

2011 ANNUAL REPORT



SAFETY • PRODUCTION • TEAMWORK • COMMUNICATION

Walter Energy Global Operations



Premium Blue Creek hard coking metallurgical coal is loaded into rail cars at the newly refurbished Mine No. 4 loadout facility in Brookwood, Ala. for shipment to our customers in South America and Western Europe.



Low-volatile pulverized coal injection (PCI) is produced at our recently expanded Brule Mine site near Chetwynd, British Columbia.



Premium Blue Creek hard coking metallurgical coal travels from the raw coal pile to the Mine No. 4 prep plant on a heavy-duty conveyor belt. Once there, it is processed into clean coal and sold to our customers for producing industrial-grade steel.



New hydraulic shovels and haul trucks support production at the Wolverine Mine site near Tumbler Ridge, British Columbia.

2011 OVERVIEW

(U.S. Dollars)

Walter Energy is the world's 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:	\$2.6 Billion
Net Income:	\$349 Million
Diluted Earnings Per Share:	\$5.76
Quarterly Dividend Per Share:	\$.0125
Metallurgical Coal Sales:	8.7 MMTs*
Thermal Coal Sales:	3.8 MMTs
Employees:	4,200

* Excludes 1 million metric tons (MMTs) of Q1 2011 pre-acquisition met coal sales from Western Coal

HIGHLIGHTS

- Appointed new Chief Executive Officer, Walter J. Scheller, III
- Completed acquisition of Western Coal on April 1
- Reduced Total Reportable Injury Rate by 15% compared with 2010 rates on a pro forma basis
- Finalized transaction with Chevron Mining for approximately 68 million tons of recoverable Blue Creek coking coal reserves in Alabama
- Paid more than \$30 million in regular dividends to shareholders
- Repaid \$103.5 million of term debt in Q4
- Received co-sponsored 2011 *Surface Mine Reclamation Award* from West Virginia Coal Association and West Virginia Department of Environmental Protection for Gauley Eagle Mine
- Contributed \$1 million to Alabama tornado relief efforts

MISSION

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

VISION

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.

VALUES

Safety and Stewardship
Integrity
Personal Responsibility
Teamwork
People Development



SAFETY

As a mine rescue team member highly skilled and trained in emergency response, mine fire-fighting and recovery, benchman Anthony Cook tests and prepares mine rescue apparatus to ensure the equipment is clean and ready to perform properly if needed. Anthony is also a prep plant mechanic.

To Our Valued Shareholders,

2011 was another year of change for Walter Energy. After completing a major acquisition of Western Coal on April 1, 2011, our Company posted record results, achieved greater global diversification and significantly increased our mining assets.



The prevention of work-related accidents and illnesses is paramount at Walter Energy. However, in the event of an emergency within our mining complex, we are prepared to respond with one of the few in-house Advance Life Support programs in the U.S. coal industry. (L-R) Safety experts John Aldrich and Dale Byram are pictured with the Company's mine rescue ambulatory vehicle.

*Walter J. Scheller, III
Chief Executive Officer*

Commitment to Safety

As is customary within Walter Energy, let's first talk about safety. In 2011, we reduced our Total Reportable Injury Rate by 15% as compared with 2010 rates on a pro forma basis. This reduction is the result of our commitment to improve employee health and safety and the efforts of a workforce dedicated to a safety culture. Our aggressive commitment to safety continues in 2012, with our goal to further reduce accidents and citations significantly. It is important to emphasize that operating safely and responsibly will always be our top priority.

Focus on Stewardship

I am also pleased to mention that Walter Energy recently received a 2011 West Virginia Coal Association and West Virginia Department of Environmental Protection co-sponsored *Surface Mine Reclamation Award* for two of our surface mine permits at the Gauley Eagle operation. This award recognizes excellence in design, operation and reclamation, and we are extremely proud of this accomplishment.



PRODUCTION



Matt Thompson operates the longwall No. 2 shearing machinery at Mine No. 7 East in Alabama. In longwall mining, the shearing machinery travels back and forth across the coalface slicing coal from the coalface on each pass. Then, a face conveyor that runs the entire length of the coalface loads the coal onto a conveyor belt, which takes the coal out of the mine.



On a clear day in January 2012, a skilled bulldozer-operator works on one of the Company's raw coal piles.

Our Company also contributed \$1 million to aid the victims of the April 27, 2011 tornadoes in Central and West Central Alabama, of which \$750,000 went to the American Red Cross and an additional \$250,000 went to Alabama Governor Robert Bentley's Emergency Relief Fund. I am also proud to report that many of our employees donated their own personal time and money to help with the relief efforts surrounding this catastrophic event.

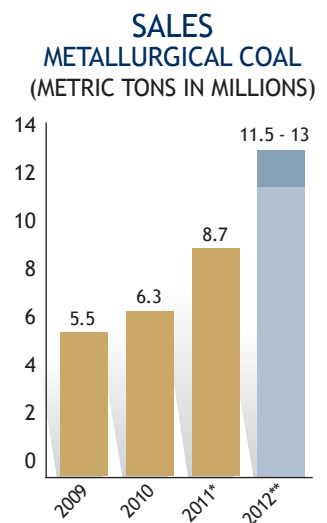
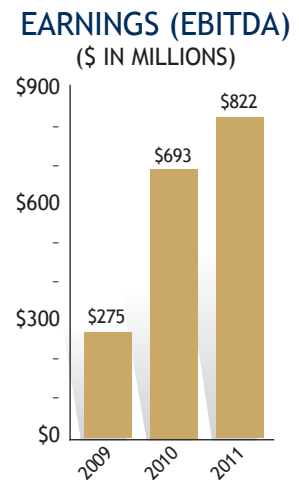
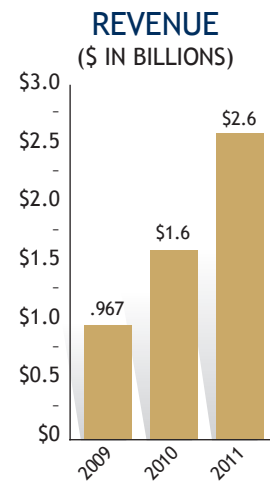
Financial Accomplishments

Turning now to the financial results, 2011 was a record year in many ways for Walter Energy. In particular, our Company achieved:

- Record revenue of \$2.6 billion, an increase of \$1 billion or 62% as compared with 2010 revenue of \$1.6 billion
- Earnings of \$349 million of net income, \$5.76 of diluted earnings per share
- Record earnings before taxes, depreciation and amortization (EBITDA) of \$822 million, an increase of \$129 million or 19% as compared with 2010's EBITDA of \$693 million
- Record metallurgical (met) coal sales of 8.7 million metric tons in 2011, excluding 1 million metric tons (MMTs) of Q1 2011 pre-acquisition met coal sales from Western Coal

Another Opportunity

As you may remember, in May 2011 Walter Energy completed the execution of mineral leases from Chevron Mining for approximately 68 million tons of recoverable Blue Creek coking coal reserves in Alabama. This transaction captured an integral portion of the last remaining block of Blue Creek coal and paves the way for a strategic opportunity to access 170 million tons of high-quality coking coal and the development of a new underground mine.



* Excludes 1 million metric tons (MMTs) of Q1 2011 pre-acquisition met coal sales from Western Coal
 ** Projected

One role of the Engineering Department is mine planning, which requires the production and study of detailed maps used across various functions of the Company, including operations and financial planning. (L-R) Melanie Sides, Ricky Allen and Tom McNider discuss potential shaft locations and the coordination of equipment that might be needed in the development of our existing mines and the new Blue Creek Energy No. 1 Mine.

TEAMWORK



Dealing with the Challenges

But all wasn't easy in 2011. In late spring and summer, we experienced unusual inclement weather and difficult geology. The tornadoes in Alabama, along with the 100-year record rainfall in Northeast British Columbia, clearly hampered growth. Our flagship operation, Mine No. 7 in Alabama, experienced slower-than-normal production for the majority of the year due to extremely tough mining conditions. In the fourth quarter, however, we installed new equipment, moved out of the difficult geology, and achieved 18% growth in hard coking coal production of 1.9 million metric tons as compared with third-quarter hard coking coal production of 1.6 million metric tons.

Looking to the Future

In 2012, we intend to safely maximize our production and achieve significant growth. We are targeting met coal production in the range of 11.5 to 13 million metric tons. Slightly more than one-third of this growth is anticipated to come from Mine No. 7 in Alabama; slightly less than one-third of the growth is anticipated to come from our other U.S. operations in Alabama and West Virginia, including Maple Mine; and the remaining one-third of the growth is anticipated to come from our operations in Canada.

Longer-term, Walter Energy has a diversified development portfolio for new met coal production across three countries, which will continue to make our Company one of the largest and most profitable producers of premium met coal in the world. In 2011, we experienced one of the strongest coal export market environments of the past 20 years, and we remain confident that over time global steelmaking will continue to require increasing amounts of high-quality met coal. I am pleased with the progress we are making,



Wolverine Mine blasters Sarah Dufresne (left) and Sandra Cyr (middle) show Connie Wong (right) the tools they use to detonate explosives—a routine, key component of many mining operations.



Mine No. 4 employees (L-R) Leonard Ward, III, Nicholas Smart, Carl Hardman and Carl Hill.



COMMUNICATION

Rich Van Dover works one of the Enterprise Operations Center (EOC) help desks in Birmingham, Ala. Providing service around-the-clock, the EOC is a cornerstone of the Company's global Information Technology Department ensuring continuous support to its employees and the ongoing security of its business systems.

the team we have in place, and the plans we are executing to enable us to meet the continuing demand for met coal that we anticipate.

Summary

Since becoming CEO in September 2011, my priorities at Walter Energy have been very clear—*Safety* comes first in everything that we do and there are no compromises to this premise. We must make every ton a safe ton, and we will strive to ensure minimal impact from our mining activities. Second, we must achieve our *Production* goals in order to secure our position as the leading U.S. producer and exporter of premium hard coking coal for the global steel industry. Third, we will operate as a world-class *Team* on all fronts with special emphasis on meeting our customers' needs and growing shareholder value. And fourth, we will *Communicate* internally and externally in a transparent and timely fashion.

In closing, I would like to thank our employees and contractors for the hard work they do every day to make our Company better.

I would also like to extend my gratitude to our Board of Directors for their expertise and guidance. And finally, I would like to thank you, our shareholders and owners, for believing in Walter Energy. I look forward to serving you for many years to come.

Sincerely,



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



Members of the Project Management Office meet with operations and finance staff to implement the Approval for Investment (AFI) project, which will provide a uniform review and approval process to ensure expenditures are monitored and controlled across the Company. (L-R) Ryan Dodd, Jeff Cruce, Kirstie Goodwin, Kathy Love, Windel McCray and Ray Walker.

CONSOLIDATED RESULTS

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

CONSOLIDATED RESULTS	FOR THE YEARS ENDED DECEMBER 31,			
	2011	2010	2009	2008
Net sales and revenues	\$2,571,358	\$ 1,587,730	\$ 966,827	\$ 1,149,684
Operating income	\$ 558,603	\$ 594,062	\$ 202,170	\$ 341,207
Income from continuing operations	\$ 349,176	\$ 389,425	\$ 141,850	\$ 231,192
Income (loss) from discontinued operations	-	(3,628)	(4,692)	115,388
Net income	\$ 349,176	\$ 385,797	\$ 137,158	\$ 346,580
Diluted income (loss) per share:				
Income from continuing operations	\$ 5.76	\$ 7.25	\$ 2.64	\$ 4.24
Income (loss) from discontinued operations	-	(0.07)	(0.09)	2.11
Net income	\$ 5.76	\$ 7.18	\$ 2.55	\$ 6.35

BALANCE SHEET	AT DECEMBER 31,			
	2011	2010	2009	2008
Total assets*	\$6,812,203	\$ 1,651,853	\$1,244,159	\$ 1,195,695
Total debt*	\$2,325,715	\$ 168,473	\$ 176,498	\$ 225,385
Stockholders' equity	\$2,122,095	\$ 595,066	\$ 259,395	\$ 630,269

OTHER	FOR THE YEARS ENDED DECEMBER 31,			
	2011	2010	2009	2008
Capital expenditures*	\$ 414,566	\$ 157,476	\$ 96,298	\$ 141,627
Employees*	4,200	2,100	2,100	2,200

QUARTERLY HIGHLIGHTS

Fiscal year 2011

(\$ in thousands, except per share amounts)	QUARTER ENDED			
	March 31	June 30	September 30	December 31
Net sales and revenues	\$ 408,734	\$ 773,000	\$ 690,069	\$ 699,555
Operating income	\$ 119,767	\$ 153,649	\$ 148,650	\$ 136,537
Net income	\$ 81,813	\$ 107,358	\$ 76,221	\$ 83,784
Diluted net income per share:	\$ 1.53	\$ 1.71	\$ 1.21	\$ 1.34
Weighted average number of diluted shares	53,533,421	62,706,063	62,758,658	62,738,135

* Continuing operations only

Safe Harbor Statement

The attached Form 10-K is an integral part of this document and should be read in conjunction with this annual report. Except for historical information contained herein, the statements in this report 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: the market demand for coal, coke and natural gas as well as changes in pricing and costs; the availability of raw material, labor, equipment and transportation; changes in weather and geologic conditions; changes in extraction costs, pricing and assumptions and projections concerning reserves in our mining operations; changes in customer orders; pricing actions by our competitors, customers, suppliers and contractors; changes in governmental policies and laws, including with respect to safety enhancements and environmental initiatives; availability and costs of credit, surety bonds and letters of credit; and changes in general economic conditions. Forward-looking statements made by us in this report, or elsewhere, speak only as of the date on which the statements were made. See also the "Risk Factors" in our 2011 Annual Report on Form 10-K and subsequent filings with the SEC, which are currently available on our website at www.walterenergy.com. 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 report, 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 report may not occur. All data presented herein is as of the date of this report 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

Howard L. Clark, Jr. ^(1, 3, 4, 5)
Former Vice Chairman
Barclays Capital

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

Patrick A. Kriegshauser ^(1, 2, 3)
Executive Vice President &
Chief Financial Officer
Sachs Electric Company

Joseph B. Leonard ^(3, 5)
Former Chairman &
Chief Executive Officer
AirTran Holdings, Inc.

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

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

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

A.J. Wagner ^(1, 2)
Chief Executive Officer
A.J. Wagner & Associates, LLC

^(a) As of Dec. 31, 2011

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 19, 2012, 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 fiscal year ended Dec. 31, 2011, are available on the Company's website, or 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

OFFICERS OF THE CORPORATION

Walter J. Scheller, III
Chief Executive Officer

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

Michael T. Madden
Senior Vice President
Marketing

Charles C. Stewart
President & Chief Operating Officer
Walter Coke, Inc.
President, Walter Minerals, Inc.

Michael R. Hurley
Vice President, Tax

J. Calven Swinea
Vice President, Internal Audit

Michael D. Griffin
Assistant Treasurer &
Acting Treasurer

INDEPENDENT ACCOUNTANTS

Ernst & Young, LLP
401 East Jackson Street, Suite 1200
Tampa, FL 33602

Certificates of the Company's Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act have been filed with the Securities and Exchange Commission. In addition, the Company's Principal Executive has submitted to the New York Stock Exchange (NYSE) a certificate certifying that he is not aware of any violations by Walter Energy, Inc. of the NYSE corporate governance listing standards.



www.walterenergy.com

