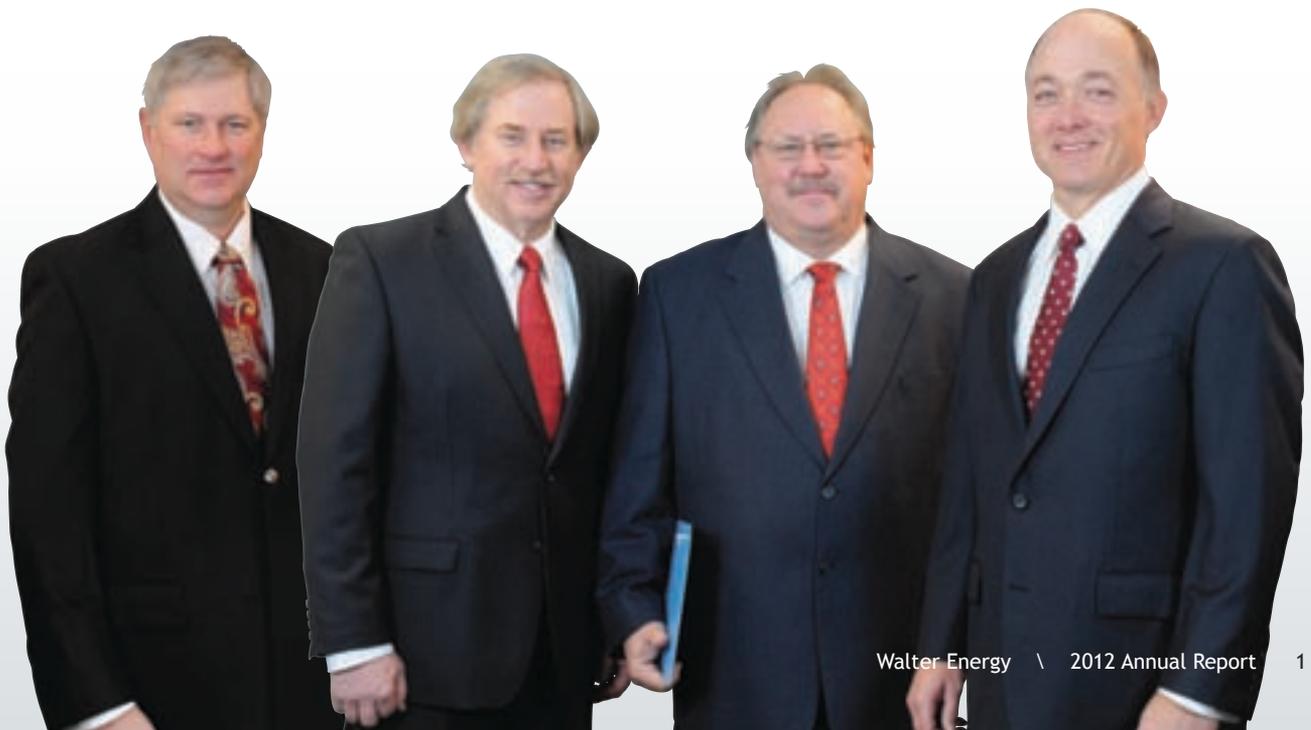
MISSION

Safely, efficiently and responsibly provide metallurgical coal products to global industry.

LEADERSHIP

Walter Energy has assembled a strong leadership team to harness employee input, best safety practices, opportunity and innovation. Combined with advanced technologies for production and operations, Walter Energy continues to remain a preferred global provider of premium metallurgical coal and related energy products.

Below (right) Walter J. Scheller III, Chief Executive Officer, is shown with three members of the executive leadership team (l-r) Dan Stickel, President West Virginia Operations; Dan Cartwright, President Canadian Operations; Rich Donnelly, President Jim Walter Resources



SAFETY PRIORITY

26%
improvement in
Total Reportable
Injury rate

John Connellan (above) is the Safety Supervisor at No. 7 Mine East and No. 7 Mine West. His daily routine includes keeping check on ventilation systems, performing safety checks throughout the mines and conducting one-on-one safety talks with employees. One of the latest mining safety requirements is the tracking device John is holding. This device tracks in real time the movements of each employee and can send and receive text messages to and from the surface, 2,000 feet above.

rate by 26 percent as compared with 2011 rates. Our safety culture is at the core of all our operations as we work each day to further reduce safety incidents by focusing on policy awareness and accident prevention.

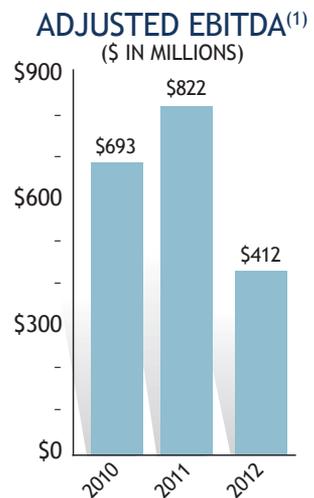
Another measure of our success is the significant recognition we received for good safety and stewardship in our operations in Canada, West Virginia and Alabama.

- We were the recipient of the prestigious Sentinels of Safety Award sponsored by the National Mining Association for an outstanding safety record at the coal processing facility at Mine No. 4 in Alabama;
- We were honored to receive the Edward Prior Safety Award from the Office of the Chief Inspector of Mines from the Ministry of Natural Resource Operations in British Columbia, Canada; and
- Our initiatives led to our achieving a Surface Mine Reclamation Award co-sponsored by the West Virginia Coal Association and the West Virginia Department of Environmental Protection.

All of our employees should be proud of their contributions to this important work.

Responding to Challenges

In the latter half of 2012, the realized pricing for premium met coal declined by over 17 percent. We reduced our planned production for the year by more than one million metric tons and tightly managed our capital spending to improve our cash utilization. At the same

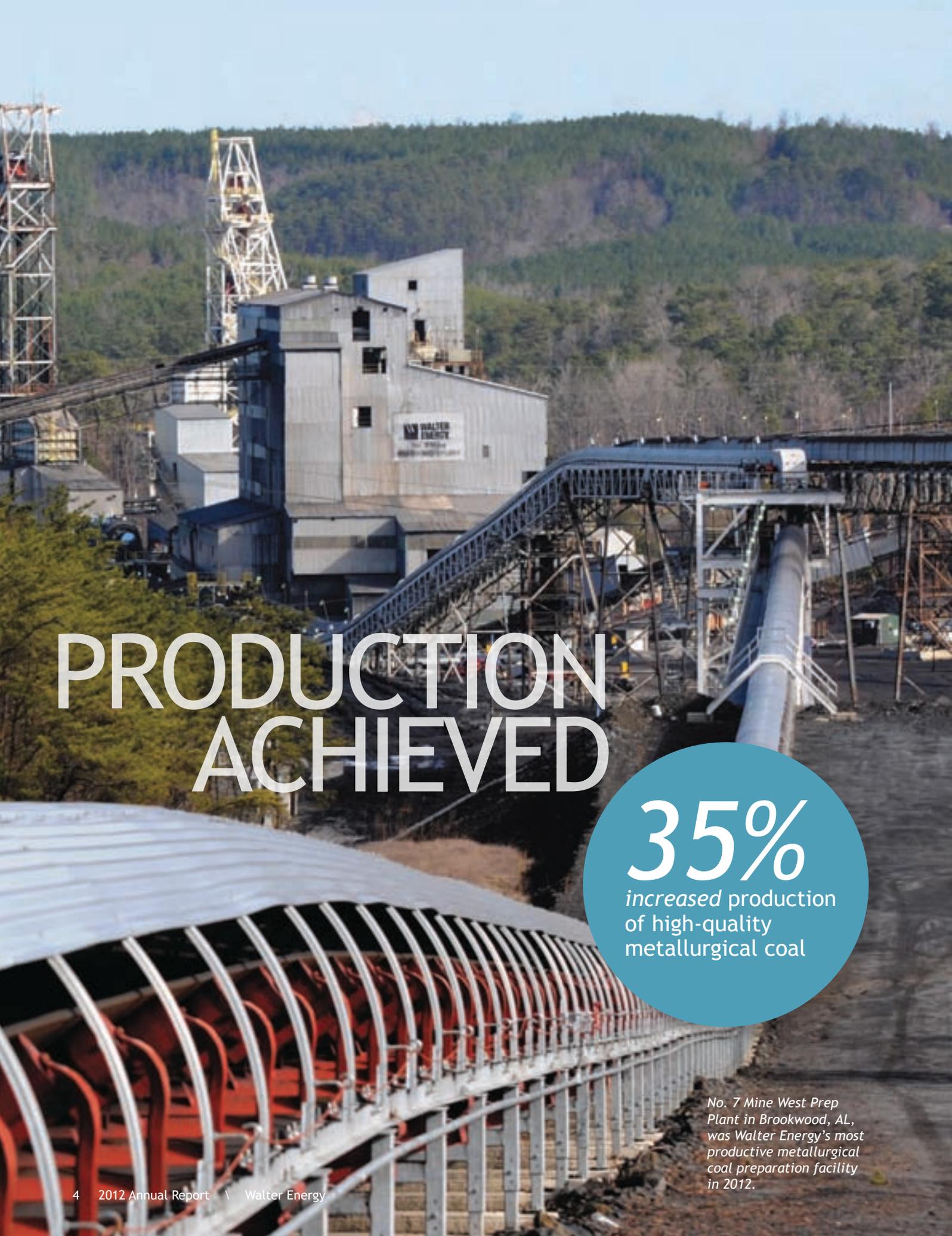


(1) Defined and reconciled on page 79 of our 2012 Form 10-K.

LEADERSHIP

Chuck Stewart, Senior Vice President Project Development; Carol Farrell, President Walter Coke; and Mike Madden, Senior Vice President and Chief Commercial Officer





PRODUCTION ACHIEVED

35%

*increased production
of high-quality
metallurgical coal*

*No. 7 Mine West Prep
Plant in Brookwood, AL,
was Walter Energy's most
productive metallurgical
coal preparation facility
in 2012.*

time, we accomplished our 2012 cost-reduction targets earlier than planned and completed investments necessary to enhance our competitiveness and solidify our position as a leading pure-play metallurgical coal producer in North America.

We also successfully transitioned all of our contractor-operated mines to owner-operated mines during the year. This required the transition of the workforce in two of our mining operations in Canada, which will help us run these mines more efficiently and effectively going forward.

Financial Highlights

In 2012 we safely increased production of high-quality metallurgical coal to 11.7 million metric tons, a 35% increase from 2011. We also improved cash cost per ton of production by six percent.

The significant reduction in metallurgical coal pricing during the year resulted in lower revenue and net income for the Company. In addition, we took a non-cash impairment charge of over \$1 billion. At the same time, we generated approximately \$330 million in cash from operations. We also paid dividends to our shareholders of approximately \$31 million during the year.

The Future: Accelerating Change

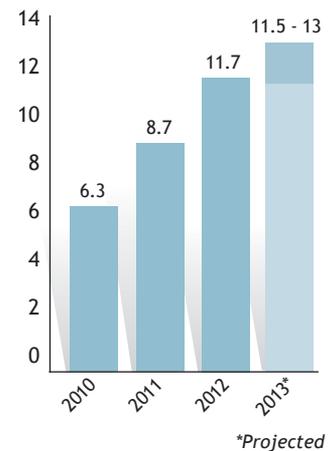
As we enter 2013, I am pleased to report that Walter Energy now has the capacity to produce in excess of 15 million metric tons of high-quality metallurgical coal from our existing operations when market conditions warrant.

Our operating strategy is to aggressively drive greater efficiencies throughout the business and seize opportunities to generate greater

VISION

Our Vision is to be the preferred metallurgical coal resources provider, employer and developer. We will be recognized as the leader in safety and operational excellence, growing to meet the demands of global industry to the benefit of all our stakeholders.

PRODUCTION METALLURGICAL COAL (METRIC TONS IN MILLIONS)



LEADERSHIP

(L-R): Bill Harvey, Senior Vice President and Chief Financial Officer; Tom Lynch, Senior Vice President Human Resources; Earl Doppelt, Senior Vice President, General Counsel and Secretary



ENVIRONMENTAL COMMITMENT



14,000 Sq Ft
nursery space
dedicated to native
plant species for
land reclamation.



Native Plants Offer Better Restoration Solution

Working in partnership with the West Moberly and Saulneau First Nations, Walter Energy's Canadian operations developed the Twin Sisters Native Plants Nursery. The two greenhouses total 14,000 square feet and are located in Moberly Lake, BC. The nursery, which is the first of its kind in northeast British Columbia, will grow shrubs, berry bushes and other greenery native to the region to provide an important source of natural food and shelter for wildlife in the area.

cash flow to reduce debt and continue development of the new Blue Creek Energy Mine in Alabama. Over the next few years, we expect to make significant progress on this strategy.

We remain confident that the long term growth in demand for metallurgical coal will be significant and that we will be able to build on the operational improvements to drive meaningful shareholder value.

I want to thank our employees for their dedication and hard work over the last year. In addition, I would like to express my appreciation to the Board for its continued guidance and support. We recognize Howard Clark, who retired from the Board in February, for his wise counsel during his 18 years of service and welcome Nina Henderson, our newest director, who brings substantial experience and expertise to the Board.

Finally, I sincerely thank you, our owners, for believing in Walter Energy. On behalf of the entire management team, I look forward to realizing the potential of our Company.

Sincerely,



Walter J. Scheller, III
Chief Executive Officer
Walter Energy, Inc.

VALUES

Safety and Stewardship
Integrity
Personal Responsibility
Teamwork
People Development

New Technology Recovers More Coal Fines

Joel Franklin, Director Preparation Plant Engineering for Walter Energy, oversaw pilot testing and installation of Centribaric™ Screenbowl technology at the No. 7 and No. 4 Prep Plants, in Alabama. The innovative machines were developed to capture ultrafine coal particles, which were being discarded in the waste slurry. Now up to 100,000 tons of coal fines are saved annually per mine, drastically reducing the environmental footprint created by older technology.



CONSOLIDATED RESULTS (\$ in thousands, except per share amounts and employees)

CONSOLIDATED RESULTS	FOR THE YEARS ENDED DECEMBER 31,			
	2012	2011	2010	2009
Revenues	\$ 2,399,895	\$ 2,571,358	\$ 1,587,730	\$ 966,827
Operating income (loss)	\$ (1,013,126)	\$ 573,431	\$ 594,062	\$ 202,170
Income (loss) from continuing operations	\$ (1,065,555)	\$ 363,598	\$ 389,425	\$ 141,850
Income (loss) from discontinued operations	5,180	-	(3,628)	(4,692)
Net income (loss)	\$ (1,060,375)	\$ 363,598	\$ 385,797	\$ 137,158
Diluted income (loss) per share:				
Income (loss) from continuing operations	\$ (17.04)	\$ 6.00	\$ 7.25	\$ 2.64
Income (loss) from discontinued operations	0.08	-	(0.07)	(0.09)
Net income (loss)	\$ (16.96)	\$ 6.00	\$ 7.18	\$ 2.55

BALANCE SHEET	AT DECEMBER 31,			
	2012	2011	2010	2009
Total assets*	\$ 5,768,420	\$ 6,856,508	\$ 1,651,853	\$ 1,244,159
Total debt*	\$ 2,416,165	\$ 2,325,715	\$ 168,473	\$ 176,498
Stockholders' equity	\$ 1,010,571	\$ 2,136,517	\$ 595,066	\$ 259,395

OTHER	FOR THE YEARS ENDED DECEMBER 31,			
	2012	2011	2010	2009
Capital expenditures*	\$ 391,512	\$ 414,566	\$ 157,476	\$ 96,298
Employees*	4,100	4,200	2,100	2,100

RECONCILIATION OF ADJUSTED NET INCOME (LOSS) TO AMOUNTS REPORTED UNDER US GAAP

(\$ in thousands)	FOR THE YEARS ENDED DECEMBER 31,			
	2012	2011	2010	2009
Net income (loss)	\$ (1,060,375)	\$ 363,598	\$ 385,797	\$ 137,158
Adjusted for (income) loss from discontinued operations	(5,180)	-	3,628	4,692
Add: asset impairment and restructuring charges, net of tax (\$17.2 million and \$1.4 million for the years ended December 31, 2012 and 2009, respectively)	31,868	-	-	2,189
Add: goodwill impairment	1,064,409	-	-	-
Adjusted net income (loss) ⁽¹⁾	\$ 30,722	\$ 363,598	\$ 389,425	\$ 144,039

QUARTERLY HIGHLIGHTS Fiscal year 2012

(\$ in thousands, except per share amounts)	QUARTER ENDED			
	March 31	June 30	September 30	December 31
Revenues	\$ 631,563	\$ 677,574	\$ 611,974	\$ 478,784
Operating income (loss)	\$ 84,076	\$ 67,973	\$ (1,071,765)	\$ (93,410)
Net income (loss)	\$ 40,616	\$ 31,936	\$ (1,061,956)	\$ (70,971)
Diluted net income (loss) per share:	\$ 0.65	\$ 0.51	(16.97)	(1.13)
Weighted average number of diluted shares	62,739,018	62,780,225	62,572,440	62,577,184

*Continuing operations only

⁽¹⁾ Adjusted net income (loss) is defined as net income (loss) excluding income from discontinued operations, net of tax, goodwill impairment and asset impairment and restructuring charges, net of tax. Adjusted net income (loss) is not a measure of financial performance in accordance with generally accepted accounting principles, and items excluded from Adjusted net income (loss) are significant in understanding and assessing our results of operations. Therefore, adjusted net income (loss) should not be considered in isolation, nor as an alternative to net income (loss) under generally accepted accounting principles.

Safe Harbor Statement

Except for historical information contained herein, the statements in this release are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and may involve a number of risks and uncertainties. Forward-looking statements are based on information available to management at the time, and they involve judgments and estimates. Forward-looking statements include expressions such as "believe," "anticipate," "expect," "estimate," "intend," "may," "plan," "predict," "will," and similar terms and expressions. These forward-looking statements are made based on expectations and beliefs concerning future events affecting us and are subject to various risks, uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed in or implied by these forward-looking statements. The following factors are among those that may cause actual results to differ materially from our forward-looking statements: unfavorable economic, financial and business conditions; the global economic crisis; market conditions beyond our control; prolonged decline in the price of coal; decline in global coal or steel demand; prolonged or dramatic shortages or difficulties in coal production; our customer's refusal to honor or renew contracts; our ability to collect payments from our customers; inherent risks in coal mining such as weather patterns and conditions affecting production, geological conditions, equipment failure and other operational risks associated with mining; title defects preventing us from (or resulting in additional costs for) mining our mineral interests; concentration of our mining operations in limited number of areas; a significant reduction of, or loss of purchases by, our largest customers; unavailability of cost-effective transportation for our coal; significant increase in competitive pressures and foreign currency fluctuations; significant cost increases and delays in the delivery of raw materials, mining equipment and purchased components; availability of adequate skilled employees and other labor relations matters; inaccuracies in our estimates of our coal reserves; greater than anticipated costs incurred for compliance with environmental liabilities or limitations on our abilities to produce or sell coal; our ability to attract and retain key personnel; future regulations that increase our costs or limit our ability to produce coal; new laws and regulations to reduce greenhouse gas emissions that impact the demand for our coal reserves; adverse rulings in current or future litigation; inability to access needed capital; availability of licenses, permits, and other authorizations may be subject to challenges; risks associated with our reclamation and mine closure obligations; failure to meet project development and expansion targets; risks associated with operating in foreign jurisdictions; risks related to our indebtedness and our ability to generate cash for our financial obligations; downgrade in our credit rating; our ability to identify suitable acquisition candidates to promote growth; our ability to successfully integrate acquisitions; volatility in the price of our common stock; our ability to pay regular dividends to stockholders; costs related to our post-retirement benefit obligations and workers' compensation obligations; our exposure to litigation; and other risks and uncertainties including those described in our filings with the SEC. Forward-looking statements made by us in this release, or elsewhere, speak only as of the date on which the statements were made. You are advised to read the risk factors in our most recently filed Annual Report on Form 10-K and subsequent filings with the SEC, which are available on our website at www.walterenergy.com and on the SEC's website at www.sec.gov. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us or our anticipated results. We have no duty to, and do not intend to, update or revise the forward-looking statements in this release, except as may be required by law. In light of these risks and uncertainties, readers should keep in mind that any forward-looking statement made in this press release may not occur. All data presented herein is as of the date of this release unless otherwise noted.

CORPORATE DIRECTORY

CORPORATE HEADQUARTERS

Walter Energy, Inc.
3000 Riverchase Galleria, Suite 1700
Birmingham, AL 35244
Tel: (205) 745-2000
Web: www.walterenergy.com

INVESTOR CONTACT

Investor Relations Department
Walter Energy, Inc.
3000 Riverchase Galleria, Suite 1700
Birmingham, AL 35244
E-mail: investorrelations@walterenergy.com

MEDIA CONTACT

Corporate Communications Department
Walter Energy, Inc.
3000 Riverchase Galleria, Suite 1700
Birmingham, AL 35244
E-mail: corporatecommunications@walterenergy.com

BOARD OF DIRECTORS^(a):

Michael T. Tokarz (2, 4, 5)
Chairman of the Board
Walter Energy, Inc.
Member, Tokarz Group, LLC

David R. Beatty (2, 4)
Conway Director
Clarkson Center for Business
Ethics & Board Effectiveness

Mary R. Henderson^(b)
Managing Partner
Henderson Advisory

Jerry W. Kolb (1, 3)
Retired Vice Chairman
Deloitte & Touche, LLP

Patrick A. Kriegshauser (1, 2)
Executive Vice President &
Chief Financial Officer
Sachs Electric Company

Joseph B. Leonard (1, 5)
Former Chairman &
Chief Executive Officer
AirTran Holdings, Inc.

Graham Mascall (3)
Former Chief Executive Officer
Ncondezi Coal Company, Ltd.

Bernard G. Rethore (4, 5)
Chairman, Emeritus
Flowsolve Corporation

Walter J. Scheller, III (5)
Chief Executive Officer
Walter Energy, Inc.

A.J. Wagner (2,3)
Retired President
Ford Motor Credit
North America

^(a) As of February 19, 2013

^(b) Joined Board February 19, 2013

Board of Directors Committees:

- ⁽¹⁾ Audit Committee
- ⁽²⁾ Compensation and Human Resources Committee
- ⁽³⁾ Environmental, Health and Safety Committee
- ⁽⁴⁾ Nominating and Corporate Governance Committee
- ⁽⁵⁾ Executive Committee

ANNUAL MEETING

The Annual Meeting of Shareholders of Walter Energy, Inc. will be held Thursday, April 25, 2013, at 10 a.m. CT at the Wynfrey Hotel, located at 1000 Riverchase Galleria, Birmingham, AL 35244.

FORM 10-K

Additional copies of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 2012, are available on the Company's website, or, without charge, by written request to:

Investor Relations Department
Walter Energy, Inc.
3000 Riverchase Galleria, Suite 1700
Birmingham, AL 35244

or by e-mail to:
investorrelations@walterenergy.com

COMMON STOCK

New York Stock Exchange / Symbol: WLT
Toronto Stock Exchange / Symbol: WLT

TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Company, LLC

Postal Address:
59 Maiden Lane, Plaza Level
New York, NY 10038

Overnight Address:
Operations Center
6201 15th Avenue
Brooklyn, NY 11219

Shareholder Services:
(800) 937-5449 or (718) 921-8124

TTY (Teletypewriter for the hearing impaired):
(866) 703-9077 or (718) 921-8386

www.amstock.com

INDEPENDENT ACCOUNTANTS

Ernst & Young, LLP
1901 Sixth Avenue North, Suite 1200
Birmingham, AL 35203

OFFICERS OF THE CORPORATION

Walter J. Scheller, III
Chief Executive Officer

William G. Harvey
Senior Vice President
Chief Financial Officer

Daniel P. Cartwright
President
Canadian Operations

Richard A. Donnelly
President
Jim Walter Resources, Inc.

Earl H. Doppelt
Senior Vice President
General Counsel & Secretary

Thomas J. Lynch
Senior Vice President
Human Resources

Michael T. Madden
Senior Vice President
Chief Commercial Officer

Charles C. Stewart
Senior Vice President
Project Development

Carol W. Farrell
President
Walter Coke

Danny L. Stickle
President
West Virginia Operations

Michael R. Hurley
Vice President, Tax
and Procurement

Robert P. Kerley
Vice President
Corporate Controller &
Chief Accounting Officer

Stephanie T. Key
Director, Internal Audit

Michael D. Griffin
Assistant Treasurer &
Interim Treasurer



www.walterenergy.com

