

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-38003

RAMACO RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

38-4018838
(I.R.S. Employer
Identification No.)

250 West Main Street, Suite 1800
Lexington, Kentucky
(Address of principal executive offices)

40507
(Zip Code)

(859) 244-7455

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, \$0.01 par value

Name of each exchange on which registered
on which registered
NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	X
		Emerging growth company	X

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. X

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No X

As of June 29, 2018, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of common stock held by non-affiliates of the registrant was \$54.0 million.

As of March 15, 2019, the registrant had 40,839,977 shares of common stock outstanding.

Documents Incorporated by Reference:

Certain information required to be furnished pursuant to Part III of this Form 10-K is set forth in, and is hereby incorporated by reference herein from, the definitive proxy statement for our 2019 Annual General Meeting of Stockholders, to be filed by Ramaco Resources with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after December 31, 2018 (the "2019 Proxy Statement").

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information in this report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical fact included in this report, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this annual report, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on management’s current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading “Risk Factors” included in this report.

Forward-looking statements may include statements about:

- anticipated production levels, costs, sales volumes and revenues;
- timing for completion of major capital projects;
- economic conditions in the steel industry generally;
- economic conditions in the metallurgical coal industry generally;
- expected costs to develop planned and future mining operations, including the costs to construct necessary processing and transport facilities;
- estimated quantities or quality of our metallurgical coal reserves;
- our expectations relating to dividend payments and our ability to make such payments;
- our ability to obtain additional financing on favorable terms, if required, to complete the acquisition of additional metallurgical coal reserves as currently contemplated or to fund the operations and growth of our business;
- maintenance, operating or other expenses or changes in the timing thereof;
- financial condition and liquidity of our customers;
- competition in coal markets;
- the price of metallurgical coal and/or thermal coal;
- compliance with stringent domestic and foreign laws and regulations, including environmental, climate change and health and safety regulations, and permitting requirements, as well as changes in the regulatory environment, the adoption of new or revised laws, regulations and permitting requirements;
- potential legal proceedings and regulatory inquiries against us;
- the impact of weather and natural disasters on demand, production and transportation;
- purchases by major customers and our ability to renew sales contracts;
- credit and performance risks associated with customers, suppliers, contract miners, co-shippers and trading, bank and other financial counterparties;
- geologic, equipment, permitting, site access and operational risks and new technologies related to mining;
- transportation availability, performance and costs;
- availability, timing of delivery and costs of key supplies, capital equipment or commodities such as diesel fuel, steel, explosives and tires;
- timely review and approval of permits, permit renewals, extensions and amendments by regulatory authorities; and
- other risks identified in this Annual Report that are not historical.

We caution you that these forward-looking statements are subject to a number of risks, uncertainties and assumptions, which are difficult to predict and many of which are beyond our control, incident to the development, production, gathering and sale of coal. Moreover, we operate in a very competitive and rapidly changing environment and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this Annual Report are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved or occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

All forward-looking statements, expressed or implied, included in this report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

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Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this report.

PART I

Item 1. Business

Ramaco Resources, Inc. is a Delaware corporation formed in October 2016. Our principal corporate offices are located in Lexington, Kentucky. We completed our initial public offering (“IPO”) on February 8, 2017 and our common stock is listed on the NASDAQ Global Select Market under the symbol “METC.”

As used herein, “Ramaco Resources,” “we,” “our,” and similar terms include Ramaco Resources, Inc. and its subsidiaries, unless the context indicates otherwise.

General

We are an operator and developer of high-quality, low-cost metallurgical coal in southern West Virginia, southwestern Virginia, and southwestern Pennsylvania. We are a pure play metallurgical coal company with 248 million tons of high-quality metallurgical coal reserves and advantaged geology leading to lower cash costs. Our near-term development portfolio includes four key assets: Elk Creek, Berwind, RAM Mine and Knox Creek.

We commenced initial production of metallurgical coal at our Elk Creek mining complex in late December 2016. During 2017, we developed and opened two deep mines and a surface mine at Elk Creek. During 2018, we opened one additional deep mine at Elk Creek. Additionally, we constructed and activated the Elk Creek preparation plant and rail load-out facility in late October 2017. We also began development mining at our Berwind property in late 2017 and continued our purchased coal program which augments our sales. Our aggregate production for 2018 was approximately 1.8 million clean tons of coal.

In 2017, we sold approximately 0.6 million tons of coal, including approximately 0.2 million tons of purchased coal. In 2018, we sold approximately 2.1 million tons of coal, including approximately 0.4 million tons of purchased coal.

On February 8, 2017, we completed the IPO of our common stock pursuant to a registration statement on Form S-1 (File 333-215363), as amended and declared effective by the SEC on February 2, 2017. Pursuant to the registration statement, we registered the sale of 6,000,000 shares of \$0.01 par value common stock, which included 3,800,000 shares of common stock sold by the Company and 2,200,000 shares of common stock sold by the selling stockholders.

Proceeds of our IPO, based on the public offering price of \$13.50 per share, were approximately \$51.3 million. After subtracting underwriting discounts and commissions of \$3.6 million, and after deducting discounts and offering expenses paid directly by us, we received net proceeds of approximately \$43.7 million. We used \$10.7 million of the net proceeds to repay indebtedness owed to Ramaco Coal, LLC, an affiliated entity. The remaining proceeds of the IPO were used for general corporate purposes, including development of the Elk Creek mining complex. All units of our then-outstanding convertible Series A preferred units automatically converted into an aggregate of 12.76 million shares of common stock at the time of the IPO.

Metallurgical Coal Industry

Metallurgical coal is used to make metallurgical coke, a key ingredient in the steel-making process. Coke is used as a fuel and a reducing agent in a blast furnace during the smelting of iron ore into iron before it is converted into steel. Demand for coking coal in the U.S. is limited by the number of coke batteries. Annual U.S. metallurgical coal consumption is approximately 16 to 21 million tons per year. Any supply in excess of what can be consumed domestically is exported to buyers in North America, Africa, Europe, South America and Asia.

U.S. metallurgical coal production increased from 74 million tons in 2017 to 82 million tons in 2018, down from a peak of 91 million tons in 2011. U.S. metallurgical coal is primarily produced from underground mines located in the Appalachia coal regions. Metallurgical coal is transported by truck, rail (primarily Norfolk Southern or CSX), and barge to coke batteries located in the U.S. Metallurgical coal contracts in the U.S. frequently have one-year terms, although some buyers contract for shorter or longer terms. Domestic prices are historically not as volatile as international benchmark or indexed prices. Due to the modest but stable market for metallurgical coal consumption in the U.S., any supply in excess of what can be consumed domestically is exported.

The United States is the second largest seaborne exporter of metallurgical coal, behind Australia and ahead of Canada. The volume of metallurgical coal trading on the seaborne market (including Mongolian exports) was estimated to be 329 million metric tons in 2018, up 6% from 311 million metric tons in 2017. Australia is the dominant seaborne supplier and is expected to have accounted for approximately 54% of 2018 volumes, followed by the U.S. with approximately 17% of supply and Canada with approximately 11% of supply. U.S. metallurgical coal exports totaled 57 million tons in 2017 and 63 million tons in 2018. The United States has a geographic advantage over Australia and Canada in serving customers in the Atlantic Basin, primarily Europe and Brazil.

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The metallurgical coal benchmark, which was traditionally negotiated quarterly between key Australian producers and key Japanese steel mills, has been replaced by utilizing a series of indices from a number of independent sources. Contracted volumes have terms that vary in duration from spot to one year, rarely exceeding one year. In some cases, indices are used at the point that the coal changes hands. In other cases, an average over time may be utilized. While the term “benchmark” is still utilized, it too is determined based on index values, typically for the preceding three months.

Seaborne metallurgical coal prices in 2016, 2017 and 2018 have seen significant volatility. In early 2016, a new Chinese policy that limited domestic coal miners to 276 work days a year resulted in a significant decrease in Chinese production and a resulting increase in seaborne demand, which increased prices from well below \$100 per metric ton (“MT”) in early 2016 to over \$300 per MT. A reversal of this policy in late 2016 caused prices to fall to the mid-\$150s per MT. A subsequent cyclone that hit the center of metallurgical coal production and supply chain operations in Australia in early 2017 caused prices to briefly spike to near \$300 per MT. Since mid-2017, metallurgical prices have remained strong, averaging just over \$200 per MT. This is in part because the Chinese workday restrictions were replaced by a more permanent solution targeting smaller, less efficient, and generally higher cost mines for closure. Sxcoal noted that Chinese domestic met coal production was roughly flat in 2017, while falling 2% in 2018, despite strong pricing. As of March 7, 2019, metallurgical coal pricing was \$215 per MT.

U.S. metallurgical coal producers primarily sell coal to U.S. customers under calendar year contracts where both prices and volumes are fixed in the third or fourth quarter for the following calendar year. Export sales, on the other hand, are often done on a shorter-term (spot, quarterly or half-year) basis. Sales into the seaborne market tend to last for one year and have set volumes that reprice with the market by utilizing indexes.

Metallurgical coals are generally classified as high, medium or low volatile. Volatiles are products, other than water, that are released as gas or vapor when coal is burned. Carbon is what remains when the volatiles are released.

Our Strategy

Our business strategy is to increase stockholder value through sustained earnings growth and cash flow generation by:

Developing and Operating Our Metallurgical Coal Properties. We have a 248-million-ton reserve base of high-quality metallurgical coal and four long-lived projects under development. Our initial project, Elk Creek, commenced production in late December 2016 and produced 548 thousand clean tons of metallurgical coal during 2017 and 1.8 million clean tons of metallurgical coal during 2018. We also initiated development mining at our Berwind mine. We plan to operate these mines at their optimum productivities and complete development of our remaining projects. Overall, we plan to grow production to more than 4.0 million clean tons of metallurgical coal over the next three to four years depending on the rate at which we are able to deploy capital. We may make acquisitions of reserves or infrastructure that continue our focus on advantaged geology and lower costs.

Enhancing Coal Purchase Opportunities. During 2018, we purchased approximately 0.4 million clean ton equivalents from third party producers. After washing at one of our coal preparation plants, we sold this tonnage to customers for our own account. Purchased coal is complementary from a blending standpoint with our produced coals or it may also be sold as an independent product.

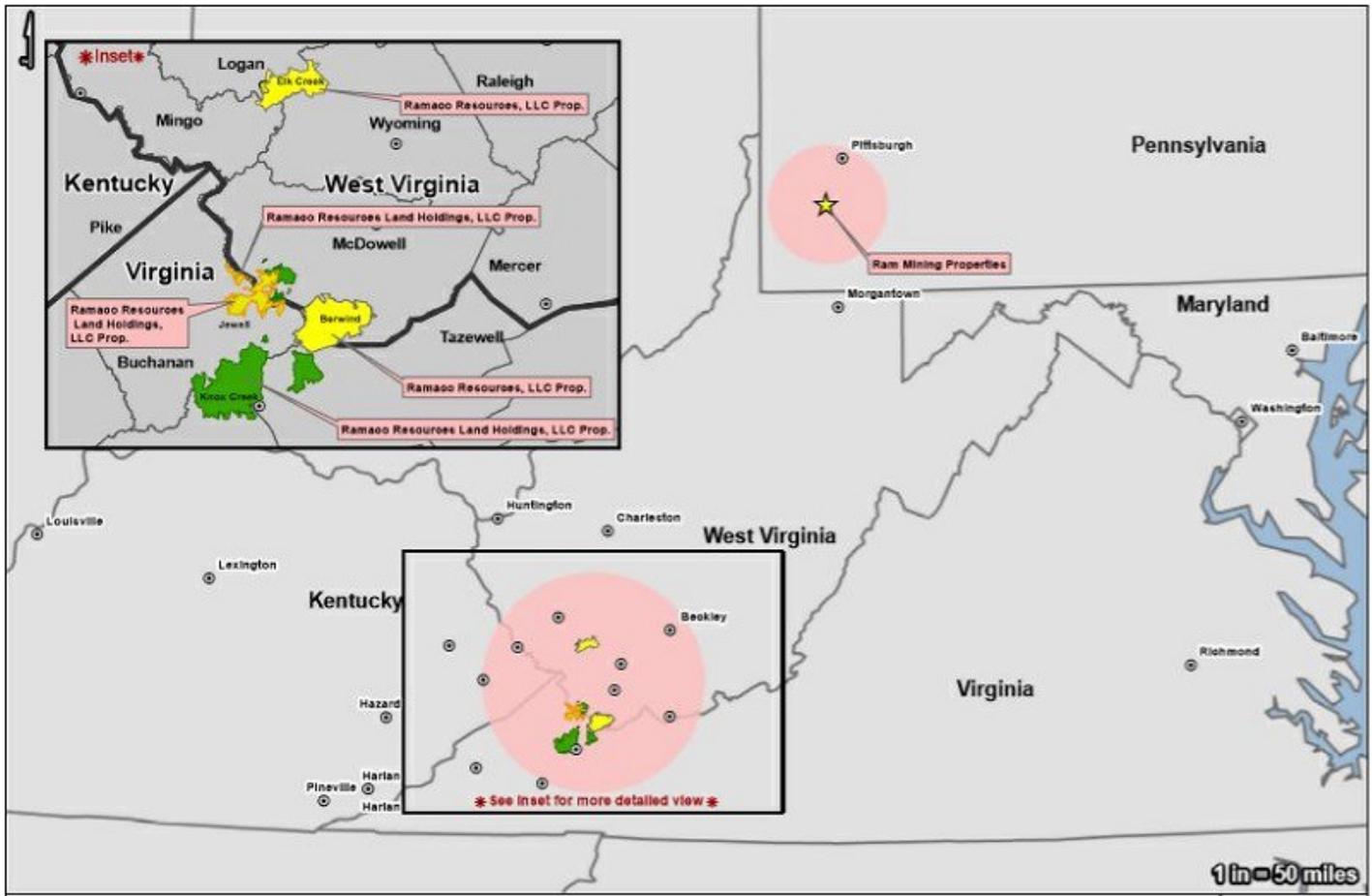
Being a Low-Cost U.S. Producer of Metallurgical Coal. Our reserve base presents advantaged geologic characteristics such as relatively thick coal seams at the deep mines, a low effective mining ratio at the surface mines, and desirable metallurgical coal quality. Furthermore, a majority of the coal seams being developed are accessible near, or above, drainage, thereby reducing up-front development costs. These characteristics contribute to a production profile that we believe will have a cash cost of production that is significantly below most U.S. metallurgical coal producers.

Maintaining a conservative capital structure and prudently managing the business for the long term. We are committed to maintaining a conservative capital structure with what we believe to be a reasonable amount of debt that will afford us the financial flexibility to execute our business strategies on an ongoing basis.

Demonstrating Excellence in Safety and Environmental Stewardship. We are committed to complying with both regulatory and our own high standards for environmental and employee health and safety.

Our Projects

Our properties are primarily located in southern West Virginia, southwestern Virginia, and southwestern Pennsylvania. The following map shows the location of our mining complexes and projects:



Elk Creek Mining Complex

Our Elk Creek mining complex in southern West Virginia began production in late December 2016. The Elk Creek property consists of approximately 20,552 acres of controlled mineral and contains 24 seams that we believe can be economically mineable. Nearly all our seams contain high-quality, high volatile metallurgical coal, which are accessible at or above drainage. Additionally, almost all of this coal is high-fluidity, which is an important factor in metallurgical coal.

We control the majority of the coal and related mining rights within the existing permitted areas and our current mine plans, as well as the surface for our surface facilities, through leases and subleases from Ramaco Coal, LLC. We estimate that the Elk Creek mining complex contains reserves capable of yielding approximately 96 million tons of clean saleable metallurgical coal.

We currently market most of the coal produced from the Elk Creek mining complex as a blended high volatile A/B composite. More recently we have chosen to segregate our high volatile A coals, so that they can be sold at a premium. Our market for Elk Creek production is principally North American coke and steel producers. We also market our coal to European, South American and Indian customers, and occasionally to coal traders and brokers for use in filling orders for their blended products. Additionally, we seek to market a portion of our coal in the specialty coal markets.

In 2017, we completed construction of a 700 raw ton-per-hour preparation plant at our Elk Creek mining complex. The plant has a large-diameter (48") heavy-media cyclone, dual-stage spiral concentrators, froth flotation, horizontal vibratory and screen bowl centrifuges. We believe the preparation plant design and capacity will adequately support approximately 5.4 million raw tons of production or, approximately 2.2 million clean saleable tons (assuming a 41% plant yield). The existing and proposed Elk Creek mines are all within six miles of the preparation plant.

We also completed construction of the Elk Creek rail load-out in 2017. The rail load-out is a single-stage certified batch-weigh system capable of loading 4,000 tons per hour and a full 150-car unit train in under four hours. The load-out facility is served by the CSX railroad. We also have the ability to develop a rail-loading facility on the Norfolk Southern railroad, which would facilitate dual rail service. We have not undertaken any steps for development of a Norfolk Southern rail facility at this time.

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The existing impoundment at Elk Creek is planned to be converted to a combined refuse facility in the future. The combined capacity is expected to provide approximately 20 years of disposal life for our operations. We completed construction of our plate presses to allow for dewatering material currently being pumped to our impoundment. This equipment will be utilized for a portion of the time in the near term and will ultimately process all waste material for placement in the combined refuse facility.

On November 5, 2018, one of our three raw coal storage silos that feed our Elk Creek plant experienced a partial structural failure. The prep plant at our Elk Creek mining complex was idled for approximately three weeks due to the partial structural failure of the silo. The silo was subsequently demolished and will not be replaced. In late November 2018, we completed a temporary conveying system at our Elk Creek mining complex. The temporary conveying system allowed us to bypass the damaged raw coal storage silo, which has since been demolished, and allowed for the immediate processing and shipping of coal at approximately 80% of the entire plant capacity, throughout December 2018. In February 2019, we completed the fabrication of a higher capacity bypass system to provide a secondary conveyance system, which operates at greater than 80% of processing capacity with increased reliability compared to the initial bypass system. We anticipate completion of rehabilitation work to the two remaining silos in the second quarter of 2019 at which point we expect the prep plant to return to full processing capacity. Our insurance carrier has disputed our claim for coverage based on certain exclusions to the applicable policy. We are still evaluating whether we will be fully insured against all losses or liabilities that could arise from this incident.

The Alma mine, our first mine at Elk Creek commenced production in late December 2016. The Eagle deep mine was completed and began production in mid-2017. Two additional mines, the #1 Surface and Highwall mine and the #2 Gas mine, were developed in the fourth quarter of 2017. All of our existing mines at Elk Creek are now operating at their full anticipated run rate.

A large portion of the controlled reserves are permitted through existing, issued permits. We currently have three mining permits that have not been activated and are actively pursuing multiple new permits.

Berwind

Our Berwind coal property sits on the border of West Virginia and Virginia and is well-positioned to fill the anticipated market for low volatile coals. Once we complete development mining, we expect to experience above average seam height. Development of our Berwind mining complex began in late 2017 with developmental production commencing in November 2017. Development mining will occur in the thinner Pocahontas No. 3 seam and advance to a point where that seam overlaps with the thicker Pocahontas No. 4 seam, lying approximately 65 feet above the Pocahontas No. 3 seam. We plan to drive a slope into the Pocahontas No. 4 seam, which will become the primary production seam. During 2018, we produced 0.1 million clean tons from the Berwind mine, and we expect to produce between 0.2 million and 0.3 million clean tons in 2019 from the Berwind mine. We estimate that the mine life for the Berwind mine is more than 20 years.

The Berwind property consists of approximately 31,200 acres of controlled mineral and contains a large area of Squire Jim seam coal deposits. The Squire Jim seam of coal is the lowest known coal seam on the geologic column in this region, and due to depth of cover has never been significantly explored. We have outcrop access to this seam at the top of an anticline.

We have the necessary permits for the Berwind mine for our current and budgeted operations. It's anticipated that a permit for our Squire Jim seam room-and-pillar underground mine may be issued during 2019. At this point, we do not anticipate activating this mining permit.

Knox Creek

In July 2016, we acquired a preparation plant and coal-loading facility along with a refuse impoundment, an idle mine and surface and mineral properties at our Knox Creek operations. The Tiller Mine slope face-up and shafts are idle. We have recently explored the Tiller mine, which could provide access via our inter-seam slope to the Jawbone seam, which is the coal seam above the Tiller seam. We are continuing to evaluate the feasibility of a potential high volatile A metallurgical deep mine in the Jawbone seam of coal. We are currently developing a mine plan for the Jawbone seam, as well as seeking permit modifications that would allow us to mine the Jawbone seam from existing permits.

The Knox Creek property consists of approximately 61,343 acres of controlled mineral. In 2016, we began the purchasing and processing of coal from third parties in the Knox Creek preparation plant for sale for our own account. We also process and load coal trucked from our Berwind mine at this facility.

The Knox Creek facility is comprised of a 650 tons per hour preparation plant and loadout on site. Refuse is disposed of in an existing impoundment. Rail service is provided by Norfolk Southern.

During 2017 we purchased a number of leases near Knox Creek from various subsidiaries of The Brink's Company and we leased additional reserves from a third party that abut both the Brink's properties and our Knox Creek reserves. Two third-party producers sublease portions of these properties from us and their operations provide royalty income, as well as coal production, that could be purchased for resale to customers. We anticipate entering into additional leases and subleases of our reserves at Knox Creek with third parties.

RAM Mine

Our RAM Mine property is located in southwestern Pennsylvania, consists of approximately 1,567 acres of controlled mineral and is scheduled for initial production in 2021. Production of high volatile coal from the Pittsburgh seam is planned from a single continuous-miner room-and-pillar underground operation. The Pittsburgh seam, in close proximity to Pittsburgh area coke plants, has historically been a key feedstock for these coke plants. Operation of our RAM Mine coal reserve may require access to a newly constructed preparation plant and loading facility, third party processing, or direct shipment of raw coal product. Upon commencement of mining, we anticipate that the mine will produce at an annualized rate of between 300 and 500 thousand tons with an estimated 10-year mining life.

We expect that coal from the RAM Mine coal reserve will be transported to our customers by highway trucks, rail cars or by barge on river systems. In addition to close proximity to river barge facilities, our RAM Mine operations are also near Norfolk Southern rail access.

The RAM Mine coal reserve is not yet permitted, although we have applied for a permit and it is in the final phase of the permit application process. We expect this permit to be issued in 2019.

Customers and Contracts

Coal prices differ substantially by region and are impacted by many factors including the overall economy, demand for steel, demand for electricity, location, market, quality and type of coal, mine operation costs and the cost of customer alternatives. The major factors influencing our business are the global economy and demand for steel.

We market to U.S.-based blast furnace steel mills and U.S.-based coke plants, in addition to international markets mostly in Europe, South America and Asia. When at full production, we also expect to market approximately 120,000 clean tons per year to specialty coal customers, such as foundry coke, activated carbon products, and specialty metal producers, for premium prices. We also plan to market up to 10% of our total production, virtually all from our surface mines, as thermal coal for sale to domestic utilities or as a specialty coal.

We sold 2.1 million tons of coal during 2018. Of this, 65% was sold to North American markets and 35% was sold into export markets. Principally, our export market sales were made to Europe. Our focus in 2018 was introducing the quality of our coal for use in coke ovens, which facilitated our participation at market pricing in the metallurgical coal domestic contracting season for shipments in 2019.

During 2018, sales to five customers accounted for approximately 63% of total revenue, with no single customer accounting for more than 15% of total revenue. The total balance due from these customers at December 31, 2018 was approximately 72% of total accounts receivable. No other customer accounted for more than 10% of our revenue during this period. If a major customer decided to stop purchasing coal from us or significantly reduced its purchases from us, revenue could decline and our operating results and financial condition could be adversely affected.

Safety Philosophy

We have a comprehensive health and safety program based on the core belief that all accidents and occupational illnesses are preventable. We believe that:

- Business excellence is achieved through the pursuit of safer and more productive work practices.
- Any task that cannot be performed safely should not be performed.
- Working safely is a requirement of our employees.
- Controlling the work environment is important, but human behavior within the work environment is paramount.
- Safety starts with individual decision-making—all employees must assume a share of responsibility for acts within their control that pose a risk of injury to themselves or fellow workers.
- All levels of the organization must be proactive in implementing safety processes that promote a safe and healthy work environment.
- Consequently, we are committed to providing a safe work environment; providing our employees with proper training and equipment; and implementing safety and health rules, policies and programs that foster safety excellence.

As we increase our work force, our safety program will include a focus on the following:

- *Hiring the Right Workers.* We have established a hiring program that includes significant pre-employment screening and reference checks.
- *Safety Incentives.* We have a compensation system which encourages and rewards excellent safety performance.
- *Communication.* We conduct regular safety meetings with the frequent involvement of senior management to establish the appropriate “tone at the top.”
- *Drug and Alcohol Testing.* We require pre-employment drug screening as well as regular random drug testing that exceeds regulatory requirements.
- *Continuous Improvement Programs.* We track key safety performance metrics, including accident rates, violation types and frequencies. We have developed specific targets in these areas and we measure performance against these targets. Specific action plans have been developed for targeted improvement in areas where performance falls below our expectations.
- *Training.* Our training program includes comprehensive new employee orientation and training, annual refresher training and task training components. These training modules are designed to reinforce our high safety expectations. Work rules and procedures are a key element of this training.
- *Accident Investigation.* We have implemented a structured accident investigation procedure that identifies root causes of accidents as well as actions necessary to prevent reoccurrence. We focus on near misses and close calls as a means of attempting to prevent more serious accidents from occurring.
- *Safety Audits.* We conduct periodic safety audits that will include work place examinations, including observation of workers at work, as well as safety program reviews. Both internal and external resources are utilized to conduct these audits.
- *Employee Performance Improvement.* A key element of our safety program is the recognition that safe work practices are a requirement of employment. We have implemented a program which identifies employee performance which is below expectations and develop specific action plans for improvement.
- *Employee Involvement.* We recognize that the key to excellent safety is employee involvement and engagement. We foster direct employee involvement in a number of ways including audit participation, accident investigations, as training resources and through solicitation of ideas in small group meetings and through anonymous workplace observation suggestion boxes.
- *Positive Reinforcement.* We recognize that establishing safety as a core belief is paramount to our safety performance. As a result, we look for opportunities to celebrate accomplishments and to build pride in our operational safety and performance.

Trade Names, Trademarks and Patents

We do not have any registered trademarks or trade names for our products, services or subsidiaries, and we do not believe that any trademark or trade name is material to our business. However, the names of the seams in which we have coal reserves, and attributes thereof, are widely recognized in the metallurgical coal market.

Competition

Our principal domestic competitors include Blackhawk Mining, LLC, Coronado Global Resources, Inc., Corsa Coal Corp, Arch Coal, Inc., Contura Energy, Inc., Warrior Met Coal, Inc., and Mission Coal, LLC. We also compete in international markets directly with domestic companies and with companies that produce coal from one or more foreign countries, such as Australia, Canada, Colombia and South Africa. Many of these coal producers are larger than we are and have greater financial resources and larger reserve bases than we do.

Suppliers

Supplies used in our business include petroleum-based fuels, explosives, tires, conveyance structure, ventilation supplies, lubricants and other raw materials as well as spare parts and other consumables used in the mining process. We use third-party suppliers for a significant portion of our equipment rebuilds and repairs, drilling services and construction. We believe adequate substitute suppliers and contractors are available and we are not dependent on any one supplier or contractor. We continually seek to develop relationships with suppliers and contractors that focus on reducing our costs while improving quality and service.

Environmental and Other Regulatory Matters

Our operations are subject to federal, state, and local laws and regulations, such as those relating to matters such as permitting and licensing, employee health and safety, reclamation and restoration of mining properties, water discharges, air emissions, plant and wildlife protection, the storage, treatment and disposal of wastes, remediation of contaminants, surface subsidence from underground mining and the effects of mining on surface water and groundwater conditions. These environmental laws and regulations include, but are not limited to, SMCRA with respect to coal mining activities and ancillary activities; the Clean Air Act (“CAA”) with respect to air emissions; the Clean Water Act (“CWA”) with respect to water discharges and the permitting of key operational infrastructure such as impoundments; the Resource Conservation and Recovery Act (“RCRA”) with respect to solid and hazardous waste management and disposal, as well as the regulation of underground storage tanks; the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA” or “Superfund”) with respect to releases, threatened releases and remediation of hazardous substances; the Endangered Species Act of 1973 (“ESA”) with respect to threatened and endangered species; and the National Environmental Policy Act of 1969 (“NEPA”) with respect to the evaluation of environmental impacts related to any federally issued permit or license. Many of these federal laws have state and local counterparts which also impose requirements and potential liability on our operations.

Compliance with these laws and regulations may be costly and time-consuming and may delay commencement, continuation or expansion of exploration or production at our facilities. They may also depress demand for our products by imposing more stringent requirements and limits on our customers’ operations. Moreover, these laws are constantly evolving and are becoming increasingly complex and stringent over time. These laws and regulations, particularly new legislative or administrative proposals, or judicial interpretations of existing laws and regulations related to the protection of the environment could result in substantially increased capital, operating and compliance costs. Individually and collectively, these developments could have a material adverse effect on our operations directly and/or indirectly, through our customers’ inability to use our products. Certain implementing regulations for these environmental laws are undergoing revision or have not yet been promulgated. As a result, we cannot always determine the ultimate impact of complying with existing laws and regulations.

Due in part to these extensive and comprehensive regulatory requirements and ever-changing interpretations of these requirements, violations of these laws can occur from time to time in our industry and also in our operations. Expenditures relating to environmental compliance are a major cost consideration for our operations and safety and compliance is a significant factor in mine design, both to meet regulatory requirements and to minimize long-term environmental liabilities. To the extent that these expenditures, as with all costs, are not ultimately reflected in the prices of our products and services, operating results will be reduced.

In addition, our customers are subject to extensive regulation regarding the environmental impacts associated with the combustion or other use of coal, which may affect demand for our coal. Changes in applicable laws or the adoption of new laws relating to energy production, greenhouse gas (“GHG”) emissions and other emissions from use of coal products may cause coal to become a less attractive source of energy, which may adversely affect our mining operations, the cost structure and, the demand for coal. For example, if the GHG emissions rates or caps adopted under the CPP or proposed under its replacement are upheld or a tax on carbon is imposed, the market share of coal as fuel used to generate electricity would be expected to decrease.

We believe that our competitors with operations in the United States are confronted by substantially similar conditions. However, foreign producers and operators may not be subject to similar requirements and may not be required to undertake equivalent costs in or be subject to similar limitations on their operations. As a result, the costs and operating restrictions necessary for compliance with United States environmental laws and regulations may have an adverse effect on our competitive position with regard to those foreign competitors. The specific impact on each competitor may vary depending on a number of factors, including the age and location of its operating facilities, applicable legislation and its production methods.

Surface Mining Control and Reclamation Act

SMCRA establishes operational, reclamation and closure standards for our mining operations and requires that comprehensive environmental protection and reclamation standards be met during the course of and following completion of mining activities. SMCRA also stipulates compliance with many other major environmental statutes, including the CAA, the CWA, the ESA, RCRA and CERCLA. Permits for all mining operations must be obtained from the United States Office of Surface Mining Reclamation and Enforcement (“OSMRE”) or, where state regulatory agencies have adopted federally approved state programs under SMCRA, the appropriate state regulatory authority. Our operations are located in states which have achieved primary jurisdiction for enforcement of SMCRA through approved state programs.

SMCRA imposes a complex set of requirements covering all facets of coal mining. SMCRA regulations govern, among other things, coal prospecting, mine plan development, topsoil or growth medium removal and replacement, disposal of excess spoil and coal refuse, protection of the hydrologic balance, and suitable post mining land uses.

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From time to time, OSMRE will also update its mining regulations under SMCRA. For example, in December 2016, OSMRE finalized a new version of the Stream Protection Rule which was to become effective in January 2017. The rule would have impacted both surface and underground mining operations, as it would have imposed stricter guidelines on conducting coal mining operations, and would have required more extensive baseline data on hydrology, geology and aquatic biology in permit applications. The rule also required the collection of increased pre-mining data about the site of the proposed mining operation and adjacent areas to establish a baseline for evaluation of the impacts of mining and the effectiveness of reclamation associated with returning streams to pre-mining conditions. However, in February 2017, both the House and Senate passed a resolution disapproving of the Stream Protection Rule pursuant to the Congressional Review Act (“CRA”). President Trump signed the resolution on February 16, 2017 and, pursuant to the CRA, the Stream Protection Rule “shall have no force or effect” and cannot be replaced by a similar rule absent future legislation. On November 17, 2017, OSMRE published a Federal Register notice that removed the text of the Stream Protection Rule from the Code of Federal Regulations. Whether Congress will enact future legislation to require a new Stream Protection Rule remains uncertain. The existing rules, or other new SMCRA regulations, could result in additional material costs, obligations and restrictions upon our operations.

Abandoned Mine Lands Fund

SMCRA also imposes a reclamation fee on all current mining operations, the proceeds of which are deposited in the AML Fund, which is used to restore unreclaimed and abandoned mine lands mined before 1977. The current per ton fee is \$0.28 per ton for surface-mined coal and \$0.12 per ton for underground-mined coal. These fees are currently scheduled to be in effect until September 30, 2021. Estimates of our total reclamation and mine-closing liabilities are based upon permit requirements and our experience related to similar activities. If these accruals are insufficient or our liability in a particular year is greater than currently anticipated, our future operating results could be adversely affected.

Mining Permits and Approvals

Numerous governmental permits and approvals are required for mining operations. We are required to prepare and present to federal, state, and local authorities data detailing the effect or impact that any proposed exploration project for production of coal may have upon the environment, the public and our employees. The permitting rules, and the interpretations of these rules, are complex, change frequently, and may be subject to discretionary interpretations by regulators. The requirements imposed by these permits and associated regulations can be costly and time-consuming and may delay commencement or continuation of exploration, production or expansion at our operations. The governing laws, rules, and regulations authorize substantial fines and penalties, including revocation or suspension of mining permits under some circumstances. Monetary sanctions and, in certain circumstances, even criminal sanctions may be imposed for failure to comply with these laws.

Applications for permits and permit renewals at our mining operations are also subject to public comment and potential legal challenges from third parties seeking to prevent a permit from being issued, or to overturn the applicable agency’s grant of the permit. Should our permitting efforts become subject to such challenges, they could delay commencement, continuation or expansion of our mining operations. For example, non-governmental organizations and certain private individuals have submitted comments to the Pennsylvania Department of Environmental Protection asserting that there are deficiencies in our permit application for RAM No. 1 mine. The permit application is administratively complete but has not yet received approval. If such comments lead to a formal challenge to the issuance of these permits, the permits may not be issued in a timely fashion, may involve requirements which restrict our ability to conduct our mining operations or to do so profitably, or may not be issued at all. Any delays, denials, or revocation of these or other similar permits we need to operate could reduce our production and materially adversely impact our cash flow and results of our operations.

In order to obtain mining permits and approvals from state regulatory authorities, mine operators must also submit a reclamation plan for restoring the mined property to its prior condition, productive use or other permitted condition. The conditions of certain permits also require that we obtain surface owner consent if the surface estate has been split from the mineral estate. This requires us to negotiate with third parties for surface access that overlies coal we acquired or intend to acquire. These negotiations can be costly and time-consuming, lasting years in some instances, which can create additional delays in the permitting process. If we cannot successfully negotiate for land access, we could be denied a permit to mine coal we already own.

Finally, we typically submit necessary mining permit applications several months, or even years, before we anticipate mining a new area. However, we cannot control the pace at which the government issues permits needed for new or ongoing operations. For example, the process of obtaining CWA permits can be particularly time-consuming and subject to delays and denials. The EPA also has the authority to veto permits issued by the U.S. Army Corps of Engineers (the “Corps”) under the CWA’s Section 404 program that prohibits the discharge of dredged or fill material into regulated waters without a permit. Even after we obtain the permits that we need to operate, many of the permits must be periodically renewed, or may require modification. There is some risk that not all existing permits will be approved for renewal, or that existing permits will be approved for renewal only upon terms that restrict or limit our operations in ways that may be material.

Financial Assurance

Federal and state laws require a mine operator to secure the performance of its reclamation and lease obligations under SMCRA through the use of surety bonds or other approved forms of financial security for payment of certain long-term obligations, including mine closure or reclamation costs. The changes in the market for coal used to generate electricity in recent years have led to bankruptcies involving prominent coal producers. Several of these companies relied on self-bonding to guarantee their responsibilities under the SMCRA permits including for reclamation. In response to these bankruptcies, OSMRE issued a Policy Advisory in August 2016 to state agencies that are authorized under the SMCRA to implement the act in their states. Certain states, including Virginia, had previously announced that it would no longer accept self-bonding to secure reclamation obligations under the state mining laws. This Policy Advisory is intended to discourage authorized states from approving self-bonding arrangements and may lead to increased demand for other forms of financial assurance, which may strain capacity for those instruments and increase our costs of obtaining and maintaining the amounts of financial assurance needed for our operations. In addition, OSMRE announced in August 2016 that it would initiate a rulemaking under SMCRA to revise the requirements for self-bonding. Individually and collectively, these revised various financial assurance requirements may increase the amount of financial assurance needed and limit the types of acceptable instruments, straining the capacity of the surety markets to meet demand. This may delay the timing for and increase the costs of obtaining the required financial assurance.

We use surety bonds, trusts and letters of credit to provide financial assurance for certain transactions and business activities. Federal and state laws require us to obtain surety bonds to secure payment of certain long-term obligations including mine closure or reclamation costs and other miscellaneous obligations. The bonds are renewable on a yearly basis. Surety bond rates have increased in recent years and the market terms of such bonds have generally become less favorable. Sureties typically require coal producers to post collateral, often having a value equal to 40% or more of the face amount of the bond. As a result, we may be required to provide collateral, letters of credit or other assurances of payment in order to obtain the necessary types and amounts of financial assurance. Under our surety bonding program, we are not currently required to post any letters of credit or other collateral to secure the surety bonds; obtaining letters of credit in lieu of surety bonds could result in a significant cost increase. Moreover, the need to obtain letters of credit may also reduce amounts that we can borrow under any senior secured credit facility for other purposes. If, in the future, we are unable to secure surety bonds for these obligations and are forced to secure letters of credit indefinitely or obtain some other form of financial assurance at too high of a cost, our profitability may be negatively affected.

We intend to maintain a credit profile that eliminates the need to post collateral for our surety bonds. Nonetheless, our surety has the right to demand additional collateral at its discretion.

Some international customers require new suppliers to post performance guarantees during the initial stages of qualifying to become a long-term supplier. To date we have not had to provide a performance guarantee, but it is possible that such a guarantee could be required during 2019.

Mine Safety and Health

The Mine Act and the MINER Act, and regulations issued under these federal statutes, impose stringent health and safety standards on mining operations. The regulations that have been adopted under the Mine Act and the MINER Act are comprehensive and affect numerous aspects of mining operations, including training of mine personnel, mining procedures, roof control, ventilation, blasting, use and maintenance of mining equipment, dust and noise control, communications, emergency response procedures, and other matters. MSHA regularly inspects mines to ensure compliance with regulations promulgated under the Mine Act and MINER Act.

From time to time MSHA will also publish new regulations imposing additional requirements and costs on our operations. For example, MSHA implemented a rule in August 2014 to lower miners' exposure to respirable coal mine dust. The rule requires shift dust to be monitored and reduces the respirable dust standard for designated occupants and miners. MSHA also finalized a new rule in January 2015 on proximity detection systems for continuous mining machines, which requires underground coal mine operators to equip continuous mining machines, except full-face continuous mining machines, with proximity detection systems.

Pennsylvania, West Virginia, and Virginia all have similar programs for mine safety and health regulation and enforcement. The various requirements mandated by federal and state statutes, rules, and regulations place restrictions on our methods of operation and result in fees and civil penalties for violations of such requirements or criminal liability for the knowing violation of such standards, significantly impacting operating costs and productivity.

The regulations enacted under the Mine Act and MINER Act as well as under similar state acts are routinely expanded or made more stringent, raising compliance costs and increasing potential liability. Our compliance with current or future mine health and safety regulations could increase our mining costs. At this time, it is not possible to predict the full effect that new or proposed statutes, regulations and policies will have on our operating costs, but any expansion of existing regulations, or making such regulations more stringent may have a negative impact on the profitability of our operations. If we were to be found in violation of mine safety and health regulations, we could face penalties or restrictions that may materially and adversely impact our operations, financial results and liquidity.

In addition, government inspectors have the authority to issue orders to shut down our operations based on safety considerations under certain circumstances, such as imminent dangers, accidents, failures to abate violations, and unwarrantable failures to comply with mandatory safety standards. If an incident were to occur at one of our operations, it could be shut down for an extended period of time, and our reputation with prospective customers could be materially damaged. Moreover, if one of our operations is issued a notice of pattern of violations, then MSHA can issue an order withdrawing the miners from the area affected by any enforcement action during each subsequent significant and substantial ("S&S") citation until the S&S citation or order is abated. In 2013 MSHA modified the pattern of violations regulation, allowing, among other things, the use of non-final citations and orders in determining whether a pattern of violations exists at a mine.

Workers' Compensation and Black Lung

We are insured for workers' compensation benefits for work related injuries that occur within our United States operations. We retain first-dollar coverage for all of our subsidiaries and are insured for the statutory limits. Workers' compensation liabilities, including those related to claims incurred but not reported, are recorded principally using annual valuations based on discounted future expected payments using historical data of the operating subsidiary or combined insurance industry data when historical data is limited. State workers' compensation acts typically provide for an exception to an employer's immunity from civil lawsuits for workplace injuries in the case of intentional torts. However, West Virginia's workers' compensation act provides a much broader exception to workers' compensation immunity. The exception allows an injured employee to recover against his or her employer where he or she can show damages caused by an unsafe working condition of which the employer was aware that was a violation of a statute, regulation, rule or consensus industry standard. These types of lawsuits are not uncommon and could have a significant impact on our operating costs.

In addition, we obtained from a third-party insurer a workers' compensation insurance policy, which includes coverage for medical and disability benefits for black lung disease under the Federal Coal Mine Health and Safety Act of 1969 and the Mine Act, as amended. Under the Black Lung Benefits Revenue Act of 1977 and the Black Lung Benefits Reform Act of 1977, as amended in 1981, each coal mine operator must pay federal black lung benefits to claimants who are current and former employees and also make payments to a trust fund for the payment of benefits and medical expenses to claimants who last worked in the coal industry prior to January 1, 1970.

The Patient Protection and Affordable Care Act includes significant changes to the federal black lung program including an automatic survivor benefit paid upon the death of a miner with an awarded black lung claim and the establishment of a rebuttable presumption with regard to pneumoconiosis among miners with 15 or more years of coal mine employment that are totally disabled by a respiratory condition. These changes could have a material impact on our costs expended in association with the federal black lung program. In addition to possibly incurring liability under federal statutes, we may also be liable under state laws for black lung claims.

Clean Air Act

The CAA and comparable state laws that regulate air emissions affect coal mining operations both directly and indirectly. Direct impacts on coal mining and processing operations include CAA permitting requirements and emission control requirements relating to air pollutants, including particulate matter such as fugitive dust. The CAA indirectly affects coal mining operations by extensively regulating the emissions of particulate matter, sulfur dioxide, nitrogen oxides, mercury and other compounds emitted by coal-fired power plants. In addition to the GHG issues discussed below, the air emissions programs that may materially and adversely affect our operations, financial results, liquidity, and demand for our coal, directly or indirectly, include, but are not limited to, the following:

- *Clean Air Interstate Rule and Cross-State Air Pollution Rule.* The Clean Air Interstate Rule ("CAIR") calls for power plants in 28 states and the District of Columbia to reduce emission levels of sulfur dioxide and nitrogen oxide pursuant to a cap-and-trade program similar to the system now in effect for acid rain. In June 2011, the EPA finalized the Cross-State Air Pollution Rule ("CSAPR"), a replacement rule to CAIR, which requires 28 states in the Midwest and eastern seaboard of the U.S. to reduce power plant emissions that cross state lines and contribute to ozone and/or fine particle pollution in other states. Following litigation over the rule, the EPA issued an interim final rule reconciling the CSAPR rule with a court order, which calls for Phase 1 implementation of CSAPR in 2015 and Phase 2 implementation in 2017. In September 2016, the EPA finalized an update to CSAPR for the 2008 ozone NAAQS by issuing the final CSAPR Update. Beginning in May 2017, the CSAPR Update further limited summertime (May-September) nitrogen oxide emissions from power plants in 22 states in the eastern United States. For states to meet their requirements under CSAPR, a number of coal-fired electric generating units will likely need to be retired, rather than retrofitted with the necessary emission control technologies, reducing demand for thermal coal. However, the practical impact of CSAPR may be limited because utilities in the U.S. have continued to take steps to comply with CAIR, which requires similar power plant emissions reductions, and because utilities are preparing to comply with the Mercury and Air Toxics Standards ("MATS") regulations, which require overlapping power plant emissions reductions.

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- *Acid Rain.* Title IV of the CAA requires reductions of sulfur dioxide emissions by electric utilities and applies to all coal-fired power plants generating greater than 25 Megawatts of power. Affected power plants have sought to reduce sulfur dioxide emissions by switching to lower sulfur fuels, installing pollution control devices, reducing electricity generating levels or purchasing or trading sulfur dioxide emission allowances. These reductions could impact our customers in the electric generation industry. These requirements are not supplanted by CSAPR.
- *NAAQS for Criterion Pollutants.* The CAA requires the EPA to set standards, referred to as NAAQS, for six common air pollutants: carbon monoxide, nitrogen dioxide, lead, ozone, particulate matter and sulfur dioxide. Areas that are not in compliance (referred to as non-attainment areas) with these standards must take steps to reduce emissions levels. The EPA has adopted more stringent NAAQS for nitrogen oxide, sulfur dioxide, particulate matter and ozone. As a result, some states will be required to amend their existing individual state implementation plans (“SIPs”) to achieve compliance with the new air quality standards. Other states will be required to develop new plans for areas that were previously in “attainment,” but do not meet the revised standards. For example, in October 2015, the EPA finalized the NAAQS for ozone pollution and reduced the limit to 70 parts per billion (ppb) from the previous 75 ppb standard. Under the revised ozone NAAQS, significant additional emissions control expenditures may be required at coal-fired power plants. The final rules and new standards may impose additional emissions control requirements on our customers in the electric generation, steelmaking, and coke industries. Because coal mining operations emit particulate matter and sulfur dioxide, our mining operations could be affected when the new standards are implemented by the states.
- *Nitrogen Oxide SIP Call.* The nitrogen oxide SIP Call program was established by the EPA in October 1998 to reduce the transport of nitrogen oxide and ozone on prevailing winds from the Midwest and South to states in the Northeast, which alleged that they could not meet federal air quality standards because of migrating pollution. The program is designed to reduce nitrogen oxide emissions by one million tons per year in 22 eastern states and the District of Columbia. As a result of the program, many power plants have been or will be required to install additional emission control measures, such as selective catalytic reduction devices. Installation of additional emission control measures will make it more costly to operate coal-fired power plants, potentially making coal a less attractive fuel.
- *Mercury and Hazardous Air Pollutants.* In February 2012, the EPA formally adopted the MATS rule to regulate emissions of mercury and other metals, fine particulates, and acid gases such as hydrogen chloride from coal- and oil-fired power plants. Following a legal challenge to MATS, the EPA issued a new determination in April 2016 that it is appropriate and necessary to regulate these pollutants from power plants. In December 2018, the EPA proposed a rule that would reverse its determination that it is appropriate and necessary to regulate these pollutants. However, as proposed, this rule would not alter or eliminate the emissions standards established by the MATS rule. Like CSAPR, MATS and other similar future regulations could accelerate the retirement of a significant number of coal-fired power plants. Such retirements would likely adversely impact our business.

Global Climate Change

Climate change continues to attract considerable public and scientific attention. There is widespread concern about the contributions of human activity to such changes, especially through the emission of GHGs. There are three primary sources of GHGs associated with the coal industry. First, the end use of our coal by our customers in electricity generation, coke plants, and steelmaking is a source of GHGs. Second, combustion of fuel by equipment used in coal production and to transport our coal to our customers is a source of GHGs. Third, coal mining itself can release methane, which is considered to be a more potent GHG than CO₂, directly into the atmosphere. These emissions from coal consumption, transportation and production are subject to pending and proposed regulation as part of initiatives to address global climate change.

As a result, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of GHGs. Collectively, these initiatives could result in higher electric costs to our customers or lower the demand for coal used in electric generation, which could in turn adversely impact our business.

At present, we are principally focused on metallurgical coal production, which is not used in connection with the production of power generation. However, we may seek to sell greater amounts of our coal into the power-generation market in the future. The market for our coal may be adversely impacted if comprehensive legislation or regulations focusing on GHG emission reductions are adopted, or if our customers are unable to obtain financing for their operations.

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At the international level, President Obama announced in November 2014 that the United States would seek to cut net GHG emissions 26-28 percent below 2005 levels by 2025 in return for China's commitment to seek to peak emissions around 2030, with concurrent increases in renewable energy. In addition, the United Nations Conference on Climate Change created the Paris Agreement in December 2015. This agreement has been ratified by more than 70 countries, and entered into force in November 2016. Although this agreement does not create any binding obligations for nations to limit their GHG emissions, it does include pledges to voluntarily limit or reduce future emissions. The United States signed the agreement in April 2016; however, in June 2017, President Trump stated that the United States would withdraw from the Paris Agreement, but may enter into a future international agreement related to GHGs. Pursuant to the terms of the Paris Agreement, the earliest date the United States can withdraw is November 2020.

At the federal level, no comprehensive climate change legislation has been implemented to date. The EPA has, however, determined that emissions of GHGs present an endangerment to public health and the environment, because emissions of GHGs are, according to the EPA, contributing to the warming of the earth's atmosphere and other climatic changes. Based on these findings, the EPA has begun adopting and implementing regulations to restrict emissions of GHGs under existing provisions of the CAA. For example, in August 2015, EPA finalized the CPP to cut carbon emissions from existing power plants. The CPP creates individualized emission guidelines for states to follow, and requires each state to develop an implementation plan to meet the individual state's specific targets for reducing GHG emissions. The EPA also proposed a federal compliance plan to implement the CPP in the event that a state does not submit an approvable plan to the EPA. In February 2016, the U.S. Supreme Court granted a stay of the implementation of the CPP. This stay suspends the rule and will remain in effect until the completion of the appeals process. The Supreme Court's stay only applies to EPA's regulations for CO2 emissions from existing power plants and will not affect EPA's standards for new power plants. In March 2017, President Trump directed the EPA to review the CPP and related rules and actions for consistency with the new administration's policy objectives. Pursuant to this direction, the EPA proposed a rulemaking in October 2017 that would withdraw the CPP. On December 18, 2017, EPA issued an advance notice of proposed rulemaking (ANPRM) to announce it is considering new emission guidelines to replace the CPP and is soliciting information on how best to implement such regulations. On August 31, 2018, EPA proposed a rule that would replace the CPP with a new rule titled the Affordable Clean Energy ("ACE") Rule. Although the ACE rule moves away from the individualized emission guidelines of the CPP, it would still require states to set appropriate GHG emission standards for power plants within their jurisdiction based upon the application of "candidate" heat rate improvement measures. If the CPP is ultimately upheld, and depending on how it is implemented by the states, it could have an adverse impact on the demand for coal for electric generation. Similarly, if EPA chooses to promulgate new emissions limitations to replace the CPP, such as the ACE rule, these could also have an adverse impact on the demand for coal for electric generation.

At the state level, several states have already adopted measures requiring GHG emissions to be reduced within state boundaries, including cap-and-trade programs and the imposition of renewable energy portfolio standards. Various states and regions have also adopted GHG initiatives and certain governmental bodies, have imposed, or are considering the imposition of, fees or taxes based on the emission of GHGs by certain facilities. A number of states have also enacted legislative mandates requiring electricity suppliers to use renewable energy sources to generate a certain percentage of power.

The uncertainty over the outcome of litigation challenging the CPP and the extent of future regulation of GHG emissions may inhibit utilities from investing in the building of new coal-fired plants to replace older plants or investing in the upgrading of existing coal-fired plants. Any reduction in the amount of coal consumed by electric power generators as a result of actual or potential regulation of GHG emissions could decrease demand for our coal, thereby reducing our revenues and materially and adversely affecting our business and results of operations. We or prospective customers may also have to invest in CO2 capture and storage technologies in order to burn coal and comply with future GHG emission standards.

Finally, there have been attempts to encourage greater regulation of coalbed methane because methane has a greater GHG effect than CO2. Methane from coal mines can give rise to safety concerns, and may require that various measures be taken to mitigate those risks. If new laws or regulations were introduced to reduce coalbed methane emissions, those rules could adversely affect our costs of operations by requiring installation of air pollution controls, higher taxes, or costs incurred to purchase credits that permit us to continue operations.

Clean Water Act

The CWA and corresponding state laws and regulations affect coal mining operations by restricting the discharge of pollutants, including dredged or fill materials, into waters of the United States. Likewise, permits are required under the CWA to construct impoundments, fills or other structure in areas that are designated as waters of the United States. The CWA provisions and associated state and federal regulations are complex and subject to amendments, legal challenges and changes in implementation. Recent court decisions, regulatory actions and proposed legislation have created uncertainty over CWA jurisdiction and permitting requirements.

Prior to discharging any pollutants into waters of the United States, coal mining companies must obtain a National Pollutant Discharge Elimination System ("NPDES") permit from the appropriate state or federal permitting authority. NPDES permits include effluent limitations for discharged pollutants and other terms and conditions, including required monitoring of discharges. Failure to comply with the CWA or NPDES permits can lead to the imposition of significant penalties, litigation, compliance costs and delays in coal production. Changes and proposed changes in state and federally recommended water quality standards may result in the issuance or modification of permits with new or more stringent effluent limits or terms and conditions.

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For instance, waters that states have designated as impaired (i.e., as not meeting present water quality standards) are subject to Total Maximum Daily Load regulations, which may lead to the adoption of more stringent discharge standards for our coal mines and could require more costly treatment. Likewise, the water quality of certain receiving streams requires an anti-degradation review before approving any discharge permits. TMDL regulations and anti-degradation policies may increase the cost, time and difficulty associated with obtaining and complying with NPDES permits.

In addition, in certain circumstances private citizens may challenge alleged violations of NPDES permit limits in court. Recently, certain citizen groups have filed lawsuits alleging ongoing discharges of pollutants, including selenium and conductance, from valley fills located at certain mining sites in some of the regions where we operate. In West Virginia, several of these cases have been successful for the challengers. While it is difficult to predict the outcome of any potential or future suits, such litigation could result in increased compliance costs following the completion of mining at our operations.

Finally, in June 2015, the EPA and the Corps published a new definition of “waters of the United States” (“WOTUS”) that became effective on August 28, 2015. We anticipate that the WOTUS rules, if upheld in litigation and by the EPA, will expand areas requiring NPDES or Corps Section 404 permits. Many groups have filed suit to challenge the validity of this rule. In October 2015, the U.S. Court of Appeals for the Sixth Circuit had stayed the rule nationwide pending the outcome of this litigation. In January 2018, the U.S. Supreme Court ruled that only U.S. district courts have jurisdiction to hear challenges to that rule. As a result of that ruling, the Sixth Circuit dissolved its nationwide stay of the WOTUS rules on February 28, 2018. However, on February 6, 2018, the EPA and the U.S. Army Corps of Engineers published a final rule extending the applicability date of the 2015 Clean Water Rule to February 6, 2020. This change prevented the WOTUS rules from immediately coming back into effect after the stay was lifted. However, the February 2018 delay rule is subject to pending judicial challenges in multiple federal district courts. Furthermore, in February 2017, President Trump issued an Executive Order directing the EPA to review and revise or rescind the WOTUS rule. On June 27, 2017, EPA proposed a rulemaking that would implement this directive by rescinding the 2015 rulemaking and re-codifying the definition in place prior to 2015. In December 2018, EPA and the Army Corps of Engineers issued a proposed rule that, if finalized, would narrow the scope of their jurisdiction. To the extent that the outcome of the pending litigation or any future rules expand the scope of the Clean Water Act's jurisdiction, the CWA permits our lessees need may not be issued, may not be issued in a timely fashion, or may be issued with new requirements which restrict our lessees' ability to conduct their mining operations or to do so profitably.

Resource Conservation and Recovery Act

RCRA and corresponding state laws establish standards for the management of solid and hazardous wastes generated at our various facilities. Besides affecting current waste disposal practices, RCRA also addresses the environmental effects of certain past hazardous waste treatment, storage and disposal practices. In addition, RCRA requires certain of our facilities to evaluate and respond to any past release, or threatened release, of a hazardous substance that may pose a risk to human health or the environment.

RCRA may affect coal mining operations by establishing requirements for the proper management, handling, transportation and disposal of solid and hazardous wastes. Currently, certain coal mine wastes, such as earth and rock covering a mineral deposit (commonly referred to as overburden) and coal cleaning wastes, are exempted from hazardous waste management under RCRA. Any change or reclassification of this exemption could significantly increase our coal mining costs.

EPA began regulating coal ash as a solid waste under Subtitle D of RCRA in 2015. The EPA's rule requires closure of sites that fail to meet prescribed engineering standards, regular inspections of impoundments, and immediate remediation and closure of unlined ponds that are polluting ground water. The rule also establishes limits for the location of new sites. As initially promulgated, the rule provided an exemption for closed coal ash impoundments located at inactive facilities and also allowed for the continued operation of unlined or clay-lined ponds that were not polluting groundwater. However, the U.S. Court of Appeals for the D.C. Circuit vacated these provisions of the rule in August 2018. In December 2016, Congress passed the Water Infrastructure Improvements for the Nation Act, which provides for the establishment of state and EPA permit programs for the control of coal combustion residuals and authorizes states to incorporate EPA's final rule for coal combustion residuals or develop other criteria that are at least as protective as the final rule. These requirements, as well as any future changes in the management of coal combustion residues, could increase our customers' operating costs and potentially reduce their ability or need to purchase coal. In addition, contamination caused by the past disposal of coal combustion residues, including coal ash, could lead to material liability for our customers under RCRA or other federal or state laws and potentially further reduce the demand for coal.

Comprehensive Environmental Response, Compensation and Liability Act

CERCLA and similar state laws affect coal mining operations by, among other things, imposing cleanup requirements for threatened or actual releases of hazardous substances into the environment. Under CERCLA and similar state laws, joint and several liability may be imposed on hazardous substance generators, site owners, transporters, lessees and others regardless of fault or the legality of the original disposal activity. Although the EPA excludes most wastes generated by coal mining and processing operations from the primary hazardous waste laws, such wastes can, in certain circumstances, constitute hazardous substances for the purposes of CERCLA. In addition, the disposal, release or spilling of some products used by coal companies in operations, such as chemicals, could trigger the liability provisions of CERCLA or similar state laws. Thus, we may be subject to liability under CERCLA and similar state laws for coal mines that we currently own, lease or operate or that we or our predecessors have previously owned, leased or operated, and sites to which we or our predecessors sent hazardous substances. These liabilities could be significant and materially and adversely impact our financial results and liquidity.

Endangered Species and Bald and Golden Eagle Protection Acts

The ESA and similar state legislation protect species designated as threatened, endangered or other special status. The U.S. Fish and Wildlife Service (the "USFWS") works closely with the OSMRE and state regulatory agencies to ensure that species subject to the ESA are protected from mining-related impacts. Several species indigenous to the areas in which we operate area protected under the ESA. Other species in the vicinity of our operations may have their listing status reviewed in the future and could also become protected under the ESA. In addition, the USFWS has identified bald eagle habitat in some of the counties where we operate. The Bald and Golden Eagle Protection Act prohibits taking certain actions that would harm bald or golden eagles without obtaining a permit from the USFWS. Compliance with the requirements of the ESA and the Bald and Golden Eagle Protection Act could have the effect of prohibiting or delaying us from obtaining mining permits. These requirements may also include restrictions on timber harvesting, road building and other mining or agricultural activities in areas containing the affected species or their habitats.

Use of Explosives

Our surface mining operations are subject to numerous regulations relating to blasting activities. Due to these regulations, we will incur costs to design and implement blast schedules and to conduct pre-blast surveys and blast monitoring. In addition, the storage of explosives is subject to various regulatory requirements. For example, pursuant to a rule issued by the Department of Homeland Security in 2007, facilities in possession of chemicals of interest (including ammonium nitrate at certain threshold levels) are required to complete a screening review. Our mines are low risk, Tier 4 facilities which are not subject to additional security plans. In 2008, the Department of Homeland Security proposed regulation of ammonium nitrate under the ammonium nitrate security rule. Additional requirements may include tracking and verifications for each transaction related to ammonium nitrate, though a final rule has yet to be issued. Finally, in December 2014, the OSMRE announced its decision to pursue a rulemaking to revise regulations under SMCRA which will address all blast generated fumes and toxic gases. OSMRE has not yet issued a proposed rule to address these blasts. The outcome of these rulemakings could materially adversely impact our cost or ability to conduct our mining operations.

National Environmental Policy Act

NEPA requires federal agencies, including the Department of Interior, to evaluate major agency actions that have the potential to significantly impact the environment, such as issuing a permit or other approval. In the course of such evaluations, an agency will typically prepare an environmental assessment to determine the potential direct, indirect and cumulative impacts of a proposed project. Where the activities in question have significant impacts to the environment, the agency must prepare an environmental impact statement. Compliance with NEPA can be time-consuming and may result in the imposition of mitigation measures that could affect the amount of coal that we are able to produce from mines on federal lands, and may require public comment. Furthermore, whether agencies have complied with NEPA is subject to protest, appeal or litigation, which can delay or halt projects. The NEPA review process, including potential disputes regarding the level of evaluation required for climate change impacts, may extend the time and/or increase the costs and difficulty of obtaining necessary governmental approvals, and may lead to litigation regarding the adequacy of the NEPA analysis, which could delay or potentially preclude the issuance of approvals or grant of leases.

In 2016, the Council on Environmental Quality released guidance discussing how federal agencies should consider the effects of GHG emissions and climate change in their NEPA evaluations. The guidance encourages agencies to provide more detailed discussion of the direct, indirect, and cumulative impacts of a proposed action's reasonably foreseeable emissions and effects. This guidance could create additional delays and costs in the NEPA review process or in our operations, or even an inability to obtain necessary federal approvals for our operations due to the increased risk of legal challenges from environmental groups seeking additional analysis of climate impacts.

Other Environmental Laws

We are required to comply with numerous other federal, state, and local environmental laws and regulations in addition to those previously discussed. These additional laws include but are not limited to the Safe Drinking Water Act, the Toxic Substances Control Act, and the Emergency Planning and Community Right-to-Know Act. Each of these laws can impact permitting or planned operations and can result in additional costs or operational delays.

Seasonality

Our primary business is not materially impacted by seasonal fluctuations. Demand for metallurgical coal is generally more heavily influenced by other factors such as the general economy, interest rates and commodity prices.

Employees

We had 349 employees as of December 31, 2018, including our named executive officers. We also depend on experienced contractors and third-party industry consultants to conduct some of our day-to-day activities. We plan to continue to use the services of many of these contractors and consultants.

Jumpstart Our Business Startups Act (“JOBS Act”)

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act (the “JOBS Act”). For as long as we are an emerging growth company, unlike public companies that are not emerging growth companies under the JOBS Act, we will not be required to:

- provide an auditor’s attestation report on management’s assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002;
- comply with any new requirements adopted by the Public Company Accounting Oversight Board (the “PCAOB”) requiring mandatory audit firm rotation or a supplement to the auditor’s report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer;
- provide certain disclosure regarding executive compensation required of larger public companies or hold stockholder advisory votes on the executive compensation required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”); or
- obtain stockholder approval of any golden parachute payments not previously approved.

We will cease to be an emerging growth company upon the earliest of:

- the last day of the fiscal year in which we have \$1.07 billion or more in annual revenues;
- the date on which we become a “large accelerated filer” (the fiscal year-end on which the total market value of our common equity securities held by non-affiliates is \$700 million or more as of our most recently completed second fiscal quarter);
- the date on which we issue more than \$1.0 billion of non-convertible debt over a three-year period; or
- the last day of the fiscal year following the fifth anniversary of our initial public offering.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the “Securities Act”), for complying with new or revised accounting standards, but we irrevocably opted out of the extended transition period and, as a result, we adopt new or revised accounting standards on the relevant dates in which adoption of such standards is required for other public companies.

Available Information

Our investor relations website is ir.ramacoresources.com and we encourage investors to use it as a way of easily finding information about us. We promptly make available on this website, free of charge, the reports that we file or furnish with the Securities and Exchange Commission (“SEC”), corporate governance information (including our Code of Conduct and Ethics) and press releases. Our filings with the SEC are also available to the public from commercial document retrieval services and at the SEC’s website at <http://www.sec.gov>.

Item 1A. Risk Factors

Please carefully consider the following risk factors. If any of the following risks were to occur, our business, financial condition, operating results, and cash flows could be materially adversely affected. In addition, the current global economic climate amplifies many of these risks.

Risks Related to Our Business

Our properties have not yet been fully developed into producing coal mines and, if we experience any development delays or cost increases or are unable to complete the construction of our facilities, our business, financial condition and results of operations could be adversely affected.

We have not completed development plans for all of our coal properties, and do not expect to have full annual production from all of our properties until 2022. We expect to incur significant capital expenditures until we have completed the development of our properties. In addition, the development of our properties involves numerous regulatory, environmental, political and legal uncertainties that are beyond our control and that may cause delays in, or increase the costs associated with, their completion. Accordingly, we may not be able to complete the development of the properties on schedule, at the budgeted cost or at all, and any delays beyond the expected development periods or increased costs above those expected to be incurred could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our stockholders.

In connection with the development of our properties, we may encounter unexpected difficulties, including the following:

- shortages of materials or delays in delivery of materials;
- unexpected operational events;
- facility or equipment malfunctions or breakdowns;
- unusual or unexpected adverse geological conditions;
- cost overruns;
- failure to obtain, or delays in obtaining, all necessary governmental and third-party rights-of-way, easements, permits, licenses and approvals for the development, construction and operation of one or more of our properties, including the permits still required at our RAM Mine project;
- weather conditions and other catastrophes, such as explosions, structural failures, fires, floods and accidents;
- difficulties in attracting a sufficient skilled and unskilled workforce, increases in the level of labor costs and the existence of any labor disputes; and
- local and general economic and infrastructure conditions.

If we are unable to complete or are substantially delayed in completing the development of any of our properties, our business, financial condition, results of operations cash flows and ability to pay dividends to our stockholders could be adversely affected.

Because we have a limited operating history, you may have difficulty evaluating our ability to successfully implement our business strategy.

Because of our limited operating history, the operating performance of our properties and our business strategy has not yet been proven. Therefore, it may be difficult for you to evaluate our business and results of operations to date and assess our future prospects.

In addition, we may encounter risks and difficulties experienced by companies whose performance is dependent upon newly-constructed assets, such as any one of our properties failing to perform as expected, having higher than expected operating costs, having lower than expected customer revenues, or suffering equipment breakdown, failures or operational errors. We may be less successful in achieving a consistent operating level capable of generating cash flows from our operations as compared to a company whose major assets have had longer operating histories. In addition, we may be less equipped to identify and address operating risks and hazards in the conduct of our business than those companies whose major assets have had longer operating histories.

We have a limited operating history and our future performance is uncertain.

We commenced initial production in late December 2016 at one of our properties, and commercial production in January 2017, at which time we began to generate revenue from production. In 2016 and 2017, we incurred substantial net losses and negative cash flows from operating activities, but in 2018 we transitioned to a profitable company generating positive net income. Nevertheless, we continue development activities at a number of our current and planned mines. We face challenges and uncertainties in financial planning as a result of the unavailability of historical data and uncertainties regarding the nature, scope and results of our future activities. New companies must develop successful business relationships, establish operating procedures, hire staff, install management information and other systems, establish facilities and obtain licenses, as well as take other measures necessary to conduct their intended business activities. We may not be successful in implementing our business strategies or in completing the development of the infrastructure necessary to conduct our business as planned. In the event that one or more of our mine development programs are not completed or are delayed or terminated, our operating results will be adversely affected and our operations will differ materially from the activities described in this annual report. As a result of industry factors or factors relating specifically to us, we may have to change our methods of conducting business, which may cause a material adverse effect on our results of operations, financial condition and ability to pay dividends to our stockholders.

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Our Elk Creek preparation plant was idled as a result of a structural failure to a coal storage silo. If the preparation plant does not return to pre-silo-failure levels in a timely manner, our business, results of operations, financial condition, cash flows and ability to pay dividends to our stockholders could be adversely affected.

On November 5, 2018, one of our three raw coal storage silos that feed our Elk Creek plant in West Virginia experienced a partial structural failure, which included various components internal to the silo. Our personnel idled the preparation plant and placed a safety zone around the areas that could potentially be impacted from a more severe failure. The preparation plant resumed operations on November 30, 2018 with the installation and commissioning of a temporary conveying system. The temporary conveying system allows us to bypass the damaged raw coal storage silo, which has been demolished, and allowed for the immediate processing and shipping of coal, subject to rail availability. Using this temporary bypass system, we processed and shipped, at 80% of the entire plant capacity, through the Elk Creek plant throughout December 2018.

In February 2019, we completed the fabrication of a higher capacity bypass system to provide a secondary conveyance system, which operates at greater than 80% of capacity with increased reliability compared to the initial bypass system. We anticipate completion of the rehabilitation work to the two remaining silos in the second quarter of 2019, at which time we expect the prep plant to return to full processing capacity.

In addition, we issued force majeure notices to certain of our customers as a result of the incident. The force majeure notices sent regarding the silo failure have been accepted or resolved. Certain of the customers impacted by the force majeure declaration were fully satisfied in 2018 while certain other remaining customers accepted deferred shipments in 2019 with their original contacted prices. No material financial impact based on sales was incurred by us pursuant to these force majeure notices.

Finally, we maintain insurance policies for a number of risks and hazards, including this incident; however, our insurance carrier has disputed our claim for coverage based on certain exclusions to the applicable policy. We are still evaluating whether we will be fully insured against all losses or liabilities that could arise from this incident. If losses or liabilities from the incident are not fully covered by insurance, this could have an adverse effect on our business and financial condition.

We could fail to retain customers or gain new ones.

The failure to obtain additional customers or the loss of all or a portion of the revenues attributable to any customer as a result of competition, creditworthiness, inability to negotiate extensions or replacement of contracts or otherwise, could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our stockholders.

Our customer base is highly dependent on the steel industry.

Substantially all of the metallurgical coal that we produce is sold to steel producers. Therefore, demand for our metallurgical coal is highly correlated to the steel industry. The steel industry's demand for metallurgical coal is affected by a number of factors including the cyclical nature of that industry's business, technological developments in the steel-making process and the availability of substitutes for steel such as aluminum, composites and plastics. A significant reduction in the demand for steel products would reduce the demand for metallurgical coal, which would have a material adverse effect on our business, financial condition, cash flows and results of operations. Similarly, if less expensive ingredients could be used in substitution for metallurgical coal in the integrated steel mill process, the demand for metallurgical coal would materially decrease, which would also materially adversely affect demand for our metallurgical coal. On March 8, 2018, President Trump signed proclamations imposing a 25 percent tariff on imports of steel mill products and a 10 percent tariff on imports of wrought and unwrought aluminum. While the steel tariffs appear to have had little impact on coal pricing or demand to date, longer term implications for coal markets and the global economy as a whole remain less certain. Our export customers include foreign steel producers who may be affected by the tariffs to the extent their production is imported into the U.S. Conversely, demand for metallurgical coal from our domestic customers may increase. Retaliatory threats by foreign nations to these tariffs may limit international trade and adversely impact global economic conditions.

We do not enter into long-term sales contracts for our coal and as a result we are exposed to fluctuations in market pricing.

Sales commitments in the metallurgical coal market are typically not long-term in nature and are generally no longer than one year in duration. Most metallurgical coal transactions in the U.S. are done on a calendar year basis, where both prices and volumes are fixed in the third and fourth quarter for the following calendar year. Globally the market is evolving to shorter term pricing. Some annual contracts have shifted to quarterly contracts and most volumes are being sold on an indexed basis, where prices are determined by averaging the leading spot indexes reported in the market and adjusting for quality. As a result, we are subject to fluctuations in market pricing. We are not protected from oversupply or market conditions where we cannot sell our coal at economic prices. Metallurgical coal has been an extremely volatile commodity over the past ten years and prices may become volatile again in the future. There can be no assurances we will be able to mitigate such conditions as they arise. Any sustained failure to be able to market our coal during such periods would have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our stockholders.

The failure to access coal preparation facilities may have a material adverse effect on our ability to produce coal for our prospective customers and to meet quality specifications.

The costs of establishing the infrastructure necessary to enable us to continue to ramp up our mining operations will be significant. We have constructed preparation and loading facilities at our Elk Creek mining complex. Our Berwind mine will remain under development until we reach our targeted coal reserves in the Pocahontas No. 4 seam. That coal is currently, and is planned to continue to be, washed at our active Knox Creek plant. At our RAM Mine, we may require access to either newly constructed preparation and loading facilities or arrangements with third parties to process and load our coal. Alternatively we may mine the coal in a manner that allows us to ship the coal direct without washing. We will analyze whether to expend capital to construct preparation facilities or enter into third-party processing arrangements. Our failure to provide the necessary preparation, processing and loading facilities for our projects would have a material adverse effect on our operations.

The risks associated with the construction and operation of mines, processing plants and related infrastructure include:

- the potential lack of availability or cost of skilled and unskilled labor, equipment and principal supplies needed for construction of facilities;
- the need to obtain necessary environmental and other governmental approvals and permits and the timing of the receipt of those approvals and permits;
- industrial accidents;
- geologic mine failures, surface facility construction failures or mining, coal processing or transport equipment failures;
- structural failure of an impoundment or refuse area;
- natural phenomena such as inclement weather conditions, floods, droughts, rock slides and seismic activity;
- unusual or unexpected geological and metallurgic conditions;
- potential opposition from non-governmental organizations, environmental groups or other activists, which may delay or prevent development activities; and
- restrictions or regulations imposed by governmental or regulatory authorities.

The costs, timing and complexities of developing our projects may be greater than anticipated. Cost estimates may increase significantly as more detailed engineering work is completed on a project. It is common in mining operations to experience unexpected costs, problems and delays during construction, development and mine start-up. Accordingly, we cannot provide assurance that we will be able to attain profitability on the currently anticipated time frames.

Product alternatives may reduce demand for our products.

Substantially all of our coal production is comprised of metallurgical coal, which commands a significant price premium over the majority of other forms of coal because of its use in blast furnaces for steel production. Metallurgical coal has specific physical and chemical properties, which are necessary for efficient blast furnace operation. Steel producers are continually investigating alternative steel production technologies with a view to reducing production costs. The steel industry has increased utilization of electric arc furnaces or pulverized coal injection processes, which reduce or eliminate the use of furnace coke, an intermediate product produced from metallurgical coal and, in turn, generally decreases the demand for metallurgical coal. Many alternative technologies are designed to use lower quality coals or other sources of carbon instead of higher cost high-quality metallurgical coal. While conventional blast furnace technology has been the most economic large-scale steel production technology for a number of years, and emergent technologies typically take many years to commercialize, there can be no assurance that over the longer-term competitive technologies not reliant on metallurgical coal would not emerge, which could reduce the demand and price premiums for metallurgical coal.

Moreover, we may produce and market other coal products, such as thermal coal, which are also subject to alternative competition. Alternative technologies are continually being investigated and developed in order to reduce production costs or minimize environmental or social impact. If competitive technologies emerge that use other materials in place of our products, demand and price for our products might fall.

We face uncertainties in estimating our economically recoverable coal reserves, and inaccuracies in our estimates could result in lower than expected revenues, higher than expected costs and decreased profitability.

Coal is economically recoverable when the price at which coal can be sold exceeds the costs and expenses of mining and selling the coal. Any forecasts of our future performance are based on, among other things, estimates of our recoverable coal reserves. We base our reserve information on geologic data, coal ownership information and current and proposed mine plans. There are numerous uncertainties inherent in estimating quantities and qualities of coal and costs to mine recoverable reserves, including many factors beyond our control. As a result, estimates of economically recoverable coal reserves are by their nature uncertain. Some of the factors and assumptions that can impact economically recoverable coal reserve estimates include:

- geologic and mining conditions;
- historical production from the area compared with production from other producing areas;
- the assumed effects of environmental and other regulations and taxes by governmental agencies;
- our ability to obtain, maintain and renew all required permits;
- future improvements in mining technology;
- assumptions related to future prices; and
- future operating costs, including the cost of materials, and capital expenditures.

Each of the factors that impacts reserve estimation may vary considerably from the assumptions used in estimating the reserves. For these reasons, estimates of coal reserves may vary substantially. Actual production, revenues and expenditures with respect to our future coal reserves may vary from estimates, and these variances may be material. As a result, our estimates may not accurately reflect our actual future coal reserves.

Our inability to acquire additional coal reserves that are economically recoverable may have a material adverse effect on our future profitability.

Our profitability depends substantially on our ability to mine, in a cost-effective manner, coal reserves that possess the quality characteristics that prospective customers desire. Because our reserves will decline as we mine our coal, our future profitability depends upon our ability to acquire additional coal reserves that are economically recoverable to replace the reserves we will produce. If we fail to acquire or develop sufficient additional reserves over the long term to replace the reserves depleted by our production, our existing reserves could eventually be exhausted. Our mine plan for Elk Creek assumes we will mine a certain amount of clean tons from a property adjacent to our mine that we do not own or currently have the right to conduct coal mining operations on. If we are unable to acquire this property or obtain the right to conduct coal mining operations on such property, our production plan would shift to alternative reserves that we control. This modified production plan may result in reduced production volumes.

Our limited operating history, multiple coal quality levels and the need to send test shipments to prospective customers may negatively impact our ability to further develop our customer base.

We are a company with a limited operating history. Customers typically request test shipments of coal in advance of entering into coal sales agreements which requires that we provide coal quality to meet customer specifications. If we experience delays in the delivery of test shipments, it could negatively impact our ability to develop our customer base.

We are dependent on contractors for the successful completion of the development of our properties.

While Elk Creek is now operational, and the Knox Creek facility serves our Berwind property, we regularly use contractors in the development of our mines and intend to use contractors if and when we construct facilities at the RAM Mine. Timely and cost-effective completion of the development of our properties, including necessary facilities and infrastructure, in compliance with agreed specifications is central to our business strategy and is highly dependent on the performance of our contractors under the agreements with them in connection with the development of the properties. The ability of our contractors to perform successfully under their agreements is dependent on a number of factors, including the ability to:

- design and engineer each of our facilities to operate in accordance with specifications;
- engage and retain any necessary third-party subcontractors and procure equipment and supplies;
- respond to difficulties such as equipment failure, delivery delays, schedule changes and failure to perform by subcontractors, some of which are beyond their control;
- attract, develop and retain skilled personnel, including engineers;
- post required construction bonds and comply with the terms thereof;
- manage the construction process generally, including coordinating with other contractors and regulatory agencies; and
- maintain their own financial condition, including adequate working capital.

Although some agreements may provide for liquidated damages, if the contractor fails to perform in the manner required with respect to certain of its obligations, the events that trigger a requirement to pay liquidated damages may delay or impair the operation of our properties, and any liquidated damages that we receive may not be sufficient to cover the damages that we suffer as a result of any such delay or impairment. Further, we may have disagreements with our contractors about different elements of the construction process, which could lead to the assertion of rights and remedies under their contracts and increase the costs associated with development of the properties or result in a contractor's unwillingness to perform further work. If any contractor is unable or unwilling to perform according to the negotiated terms and timetable of its respective agreement for any reason or terminates its agreement, we would be required to engage a substitute contractor. This would likely result in significant project delays and increased costs, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our stockholders.

Deterioration in the global economic conditions in any of the industries in which prospective customers operate, a worldwide financial downturn, such as the 2008-2009 financial crisis, or negative credit market conditions could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our stockholders.

Economic conditions in the industries in which most of our prospective customers operate, such as steelmaking and electric power generation, substantially deteriorated in recent years and reduced the demand for coal. In the past six years, domestic metallurgical coal demand averaged 20.2 million tons from blast furnaces in Pennsylvania, Ohio, Michigan, Indiana, Alabama, New York and West Virginia. According to Doyle, total thermal and metallurgical coal production in the Central Appalachian Basin is expected to gradually decline, with approximately 64 million tons per year expected to be produced by 2035, representing a compounded annual decline of 0.23% from 67 million tons in 2016. The majority of Central Appalachian coal production is expected to be metallurgical coal. A deterioration of economic conditions in our prospective customers' industries could cause a decline in demand for and production of metallurgical coal. Renewed or continued weakness in the economic conditions of any of the industries served by prospective customers could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our stockholders. For example:

- demand for metallurgical coal depends on domestic and foreign steel demand, which if weakened would negatively impact our revenues, margins and profitability;
- the tightening of credit or lack of credit availability to prospective customers could adversely affect our ability to collect our trade receivables; and
- our ability to access the capital markets may be restricted at a time when we intend to raise capital for our business, including for capital improvements and exploration and/or development of coal reserves.

Prices for coal are volatile and can fluctuate widely based upon a number of factors beyond our control, including oversupply relative to the demand available for our coal and weather. A substantial or extended decline in the prices we receive for our coal could adversely affect our business, results of operations, financial condition, cash flows and ability to pay dividends to our stockholders.

Our financial results are significantly affected by the prices we receive for our coal and depend, in part, on the margins that we earn on sales of our coal. Our margins will reflect the price we receive for our coal over our cost of producing and transporting our coal. Prices and quantities under U.S. domestic metallurgical coal sales contracts are generally based on expectations of the next year's coal prices at the time the contract is entered into, renewed, extended or re-opened. Pricing in the global seaborne market is moving towards shorter term pricing models, typically using indexes. The expectation of future prices for coal depends upon many factors beyond our control, including the following:

- the market price for coal;
- overall domestic and global economic conditions, including the supply of and demand for domestic and foreign coal, coke and steel;
- the consumption pattern of industrial consumers, electricity generators and residential users;
- weather conditions in our markets that affect the demand for thermal coal or that affect the ability to produce metallurgical coal;
- competition from other coal suppliers;
- technological advances affecting energy consumption;
- the costs, availability and capacity of transportation infrastructure;
- the impact of domestic and foreign governmental laws and regulations, including environmental and climate change regulations and regulations affecting the coal mining industry, and delays in the receipt of, failure to receive, failure to maintain or revocation of necessary governmental permits; and
- increased utilization by the steel industry of electric arc furnaces or pulverized coal injection processes, which reduce or eliminate the use of furnace coke, an intermediate product produced from metallurgical coal, and generally decrease the demand for metallurgical coal.

Metallurgical coal has been an extremely volatile commodity over the past 10 years. More recently, in early 2016, a new Chinese policy that limited domestic coal miners to 276 work days a year resulted in a significant decrease in Chinese production and a resulting increase in seaborne demand, which increased prices from well below \$100 per metric ton ("MT") in early 2016 to over \$300 per MT. A reversal of this policy in late 2016 caused prices to fall to the mid-\$150s per MT. A subsequent cyclone that hit the center of metallurgical coal production and supply chain operations in Australia in early 2017 caused prices to briefly spike to near \$300 per MT. Since mid-2017, metallurgical prices have remained strong, averaging just over \$200 per MT. This is in part because the Chinese workday restriction was replaced by a more permanent solution targeting smaller, less efficient, and generally higher cost mines for closure. Sxcoal noted that Chinese domestic met coal production was roughly flat in 2017, while falling 2% in 2018, despite strong pricing. As of March 7, 2019, metallurgical coal pricing was \$215 per MT. There are no assurances that supplies will remain low, that demand will not decrease or that overcapacity may resume, which could cause declines in the prices of and demand for coal, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our stockholders.

Increased competition or a loss of our competitive position could adversely affect sales of, or prices for, our coal, which could impair our profitability. In addition, foreign currency fluctuations could adversely affect the competitiveness of our coal abroad.

We compete with other producers primarily on the basis of coal quality, delivered costs to the customer and reliability of supply. We compete primarily with U.S. coal producers and with some Canadian coal producers for sales of metallurgical coal to domestic steel producers and, to a lesser extent, thermal coal to electric power generators. We also compete with both domestic and foreign coal producers for sales of metallurgical coal in international markets. Certain of these coal producers may have greater financial resources and larger reserve bases than we do. We sell coal to the seaborne metallurgical coal market, which is significantly affected by international demand and competition.

We cannot assure you that competition from other producers will not adversely affect us in the future. The coal industry has experienced consolidation over the past 10 years, including consolidation among some of our major competitors. We cannot assure you that the result of current or further consolidation in the coal industry, or the reorganization through bankruptcy of competitors with large legacy liabilities, will not adversely affect us. A number of our competitors have idled production over the last several years in light of lower metallurgical coal prices. The recent stability in coal prices could encourage existing producers to expand capacity or could encourage new producers to enter the market.

In addition, we face competition from foreign producers that sell their coal in the export market. Potential changes to international trade agreements, trade concessions, foreign currency fluctuations or other political and economic arrangements may benefit coal producers operating in countries other than the United States. Additionally, North American steel producers face competition from foreign steel producers, which could adversely impact the financial condition and business of our prospective customers. We cannot assure you that we will be able to compete on the basis of price or other factors with companies that in the future may benefit from favorable foreign trade policies or other arrangements. Coal is sold internationally in U.S. dollars and, as a result, general economic conditions in foreign markets and changes in foreign currency exchange rates may provide our foreign competitors with a competitive advantage. If our competitors' currencies decline against the U.S. dollar or against our prospective foreign customers' local currencies, those competitors may be able to offer lower prices for coal to prospective customers. Furthermore, if the currencies of our prospective overseas customers were to significantly decline in value in comparison to the U.S. dollar, those prospective customers may seek decreased prices for the coal we sell to them. Consequently, currency fluctuations could adversely affect the competitiveness of our coal in international markets, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our business involves many hazards and operating risks, some of which may not be fully covered by insurance. The occurrence of a significant accident or other event that is not fully insured could adversely affect our business, results of operations, financial condition, cash flows and ability to pay dividends to our stockholders.

Our mining operations, including our preparation and transportation infrastructure, are subject to many hazards and operating risks. For example, we experienced a partial structural failure at one of the raw coal storage silos that feeds our Elk Creek plant in West Virginia, which idled our Elk Creek preparation plant for approximately one month. Underground mining and related processing activities present inherent risks of injury to persons and damage to property and equipment. Our mines are subject to a number of operating risks that could disrupt operations, decrease production and increase the cost of mining for varying lengths of time, thereby adversely affecting our operating results. In addition, if coal production declines, we may not be able to produce sufficient amounts of coal to deliver under future sales contracts. Our inability to satisfy contractual obligations could result in prospective customers initiating claims against us. The operating risks that may have a significant impact on our future coal operations include:

- variations in thickness of seams of coal;
- adverse geologic conditions, including amounts of rock and other natural materials intruding into the coal seam, that could affect the stability of the roof and the side walls of the mine;
- environmental hazards;
- mining and processing equipment failures, structural failures and unexpected maintenance problems;
- fires or explosions, including as a result of methane, coal, coal dust or other explosive materials, or other accidents;
- inclement or hazardous weather conditions and natural disasters or other force majeure events;
- seismic activities, ground failures, rock bursts or structural cave-ins or slides;
- delays in moving our mining equipment;
- railroad delays or derailments;
- security breaches or terroristic acts; and
- other hazards or occurrences that could also result in personal injury and loss of life, pollution and suspension of operations.

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Any of these risks could adversely affect our ability to conduct operations or result in substantial loss to us as a result of claims for:

- personal injury or loss of life;
- damage to and destruction of property, natural resources and equipment, including our coal properties and our coal production or transportation facilities;
- pollution, contamination and other environmental damage to our properties or the properties of others;
- potential legal liability and monetary losses;
- regulatory investigations, actions and penalties;
- suspension of our operations; and
- repair and remediation costs.

Although we maintain insurance for a number of risks and hazards, we may not be insured or fully insured, and we may not be able to recover under our insurance policies, against the losses or liabilities that could arise from a significant accident in our future coal operations. We may elect not to obtain insurance for any or all of these risks if we believe that the cost of available insurance is excessive relative to the risks presented. In addition, pollution, contamination and environmental risks generally are not fully insurable. Moreover, a significant mine accident or regulatory infraction could potentially cause a mine shutdown. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our stockholders.

In addition, if any of the foregoing changes, conditions or events occurs and is not determined to be a force majeure event, any resulting failure on our part to deliver coal to the purchaser under contract could result in economic penalties, suspension or cancellation of shipments or ultimately termination of the agreement, any of which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our stockholders.

Our operations are exclusively located in a single geographic region, making us vulnerable to risks associated with operating in a single geographic area.

Currently, all of our operations are conducted in a single geographic region in the eastern United States in the states of Pennsylvania, Virginia and West Virginia. The geographic concentration of our operations may disproportionately expose us to disruptions in our operations if the region experiences severe weather, transportation capacity constraints, constraints on the availability of required equipment, facilities, personnel or services, significant governmental regulation or natural disasters. If any of these factors were to impact the region in which we operate more than other coal producing regions, our business, financial condition, results of operations and cash flows will be adversely affected relative to other mining companies that have a more geographically diversified asset portfolio.

In addition, scientists have warned that increasing concentrations of greenhouse gases (“GHGs”) in the Earth’s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts and floods and other climatic events. If these warnings are correct, and if any such effects were to occur in areas where we or our customers operate, they could have an adverse effect on our business, financial condition and cash flows.

The availability and reliability of transportation facilities and fluctuations in transportation costs could affect the demand for our coal or impair our ability to supply coal to prospective customers.

Transportation logistics play an important role in allowing us to supply coal to prospective customers. Any significant delays, interruptions or other limitations on the ability to transport our coal could negatively affect our operations. Delays and interruptions of rail services because of accidents, failure to complete construction of rail infrastructure, infrastructure damage, lack of rail or port capacity, weather-related problems, governmental regulation, terrorism, strikes, lock-outs, third-party actions or other events could impair our ability to supply coal to customers and adversely affect our profitability. In addition, transportation costs represent a significant portion of the delivered cost of coal and, as a result, the cost of delivery is a critical factor in a customer’s purchasing decision. Increases in transportation costs, including increases resulting from emission control requirements and fluctuations in the price of locomotive diesel fuel and demurrage, could make our coal less competitive, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends to our stockholders.

Any significant downtime of our major pieces of mining equipment, including any preparation plants, could impair our ability to supply coal to prospective customers and materially and adversely affect our results of operations.

We depend on several major pieces of mining equipment to produce and transport our coal, including, but not limited to, underground continuous mining units and coal conveying systems, surface mining equipment such as highwall miners, front-end loaders and coal overburden haul trucks, preparation plants and related facilities, conveyors and transloading facilities. If any of these pieces of equipment or facilities suffered major damage or were destroyed by fire, abnormal wear, flooding, incorrect operation or otherwise, we may be unable to replace or repair them in a timely manner or at a reasonable cost, which would impact our ability to produce and transport coal and materially and adversely affect our business, results of operations, financial condition and cash flows. Moreover, the Mine Safety and Health Administration (“MSHA”) and other regulatory agencies sometimes make changes with regards to requirements for pieces of equipment. For example, in 2015, MSHA promulgated a new regulation requiring the implementation of proximity detection devices on all continuous mining machines. Such changes could cause delays if manufacturers and suppliers are unable to make the required changes in compliance with mandated deadlines.

If either our preparation plants, or train loadout facilities, or those of a third party processing or loading our coal, suffer extended downtime, including from major damage, or is destroyed, our ability to process and deliver coal to prospective customers would be materially impacted, which would materially adversely affect our business, results of operations, financial condition, cash flows and ability to pay dividends to our stockholders. For example, in November 2018 we had to idle our Elk Creek plant in West Virginia for more than three weeks due to the partial structural failure of one of our three raw coal storage silos that feed our Elk Creek plant.

If customers do not enter into, extend or honor contracts with us, our profitability could be adversely affected.

We have not entered into a material number of contracts for the sale of our coal. Customers prefer to enter into test shipments. Coal mined from our operations is subject to testing by prospective customers for its ability to meet various specifications and to work satisfactorily in their ovens and other facilities prior to entering into contracts for purchase (which are typically short-term orders having terms of one year or less). If we are unable to successfully test our coals or enter into new contracts for the sale of our coal, our ability to achieve profitability would be materially adversely affected. Once we enter into contracts, if a substantial portion of our sales contracts are modified or terminated and we are unable to replace the contracts (or if new contracts are priced at lower levels), our results of operations would be adversely affected, perhaps materially. In addition, if customers refuse to accept shipments of our coal for which they have a contractual obligation, our revenues could be substantially affected and we may have to reduce production at our mines until the customer’s contractual obligations are honored. This, in turn, could have a material adverse effect on the payments we receive which could affect our business, financial condition, cash flows and ability to pay dividends to our stockholders.

Certain provisions in typical long-term sales contracts provide limited protection during adverse economic conditions, which may eventually result in economic penalties to us or permit the customer to terminate the contract. Furthermore, our ability to collect payments from prospective customers could be impaired if their creditworthiness declines or if they fail to honor their contracts with us.

We do not expect to enter into significant long-term sales contracts, but if we do, price adjustment, “price reopener” and other similar provisions typical in long-term sales contracts may reduce protection from short-term coal price volatility traditionally provided by such contracts. Price reopener provisions may be included in our future sales contracts. These price reopener provisions may automatically set a new price based on prevailing market price or, in some instances, require the parties to agree on a new price, sometimes within a specified range of prices. Any adjustment or renegotiations leading to a significantly lower contract price could adversely affect our profitability. Some annual metallurgical coal contracts have shifted to spot contracts and growing volumes are being sold on an indexed basis, where prices are determined by averaging the leading spot indexes reported in the market, exposing us further to risks related to pricing volatility.

Our ability to receive payment for coal sold and delivered depends on the continued solvency and creditworthiness of prospective customers. The number of domestic steel producers is small, and they compete globally for steel production. If their business or creditworthiness suffers, we may bear an increased risk with respect to payment default. In addition, some prospective customers have been adversely affected by the recent economic downturn, which may impact their ability to fulfill their contractual obligations. Competition with other coal suppliers could force us to extend credit to customers and on terms that could increase the risk we bear with respect to payment default. We could also enter into agreements to supply coal to energy trading and brokering customers under which a customer sells coal to end-users. If the creditworthiness of any prospective energy trading and brokering customer declines, we may not be able to collect payment for all coal sold and delivered to or on behalf of this customer.

In addition, if customers refuse to accept shipments of our coal that they have a contractual obligation to purchase, our revenues will decrease and we may have to reduce production at our mines until prospective customers’ contractual obligations are honored. Our inability to collect payment from counterparties to our sales contracts may materially adversely affect our business, financial condition, results of operations, cash flows and ability to pay dividends to our stockholders.

Decreases in demand for electricity and changes in coal consumption patterns of U.S. electric power generators could adversely affect our business.

While demand for metallurgical coal is not closely linked to domestic demand for electricity, we anticipate that the incidental production of thermal coal will generate up to 10% of our tons sold during 2019, and we may consider increasing our thermal coal operations in the future. In such case, any changes in coal consumption by electric power generators in the United States would likely impact our business over the long term. According to the United States Department of Energy's Energy Information Administration ("EIA"), in 2015, the domestic electric power sector accounts for more than 90% of total U.S. coal consumption. The amount of coal consumed by the electric power generation industry is affected by, among other things:

- general economic conditions, particularly those affecting industrial electric power demand, such as a downturn in the U.S. economy and financial markets;
- overall demand for electricity;
- competition from alternative fuel sources for power generation, including natural gas, fuel oil, nuclear, and renewable sources such as hydroelectric, wind and solar power, and the location, availability, quality and price of those alternative fuel sources;
- environmental and other governmental regulations, including those impacting coal-fired power plants; and
- energy conservation efforts and related governmental policies.

For example, the low price of natural gas in recent years has resulted, in some instances, in domestic electric generators increasing natural gas consumption while decreasing coal consumption. Federal and state mandates for increased use of electricity derived from renewable energy sources, such as the Clean Power Plan ("CPP"), could also affect demand for our lessees' coal. Please read "*—Risks Related to Environmental, Health, Safety and Other Regulations.*" The Trump administration has indicated its intention to reverse some of these requirements. For instance, in October 2017, the U.S. Environmental Protection Agency ("EPA") proposed a rulemaking that would withdraw the CPP. However, on August 31, 2018, the EPA proposed a rulemaking that would replace the individualized emission guidelines of the CPP with new guidelines for states to use in setting emission standards for power plants within their jurisdictions. Furthermore, such actions are anticipated to be subject to challenge by environmental groups and even some state and local governments seeking to impose limitations on coal usage. Such mandates, combined with other incentives to use renewable energy sources, such as tax credits, could make renewable fuel sources more competitive with coal. A decrease in coal consumption by the electric power generation industry could adversely affect the price of coal, which could have a material adverse effect on its business, financial condition, results of operations, cash flows and ability to pay dividends to our stockholders.

According to the EIA, although electricity demand fell in only three years between 1950 and 2007, it declined in six of the eight years between 2008 and 2015. The decline in electricity demand is due to several primary factors, including the steep economic downturn from late 2007 through 2009, the shift from an energy-intensive manufacturing economy to a service economy and an overall improvement in energy efficiency. Other factors, such as efficiency improvements associated with new appliance standards in the buildings sectors, overall improvement in the efficiency of technologies powered by electricity, and future conservation efforts based on implementation of the CPP or its replacement, if any, have slowed or may slow electricity demand growth and may contribute to slower growth in the future, even if the U.S. economy continues its recovery. Further decreases in the demand for electricity, such as decreases that could be caused by a worsening of current economic conditions, a prolonged economic recession or other similar events, could have a material adverse effect on the demand for coal and on our business over the long term.

Changes in the coal industry that affect our prospective customers, such as those caused by decreased electricity demand and increased competition, could also adversely affect our business. Indirect competition from natural gas-fired plants that are relatively less expensive to construct and less difficult to permit has the most potential to displace a significant amount of coal-fired electric power generation in the near term, particularly older, less efficient coal-fired powered generators. In addition, uncertainty caused by federal and state regulations could cause thermal coal customers to be uncertain of their coal requirements in future years, which could adversely affect our ability to sell coal to such prospective customers under multi-year sales contracts. This could have a material adverse effect on our business, financial condition, cash flows and ability to pay dividends to our stockholders.

We may be unsuccessful in integrating the operations of any future acquisitions, including acquisitions involving new lines of business, with our existing operations, and in realizing all or any part of the anticipated benefits of any such acquisitions.

From time to time, we may evaluate and acquire assets and businesses that we believe complement our existing assets and business. The assets and businesses we acquire may be dissimilar from our initial lines of business. Acquisitions may require substantial capital or the incurrence of substantial indebtedness. Our capitalization and results of operations may change significantly as a result of future acquisitions. We may also add new lines of business to our existing operations. Acquisitions and business expansions involve numerous risks, including the following:

- difficulties in the integration of the assets and operations of the acquired businesses or lines of business;
- inefficiencies and difficulties that arise because of unfamiliarity with new assets and the businesses associated with them and new geographic areas;
- the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk; and
- the diversion of management's attention from other operations.

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Further, unexpected costs and challenges may arise whenever businesses with different operations or management are combined, and we may experience unanticipated delays in realizing the benefits of an acquisition. Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar and may lead to increased litigation and regulatory risk. Also, following an acquisition, we may discover previously unknown liabilities associated with the acquired business or assets for which we have no recourse under applicable indemnification provisions. If an acquired business or new line of business generates insufficient revenue or if we are unable to efficiently manage our expanded operations, our results of operations may be materially adversely affected.

To maintain and grow our business, we will be required to make substantial capital expenditures. If we are unable to obtain needed capital or financing on satisfactory terms, we may have to curtail our operations and delay our construction and growth plans, which may materially adversely affect our business, financial condition, results of operations, cash flows and ability to pay dividends to our stockholders.

In order to maintain and grow our business, we will need to make substantial capital expenditures associated with our mines and the construction of coal preparation facilities, which have not yet been constructed. Constructing, maintaining, repairing and expanding mines and infrastructure, including coal preparation and loading facilities, is capital intensive. Specifically, the exploration, permitting and development of coal reserves, and the maintenance of machinery, equipment and facilities, and compliance with applicable laws and regulations require substantial capital expenditures. While we funded a significant amount of the capital expenditures needed to build out our mining and preparation infrastructure at our Elk Creek property with cash on hand, we must continue to invest capital to maintain or to increase our production and to develop any future acquired properties. Decisions to increase our production levels could also affect our capital needs. We cannot assure you that we will be able to maintain our production levels or generate sufficient cash flow, or that we will have access to sufficient financing to continue our production, exploration, permitting and development activities, and we may be required to defer all or a portion of our capital expenditures.

If we do not make sufficient or effective capital expenditures, we will be unable to develop and grow our business. To fund our projected capital expenditures, we will be required to use cash from our operations, incur debt or issue additional common stock or other equity securities. Using cash from our operations will reduce cash available for maintaining or increasing our operating activities and paying dividends to our stockholders. Our ability to obtain bank financing or our ability to access the capital markets for future equity or debt offerings may be limited by our financial condition at the time of any such financing or offering and the covenants in our future debt agreements, as well as by general economic conditions, contingencies and uncertainties that are beyond our control.

In addition, incurring debt may significantly increase our interest expense and financial leverage, and issuing additional equity securities may result in significant stockholder dilution.

We may not be able to obtain equipment, parts and supplies in a timely manner, in sufficient quantities or at reasonable costs to support our coal mining and transportation operations.

Coal mining consumes large quantities of commodities including steel, copper, rubber products and liquid fuels and requires the use of capital equipment. Some commodities, such as steel, are needed to comply with roof control plans required by regulation. The prices we pay for commodities and capital equipment are strongly impacted by the global market. A rapid or significant increase in the costs of commodities or capital equipment we use in our operations could impact our mining operations costs because we may have a limited ability to negotiate lower prices and, in some cases, may not have a ready substitute.

We use equipment in our coal mining and transportation operations such as continuous mining units, conveyors, shuttle cars, rail cars, locomotives, and roof bolters. We procure this equipment from a concentrated group of suppliers, and obtaining this equipment often involves long lead times. Occasionally, demand for such equipment by mining companies can be high and some types of equipment may be in short supply. Delays in receiving or shortages of this equipment, as well as the raw materials used in the manufacturing of supplies and mining equipment, which, in some cases, do not have ready substitutes, or the cancellation of any future supply contracts under which we obtain equipment and other consumables, could limit our ability to obtain these supplies or equipment. In addition, if any of our suppliers experiences an adverse event, or decides to no longer do business with us, we may be unable to obtain sufficient equipment and raw materials in a timely manner or at a reasonable price to allow us to meet our production goals and our revenues may be adversely impacted. We use considerable quantities of steel in the mining process. If the price of steel or other materials increases substantially or if the value of the U.S. dollar declines relative to foreign currencies with respect to certain imported supplies or other products, our operating expenses could increase. Any of the foregoing events could materially and adversely impact our business, financial condition, results of operations, cash flows and ability to pay dividends to our stockholders.

We are a holding company and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations and to make dividend payments.

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. As a result, our ability to pay our obligations and to make dividend payments depends entirely on our subsidiaries and their ability to distribute funds to us. The ability of a subsidiary to make these distributions could be affected by a claim or other action by a third-party, including a creditor, or by the law of their respective jurisdictions of formation which regulates the payment of dividends. If we are unable to obtain funds from our subsidiaries, our board of directors may exercise its discretion not to declare or pay dividends.

Debt we incur in the future may limit our flexibility to obtain financing and to pursue other business opportunities.

Our future level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures or other purposes may be impaired, or such financing may not be available on favorable terms;
- our funds available for operations and future business opportunities will be reduced by that portion of our cash flow required to make interest payments on our debt;
- our ability to pay dividends if an event of default occurs and is continuing or would occur as a result of paying such dividend;
- we may be more vulnerable to competitive pressures or a downturn in our business or the economy generally; and
- our flexibility in responding to changing business and economic conditions may be limited.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service any future indebtedness, we will be forced to take actions such as reducing or delaying our business activities, investments or capital expenditures, selling assets or issuing equity. We may not be able to affect any of these actions on satisfactory terms or at all.

Our operations could be adversely affected if we are unable to obtain required financial assurance, or if the costs of financial assurance increase materially.

Federal and state laws require financial assurance to secure our permit obligations including to reclaim lands used for mining, to pay federal and state workers' compensation and black lung benefits, and to satisfy other miscellaneous obligations. The changes in the market for coal used to generate electricity in recent years have led to bankruptcies involving prominent coal producers. Several of these companies relied on self-bonding to guarantee their responsibilities under the Surface Mining Control and Reclamation Act of 1977 ("SMCRA") permits including for reclamation. In response to these bankruptcies, the OSMRE issued a Policy Advisory in August 2016 to state agencies that are authorized under the SMCRA to implement the act in their states. Certain states, including Virginia, had previously announced that it would no longer accept self-bonding to secure reclamation obligations under the state mining laws. This Policy Advisory is intended to discourage authorized states from approving self-bonding arrangements and may lead to increased demand for other forms of financial assurance, which may strain capacity for those instruments and increase our costs of obtaining and maintaining the amounts of financial assurance needed for our operations.

In addition, OSMRE announced in August 2016 that it would initiate a rulemaking under SMCRA to revise the requirements for self-bonding in light of changes in the coal-mining industry and the market. Individually and collectively, revised various financial assurance requirements may increase the amounts of needed financial assurance and limit the types of acceptable instruments and strain the capacity of the surety markets to meet demand, which may delay the timing for and increase the costs of obtaining this financial assurance. Our lessees use surety bonds, trusts and letters of credit to provide financial assurance for certain transactions and business activities. If, in the future, our lessees are unable to secure surety bonds for these obligations and are forced to secure letters of credit indefinitely or obtain some other form of financial assurance at too high of a cost, they may not be able to obtain permits and production on our properties could be adversely affected. This negative effect could have a material adverse effect on the payments we receive from our lessees, which could affect our business, financial condition, cash flows and ability to pay dividends to our stockholders.

Our mines are located in areas containing oil and natural gas operations, which may require us to coordinate our operations with those of oil and natural gas drillers.

Our coal reserves are in areas containing developed or undeveloped oil and natural gas deposits and reservoirs, including the Marcellus Shale in Pennsylvania, and our Virginia reserves are currently the subject of substantial oil and natural gas exploration and production activities, including by horizontal drilling. If we have received a permit for our mining activities, then, while we will have to coordinate our mining with such oil and natural gas drillers, our mining activities are expected to have priority over any oil and natural gas drillers with respect to the land covered by our permit. For reserves outside of our permits, we expect to engage in discussions with drilling companies on potential areas on which they can drill that may have a minimal effect on our mine plan. Depending on priority of interests, our operations may have to avoid existing oil and gas wells or expend sums to plug oil and gas wells.

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If a well is in the path of our mining for coal on land that has not yet been permitted for our mining activities, we may not be able to mine through the well unless we purchase it. The cost of purchasing a producing horizontal or vertical well could be substantial. Horizontal wells with multiple laterals extending from the well pad may access larger oil and natural gas reserves than a vertical well, which would typically result in a higher cost to acquire. The cost associated with purchasing oil and natural gas wells that are in the path of our coal mining activities may make mining through those wells uneconomical, thereby effectively causing a loss of significant portions of our coal reserves, which could materially and adversely affect our business, financial condition, results of operations, cash flows and ability to pay dividends to our stockholders.

Defects in title or loss of any leasehold interests in our properties could limit our ability to conduct mining operations on these properties or result in significant unanticipated costs.

We conduct a significant part of our mining operations on properties that we lease. A title defect or the loss of any lease upon expiration of its term, upon a default or otherwise, could adversely affect our ability to mine the associated reserves and/or process the coal we mine. Title to most of our owned or leased properties and mineral rights is not usually verified until we make a commitment to develop a property, which may not occur until after we have obtained necessary permits and completed exploration of the property. In some cases, we rely on title information or representations and warranties provided by our lessors or grantors. Our right to mine some of our reserves may be adversely affected if defects in title or boundaries exist or if a lease expires. Any challenge to our title or leasehold interests could delay the exploration and development of the property and could ultimately result in the loss of some or all of our interest in the property and, accordingly, require us to reduce our estimated coal reserves. Mining operations from time to time may rely on an expired lease that we are unable to renew. If we were to be in default with respect to leases for properties on which we have mining operations, we may have to close down or significantly alter the sequence of such mining operations, which may adversely affect our future coal production and future revenues. If we mine on property that we do not own or lease, we could incur liability for such mining.

In any such case, the investigation and resolution of title issues would divert management's time from our business and our results of operations could be adversely affected. Additionally, if we lose any leasehold interests relating to any preparation plants, we may need to find an alternative location to process our coal and load it for delivery to customers, which could result in significant unanticipated costs.

In order to obtain leases or mining contracts to conduct our mining operations on property where these defects exist, we may in the future have to incur unanticipated costs. In addition, we may not be able to successfully negotiate new leases or mining contracts for properties containing additional reserves or maintain our leasehold interests in properties where we have not commenced mining operations during the term of the lease. Some leases have minimum production requirements. Failure to meet those requirements could result in losses of prepaid royalties and, in some rare cases, could result in a loss of the lease itself.

Substantially all of our mining properties are leased from our affiliates and conflicts of interest with our Existing Owners may arise in the future as a result.

Substantially all of our properties, except those controlled by us at or near Knox Creek and a minor lease at Elk Creek, are leased or subleased to our subsidiaries from entities controlled by Ramaco Coal, LLC, which shares some common ownership with us. Additionally, RAMACO Central Appalachia, LLC ("RCA") and RAMACO Resources, LLC entered into mutual cooperation agreements concerning the Elk Creek property and Berwind coal reserve, requiring each party to notify the other in the event that such party acquires an interest in real property adjacent to or contiguous with the Elk Creek property or Berwind coal reserve, respectively. RAMACO Northern Appalachia, LLC ("RNA") and RAM Mining, LLC entered into a mutual cooperation agreement concerning the RAM Mine property, requiring each party to notify the other in the event that such party acquires an interest in real property in Pennsylvania that contains coal or mining rights. We believe these arrangements are on an arm's length basis. However, prior to our IPO, we did not have a formal board policy in place for approval of related party transactions, or an audit committee. Given the common ownership between Ramaco Coal, LLC and us and the complex contractual obligations under these arrangements, conflicts could arise between us and Ramaco Coal, LLC and the Existing Owners (including our Executive Chairman and our Chief Executive Officer and President). While we have an audit committee and formal related party transaction policy, a conflict may arise which could adversely affect the interests of our stockholders, including, without limitation, conflicts involving compliance with payment and performance obligations under existing leases, and negotiation of the terms of and performance under additional leases we may enter into with Ramaco Coal, LLC or its subsidiaries or affiliates in the future. For example, if a title defect were identified with respect to a property under lease or sublease from our affiliates, we may need to seek return of royalty payments or set off other payments due to such entities. Such a conflict could distract our management and could result in disputes with our affiliates.

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While none of our employees who conduct mining operations are currently members of unions, our business could be adversely affected by union activities.

We are not subject to any collective bargaining or union agreement with respect to properties we currently control. However, it is possible that future employees, or those of our contract miners, who conduct mining operations may join or seek recognition to form a labor union or may be required to become a labor agreement signatory. If some or all of the employees who conduct mining operations were to become unionized, it could adversely affect productivity, increase labor costs and increase the risk of work stoppages at our mines. If a work stoppage were to occur, it could interfere with operations and have a material adverse effect on our business, financial condition, results of operations, cash flows and our ability to pay dividends to our stockholders.

A shortage of skilled labor in the mining industry could pose a risk to achieving improved labor productivity, which could adversely affect our profitability.

Efficient coal mining using modern techniques and equipment requires skilled laborers, preferably with at least a year of experience and proficiency in multiple mining tasks. In the event there is a shortage of experienced labor, it could have an adverse impact on our labor productivity and our ability to expand production in the event there is an increase in the demand for our coal.

Our ability to operate effectively could be impaired if we fail to attract and retain key personnel.

The loss of our senior executives could have a material adverse effect on our business. There may be a limited number of persons with the requisite experience and skills to serve in our senior management positions. We may not be able to locate or employ qualified executives on acceptable terms. In addition, as our business develops and expands, we believe that our future success will depend greatly on our continued ability to attract and retain highly skilled personnel with coal industry experience. We may not be able to continue to employ key personnel or attract and retain qualified personnel in the future. Our failure to retain or attract key personnel could have a material adverse effect on our ability to effectively operate our business.

Terrorist attacks or cyber-incidents could result in information theft, data corruption, operational disruption and/or financial loss.

Like most companies, we have become increasingly dependent upon digital technologies, including information systems, infrastructure and cloud applications and services, to operate our businesses, to process and record financial and operating data, communicate with our business partners, analyze mine and mining information, estimate quantities of coal reserves, as well as other activities related to our businesses. Strategic targets, such as energy-related assets, may be at greater risk of future terrorist or cyber-attacks than other targets in the United States. Deliberate attacks on, or security breaches in, our systems or infrastructure, or the systems or infrastructure of third parties, including systems that collect, organize, store or use personal data, or cloud-based applications could lead to corruption or loss of our proprietary data and potentially sensitive data, delays in production or delivery, difficulty in completing and settling transactions, challenges in maintaining our books and records, environmental damage, communication interruptions, other operational disruptions and third-party liability. Due to the nature of cyber-attacks, breaches to our or our service or equipment providers' systems could go unnoticed for a prolonged period of time. Our insurance may not protect us against such occurrences. Consequently, it is possible that any of these occurrences, or a combination of them, could have a material adverse effect on our business, reputation, financial condition, results of operations and cash flows. Further, as cyber incidents continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerability to cyber incidents.

Failure to adequately protect critical data and technology systems and the impact of data privacy regulation could materially affect us.

Information technology solution failures, network disruptions and breaches of data security could disrupt our operations by causing delays or canceling or impeding processing of transactions and reporting financial results, resulting in the unintentional disclosure of employee, royalty owner, or other third party or our information, or damage to our reputation. There can be no assurance that a system failure or data security breach will not have a material adverse effect on our operations, financial condition, results of operations or cash flows. In addition, new laws and regulations governing data privacy and the unauthorized disclosure of confidential information pose increasingly complex compliance challenges and potentially elevate costs, and any failure to comply with these laws and regulations could result in significant penalties and legal liability, require us to change our business practices, increase the costs and complexity of compliance, and adversely affect our business. As noted above, we are also subject to the possibility of cyber incidents or attacks, which themselves may result in a violation of these laws.

We may face restricted access to international markets in the future.

Access to international markets may be subject to ongoing interruptions and trade barriers due to policies and tariffs of individual countries, and the actions of certain interest groups to restrict the import or export of certain commodities. There can be no assurance that our access to these markets will not be restricted in the future. An inability for U.S. metallurgical coal suppliers to access international markets would likely result in an oversupply of metallurgical coal in the domestic market, resulting in a decrease in prices, which could have a material adverse effect on our business, financial condition, cash flows and ability to pay dividends to our stockholders.

Future changes in tax legislation could have an adverse impact on our cash tax liabilities, results of operations or financial condition.

On December 22, 2017, tax legislation commonly known as the Tax Cuts and Jobs Act ("TCJA") was enacted. Among other things, the TCJA reduced the U.S. corporate income tax rate from 35% to 21% and repealed the alternative minimum tax ("AMT") beginning in 2018. The TCJA also generally (i) limits our annual deductions for interest expense to no more than 30% of our "adjusted taxable income" (plus 100% of our business interest income) for the year and (ii) permits us to offset only 80% (rather than 100%) of our taxable income with any net operating losses we generate after 2017. Given the large cut in the regular corporate income tax rate and the elimination of the AMT, we expect a significant reduction in the income taxes we will pay in the future compared to what we would have paid under prior law. Congress could, in the future, revise or repeal the changes made by the TCJA or enact other tax law changes, such as the elimination of tax preferences currently available with respect to coal exploration and development and the percentage depletion allowance, to help reduce budget deficits. We are unable to predict whether any of these changes will ultimately be enacted, but any such changes could have a material impact on our cash tax liabilities, results of operations or financial condition.

Risks Related to Environmental, Health, Safety and Other Regulations

Laws and regulations restricting greenhouse gas emissions as well as uncertainty concerning such regulations could adversely impact the market for coal, increase our operating costs, and reduce the value of our coal assets.

Climate change continues to attract considerable public and scientific attention. There is widespread concern about the contributions of human activity to such changes, especially through the emission of GHGs. There are three primary sources of GHGs associated with the coal industry. First, the end use of our coal by our customers in electricity generation, coke plants, and steelmaking is a source of GHGs. Second, combustion of fuel by equipment used in coal production and to transport our coal to our customers is a source of GHGs. Third, coal mining itself can release methane, which is considered to be a more potent GHG than CO₂, directly into the atmosphere. These emissions from coal consumption, transportation and production are subject to pending and proposed regulation as part of initiatives to address global climate change.

As a result, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of GHGs. Collectively, these initiatives could result in higher electric costs to our customers or lower the demand for coal used in electric generation, which could in turn adversely impact our business. They could also result in direct regulation of the GHGs produced by our operations. See “Business—Environmental and Other Regulatory Matters—Global Climate Change.”

At present, we are principally focused on metallurgical coal production, which is not used in connection with the production of power generation. However, we may seek to sell greater amounts of our coal into the power-generation market in the future. The market for our coal may be adversely impacted if comprehensive legislation or regulations focusing on GHG emission reductions are adopted, or if our customers are unable to obtain financing for their operations. The uncertainty over the outcome of litigation challenging the CPP or its replacement, if any, and the extent of future regulation of GHG emissions may inhibit utilities from investing in the building of new coal-fired plants to replace older plants or investing in the upgrading of existing coal-fired plants. Any reduction in the amount of coal consumed by electric power generators as a result of actual or potential regulation of GHG emissions could decrease demand for our coal, thereby reducing our revenues and materially and adversely affecting our business and results of operations. We or prospective customers may also have to invest in CO₂ capture and storage technologies in order to burn coal and comply with future GHG emission standards.

Finally, there have been attempts to encourage greater regulation of coalbed methane because methane has a greater GHG effect than CO₂. Methane from coal mines can give rise to safety concerns and can require various measures be taken to mitigate those risks. If new laws or regulations were introduced to reduce coalbed methane emissions, those rules could adversely affect our costs of operations by requiring installation of air pollution controls, higher taxes, or additional costs incurred to purchase credits that permit us to continue operations. New laws or regulations could also potentially require that we curtail coal production.

Current and future government laws, regulations and other legal requirements relating to protection of the environment and natural resources may increase our costs of doing business and may restrict our coal operations.

We and our potential customers are subject to stringent and complex laws, regulations and other legal requirements enacted by federal, state and local authorities relating to protection of the environment and natural resources. These include those legal requirements that govern discharges or emissions of materials into the environment, the management and disposal of substances and wastes, including hazardous wastes, the cleanup of contaminated sites, threatened and endangered plant and wildlife protection, reclamation and restoration of mining properties after mining is completed, mitigation and restoration of streams or other waters, the protection of drinking water, assessment of the environmental impacts of mining, monitoring and reporting requirements, the installation of various safety equipment in our mines, remediation of impacts of surface subsidence from underground mining, and work practices related to employee health and safety. See “Business—Environmental and Other Regulatory Matters.” Examples include laws and regulations relating to:

- employee health and safety;
- emissions to air and discharges to water;
- plant and wildlife protection, including endangered species protections;
- the reclamation and restoration of properties after mining or other activity has been completed;
- limitations on land use;
- mine permitting and licensing requirements;
- the storage, treatment and disposal of wastes;
- air quality standards;
- water pollution;
- protection of human health, plant-life and wildlife, including endangered and threatened species;
- protection of wetlands;
- the discharge of materials into the environment;
- remediation of contaminated soil, surface and groundwater; and
- the effects of operations on surface water and groundwater quality and availability.

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Complying with these environmental and employee health and safety requirements, including the terms of our permits, has had, and will continue to have, a significant effect on our costs of operations. In addition, there is the possibility that we could incur substantial costs as a result of violations of environmental laws, judicial interpretations of or rulings on environmental laws or permits, or in connection with the investigation and remediation of environmental contamination. For example, the EPA and several of the states where we operate have, or intend to, propose revised recommended criteria for discharges of selenium regulated under the CWA, which may be more stringent than current criteria. Any additional laws, regulations and other legal requirements enacted or adopted by federal, state and local authorities, or new interpretations of existing legal requirements by regulatory bodies relating to the protection of the environment, including those related to discharges of selenium, could further affect our costs or limit our operations. See “Business—Environmental and Other Regulatory Matters.”

Our operations may impact the environment or cause exposure to hazardous substances, and our properties may have environmental contamination, which could expose us to significant costs and liabilities.

Our operations currently use hazardous materials and generate limited quantities of hazardous wastes from time to time. Drainage flowing from or caused by mining activities can be acidic with elevated levels of dissolved metals, a condition referred to as “acid mine drainage,” or may include other pollutants requiring treatment. We could become subject to claims for toxic torts, natural resource damages and other damages as well as for the investigation and clean-up of soil, surface water, groundwater, and other media. Such claims may arise, for example, out of conditions at sites that we currently own or operate, as well as at sites that we previously owned or operated, or may acquire. Our liability for such claims may be joint and several, so that we may be held responsible for more than our share of the contamination or other damages, or for the entire share.

We maintain coal refuse areas and slurry impoundments as necessary. Such areas and impoundments are subject to extensive regulation. Structural failure of a slurry impoundment or coal refuse area could result in extensive damage to the environment and natural resources, such as bodies of water that the coal slurry reaches, as well as liability for related personal injuries and property damages, and injuries to wildlife. If an impoundment were to fail, we could be subject to claims for the resulting environmental contamination and associated liability, as well as for fines and penalties. Our coal refuse areas and slurry impoundments are designed, constructed, and inspected by our company and by regulatory authorities according to stringent environmental and safety standards.

We must obtain, maintain, and renew governmental permits and approvals for mining operations, which can be a costly and time-consuming process and result in restrictions on our operations.

Numerous governmental permits and approvals are required for mining operations. Our operations are principally regulated under permits issued pursuant to SMCRA and the federal CWA. State and federal regulatory authorities exercise considerable discretion in the timing and scope of permit issuance. Requirements imposed by these authorities may be costly and time consuming and may result in delays in the commencement or continuation of exploration or production operations. In addition, we may be required to prepare and present to permitting or other regulatory authorities data pertaining to the effect or impact that proposed exploration for or production of coal might have on the environment.

Our coal production is dependent upon our ability to obtain various federal and state permits and approvals to mine our coal reserves. The permitting rules, and the interpretations of these rules, are complex, change frequently, and are often subject to discretionary interpretations by regulators, all of which may make compliance more difficult or impractical, and which may possibly preclude the continuance of ongoing mine development or operations or the development of future mining operations. The pace with which the government issues permits needed for new operations and for ongoing operations to continue mining, particularly CWA permits, can be time-consuming and subject to delays and denials. These delays or denials of environmental permits needed for mining could reduce our production and materially adversely impact our cash flow and results of operations.

For example, prior to placing fill material in waters of the United States, such as with the construction of a valley fill, coal mining companies are required to obtain a permit from the Corps under Section 404 of the CWA. The permit can be either a Nation Wide Permit (“NWP”), normally NWP 21, 49 or 50 for coal mining activities, or a more complicated individual permit. NWPs are designed to allow for an expedited permitting process, while individual permits involve a longer and more detailed review process. The EPA has the authority to veto permits issued by the Corps under the CWA’s Section 404 program that prohibits the discharge of dredged or fill material into regulated waters without a permit.

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Prior to discharging any pollutants to waters of the United States, coal mining companies must obtain a National Pollutant Discharge Elimination System (“NPDES”) permit from the appropriate state or federal permitting authority. NPDES permits include effluent limitations for discharged pollutants and other terms and conditions, including required monitoring of discharges. Changes and proposed changes in state and federally recommended water quality standards may result in the issuance or modification of permits with new or more stringent effluent limits or terms and conditions. See “Business—Environmental and Other Regulatory Matters—Clean Water Act.”

Further, the public has certain statutory rights to comment on and submit objections to requested permits and environmental impact statements prepared in connection with applicable regulatory processes, and otherwise engage in the permitting process, including bringing citizens’ claims to challenge the issuance or renewal of permits, the validity of environmental impact statements or performance of mining activities. For example, Fair Shake Environmental Legal Services and private individuals have expressed opposition to our RAM No. 1 mine through comments submitted to the Pennsylvania Department of Environmental Protection asserting deficiencies in the Company’s permit application. As a result of challenges like these, the permits we need may not be issued or renewed in a timely fashion or issued or renewed at all, or permits issued or renewed may not be maintained, may be challenged or may be conditioned in a manner that may restrict our ability to efficiently and economically conduct our mining activities, any of which would materially reduce our production, cash flow, and profitability.

Permitting rules may also require, under certain circumstances, that we obtain surface owner consent if the surface estate has been severed from the mineral estate. This could require us to negotiate with third parties for surface access that overlies coal we acquired or intend to acquire. These negotiations can be costly and time-consuming, lasting years in some instances, which can create additional delays in the permitting process. If we cannot successfully negotiate for land access, we could be denied a permit to mine coal we already own.

We and our significant stockholders are subject to the Applicant Violator System.

Under SMCRA and its state law counterparts, all coal mining applications must include mandatory “ownership and control” information, which generally includes listing the names of our officers and directors, and our principal stockholders owning 10 percent or more of our voting shares, among others. Ownership and control reporting requirements are designed to allow regulatory review of any entities or persons deemed to have ownership or control of a coal mine, and bars the granting of a coal mining permit to any such entity or person (including any “owner and controller”) who has had a mining permit revoked or suspended, or a bond or similar security forfeited within the five-year period preceding a permit application or application for a permit revision. Regulatory agencies also block the issuance of permits to an applicant who, or whose owner and controller, has permit violations outstanding that have not been timely abated.

A federal database, known as the Applicant Violator System (“AVS”), is maintained for this purpose. Certain relationships are presumed to constitute ownership or control, including the following: being an officer or director of an entity; being the operator of the coal mining operation; having the ability to commit the financial or real property assets or working resources of the permittee or operator; based on the instruments of ownership or the voting securities of a corporate entity, owning of record 10% or more of the mining operator, among others. This presumption, in most cases, can be rebutted where the person or entity can demonstrate that it in fact does not or did not have authority directly or indirectly to determine the manner in which the relevant coal mining operation is conducted. An ownership and control notice must be filed by us each time an entity obtains a 10% or greater interest in us. If we have unabated violations of SMCRA or its state law counterparts, have a coal mining permit suspended or revoked, or forfeit a reclamation bond, we and our “owners and controllers,” as discussed above, may be prohibited from obtaining new coal mining permits, or amendments to existing permits, until such violations of law are corrected. This is known as being “permit-blocked.” Additionally, Yorktown, Atkins and Bauersachs are currently deemed an “owner or controller” of a number of other mining companies, as such, we could be permit-blocked based upon the violations of or permit-blocked status of an “owner or controller” of us. This could adversely affect production from our properties.

We may be subject to additional limitations on our ability to conduct mining operations due to federal jurisdiction.

We may conduct some underground mining activities on properties that are within the designated boundary of federally protected lands or national forests where the above-mentioned restrictions within the meaning of SMCRA could apply. Federal court decisions could pose a potential restriction on underground mining within 100 feet of a public road as well as other restrictions. If these SMCRA restrictions ultimately apply to underground mining, considerable uncertainty would exist about the nature and extent of this restriction. While it could remain possible to obtain permits for underground mining operations in these areas even where this 100-foot restriction was applied, the time and expense of that permitting process would be likely to increase significantly, and the restrictions placed on the mining of those properties could adversely affect our costs.

Our prospective customers are subject to extensive existing and future government laws, regulations and other legal requirements relating to protection of the environment, which could negatively impact our business and the market for our products.

Coal contains impurities, including sulfur, mercury, chlorine and other elements or compounds, many of which are released into the air when coal is burned. Complying with regulations to address these emissions can be costly for our customers. For example, in order to meet the CAA limits for sulfur dioxide emissions from electric power plants, coal users must install costly pollution control devices, use sulfur dioxide emission allowances (some of which they may purchase), or switch to other fuels. Recent EPA rulemakings requiring additional reductions in permissible emission levels for coal-fired plants will likely make it more costly to operate coal-fired electric power plants and may make coal a less attractive fuel for electric power generation in the future. For example, the EPA's Cross-State Air Pollution Rule ("CSAPR") is one of a number of significant regulations that the EPA has issued or expects to issue that will impose more stringent requirements relating to air, water and waste controls on electric generating units. These rules also include the EPA's requirements for coal combustion residues management, which were finalized in December 2014 and further regulate the handling of wastes from the combustion of coal. In addition, the EPA has formally adopted a revised final rule to reduce emissions of toxic air pollutants from power plants. More costly and stringent environmental regulations could adversely impact the operations of our customers, which could in turn adversely impact our business. A number of coal-fired power plants, particularly smaller and older plants, already have retired or announced that they will retire rather than retrofit to meet the obligations of these rules. Additional retirements of coal-fired power plants by prospective customers could further decrease demand for thermal coal and reduce our revenues and adversely affect our business and results of operations. See "Business—Environmental and Other Regulatory Matters."

In addition, considerable uncertainty is associated with air emissions initiatives. New regulations are in the process of being developed, and many existing and potential regulatory initiatives are subject to review by federal or state agencies or the courts. More stringent air emissions limitations are either in place or are likely to be imposed in the short to medium term, and these limitations will likely require significant emissions control expenditures for many coal-fired power plants. As a result, some of our prospective customers may switch to other fuels that generate fewer of these emissions or may install more effective pollution control equipment that reduces the need for low-sulfur coal. Any further switching of fuel sources away from coal, closure of existing coal-fired power plants, or reduced construction of new coal-fired power plants could have a material adverse effect on demand for, and prices received for, our coal. In addition, our coke plant and steelmaking customers may face increased operational costs as a result of higher electric costs.

Apart from actual and potential regulation of air emissions and solid wastes from coal-fired plants, state and federal mandates for increased use of electricity from renewable energy sources could have an impact on the market for our coal. Several states have enacted legislative mandates requiring electricity suppliers to use renewable energy sources to generate a certain percentage of power. Possible advances in technologies and incentives, such as tax credits, to enhance the economics of renewable energy sources could make these sources more competitive with coal. Any reductions in the amount of coal consumed by electric power generators as a result of current or new standards for the emission of impurities, or current or new incentives to switch to renewable fuels or renewable energy sources, such as the CPP and various state programs, could reduce the demand for our coal, thereby reducing our revenues and adversely affecting our business, cash flows, results of operations and our ability to pay dividends to our stockholders.

Environmental activism and initiatives aimed at limiting climate change and a reduction of air pollutants could interfere with our business activities, operations and ability to access capital sources.

Participants in the coal mining industry are frequently targeted by environmental activist groups that openly attempt to disrupt the industry. For example, Greenpeace International filed a letter with the SEC alleging that one coal mining company's filings relating to a proposed public offering of securities may contain incomplete and misleading disclosures regarding the risks of investing in the coal market. On another occasion, the Sierra Club sent a letter to the SEC stating that it believed a coal mining company may be giving potential investors false impressions regarding risks to its business. Other groups have objected to our RAM No. 1 mine permit application in Pennsylvania. It is possible that we could continue to be the target of similar actions in the future, including when we attempt to grow our business through acquisitions or commence new mining operations. If that were to happen, our ability to operate our business or raise capital could be materially and adversely impacted.

In addition, there have also been efforts in recent years to influence the investment community, including investment advisors, sovereign wealth funds, public pension funds, universities and other groups, promoting the divestment of fossil fuel equities and also pressuring lenders to limit funding to companies engaged in the extraction of fossil fuel reserves. In California, for example, legislation was signed into law in October 2015 that requires California's state pension funds to divest investments in companies that generate 50% or more of their revenue from coal mining by July 2017. Several large investment banks also announced that they had adopted climate change guidelines for lenders. The guidelines require the evaluation of carbon risks in the financing of electric power generation plants, which may make it more difficult for utilities to obtain financing for coal-fired plants. Other activist campaigns have urged banks to cease financing coal-driven businesses. As a result, at least ten major banks enacted such policies in 2015. The impact of such efforts may adversely affect the demand for and price of securities issued by us and impact our access to the capital and financial markets. In addition, several well-funded non-governmental organizations have explicitly undertaken campaigns to minimize or eliminate mining and the use of coal as a source of electricity generation. The net effect of these developments is to make it more costly and difficult to maintain our business and to continue to depress the market for coal.

Our mines are subject to stringent federal and state safety regulations that increase our cost of doing business at active operations and may place restrictions on our methods of operation. In addition, government inspectors in certain circumstances may have the ability to order our operations to be shut down based on safety considerations.

The Federal Mine Safety and Health Act of 1977 (the “Mine Act”) and Mine Improvement and New Emergency Response Act (the “MINER Act”), and regulations issued under these federal statutes, impose stringent health and safety standards on mining operations. The regulations that have been adopted under the Mine Act and the MINER Act are comprehensive and affect numerous aspects of mining operations, including training of mine personnel, mining procedures, roof control, ventilation, blasting, use and maintenance of mining equipment, dust and noise control, communications, emergency response procedures, and other matters. MSHA regularly inspects mines to ensure compliance with regulations promulgated under the Mine Act and MINER Act. In addition, Pennsylvania, West Virginia, and Virginia all have similar programs for mine safety and health regulation and enforcement.

The various requirements mandated by federal and state statutes, rules, and regulations may place restrictions on our methods of operation and potentially result in fees and civil penalties for violations of such requirements or criminal liability for the knowing violation of such standards, significantly impacting operating costs and productivity. In addition, government inspectors have the authority to issue orders to shut down our operations based on safety considerations under certain circumstances, such as imminent dangers, accidents, failures to abate violations, and unwarrantable failures to comply with mandatory safety standards. See “Business—Environmental and Other Regulatory Matters—Mine Safety and Health.”

The regulations enacted under the Mine Act and MINER Act as well as under similar state acts are routinely expanded, raising compliance costs and increasing potential liability. For example, in 2014, MSHA finalized a new rule limiting miners’ exposure to respirable coal dust. The first phase of the rule went into effect as of August 1, 2014, and requires, among other things, single shift sampling to determine noncompliance and corrective action to remedy any excessive levels of dust. The next phase of the rule went into effect as of February 1, 2016 and requires increased sampling frequency and the use of continuous personal dust monitors. This and other future mine safety rules could potentially result in or require significant expenditures, as well as additional safety training and planning, enhanced safety equipment, more frequent mine inspections, stricter enforcement practices and enhanced reporting requirements. At this time, it is not possible to predict the full effect that new or proposed statutes, regulations and policies will have on our operating costs, but any expansion of existing regulations, or making such regulations more stringent may have a negative impact on the profitability of our operations. If we were to be found in violation of mine safety and health regulations, we could face penalties or restrictions that may materially and adversely impact our operations, financial results and liquidity.

We must also compensate employees for work-related injuries. State workers’ compensation acts typically provide for an exception to an employer’s immunity from civil lawsuits for workplace injuries in the case of intentional torts. In such situations, an injured worker would be able to bring suit against his or her employer for damages in excess of workers’ compensation benefits. In addition, West Virginia’s workers’ compensation act provides a much broader exception to workers’ compensation immunity, allowing an injured employee to recover against his or her employer if he or she can show damages caused by an unsafe working condition of which the employer was aware and that was a violation of a statute, regulation, rule or consensus industry standard. These types of lawsuits are not uncommon and could have a significant effect on our operating costs.

We have obtained from a third-party insurer a workers’ compensation insurance policy, which includes coverage for medical and disability benefits for black lung disease under the Federal Coal Mine Health and Safety Act of 1969 and the Mine Act, as amended. We perform periodic evaluations of our black lung liability, using assumptions regarding rates of successful claims, discount factors, benefit increases and mortality rates, among others. Of note, the Affordable Care Act of 2010 significantly amended the black lung provisions of the Mine Act by reenacting two provisions, which had been eliminated in 1981. Under the amendments, a miner with at least fifteen years of underground coal mine employment (or surface mine employment with similar dust exposure) who can prove that he suffers from a totally disabling respiratory condition is entitled to a rebuttable presumption that his disability is caused by black lung. The other amendment provides that the surviving spouse of a miner who was collecting federal black lung benefits at the time of his death is entitled to a continuation of those benefits. These changes could have a material impact on our costs expended in association with the federal black lung program.

We have reclamation, mine closing, and related environmental obligations under the Surface Mining Control and Reclamation Act. If the assumptions underlying our accruals are inaccurate, we could be required to expend greater amounts than anticipated.

SMCRA establishes operational, reclamation and closure standards for our mining operations. SMCRA requires that comprehensive environmental protection and reclamation standards be met during the course of and following completion of mining activities. Permits for all mining operations must be obtained from the OSMRE or, where state regulatory agencies have adopted federally approved state programs under SMCRA, the appropriate state regulatory authority. Our operations are located in states which have achieved primary jurisdiction for enforcement of SMCRA through approved state programs. See “Business—Environmental and Other Regulatory Matters.”

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In December 2016, OSMRE published the final version of the Stream Protection Rule. The rule became effective in January 2017 but was subsequently “disapproved” pursuant to the Congressional Review Act (“CRA”). The rule would have impacted both surface and underground mining operations by imposing stricter guidelines on conducting coal mining operations within buffer zones and increasing testing and monitoring requirements related to the quality or quantity of surface water and groundwater or the biological condition of streams. The Stream Protection Rule would also have required the collection of increased premining data about the site of the proposed mining operation and adjacent areas to establish a baseline for evaluation of the impacts of mining and the effectiveness of reclamation associated with returning streams to premining conditions. Both the House and Senate passed a resolution in February 2017 disapproving of the Stream Protection Rule pursuant to the Congressional Review Act (“CRA”). President Trump signed the resolution on February 16, 2017 and, pursuant to the CRA, the Stream Protection Rule “shall have no force or effect” and cannot be replaced by a similar rule absent future legislation. OSMRE published a Federal Register notice on November 17, 2017, that removed the text of the Stream Protection Rule from the Code of Federal Regulations. Whether Congress will enact future legislation to require a new Stream Protection Rule remains uncertain. If a similar rule were enacted in the future, our mining operations could face significant operating restrictions, as well as increased monitoring and restoration costs.

In addition, SMCRA imposes a reclamation fee on all current mining operations, the proceeds of which are deposited in the Abandoned Mine Reclamation Fund (“AML Fund”), which is used to restore unreclaimed and abandoned mine lands mined before 1977. The current per ton fee is \$0.28 per ton for surface mined coal and \$0.12 per ton for underground mined coal. These fees are currently scheduled to be in effect until September 30, 2021.

We accrue for the costs of current mine disturbance and of final mine closure, including the cost of treating mine water discharge where necessary. The amounts recorded are dependent upon a number of variables, including the estimated future closure costs, estimated proven reserves, assumptions involving profit margins, inflation rates, and the assumed credit-adjusted risk-free interest rates. If these accruals are insufficient or our liability in a particular year is greater than currently anticipated, our future operating results could be adversely affected. We are also required to post bonds for the cost of a coal mine as a condition of our mining activities.

Risks Related to Our Company

Our ability to pay dividends may be limited by the amount of cash we generate from operations following the payment of fees and expenses, by restrictions in any future debt instruments and by additional factors unrelated to our profitability.

We may pay special and regular quarterly dividends in the future. The declaration and payment of dividends, if any, is subject to the discretion of our board of directors and the requirements of applicable law. The timing and amount of any dividends declared will depend on, among other things: (a) our earnings, earnings outlook financial condition, cash flow, cash requirements and outlook on current and future market conditions, (b) our liquidity, including our ability to obtain debt and equity financing on acceptable terms, (c) restrictive covenants in any future debt instruments and (d) provisions of applicable law governing the payment of dividends.

The metallurgical coal industry is highly volatile, and we cannot predict with certainty the amount of cash, if any, that will be available for distribution as dividends in any period. Also, there may be a high degree of variability from period to period in the amount of cash, if any, that is available for the payment of dividends. The amount of cash we generate from operations and the actual amount of cash we will have available for dividends will vary based upon, among other things:

- the development of our properties into producing coal mines;
- the ability to begin generating significant revenues and operating cash flows;
- the market price for coal;
- overall domestic and global economic conditions, including the supply of and demand for domestic and foreign coal, coke and steel;
- unexpected operational events or geological conditions;
- cost overruns;
- our ability to enter into agreements governing the sale of coal, which are generally short-term in nature and subject to fluctuations in market pricing;
- the level of our operating costs;
- prevailing global and regional economic and political conditions;
- changes in interest rates;
- the impact of domestic and foreign governmental laws and regulations, including environmental and climate change regulations and regulations affecting the coal mining industry;
- delays in the receipt of, failure to receive, failure to maintain or revocation of necessary governmental permits;
- modification or revocation of our dividend policy by our board of directors; and
- the amount of any cash reserves established by our board of directors.

The amount of cash we generate from our operations may differ materially from our net income or loss for the period, which will be affected by non-cash items. We may incur other expenses or liabilities that could reduce or eliminate the cash available for distribution as dividends.

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In addition, any future financing agreements may prohibit the payment of dividends if an event of default has occurred and is continuing or would occur as a result of the payment of such dividends.

In addition, Section 170 of the Delaware General Corporation Law (“DGCL”) allows our board of directors to declare and pay dividends on the shares of our common stock either (i) out of our surplus, as defined in and computed in accordance with the DGCL or (ii) in case there shall be no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. We may not have sufficient surplus or net profits in the future to pay dividends, and our subsidiaries may not have sufficient funds, surplus or net profits to make distributions to us. As a result of these and the other factors mentioned above, we can give no assurance that dividends will be paid in the future.

For as long as we are an emerging growth company, we will not be required to comply with certain reporting requirements that apply to other public companies, including those relating to auditing standards and disclosure about our executive compensation.

The JOBS Act contains provisions that, among other things, relax certain reporting requirements for “emerging growth companies,” including certain requirements relating to auditing standards and compensation disclosure. We are classified as an emerging growth company. For as long as we are an emerging growth company, which may be as late as our annual report for the fiscal year ending December 31, 2022, unlike other public companies, we will not be required to, among other things, (1) provide an auditor’s attestation report on management’s assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, (2) comply with any new requirements adopted by the PCAOB requiring mandatory audit firm rotation or a supplement to the auditor’s report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer, (3) comply with any new audit rules adopted by the PCAOB after April 5, 2012 unless the SEC determines otherwise or (4) provide certain disclosure regarding executive compensation required of larger public companies.

In addition, Section 102 of the JOBS Act also provides that an “emerging growth company” can use the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. An “emerging growth company” can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we chose to “opt out” of such extended transition period, and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

The requirements of being a public company, including compliance with the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the requirements of the Sarbanes-Oxley Act, may strain our resources, increase our costs and consume management attention, and we may be unable to comply with these requirements in a timely or cost-effective manner.

As a public company, we need to comply with new laws, regulations and requirements, certain corporate governance provisions of the Sarbanes-Oxley Act of 2002, related regulations of the SEC and the requirements of the NASDAQ, with which we were not required to comply as a private company. Complying with these statutes, regulations and requirements occupies a significant amount of time for our board of directors and management and significantly increases our costs and expenses. We need to:

- institute a more comprehensive compliance function;
- comply with rules promulgated by the NASDAQ;
- continue to prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws;
- establish new internal policies, such as those relating to insider trading; and
- involve and retain to a greater degree outside counsel and accountants in the above activities.

Furthermore, while we generally must comply with Section 404 of the Sarbanes-Oxley Act of 2002, we are not required to have our independent registered public accounting firm attest to the effectiveness of our internal controls until our first annual report subsequent to our ceasing to be an “emerging growth company” within the meaning of Section 2(a)(19) of the Securities Act. Accordingly, we may not be required to have our independent registered public accounting firm attest to the effectiveness of our internal controls until as late as our annual report for the fiscal year ending December 31, 2022. Once it is required to do so, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed, operated or reviewed. Compliance with these requirements may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.

In addition, being a public company subject to these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers.

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If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm our business and the trading price of our common stock.

Effective internal controls are necessary for us to provide reliable financial reports, prevent fraud and operate successfully as a public company. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. We cannot be certain that our efforts to maintain our internal controls will be successful or that we will be able to comply with our obligations under Section 404 of the Sarbanes Oxley Act of 2002. Any failure to maintain effective internal controls, or difficulties encountered in implementing or improving our internal controls, could harm our operating results or cause us to fail to meet our reporting obligations. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our common stock.

Our significant stockholders have the ability to direct the voting of a majority of the voting power of our common stock, and their interests may conflict with those of our other stockholders.

Our significant stockholders own approximately 81% of our common stock. As a result, our significant stockholders are able to control matters requiring stockholder approval, including the election of directors, changes to our organizational documents and significant corporate transactions. This concentration of ownership makes it unlikely that any other holder or group of holders of our common stock will be able to affect the way we are managed or the direction of our business. The interests of our significant stockholders with respect to matters potentially or actually involving or affecting us, such as future acquisitions, financings and other corporate opportunities and attempts to acquire us, may conflict with the interests of our other stockholders. Given this concentrated ownership, our significant stockholders would have to approve any potential acquisition of us. In addition, certain of our directors are currently employees of our significant stockholders. These directors' duties as employees of our significant stockholders may conflict with their duties as our directors, and the resolution of these conflicts may not always be in our or your best interest.

Furthermore, we entered into a stockholders' agreement with the significant stockholders in connection with our initial public offering. Among other things, the stockholders' agreement provides certain funds affiliated with and/or managed by Yorktown and ECP with the right to designate a certain number of nominees to our board of directors until the later of (i) the time at which such stockholder no longer has the right to designate an individual for nomination to the board of directors under the stockholders' agreement, and (ii) the time at which the significant stockholders cease to hold in aggregate at least 50% of the outstanding shares of our common stock.

The existence of a significant stockholder and the stockholders' agreement may have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management or limiting the ability of our other stockholders to approve transactions that they may deem to be in our best interests. Our significant stockholders' concentration of stock ownership may also adversely affect the trading price of our common stock to the extent investors perceive a disadvantage in owning stock of a company with significant stockholders.

Certain of our directors have significant duties with, and spend significant time serving, entities that may compete with us in seeking acquisitions and business opportunities and, accordingly, may have conflicts of interest in allocating time or pursuing business opportunities.

Certain of our directors, who are responsible for managing the direction of our operations and acquisition activities, hold positions of responsibility with other entities (including Yorktown- and ECP-affiliated entities) that are in the business of identifying and acquiring coal reserves. The existing positions held by these directors may give rise to fiduciary or other duties that are in conflict with the duties they owe to us. These directors may become aware of business opportunities that may be appropriate for presentation to us as well as to the other entities with which they are or may become affiliated. Due to these existing and potential future affiliations, they may present potential business opportunities to other entities prior to presenting them to us, which could cause additional conflicts of interest. They may also decide that certain opportunities are more appropriate for other entities with which they are affiliated, and as a result, they may elect not to present those opportunities to us. These conflicts may not be resolved in our favor. For additional discussion of our management's business affiliations and the potential conflicts of interest of which our stockholders should be aware, see "Certain Relationships and Related Persons Transactions."

Our significant stockholders and their affiliates are not limited in their ability to compete with us, and the corporate opportunity provisions in our amended and restated certificate of incorporation could enable our significant stockholders to benefit from corporate opportunities that might otherwise be available to us.

Our governing documents provide that our significant stockholders and their affiliates (including portfolio investments of our significant stockholders and their affiliates) are not restricted from owning assets or engaging in businesses that compete directly or indirectly with us. In particular, subject to the limitations of applicable law, our amended and restated certificate of incorporation, among other things:

- permits our significant stockholders and their affiliates and our non-employee directors to conduct business that competes with us and to make investments in any kind of property in which we may make investments; and
- provides that if our significant stockholders or their affiliates or any director or officer of one of our affiliates, or our non-employee directors, our significant stockholders or their affiliates who is also one of our directors, or our non-employee directors, becomes aware of a potential business opportunity, transaction or other matter, they will have no duty to communicate or offer that opportunity to us.

Our significant stockholders or their affiliates, or our non-employee directors, may become aware, from time to time, of certain business opportunities (such as acquisition opportunities) and may direct such opportunities to other businesses in which they have invested, in which case we may not become aware of or otherwise have the ability to pursue such opportunity. Further, such businesses may choose to compete with us for these opportunities, possibly causing these opportunities to not be available to us or causing them to be more expensive for us to pursue. In addition, our significant stockholders and their affiliates, or our non-employee directors, may dispose of coal properties or other assets in the future, without any obligation to offer us the opportunity to purchase any of those assets. As a result, our renouncing our interest and expectancy in any business opportunity that may be from time to time presented to our significant stockholders and their affiliates, or our non-employee directors, could adversely impact our business or prospects if attractive business opportunities are procured by such parties for their own benefit rather than for ours.

Each of our significant stockholders has resources greater than ours, which may make it more difficult for us to compete with our significant stockholders with respect to commercial activities as well as for potential acquisitions. We cannot assure you that any conflicts that may arise between us and our stockholders, on the one hand, and our significant stockholders, on the other hand, will be resolved in our favor. As a result, competition from our significant stockholders and their affiliates could adversely impact our results of operations.

Our amended and restated certificate of incorporation and amended and restated bylaws, as well as Delaware law, contain provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our common stock.

Our amended and restated certificate of incorporation authorizes our board of directors to issue preferred stock without stockholder approval. If our board of directors elects to issue preferred stock, it could be more difficult for a third-party to acquire us. In addition, some provisions of our amended and restated certificate of incorporation and amended and restated bylaws could make it more difficult for a third-party to acquire control of us, even if the change of control would be beneficial to our stockholders, including:

- limitations on the removal of directors;
- limitations on the ability of our stockholders to call special meetings;
- establishing advance notice provisions for stockholder proposals and nominations for elections to the board of directors to be acted upon at meetings of stockholders;
- providing that the board of directors is expressly authorized to adopt, or to alter or repeal our bylaws; and
- establishing advance notice and certain information requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law (the "DGCL"), our amended and restated certificate of incorporation or our bylaws, or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our amended and restated certificate of incorporation described in the preceding sentence. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

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We are a “controlled company” within the meaning of the NASDAQ rules and, as a result, qualify for and rely on exemptions from certain corporate governance requirements.

Yorktown beneficially owns a majority of our outstanding voting interests. As a result, we are a “controlled company” within the meaning of the NASDAQ corporate governance standards. Under the NASDAQ rules, a company of which more than 50% of the voting power is held by another person or group of persons acting together is a “controlled company” and may elect not to comply with certain NASDAQ corporate governance requirements, including the requirements that:

- a majority of the board of directors consist of independent directors;
- we have a nominating and governance committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and
- we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities.

These requirements will not apply to us as long as we remain a controlled company. We intend to continue to utilize some or all of these exemptions. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NASDAQ.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our Properties

At December 31, 2018, we owned or controlled, primarily through long-term leases, approximately 111,000 acres of coal minerals in Virginia and West Virginia and 1,567 acres of coal minerals in Pennsylvania. Our preparation plants and loadout facilities are located on properties owned by us or held under leases which expire at varying dates over the next 30 years. Most of the leases contain options to renew.

Our executive headquarters occupies leased office space in Lexington, Kentucky and we lease office space in Charleston, West Virginia as an operations center. See Item 1. “Business—Our Projects” for specific information about our mining operations.

Our Coal Reserves

Reserves are defined by the SEC Industry Guide 7 as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves are further classified as proven or probable according to the degree of certainty of existence. In determining whether our reserves meet this standard, we take into account, among other things, our potential ability to obtain a mining permit, the possible necessity of revising a mining plan, changes in estimated future costs, changes in future cash flows caused by changes in costs required to be incurred to meet regulatory requirements and obtaining or renewing mining permits, variations in quantity and quality of coal, and varying levels of demand and their effects on selling prices. Further, the economic recoverability of our reserves is based on market conditions including contracted pricing, market pricing and overall demand for our coal. Thus, the actual value at which we no longer consider our reserves to be economically recoverable varies depending on the length of time in which the specific market conditions are expected to last. We consider our reserves to be economically recoverable at a price in excess of our cash costs to mine the coal and fund our ongoing replacement capital. The reserves in this annual report are classified by reliability or accuracy in decreasing order of geological assurance as Proven (Measured) and Probable (Indicated). The terms and criteria utilized to estimate reserves for this study are based on United States Geological Survey Circular 891 and in general accordance with SEC Industry Guide 7, and are summarized as follows:

- Proven (Measured) Reserves: Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; and grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.
- Probable (Indicated) Reserves: Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

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Our coal reserve estimates at December 31, 2018 were prepared by our engineers and geologists. Our coal reserve estimates are based on data obtained from our drilling activities and other available geologic data. Acquisitions or sales of coal properties will change these estimates. Changes in mining methods or the utilization of new technologies may increase or decrease the recovery basis for a coal seam. Periodically, we retain outside experts to independently verify our coal reserve estimates. The most recent studies of our coal reserves at Elk Creek, Berwind and RAM Mine prepared by an independent engineering firm were completed by Weir International, Inc. and True Line, Inc., mining and geological consultants as of December 31, 2017. The most recent studies of our coal reserves at Knox Creek prepared by an independent engineering firm were completed by Weir International, Inc. as of March 31, 2018. The coal reserve estimates were updated through December 31, 2018 by our internal staff of engineers and geologists based upon production data. We intend to continue to periodically retain outside experts to assist management with the verification of our estimates of our coal reserves going forward.

Our reserves available to us by lease or right to lease from Ramaco Coal, LLC are summarized by project in the table below. All reserves listed for our Elk Creek mining complex, Berwind and RAM Mine properties are controlled by Ramaco Coal, LLC. We lease and sublease approximately 110 million tons of those reserves at our Elk Creek, Berwind and RAM Mine properties. In addition, we have the right to lease approximately 63 million additional tons of reserves controlled by Ramaco Coal, LLC, pursuant to mutual cooperation agreements. We own, lease or sublease the clean recoverable tons at our Knox Creek project.

	Location	Mining Method	Reserves (in millions) ⁽¹⁾			Anticipated Production Start Date	Projected Mine Life (years)	Typical Met Coal Quality ⁽²⁾	Planned Transportation
			Proven	Probable	Total				
Elk Creek	Logan, Wyoming and Mingo Counties, WV	Underground, Highwall, Surface	60	36	96	Producing	20+ High Volatile A, A/B, B	CSX RR, Norfolk Southern RR, Truck	
Berwind	McDowell County, WV, Buchanan and Tazewell Counties, VA	Underground	44	27	71	Producing	20+ Low Volatile	Truck, Norfolk Southern RR, Norfolk Southern RR, Truck, Barge	
RAM Mine	Washington County, PA	Underground	2	4	6	2021	10 High Volatile C	Norfolk Southern RR, Truck, Barge	
Knox Creek	Buchanan, Tazewell and Russell Counties, VA	Highwall, Underground	69	6	75	Producing ⁽³⁾	— ⁽⁴⁾ High Volatile A	Truck, Norfolk Southern	
Total			175	73	248				

- (1) Reserves, presented as clean recoverable tons, are based upon 50% underground mining recovery, theoretical preparation plant yield at appropriate specific gravities and 95% preparation plant efficiency. The ranges of metallurgical coal sales prices used to assess our reserves at the time of reserve reporting were between \$115-119 per ton at Berwind, \$88-103 per ton at Elk Creek, \$76-86 per ton at RAM Mine and \$85-111 per ton at Knox Creek.
- (2) Volatiles refers to the volatile matter contained in the coal. Classification of coal as low, mid or high volatile refers to the specific volatile content within the coal, with coals of 17% to 22% volatiles being classified as low volatile, 23% to 31% as mid volatile and 32% or greater as high volatile. The amount of volatile matter in coal impacts coke yield—the amount of coke and coke by-products produced per ton of coal charged. Low volatile coal contains more carbon, but too much carbon can result in coke oven damage. Too much volatile matter results in less carbon and reduces the volume of coke produced. Therefore, coke producers use blends of high volatile and low volatile coals for coke production.
- (3) Third party highwall mining began in 2018, and the projected mine life is uncertain.
- (4) The currently contemplated Jawbone underground mine would have a 10-15 year life.

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These reserve estimates were assessed based on benchmark coal sales pricing at the time of reserve reporting for each property. Utilizing the three-year average semi-soft coking coal historical benchmark price of approximately \$88 per short ton for coal produced at Elk Creek, RAM and Knox Creek, our mineral reserves at each such mines are economic. Utilizing a three-year average premium hard coking coal historical benchmark price of approximately \$104 per short ton, our mineral reserves at our Berwind mine are economic.

Year-end reserve estimates are and will continue to be reviewed by our Chief Executive Officer and other senior management, and revisions are communicated to our board of directors. Inaccuracies in our estimates of our coal reserves could result in decreased profitability from lower than expected revenues or higher than expected costs. Actual production recovered from identified reserve areas and properties, and revenues and expenditures associated with our mining operations, may vary materially from estimates.

Item 3. Legal Proceedings

Due to the nature of our business, we may become, from time to time, involved in routine litigation or subject to disputes or claims related to our business activities. In the opinion of our management, there are no pending litigation, disputes or claims against us which, if decided adversely, will have a material adverse effect on our financial condition, cash flows or results of operations.

Item 4. Mine Safety Disclosures

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 to this annual report.

PART II

Item 5. Market for Registrant's Common Equity and Related Shareholder Matters.

Our common stock began trading on February 3, 2017 on the NASDAQ under the symbol "METC."

Holders

As of the close of business on March 15, 2019, there were thirty-three holders of record of our common stock. Because many of our common shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these holders of record.

Dividends

We have never declared or paid cash dividends on our common stock. See Item 7 of Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Item 6. Selected Financial Data

On February 8, 2017, in connection with the closing of our IPO, we completed a corporate reorganization (the “Reorganization”) pursuant to which all the interests in Ramaco Development, LLC (“Ramaco Development”), our accounting predecessor, were exchanged for newly issued shares of common stock of Ramaco Resources and as a result, Ramaco Development became a wholly-owned subsidiary of Ramaco Resources. As such, the financial information presented below and in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for the periods through February 8, 2017 pertain to the historical financial statements and results of operations of Ramaco Development.

The selected historical consolidated financial data were derived from our audited historical consolidated financial statements included elsewhere in this annual report. Historical results are not necessarily indicative of future results. You should read the following table in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the historical consolidated financial statements of our predecessor and accompanying notes included elsewhere in this annual report.

<i>(In thousands)</i>	Year Ended December 31,				
	2018	2017	2016	2015	2014
Consolidated statement of operations data:					
Revenue	\$ 227,574	\$ 61,036	\$ 5,216	\$ —	\$ —
Cost and expenses					
Cost of coal sales (exclusive of items shown separately below)	176,555	58,308	1,796	—	—
Cost of coal processing (exclusive of items shown separately below)	—	2,213	2,601	—	—
Other operating costs and expenses	—	258	416	934	939
Asset retirement obligation accretion	494	405	229	75	68
Depreciation and amortization	12,423	3,154	252	—	—
Selling, general and administrative	14,006	12,591	7,452	1,324	759
Total cost and expenses	203,478	76,929	12,746	2,333	1,766
Operating income (loss)	24,096	(15,893)	(7,530)	(2,333)	(1,766)
Interest and dividend income	36	295	139	—	—
Other income	2,518	204	—	—	—
Interest expense	(1,463)	(23)	(124)	(2)	(1)
Income (loss) before tax	\$ 25,187	\$ (15,417)	\$ (7,515)	\$ (2,335)	\$ (1,767)
Income tax expense	113	—	—	—	—
Net income (loss)	\$ 25,074	\$ (15,417)	\$ (7,515)	\$ (2,335)	\$ (1,767)
Basic earnings (loss) per share	\$ 0.63	\$ (0.41)			
Diluted earnings (loss) per share	\$ 0.62	\$ (0.41)			

Cash Flow Data:

Cash flows from operating activities	\$ 36,038	\$ (8,753)	\$ (3,861)	\$ (1,916)	\$ (1,702)
Cash flows from investing activities	(42,937)	(19,802)	(77,463)	(3,464)	(4,185)
Cash flows from financing activities	7,916	29,292	85,527	6,374	5,887
Net change in cash and cash equivalents	\$ 1,017	\$ 737	\$ 4,203	\$ 994	\$ —

	December 31,				
	2018	2017	2016	2015	2014
Balance sheet data:					
Cash and cash equivalents	\$ 6,951	\$ 5,934	\$ 5,197	\$ 994	\$ -
Property, plant and equipment, net	149,205	115,451	46,434	13,958	10,381
Total Assets	188,244	148,098	119,209	20,352	11,870
Current maturities of long-term debt	5,000	—	—	—	—
Long-term debt, less current portion	4,474	—	10,629	10,683	11,053
Other long-term obligations	12,816	12,276	9,435	2,095	1,791
Total stockholders' equity	141,109	113,397	83,788	6,660	(974)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside our control. We caution you that our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences are discussed elsewhere in this Annual Report, particularly in the "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors," all of which are difficult to predict. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. We do not undertake any obligation to publicly update any forward-looking statements except as otherwise required by applicable law.

Overview

Our primary source of revenue is the sale of metallurgical coal. We have a 248-million-ton reserve base of high-quality metallurgical coal and four long-lived projects under development. Our plan is to complete development of our remaining projects and grow production to more than 4.0 million clean tons of metallurgical coal over the next three to four years depending on the rate at which we are able to deploy capital. We may make acquisitions of reserves or infrastructure that continue our focus on advantaged geology and lower costs.

During 2018, we sold 2.1 million tons of coal, which represents a 253% increase from our 2017 sales volume. Of this, 65% was sold in North American markets and 35% was sold in export markets principally to Europe and Asia. In 2016 and through April 2017, we processed raw coal for third parties at our Knox Creek preparation plant and loading facility under arrangements that have been cancelled. Beginning in late 2016, we began purchasing coal from third parties for sale for our own account.

The overall outlook of the metallurgical coal business is dependent on a variety of factors such as pricing, regulatory uncertainties and global economic conditions. Coal consumption and production in the U.S. have been driven in recent periods by several market dynamics and trends, such as the global economy, a strong U.S. dollar and accelerating production cuts.

In March 2018, President Trump signed a proclamation imposing a 25% global tariff on imports of certain steel products, effective March 31, 2018. Generally, we are experiencing signs of some increase in domestic demand for metallurgical coal as a result of the proclamations. Our export customers include foreign steel producers who may be negatively affected by the tariffs to the extent their production is imported into the U.S. Some countries have also threatened retaliatory tariffs on U.S. products including metallurgical coal. At this time, it is too early to know the impact these tariffs will have on longer-term demand or pricing, if any.

In 2018, our capital expenditures totaled approximately \$48 million. We completed the development and opening of one new deep mine at our Elk Creek mining complex. We continued to invest in infrastructure and mine equipment at our Elk Creek mining complex. We also continued development mining at our Berwind property and continued third-party coal purchases which augment our sales.

On November 5, 2018, one of our three raw coal storage silos that feed our Elk Creek plant in West Virginia experienced a partial structural failure. The prep plant at our Elk Creek mining complex was idled for approximately three weeks due to the partial structural failure of the silo. In late November 2018, we completed a temporary conveying system at our Elk Creek mining complex. The temporary conveying system allowed us to bypass the damaged raw coal storage silo, which has since been demolished, and allowed for the immediate processing and shipping of coal at approximately 80% of the entire plant capacity, throughout December 2018. In February 2019, we completed the fabrication of a higher capacity bypass system to provide a secondary conveyance system, which operates at greater than 80% of processing capacity with increased reliability compared to the initial bypass system. We anticipate completion of the silo rehabilitation in the second quarter of 2019 at which point we expect the prep plant to return to full processing capacity. Our insurance carrier has disputed our claim for coverage based on certain exclusions to the applicable policy. We are still evaluating whether we will be fully insured against all losses or liabilities that could arise from this incident.

Results of Operations

<i>(In thousands)</i>	Year Ended December 31,		
	2018	2017	2016
Consolidated statement of operations data:			
Revenue	\$ 227,574	\$ 61,036	\$ 5,216
Cost and expenses			
Cost of coal sales (exclusive of items shown separately below)	176,555	58,308	1,796
Cost of coal processing (exclusive of items shown separately below)	—	2,213	2,601
Other operating costs and expenses	—	258	416
Asset retirement obligation accretion	494	405	229
Depreciation and amortization	12,423	3,154	252
Selling, general and administrative	14,006	12,591	7,452
Total cost and expenses	203,478	76,929	12,746
Operating income (loss)	24,096	(15,893)	(7,530)
Interest and dividend income	36	295	139
Other income	2,518	204	—
Interest expense	(1,463)	(23)	(124)
Income (loss) before tax	\$ 25,187	\$ (15,417)	\$ (7,515)
Income tax expense	113	—	—
Net income (loss)	\$ 25,074	\$ (15,417)	\$ (7,515)
Adjusted EBITDA	\$ 42,169	\$ (9,310)	\$ (6,750)

Our revenue producing activities for 2018 consisted of the sale of coal we produced and coal we purchased from third parties for our own account. We began commercial production of coal in January 2017. Starting as new mine projects, we developed and opened four mines at our Elk Creek mining complex and completed construction of the preparation plant and rail load-out facility during 2017 and 2018. We also began development mining in 2017 at our Berwind property, which continued during 2018.

In 2016, revenue consisted principally of the sale of purchased coal and revenue for processing coal for third parties, which processing contracts were terminated in April 2017. Our first revenues commenced in mid-2016 with completion of the Knox Creek Acquisition (as later defined). Before this acquisition, our activities were limited to acquiring geologically advantaged coal reserve properties and to advancing those properties toward coal production through exploration, the delineation of reserves; assessment and mine planning; permitting; and the development of access for mining. Direct costs associated with preparation of future mine sites for mining were capitalized. Operating expenditures including certain professional fees and overhead costs are not capitalized but are expensed as incurred.

Year Ended December 31, 2018 compared to Year Ended December 31, 2017

Revenue. For the year ended December 31, 2018, we had revenue of \$227.6 million from the sale of coal. During 2018, we sold 2.1 million tons of coal including 0.4 million tons of purchased coal. For the year ended December 31, 2017, we had revenue of \$58.8 million from the sale of coal and \$2.2 million from the processing of coal for third parties. During 2017, we sold 0.6 million tons of coal including 0.2 million tons of purchased coal.

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Our revenue includes sales to customers of Company produced coal and coal purchased from third parties. We include amounts billed by us for transportation to our customers within revenue and transportation costs incurred within cost of sales. Coal sales information is summarized as follows:

(In thousands)	Year ended December 31,		
	2018	2017	Increase
Company Produced			
Coal sales revenue	\$ 179,078	\$ 30,390	\$ 148,688
Tons sold	1,721	372	1,349
Purchased from Third Parties			
Coal sales revenue	\$ 48,496	\$ 28,408	\$ 20,088
Tons sold	427	236	191

Cost of coal sold and cost of coal processing. Our cost of sales totaled \$176.6 million for 2018 as compared to \$58.3 million for 2017. The total cash cost per ton sold (FOB mine) during 2018 was approximately \$63 for company produced coal and approximately \$95 for coal we purchased from third parties. Our preparation plant and load-out facilities were completed in late 2017 and led to a decreased cash cost per ton in 2018 on company produced coal.

In 2017, costs of coal processing totaled \$2.2 million for processing services we were performing at that time for third parties. The Company stopped performing these services for third parties during 2017 and did not provide any coal processing services to third parties during 2018.

Asset retirement obligation accretion. Our asset retirement obligation (“ARO”) accretion increased to \$0.5 million for 2018 from \$0.4 million for 2017, reflecting expanded activities at the Elk Creek mining complex and Knox Creek property in 2018.

Depreciation and amortization. Depreciation of our plant and equipment totaled \$12.4 million for the year ended December 31, 2018 as compared with \$3.2 million for the previous year. Higher depreciation expense for 2018 was principally due to the increase in mining operations in 2018. Amortization of capitalized development costs totaled \$2.7 million in 2018 as compared with \$0.5 million for the previous year. The increase in amortization of development costs in 2018 was driven by higher coal production from our properties during 2018.

Selling, general and administrative expenses. Selling, general and administrative expenses were \$14.0 million for the year ended December 31, 2018 as compared with \$12.6 million for 2017. This increase reflected the growth of our organization as we began producing and selling coal and fulfilling our responsibilities as a publicly-traded company.

Interest and dividend income. Interest and dividend income decreased by approximately \$0.3 million in the year ended December 31, 2018 as compared with the prior year. This decrease was primarily due to interest earned on investment securities held by the Company during the year ended December 31, 2017, which did not recur during the year ended December 31, 2018.

Other income. Other income increased by \$2.3 million to \$2.5 million for the year ended December 31, 2018 from \$0.2 million for the year ended December 31, 2017. This increase was primarily driven by an increase in third-party royalty income and rail rebates received during the year ended December 31, 2018.

Interest expense. Interest expense increased by approximately \$1.4 million in the year ended December 31, 2018 as compared with the prior year. This increase was driven by the increase in the Company’s outstanding debt during the current year.

Income tax expense. For the year ended December 31, 2018, we recognized income tax expense of \$0.1 million, or an effective income tax rate of 0.5%. Our effective tax rate for 2018 is comprised of the statutory tax expense offset by changes in valuation allowance and tax benefits for percentage depletion. Significant depletion and depreciation expense and utilization of net operating loss carryforwards combined to substantially reduce our taxes.

We did not recognize any income tax expense or benefit for the year ended December 31, 2017 because tax losses incurred for the year were fully offset by a valuation allowance against deferred tax assets.

Year Ended December 31, 2017 compared to Year Ended December 31, 2016

Revenue. For the year ended December 31, 2017, we had revenue of \$58.8 million from the sale of coal and \$2.2 million from the processing of coal for third parties. During 2017, we sold 0.6 million tons of coal including 0.2 million tons of purchased coal. During 2016, we had revenue of \$3.0 million from coal processing for third parties. We ceased processing third-party coal in April 2017 and have no current plans to begin those operations again. Sales of purchased coal beginning in late 2016 generated \$2.2 million of revenues for the period.

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Our revenue includes sales to customers of Company produced coal and coal purchased from third parties. We include amounts billed by us for transportation to our customers within revenues and transportation costs incurred within cost of sales. Coal sales information is summarized as follows:

<i>(In thousands)</i>	Year ended December 31,		
	2017	2016	Increase
Company Produced			
Coal sales revenue	\$ 30,390	\$ -	\$ 30,390
Tons sold	372	-	372
Purchased from Third Parties			
Coal sales revenue	\$ 28,408	\$ 2,167	\$ 26,241
Tons sold	236	15	221

Cost of coal sold and cost of coal processing. Our cost of sales totaled \$60.5 million for 2017 as compared with \$4.4 million for 2016. The total cash cost per ton sold (FOB mine) for 2017 was approximately \$73 for our produced coal and approximately \$98 for coal we purchased from third parties.

Total costs were adversely impacted during 2017 by higher trucking costs and third-party processing costs totaling approximately \$2.7 million or about \$7 per ton. These higher costs were incurred before construction of our preparation plant and load-out facilities were completed.

In 2017, costs of coal processing totaled \$2.2 million for processing services we were performing at that time for third parties as compared with \$2.6 million for 2016.

Other operating costs and expenses. Other operating costs and expenses decreased to \$0.3 million for the year ended December 31, 2017 from \$0.4 million for 2016. The decrease was principally attributable to the lower non-mine specific engineering and other outside services.

Asset retirement obligation accretion. Our ARO accretion increased to \$0.4 million for 2017 from \$0.2 million for 2016, reflecting expanded activities at the Elk Creek mining complex and Knox Creek property in 2017.

Depreciation and amortization. Depreciation of our plant and equipment totaled \$3.2 million for the year ended December 31, 2017 as compared with \$0.3 million for the previous year. Higher depreciation expense for 2017 was principally due to the commencement of commercial mining operations in 2017. Amortization of capitalized development costs totaled \$0.5 million in 2017. There was no amortization of development costs in 2016 since there was no coal production from our properties at that time.

Selling, general and administrative expenses. Selling, general and administrative expenses were \$12.6 million for the year ended December 31, 2017 as compared with \$7.5 million for 2016. A major portion of the increase was attributable to the continued building of our corporate organization. We incurred incremental general and administrative expenses as a result of becoming a publicly-traded company. These costs include expenses associated with our annual and quarterly reporting, investor relations, listing fees, incremental insurance costs, and accounting and legal services. Equity-based compensation expense, which is recorded within Selling, general and administrative expenses, was \$2.8 million for 2017 and \$0.3 million for 2016. Terms of our outstanding stock options issued to executive management in 2016 provided for vesting upon the completion of our IPO in February 2017. We recognized \$2.1 million of remaining compensation expense in the first quarter of 2017 related to these options. Remaining equity-based compensation expense for 2017 relates to restricted stock incentive awards granted to management and other key employees. The fair value of these awards is recognized as expense over the requisite service period.

Non-GAAP Financial Measures

Adjusted EBITDA

Adjusted EBITDA is used as a supplemental non-GAAP financial measure by management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies. We believe Adjusted EBITDA is useful because it allows us to more effectively evaluate our operating performance.

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We define Adjusted EBITDA as net income (loss) plus net interest expense, equity-based compensation, depreciation and amortization expenses and any transaction related costs. A reconciliation of income (loss), net of income taxes, to Adjusted EBITDA is included below. Adjusted EBITDA is not intended to serve as an alternative to U.S. GAAP measures of performance and may not be comparable to similarly-titled measures presented by other companies. The table below shows how we calculate Adjusted EBITDA:

	Year ended December 31,		
	2018	2017	2016
<i>(In thousands)</i>			
Reconciliation of Net Income (Loss) to Adjusted EBITDA			
Net income (loss)	\$ 25,074	\$ (15,417)	\$ (7,515)
Depreciation and amortization	12,423	3,154	252
Interest expense (income), net	1,427	(272)	(15)
Income taxes	113	—	—
EBITDA	39,037	(12,535)	(7,278)
Equity-based compensation	2,638	2,820	299
Accretion of asset retirement obligation	494	405	229
Adjusted EBITDA	\$ 42,169	\$ (9,310)	\$ (6,750)

Non-GAAP revenue per ton

Non-GAAP revenue per ton (FOB mine) is calculated as coal sales revenues less transportation costs, divided by tons sold. We believe revenue per ton (FOB mine) provides useful information to investors as it enables investors to compare revenue per ton generated by the Company against similar measures made by other publicly-traded coal companies and more effectively monitor changes in coal prices from period to period excluding the impact of transportation costs which are beyond our control. The adjustments made to arrive at these measures are significant in understanding and assessing the Company's financial condition. Revenue per ton sold (FOB mine) is not a measure of financial performance in accordance with U.S. GAAP and therefore should not be considered as an alternative to revenues under U.S. GAAP. The table below shows how we calculate Non-GAAP revenue per ton:

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Company Produced	Purchased Coal	Total	Company Produced	Purchased Coal	Total
<i>(In thousands, except per ton amounts)</i>						
Revenues ^(a)	\$ 179,078	\$ 48,496	\$ 227,574	\$ 30,390	\$ 28,408	\$ 58,798
Less: Adjustments to reconcile to Non-GAAP revenues (FOB mine)						
Transportation costs	21,281	5,276	26,557	5,945	2,280	8,225
Non-GAAP revenues (FOB mine)	\$ 157,797	\$ 43,220	\$ 201,017	\$ 24,445	\$ 26,128	\$ 50,573
Tons sold	1,721	427	2,148	372	236	608
Revenues per ton sold (FOB mine)	\$ 92	\$ 101	\$ 94	\$ 66	\$ 111	\$ 83

(a) The year ended December 31, 2017 excludes coal processing revenue of \$2.2 million.

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Non-GAAP cash cost per ton sold

Non-GAAP cash cost per ton sold is calculated as cash cost of coal sales less transportation costs, divided by tons sold. We believe cash cost per ton sold provides useful information to investors as it enables investors to compare the cash cost per ton by the Company against similar measures made by other publicly-traded coal companies and more effectively monitor changes in coal cost from period to period excluding the impact of transportation costs which are beyond our control. The adjustments made to arrive at these measures are significant in understanding and assessing the Company's financial condition. Cash cost per ton sold is not a measure of financial performance in accordance with U.S. GAAP and therefore should not be considered as an alternative to cost of sales under U.S. GAAP. The table below shows how we calculate Non-GAAP cash cost per ton:

	Year ended December 31, 2018			Year ended December 31, 2017		
	Company Produced	Purchased Coal	Total	Company Produced	Purchased Coal	Total
<i>(In thousands, except per ton amounts)</i>						
Cost of sales ^(a)	\$ 130,326	\$ 46,229	\$ 176,555	\$ 32,982	\$ 25,326	\$ 58,308
Less: Adjustments to reconcile to Non-GAAP cash cost of coal sales						
Transportation costs	21,787	5,613	27,400	5,945	2,280	8,225
Non-GAAP cash cost of coal sales	\$ 108,539	\$ 40,616	\$ 149,155	\$ 27,037	\$ 23,046	\$ 50,083
Tons sold	1,721	427	2,148	372	236	608
Cash cost per ton sold	\$ 63	\$ 95	\$ 69	\$ 73	\$ 98	\$ 90

(a) The year ended December 31, 2017 excludes costs of coal processing of \$2.2 million.

2019 Sales Commitments

As of February 2019, we had secured 2019 sales commitments of approximately 2.0 million tons, or about 90% of our estimated 2019 coal sales volume, to domestic and export customers. These volumes were all metallurgical quality coal.

Of these committed sales, approximately 1.5 million tons, or about 75%, are committed to domestic customers at fixed prices averaging \$113, approximately 100,000 tons are committed to export markets at prices averaging \$122 and approximately 350,000 tons are committed at prices based upon an index determined near the time of shipment.

Liquidity and Capital Resources

Our primary source of cash is proceeds from the sale of our coal production to customers. Our primary uses of cash include the cash costs of coal production, capital expenditures, royalty payments and other operating expenditures.

Cash flow information is as follows:

<i>(In thousands)</i>	Year Ended December 31,		
	2018	2017	2016
Consolidated statement of cash flow data:			
Cash flows from operating activities	\$ 36,038	\$ (8,753)	\$ (3,861)
Cash flows from investing activities	(42,937)	(19,802)	(77,463)
Cash flows from financing activities	7,916	29,292	85,527
Net change in cash and cash equivalents	\$ 1,017	\$ 737	\$ 4,203

Net cash provided by operating activities in the year ended December 31, 2018 reflects a significant increase in net income as compared to the loss incurred in the prior year. Net cash used in operating activities in the year ended December 31, 2017 reflects higher costs associated with the commencement and expansion of our operations. The cash used in operating activities in 2016 was primarily the result of net losses incurred in preparing the Company for operations.

Net cash used in investing activities was \$42.9 million for 2018 as compared with \$19.8 million for 2017. Our capital expenditures totaled \$48.1 million, \$75.0 million and \$16.7 million in 2018, 2017 and 2016, respectively. In 2016, we invested a portion of the proceeds of the issuance of our Series A preferred units into investment securities, the maturity of which was timed to coincide with anticipated capital expenditures. We received proceeds from those investment securities of \$5.2 million and \$55.2 million in 2018 and 2017, respectively.

Net cash from financing activities was \$7.9 million for 2018 as compared with \$29.3 million for 2017. During 2018, we borrowed \$16.0 million through short-term notes payable. In November of 2018, we repaid the balance of the notes payable when we entered in the Credit Facility discussed in more detail below. Cash provided by financing activities during 2017 was primarily driven by proceeds from equity issuances, partially offset by repayments of \$11.3 million of debt. Cash provided by financing activities during 2016 was \$85.5 million, primarily driven by proceeds from issuances of Series A preferred units.

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Indebtedness

In February 2018, we borrowed \$6.0 million under a short-term note from an unrelated third-party lender in order to manage accounts receivable (the "Equipment Note"). The Equipment Note was secured by a portion of our mobile mining equipment. Interest accrued monthly at 8.5% or 30-day LIBOR plus 6.9%, whichever was greater. The Equipment Note was repaid on November 5, 2018 with proceeds from the Credit Facility discussed below.

In May 2018, we borrowed \$3.0 million from Ramaco Coal, LLC, a related party, secured by certain coal inventory (the "Ramaco Coal Note"). Interest accrued monthly at 10.0%. The Ramaco Coal Note was repaid on November 5, 2018 with proceeds from the Credit Facility discussed below.

In June 2018, we borrowed an additional \$7.0 million under a short-term note from the same unrelated equipment lender in order to manage accounts receivable (the "Additional Equipment Note"). The Additional Equipment Note was also secured by the same mobile mining equipment as the Equipment Note. Interest accrued monthly at 8.5% or 30-day LIBOR plus 6.9%, whichever was greater. The Additional Equipment Note was repaid on November 5, 2018 with proceeds from the Credit Facility discussed below.

On November 2, 2018 the Company entered into a Credit and Security Agreement (the "Credit Facility") with KeyBank National Association. The Credit Facility consists of a \$10.0 million term loan (the "Term Loan") and up to \$30.0 million revolving line of credit, including \$1.0 million letter of credit availability (the "Revolving Credit Facility"). The Company used the Credit Facility to repay the Equipment Note, Additional Equipment Note and the Ramaco Coal Note, and provide working capital. The Credit Facility has a maturity date of November 2, 2021. As of December 31, 2018, \$9.6 million was outstanding under the Term Loan and there was no outstanding balance on the Revolving Credit Facility. For additional information on this Credit Facility, see Note 6 of the Notes to Consolidated Financial Statements included in Item 8 of Part I in this Annual Report on Form 10-K.

Liquidity

As of December 31, 2018, our available liquidity was \$33.4 million, comprised of cash and availability under our Revolving Credit Facility. We expect to fund our capital and liquidity requirements with cash on hand, borrowings discussed above and projected cash flow from operations. Factors that could adversely impact our future liquidity and ability to carry out our capital expenditure program include the following:

- Cost overruns in our purchases of equipment needed to complete our mine development plans;
- Delays in completion of development of our various mines which would reduce the coal we would have available to sell and our cash flow from operations; and
- Adverse changes in the metallurgical coal markets that would reduce the expected cash flow from operations.

Capital Requirements

Our primary use of cash currently includes capital expenditures for mine development and for ongoing operating expenses. During 2018 we spent \$48 million primarily for the purchase of mining equipment, infrastructure and development of mines at our Elk Creek and Berwind mining complexes.

We anticipate capital expenditures of \$35 million to \$40 million in 2019 for mine equipment and development.

Management believes that current cash on hand, cash flow from operations and available liquidity under our Revolving Credit Facility will be sufficient to meet its capital expenditure and operating plans. We expect to fund any new reserve acquisitions from cash on hand, cash from operations and potential future issuances of debt or equity securities.

If future cash flows are insufficient to meet our liquidity needs or capital requirements, we may reduce our expected level of capital expenditures and/or fund a portion of our capital expenditures through the issuance of debt or equity securities, the entry into debt arrangements or from other sources, such as asset sales.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2018:

	Payments due by period				
	Total	Less Than 1 year	1 - 3 years	3 - 5 years	More than 5 years
<i>(In thousands)</i>					
Minimum royalty obligations	\$ 36,142	\$ 3,598	\$ 8,158	\$ 8,733	\$ 15,653
Asset retirement obligations, discounted	12,778	71	1,310	855	10,542
Take or pay obligations	891	891	—	—	—
Operating lease obligations	412	155	216	41	—
Total	\$ 50,223	\$ 4,715	\$ 9,684	\$ 9,629	\$ 26,195

Off-Balance Sheet Arrangements

As of December 31, 2018, we had no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amounts of revenues and expenses reported for the period then ended.

Mine development costs. Mine development costs represent the costs incurred to prepare future mine sites for mining. These costs include costs of acquiring, permitting, planning, research, and establishing access to identify mineral reserves and other preparations for commercial production as necessary to develop and permit the properties for mining activities. Operating expenditures, including certain professional fees and overhead costs, are not capitalized but are expensed as incurred.

Amortization of mine development costs, with respect to a specific mine, commences when mining of the related reserves begins. Amortization is computed using the units-of-production method over the proven and probable reserves dedicated to the specific mine.

Asset retirement obligations. We recognize as a liability an asset retirement obligation, or ARO, associated with the retirement of a tangible long-lived asset in the period in which it is incurred or becomes determinable, with an associated increase in the carrying amount of the related long-lived asset. The initially recognized asset retirement cost is amortized using the same method and useful life as the long-lived asset to which it relates. Amortization begins when mining of the specific mineral property begins. Accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value.

Estimating the future ARO requires management to make estimates and judgments regarding timing and existence of a liability, as well as what constitutes adequate restoration. Inherent in the fair value calculation are numerous assumptions and judgments including the ultimate costs, inflation factors, credit adjusted discount rates, timing of settlement and changes in the legal, regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the fair value of the existing ARO liability, a corresponding adjustment is made to the related asset.

Impairment of Long-lived Assets. We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. These events and circumstances include, but are not limited to, a current expectation that a long-lived asset will be disposed of significantly before the end of its previously estimated useful life, a significant adverse change in the extent or manner in which we use a long-lived asset or a change in its physical condition.

When such events or changes in circumstances occur, a recoverability test is performed comparing projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying amount. If the projected undiscounted cash flows are less than the carrying amount, an impairment is recorded for the excess of the carrying amount over the estimated fair value.

We make various assumptions, including assumptions regarding future cash flows in our assessments of long-lived assets for impairment. The assumptions about future cash flows and growth rates are based on the current and long-term business plans related to the long-lived assets.

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Equity-based compensation expense. Compensation cost for equity incentive awards is based on the fair value of the equity instrument generally on the date of grant and is recognized over the requisite service period.

The fair value of restricted stock awards is determined using the publicly-traded price of our common stock on the grant date. The fair value of option awards is calculated using the Black-Scholes option-pricing model. The Black-Scholes model requires us to make assumptions and judgments about the variables used in the calculation, including the expected term, expected volatility, risk-free interest rate, dividend rate and service period.

Income Taxes. We provide for deferred income taxes for temporary differences arising from differences between the financial statement and tax basis of assets and liabilities existing at each balance sheet date using enacted tax rates. We initially recognize the effects of a tax position when it is more than 50 percent likely, based on the technical merits that the position will be sustained upon examination. Our determination of whether or not a tax position has met the recognition threshold depends on the facts, circumstances, and information available at the reporting date.

A valuation allowance may be recorded to reflect the amount of future tax benefits that management believes are not likely to be realized. The assessment takes into account expectations of future taxable income or loss, available tax planning strategies and the reversal of temporary differences. The development of these expectations involves the use of estimates such as production levels, operating profitability, timing of development activities and the cost and timing of reclamation work. If actual outcomes differ from our expectations, we may record an additional valuation allowance through income tax expense in the period such determination is made.

Recent Accounting Pronouncements. See Item 8 of Part II, “Financial Statements and Supplementary Data—Note 2—Summary of Significant Accounting Policies—Recent Accounting Pronouncements.”

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

In addition to the risks inherent in operations, we are exposed to financial, market, political and economic risks. The following discussion provides additional detail regarding our exposure to the risks related to changes in commodity prices, interest rates and foreign exchange rates.

Commodity Price Risk

Our primary product is metallurgical coal, which is in itself a commodity. Our coal is sold under short-term fixed price contracts, term transactions utilizing index pricing or on a spot basis. As such, we are exposed to changes in the international price of metallurgical coal. We attempt to manage this risk by keeping tight control over our mining costs.

Interest Rate Risk

As we have limited debt, we are not overly exposed to interest rate risk. Should we incur additional debt in the future or increase our cash position, the general level of interest rates will begin to take on greater importance. At that time, we will manage our exposure through a variety of financial tools designed to minimize exposure to interest rate fluctuations.

Foreign Exchange Rate Risk

International sales of coal are typically denominated in U.S. dollars. As a result, we do not have direct exposure to currency valuation exchange rate fluctuations. However, because our coal is sold internationally, to the extent that the U.S. dollar strengthens against the foreign currency of a customer or potential customer, we may find our coal at a price disadvantage as compared with other non-U.S. suppliers. This could lead to our receiving lower prices or being unable to compete for that specific customer’s business. Consequently, currency fluctuations could adversely affect the competitiveness of our coal in international markets.

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Item 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Ramaco Resources, Inc.

Lexington, Kentucky

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Ramaco Resources, Inc. (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Briggs & Veselka Co.

We have served as the Company's auditor since 2015.

Houston, Texas
March 19, 2019

Ramaco Resources, Inc.
Consolidated Balance Sheets

<i>In thousands</i>	December 31,	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,951	\$ 5,934
Short-term investments	—	5,200
Accounts receivable	10,729	7,166
Inventories	14,185	10,058
Prepaid expenses	3,154	1,104
Total current assets	35,019	29,462
Property, plant and equipment – net	149,205	115,451
Advanced coal royalties	3,045	2,867
Other	975	318
Total Assets	\$ 188,244	\$ 148,098
Liabilities and Stockholders' Equity		
Liabilities		
Current liabilities		
Accounts payable	\$ 16,393	\$ 19,533
Accrued expenses	8,094	2,821
Asset retirement obligations	71	71
Current portion of long-term debt	5,000	—
Financed insurance payable	287	—
Total current liabilities	29,845	22,425
Asset retirement obligations	12,707	12,276
Long-term debt	4,474	—
Deferred tax liability	109	—
Total liabilities	47,135	34,701
Commitments and contingencies	—	—
Stockholders' Equity		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.01 par value, 260,000,000 shares authorized, 40,082,467 and 39,559,366 shares issued and outstanding, respectively	401	396
Additional paid-in capital	150,926	148,293
Accumulated deficit	(10,218)	(35,292)
Total equity	141,109	113,397
Total Liabilities and Stockholders' Equity	\$ 188,244	\$ 148,098

The accompanying notes are an integral part of these consolidated financial statements.

Ramaco Resources, Inc.
Consolidated Statements of Operations

<i>In thousands, except per share amounts</i>	Years ended December 31,		
	2018	2017	2016
Revenue			
Coal sales	\$ 227,574	\$ 58,798	\$ 2,167
Coal processing	—	2,238	3,049
Total revenue	227,574	61,036	5,216
Cost and expenses			
Cost of coal sales (exclusive of items shown separately below)	176,555	58,308	1,796
Cost of coal processing (exclusive of items shown separately below)	—	2,213	2,601
Other operating costs and expenses	—	258	416
Asset retirement obligation accretion	494	405	229
Depreciation and amortization	12,423	3,154	252
Selling, general and administrative	14,006	12,591	7,452
Total cost and expenses	203,478	76,929	12,746
Operating income (loss)	24,096	(15,893)	(7,530)
Interest and dividend income	36	295	139
Other income	2,518	204	—
Interest expense	(1,463)	(23)	(124)
Income (loss) before tax	25,187	(15,417)	(7,515)
Income tax expense	113	—	—
Net income (loss)	\$ 25,074	\$ (15,417)	\$ (7,515)
Earnings (loss) per common share			
Basic earnings (loss) per share	\$ 0.63	\$ (0.41)	
Diluted earnings (loss) per share	\$ 0.62	\$ (0.41)	
Basic weighted average shares outstanding	40,039	37,578	
Diluted weighted average shares outstanding	40,263	37,578	

The accompanying notes are an integral part of these consolidated financial statements.

Ramaco Resources, Inc.
Consolidated Statements of Equity

In thousands

	<u>Common Stock</u>	<u>Contributed Capital</u>	<u>Additional Paid- in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Equity</u>
Balance at January 1, 2016	\$ —	\$ 12,467	\$ —	\$ (5,807)	\$ 6,660
Contributions from members	—	500	—	—	500
Paid-in kind distribution on Series A preferred units	—	—	—	(777)	(777)
Accrued distributions on Series A preferred units	—	—	—	(3,905)	(3,905)
Accretion - Series A preferred units	—	—	—	(247)	(247)
Equity-based compensation	—	299	—	—	299
Net loss	—	—	—	(7,515)	(7,515)
Balance at December 31, 2016	—	13,266	—	(18,251)	(4,985)
Accretion - Series A preferred units	—	—	—	(124)	(124)
Distributions on Series A preferred units	—	—	—	(1,500)	(1,500)
Issuance of common stock in Reorganization	225	(13,266)	13,041	—	—
Conversion of Series A preferred units into common stock	128	—	88,770	—	88,898
Proceeds from sale of common stock	38	—	43,667	—	43,705
Equity-based compensation	5	—	2,815	—	2,820
Net loss	—	—	—	(15,417)	(15,417)
Balance at December 31, 2017	396	—	148,293	(35,292)	113,397
Equity-based compensation	5	—	2,633	—	2,638
Net income	—	—	—	25,074	25,074
Balance at December 31, 2018	<u>\$ 401</u>	<u>\$ -</u>	<u>\$ 150,926</u>	<u>\$ (10,218)</u>	<u>\$ 141,109</u>

The accompanying notes are an integral part of these consolidated financial statements.

Ramaco Resources, Inc.
Consolidated Statements of Cash Flows

<i>In thousands</i>	Years ended December 31,		
	2018	2017	2016
Cash flows from operating activities			
Net income (loss)	\$ 25,074	\$ (15,417)	\$ (7,515)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Accretion of asset retirement obligations	494	405	229
Depreciation and amortization	12,423	3,154	252
Amortization of debt issuance costs	569	—	—
Costs associated with abandoned offering	—	—	3,089
Equity-based compensation	2,638	2,820	299
Deferred income taxes	109	—	—
Changes in operating assets and liabilities:			
Accounts receivable	(3,563)	(6,251)	(915)
Prepaid expenses	(774)	(715)	183
Inventories	(4,127)	(8,539)	(1,519)
Other assets	(835)	(1,114)	(21)
Accounts payable	(1,521)	15,535	1,864
Accrued expenses	5,551	1,369	193
Net cash from operating activities	36,038	(8,753)	(3,861)
Cash flow from investing activities:			
Acquisition of Knox Creek	—	—	(303)
Purchases of property, plant and equipment	(48,137)	(75,039)	(16,723)
Purchase of investment securities	—	—	(64,783)
Proceeds from maturities of investment securities	5,200	55,237	4,346
Net cash from investing activities	(42,937)	(19,802)	(77,463)
Cash flows from financing activities			
Proceeds from notes payable	13,000	—	—
Proceeds from notes payable - related party	3,000	—	4,000
Proceeds from borrowings	15,424	—	—
Payments of debt issuance cost	(569)	—	—
Repayment of notes payable	(13,000)	(500)	—
Repayment of notes payable - related party	(3,000)	—	—
Repayments of borrowings	(5,950)	—	—
Proceeds from issuance of common stock	—	47,709	—
Payments of equity offering costs	—	(1,756)	(2,248)
Proceeds from issuance of Series A preferred units	—	—	85,954
Offering costs for Series A preferred units	—	—	(2,250)
Advances from Ramaco Coal, LLC	—	—	864
Repayments to Ramaco Coal, LLC	—	(10,629)	(918)
Repayments of financed insurance payable	(989)	(127)	(375)
Payment of distributions	—	(5,405)	—
Contributed capital from members	—	—	500
Net cash from financing activities	7,916	29,292	85,527
Net change in cash and cash equivalents	1,017	737	4,203
Cash and cash equivalents, beginning of year	5,934	5,197	994
Cash and cash equivalents, end of year	\$ 6,951	\$ 5,934	\$ 5,197

The accompanying notes are an integral part of these consolidated financial statements.

Ramaco Resources, Inc.
Consolidated Statements of Cash Flows (continued)

	Years ended December 31,		
	2018	2017	2016
<i>In thousands</i>			
Supplemental cash flow information:			
Cash paid for interest	\$ 826	\$ 88	\$ 105
Cash paid for taxes	—	—	—
Non-cash investing and financing activities:			
Increase in prepaid expenses and financed insurance payable	1,276	—	310
Capital expenditures included in accounts payable and accrued liabilities	1,319	5,236	6,452
Financed purchase of equipment	—	—	500
Additional asset retirement obligations acquired or incurred	—	1,813	7,804
Series A preferred units issued in exchange for notes payable – related parties	—	—	4,046
Paid-in kind distribution on Series A preferred units	—	—	777
Accretion – Series A preferred units	—	124	247

The accompanying notes are an integral part of these consolidated financial statements.

Ramaco Resources, Inc.
Notes to Consolidated Financial Statements

NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of the Business

Ramaco Resources, Inc. (“Ramaco” or the “Company”) is a Delaware corporation formed in October 2016. Our principal corporate offices are located in Lexington, Kentucky. Through our wholly-owned subsidiary, Ramaco Development, LLC, we are an operator and developer of high-quality, low-cost metallurgical coal in southern West Virginia, southwestern Virginia, and southwestern Pennsylvania.

We commenced initial production of metallurgical coal at our Elk Creek mining complex in late December 2016. During 2017, we completed the development and activation of two deep mines and a surface mine at our Elk Creek mining complex. Our surface mine utilizes both the contour and highwall mining methods. During 2018, we completed the development and activation of a third deep mine at Elk Creek. We completed construction of the preparation plant and rail loadout facility at Elk Creek in February of 2018. We also began development mining at our Berwind property in late 2017.

Initial Public Offering

On February 8, 2017, we completed the initial public offering (“IPO”) of our common stock pursuant to a registration statement on Form S-1 (File 333-215363), as amended and declared effective by the SEC on February 2, 2017. Pursuant to the registration statement, we registered the sale of 6.0 million shares of \$0.01 par value common stock, which included 3.8 million shares of common stock sold by the Company and 2.2 million shares of common stock sold by the selling stockholders.

Proceeds from our IPO, based on the public offering price of \$13.50 per share, were approximately \$51.3 million. After subtracting underwriting discounts and commissions of \$3.6 million, we received net proceeds of approximately \$43.7 million, after deducting discounts and offering expenses paid directly by us. We used \$10.7 million of the net proceeds to repay indebtedness owed to Ramaco Coal, LLC, an affiliated entity. The remaining proceeds from the IPO were used for general corporate purposes including development of the Elk Creek mining complex and Berwind property. All units of our then-outstanding convertible Series A preferred units automatically converted into an aggregate of 12.76 million shares of common stock at the time of the IPO.

Basis of Presentation

Pursuant to the terms of a corporate reorganization (the “Reorganization”) that was completed in connection with the closing of our IPO, all the interests in Ramaco Development, LLC were exchanged for our newly issued common shares and as a result, Ramaco Development, LLC became our wholly-owned subsidiary. Therefore, the financial information for periods through February 8, 2017 pertain to the historical financial statements and results of operations of Ramaco Development, LLC.

The terms “the Company,” “we,” “us,” “our,” and similar terms when used in the present tense, prospectively or for periods since our Reorganization on February 8, 2017, refer to Ramaco Resources, Inc. and its subsidiaries, and for historical periods prior to our Reorganization refer to Ramaco Development LLC and its subsidiaries.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and U.S. Securities and Exchange Commission regulations. The financial statements are presented on a consolidated basis for all periods presented. Intercompany balances and transactions between consolidated entities have been eliminated in consolidation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of Ramaco’s significant accounting policies follows:

Use of estimates—The preparation of these financial statements in conformity with U.S GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates are related to the quantity and value of coal inventories, equity-based compensation, asset retirement obligations, contingencies and the quantities and values of coal reserves.

Revenue Recognition— Our primary source of revenue is from the sale of coal through contracts with steel producers usually having durations of less than one year. We adopted Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers, on January 1, 2018 using the modified retrospective method. The core principle of ASU 2014-09 is to recognize revenues in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. Before adoption of the new standard, revenue was recognized when risk of loss passed to our customer. The timing of revenue recognition for our coal sales remained consistent between the new and previous standards. There was no material impact on our consolidated financial statements from adopting the new standard but we have expanded disclosure about our revenues.

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For periods subsequent to January 1, 2018, revenue is recognized when performance obligations under the terms of a contract with our customers are satisfied. This occurs when control of the coal is transferred to our customers. For coal shipments to domestic customers via rail, control is generally transferred when the railcar is loaded. Control is transferred for export coal shipments to customers via ocean vessel when the vessel is loaded at the port.

Our coal sales generally include up to 90-day payment terms following the transfer of control of the goods to our customer. In the case of some of our foreign customers, our contracts also require that letters of credit are posted to secure payment of any outstanding receivable to the Company. We do not include extended payment terms in our contracts. Our contracts with customers typically provide for minimum specifications or qualities of the coal we deliver. Variances from these specifications or qualities are settled by means of price adjustments. Generally, these price adjustments are settled within 30 days of delivery and are small.

Freight Revenue and Expense—Costs incurred to transport coal to the point of sale at the port facility are included in cost of sales and the gross amounts billed to customers to cover shipping to and handling of the coal at the port are included in sales.

Cash and Cash Equivalents—We classify all highly-liquid instruments with an original maturity of three months or less to be cash equivalents.

Investment Securities— We generally invest our excess cash in certificates of deposit issued by federally insured financial institutions and short-term debt securities of U.S. Government agencies. Such investments are included in “cash and cash equivalents” or “short-term investments” on the accompanying consolidated balance sheets and are classified as held-to-maturity after consideration of our financial position, liquidity, and future plans. Investment securities are reported at cost, adjusted for premiums and discounts that are recognized in interest income using the interest method over the period to maturity.

Inventories— Coal is reported as inventory at the point in time it is extracted from the mine. Coal inventories are valued at the lower of average cost or net realizable value on a first-in, first-out inventory valuation method. Coal inventory costs include labor, supplies, equipment costs, freight and operating overhead. Coal inventory quantities are adjusted periodically based on aerial surveys of coal stockpiles.

Property, Plant and Equipment—Property, plant and equipment is recorded at cost. Expenditures which extend the useful lives of existing plant and equipment are capitalized. Planned major maintenance costs which do not extend the useful lives of existing plant and equipment are expensed as incurred. When properties are retired or otherwise disposed, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is recognized in the consolidated statements of operations.

Coal exploration costs are expensed as incurred. Coal exploration costs include those incurred to ascertain existence, location, extent or quality of ore or minerals before beginning the development stage of the mine.

Capitalized mine development costs represent the costs incurred to prepare mine sites for future mining. These costs include costs of acquiring, permitting, planning, research, and establishing access to identified mineral reserves and other preparations for commercial production as necessary to develop and permit the properties for mining activities. Operating expenditures including certain professional fees and overhead costs are not capitalized but are expensed as incurred.

The capitalized mine development costs attributable to a mine are amortized on a units-of-production basis as mining of that mine’s assigned reserves takes place. Depreciation of plant and equipment is calculated on the straight-line method over their estimated useful lives ranging from three to thirty years.

Advanced Coal Royalties—In most cases, we acquire the right to mine coal reserves under leases which call for the payment of royalties on coal as it is mined and sold. In many cases, these mineral leases require the payment of advance or minimum coal royalties to lessors that are recoupable against future production royalties. These advance payments are deferred and charged to operations as the coal reserves are mined.

Impairment of Long-lived Assets—We review and evaluate long-lived assets, including property, plant and equipment and mine development costs, for impairment when events or changes in circumstances indicate that the asset’s carrying value may not be recoverable. Recoverability is measured by comparing the net book value to the fair value. When the net book value exceeds the fair value, an impairment loss is measured and recorded.

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If it is determined that an undeveloped mineral interest cannot be economically converted to proven and probable reserves, or that the recoverability of capitalized mine development costs is uncertain, such capitalized costs are reduced to their net realizable value and an impairment loss is recorded to expense and future development costs are expensed as incurred.

Deferred Offering Costs—Incremental costs directly attributable to a proposed or actual offering of securities may be deferred and charged against the gross proceeds of the offering. In March 2016, we expensed \$3.1 million of previously deferred offering costs because the relevant period under applicable accounting guidance for the planned private offering of its equity securities expired. Costs incurred beginning in the third quarter of 2016 with the commencement of our IPO were deferred at December 31, 2016 and subsequently charged against the gross proceeds of our IPO.

Asset Retirement Obligations—Legal obligations associated with the retirement of long-lived assets are reflected at their estimated fair value, with a corresponding charge to development costs, at the time they are incurred. Our asset retirement obligations primarily consist of spending estimates related to reclaiming metallurgical coal land and support facilities in accordance with federal and state reclamation laws as defined by each mining permit. The Company estimates and records the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. The liability is accreted to its present value each period and the capitalized cost is amortized using the units-of-production method over estimated recoverable reserves upon commencement of mining.

Fair Value Measurements—For assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements, the Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We use a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. These levels include: Level 1 - inputs are quoted prices in active markets for the identical assets or liabilities; Level 2 - inputs are other than quoted prices included in Level 1 that are directly or indirectly observable through market-corroborated inputs; and Level 3 - inputs are unobservable, or observable but cannot be market-corroborated, requiring us to make assumptions about pricing by market participants.

Income Taxes—Prior to the Reorganization discussed in Note 1, we were a limited liability company taxed as a partnership. Accordingly, no provision for federal or state income taxes has been recognized in these financial statements for periods before the Reorganization on February 8, 2017.

Income taxes are accounted for using a balance sheet approach. The Company accounts for deferred income taxes by applying statutory tax rates in effect at the reporting date of the balance sheet to differences between the book and tax basis of assets and liabilities. A valuation allowance is established if it is more likely than not that the related tax benefits will not be realized. In determining the appropriate valuation allowance, we consider the projected realization of tax benefits based on expected levels of future taxable income, available tax planning strategies and reversals of existing taxable temporary differences.

Tax benefits from uncertain tax positions are recognized only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company had no unrecognized tax positions at December 31, 2018 or 2017. We file income tax returns in the U.S. and in various state and local jurisdictions which may be routinely examined by tax authorities. The statute of limitations is currently open for all tax returns filed.

Segment Reporting—Our properties located in West Virginia, Virginia and Pennsylvania each consist of mineral reserves for production of metallurgical coal from both underground and surface mines. These operations are within the Appalachia basin. Geology, coal transportation routes to customers, regulatory environments and coal quality or type are characteristic to a basin. For financial reporting purposes, these operations represent a single segment because each possesses similar production methods, distribution methods, and economic characteristics, resulting in similar long-term expected financial performance.

Equity-Based Compensation—We account for employee equity-based compensation using the fair value method. Compensation cost for equity incentive awards is based on the fair value of the equity instrument generally on the date of grant and is recognized over the requisite service period.

The fair value of restricted stock awards is determined using the publicly-traded price of our common stock on the grant date. The fair value of option awards is calculated using the Black-Scholes option-pricing model. The Black-Scholes model requires us to make assumptions and judgments about the variables used in the calculation, including the expected term, expected volatility, risk-free interest rate, dividend rate and service period.

Concentrations—Our operations are all related to metallurgical coal within the mining industry. A reduction in metallurgical coal prices or other disturbances in the metallurgical coal markets could have an adverse effect on our operations.

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Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents, investment securities and accounts receivable. We maintain deposits in federally insured financial institutions in excess of federally insured limits. The Company monitors the credit ratings and concentration of risk with these financial institutions on a continuing basis to safeguard cash deposits.

We have a limited number of customers. Contracts with these customers provide for billings principally upon shipment and compliance with payment terms is monitored on an ongoing basis. Outstanding receivables beyond payment terms are promptly investigated and discussed with the specific customer. We estimate an allowance for doubtful accounts based on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. The Company determined that an allowance for doubtful accounts was not needed as of December 31, 2018 and 2017.

During 2018, sales to five customers accounted for approximately 63% of total revenue. The total balance due from these customers at December 31, 2018 was approximately 72% of total accounts receivable. During 2017, sales to four customers accounted for approximately 77% of total revenue. The total balance due from these customers at December 31, 2017 was approximately 71% of total accounts receivable.

Reclassifications—Financial statements presented for prior periods include reclassifications that were made to conform to the current-year presentation.

Recent Accounting Pronouncements—In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. The new standard supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible that more judgment and estimates may be required within the revenue recognition process than is required under present U.S. GAAP. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. The new standard also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. We adopted this new standard on January 1, 2018 using the modified retrospective method of adoption. The adoption of this standard did not have a material effect on our financial position, results of operations or cash flows, but resulted in increased disclosures related to revenue recognition policies and disaggregation of revenues.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which aims to make leasing activities more transparent and comparable and requires substantially all leases be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability, including leases currently accounted for as operating leases. Leases of mineral reserves and related land leases have been exempted from the standard. The Company will elect the “package of practical expedients” within the standard which permits the Company not to reassess its prior conclusions about lease identification, lease classification and initial direct costs. The Company will make an accounting policy election to not separate lease and non-lease components for all leases. This ASU is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years with early adoption permitted. The Company expects the adoption of this standard to result in the recognition of right-of-use assets and lease liabilities ranging between \$0.2 million and \$0.4 million not currently recorded on the Company's balance sheet.

NOTE 3—PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment consist of the following:

(In thousands)	December 31,	
	2018	2017
Plant and equipment	\$ 109,911	\$ 80,455
Construction in process	12,066	7,626
Capitalized mine development cost	43,037	30,776
Less accumulated depreciation and amortization	(15,809)	(3,406)
Total property, plant and equipment, net	\$ 149,205	\$ 115,451

Depreciation expense related to the Company's property, plant and equipment totaled \$9.7 million, \$2.6 million and \$0.3 million for 2018, 2017 and 2016, respectively. Amortization of capitalized development expenses totaled \$2.7 million and \$0.5 million for 2018 and 2017, respectively. The Company began commercial mining operations in January 2017. Depreciation and amortization begin when assets are placed in service. Capitalized amounts related to coal reserves at properties where we are not currently engaged in mining operations totaled \$5.5 million as of December 31, 2018 and \$8.7 million as of December 31, 2017.

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On March 29, 2017, we acquired approximately 14,800 acres of coal properties in Tazewell and Buchanan Counties, Virginia and McDowell County, West Virginia including several coal leaseholds adjacent to our Knox Creek operations. The Company paid \$125,000 for the properties, a portion of which is recoupable from future production, and agreed to pay an overriding royalty on production from properties not already subleased.

NOTE 4—FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Company's financial assets and liabilities were as follows:

(In thousands)	December 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	\$ 6,951	\$ 6,951	\$ 5,934	\$ 5,934
Accounts receivable	10,729	10,729	7,165	7,165
Short-term investments:				
U. S. agency securities	—	—	5,200	5,196
Financial liabilities:				
Accounts payable	(16,393)	(16,393)	(19,533)	(19,533)
Term loan	(9,474)	(9,474)	—	—
Financed insurance payable	(287)	(287)	—	—

During 2017, the Company invested in highly-rated securities with the primary objective of minimizing the potential risk of principal loss. Fair values were determined for each individual security based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the securities. When evaluating an investment for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, changes in market interest rates and the Company's intent to sell, or whether it is more likely than not it will be required to sell the investment before recovery of the investment's cost basis.

The Company uses a market approach to determine the fair value of its fixed-rate debt using observable market data, which results in a Level 2 fair-value measurement.

The Company's nonrecurring fair value measurements include asset retirement obligations, the estimated fair value of which is calculated as the present value of estimated cash flows related to its reclamation liabilities using Level 3 inputs. The significant inputs used to calculate such liabilities include estimates of costs to be incurred, the Company's credit adjusted discount rate, inflation rates and estimated date of reclamation.

NOTE 5—ASSET RETIREMENT OBLIGATIONS

The Company estimates its asset retirement obligations (“ARO”) for final reclamation based upon detailed engineering calculations of the amount and timing of the future cash spending for a third-party to perform the required work. Spending estimates were escalated for inflation at 2% per year and the estimated cash outflows were then discounted at 4% at December 31, 2018 and 2017. Amounts recorded related to asset retirement obligations are as follows:

(In thousands)	Year Ended December 31,	
	2018	2017
Balance at beginning of year	\$ 12,347	\$ 10,129
Additional asset retirement obligations incurred	131	2,034
Accretion expense	494	405
Revisions to estimates	(194)	(221)
Balance at end of year	\$ 12,778	\$ 12,347

NOTE 6—DEBT

The following table summarizes Ramaco’s outstanding debt as of December 31:

(In thousands)	2018	2017
Term loan	\$ 9,589	\$ -
Revolving Credit Facility	-	-
Debt issuance cost	(115)	-
Total debt	\$ 9,474	\$ -
Current portion of long-term debt	5,000	-
Long-term debt, net	\$ 4,474	\$ -

Credit Facility

On November 2, 2018 the Company (together with its subsidiaries, and collectively the “Borrower”) entered into a Credit and Security Agreement (the “Credit Facility”) with KeyBank National Association (“KeyBank”). The Credit Facility consists of a \$10.0 million term loan (the “Term Loan”) and up to \$30.0 million revolving line of credit, including \$1.0 million letter of credit availability (the “Revolving Credit Facility”). To secure the Credit Facility the Company pledged all personal property assets of Borrower, including, but not limited to accounts receivable, coal inventory, and certain surface mining equipment. Real property and improvements are excluded from the collateral package and are not encumbered in connection with the Credit Facility. The Company used the Credit Facility to repay the existing Equipment Note, Additional Equipment Note and the Ramaco Coal Note, and provide working capital. The Credit Facility has a maturity date of November 2, 2021.

The Revolving Credit Facility interest rate is based on LIBOR + 2.35% or Base Rate + 1.75 %. The Term Loan credit interest rate is based on LIBOR + 4.75% or Base Rate + 3.75%. Base Rate is the highest of (i) KeyBank’s prime rate, (ii) Federal Funds Effective Rate + 0.5%, or (iii) LIBOR + 1%. Both loans are initially base rate loans, but may be converted to LIBOR rate loans at certain times at the Company’s discretion.

The outstanding principal balance of the Term Loan is required to be repaid in monthly installments of approximately \$0.4 million until fully repaid. As of December 31, 2018, the outstanding principal balance was \$9.6 million and the carrying amount was \$9.5 million.

The Credit Facility contains usual and customary representations and warranties and usual and customary affirmative and negative covenants, including but not limited to, limitations on liens, additional indebtedness, investments, restricted payments, asset sales, mergers, affiliate transactions and other customary limitations, as well as financial covenants. As of December 31, 2018, the Company was in compliance with all covenants under the Credit Facility.

Notes payable

In February 2018, we borrowed \$6.0 million under a short-term note from an unrelated third-party lender in order to manage accounts receivable (the “Equipment Note”). The Equipment Note was secured by a portion of our mobile mining equipment. Interest accrued monthly at 8.5% or 30-day LIBOR plus 6.9%, whichever is greater. The outstanding principal balance was due on December 31, 2018 but may be prepaid without penalty at any time. The Equipment Note was repaid on November 5, 2018 with proceeds from the Credit Facility discussed above.

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In May 2018, we borrowed \$3.0 million from Ramaco Coal, LLC, a related party secured by certain inventory (the “Ramaco Coal Note”). Interest accrued monthly at 10.0%. The outstanding principal balance was due on December 15, 2018 but may be prepaid without penalty at any time. The Ramaco Coal Note was repaid on November 5, 2018 with proceeds from the Credit Facility.

In June 2018, we borrowed an additional \$7.0 million under a short-term note from the same unrelated equipment lender in order to manage accounts receivable (the “Additional Equipment Note”). The Additional Equipment Note was also secured by the same mobile mining equipment as the Equipment Note. Interest accrued monthly at 8.5% or 30-day LIBOR plus 6.9%, whichever was greater. The outstanding principal balance was due on December 31, 2018 but may be prepaid without penalty at any time. The Additional Equipment Note was repaid on November 5, 2018 with proceeds from the Credit Facility.

Long-term debt maturities

The future maturities of debt outstanding as of December 31, 2018, excluding debt issuance costs, are as follows:

(In thousands)		2018
Years ending December 31:		
2019	\$	5,000
2020		4,589
Total	\$	<u>9,589</u>

NOTE 7—EQUITY

At December 31, 2016, Ramaco Development, LLC had 8,000,000 common units and 4,538,836 preferred units issued and outstanding. On February 8, 2017, in connection with the Company’s IPO, a corporate reorganization was completed and each unit of Ramaco Development, LLC was converted into approximately 2.81 shares of common stock. As a result, the Company issued 35,262,576 shares of common stock. The Company issued an additional 3,800,000 shares of common stock in the IPO.

After the corporate reorganization and the completion of the IPO discussed above, the Company is authorized to issue up to a total of 260,000,000 shares of its common stock with a par value of \$0.01 per share, and 50,000,000 shares of its preferred stock with a par value of \$0.01 per share. Holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders and to receive ratably in proportion to the shares of common stock held by them any dividends declared from time to time by the board of directors. Our common stock has no preferences or rights of conversion, exchange, pre-exemption or other subscription rights.

Stock-Based Compensation

We have a stock-based compensation plan under which stock options, restricted stock, performance-based stock awards and other stock-based awards may be granted. At December 31, 2018, 5.9 million shares were available under the current plan for future awards.

Total compensation costs recognized for all equity-based compensation totaled \$2.6 million, \$2.8 million and \$0.3 million for 2018, 2017 and 2016, respectively.

Stock Options – On August 31, 2016, Ramaco Development, LLC granted two executives an aggregate of 333,334 options for the purchase of common units at an exercise price of \$15 per unit. The options have a ten-year term from the grant date. The options to purchase common units were converted into 937,424 options to purchase shares of the Company’s common stock for \$5.34 each in the Reorganization. Vesting of these options was accelerated in our IPO pursuant to their terms. Equity-based compensation expense totaling \$0.3 million was recognized in 2016 for these awards. The remaining \$2.1 million of equity-based compensation expense associated with these awards was recognized during 2017.

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The fair value of the options was estimated using a Black-Scholes option pricing model using the following key assumptions:

- *Expected term of 6 years.* We used the “simplified method” for estimating the expected term of options, which is the average of the weighted-average vesting period and contractual term of the option.
- *Expected volatility of 51%.* There was no public market for the Company’s common units before its IPO. Volatility was determined based on an analysis of a peer group of publicly-traded companies.
- *Risk-free interest rate of 1.32%.* The risk-free interest rate was based on the yield in effect at the time of the grant for zero-coupon U.S. Treasury notes with remaining terms similar to the expected term of the options.
- *Dividend rate of 0%.* The Company assumed the expected dividend to be zero.
- *Fair value of common units.* Given the absence of a public trading market for its common units at the time, the Company exercised reasonable judgment and considered several objective and subjective factors to determine the best estimate of the fair value of its common units, including its stage of development; contemporaneous issuances of our equity; the rights, preferences and privileges of the convertible preferred units relative to those of the common units; the Company’s results of operations and financial condition, including levels of available capital resources; equity market conditions affecting comparable public companies; general U.S. market conditions and the lack of marketability of the Company’s common units; and valuations based on sales of the Series A preferred units to unrelated parties.

The options remain outstanding and unexercised at December 31, 2018 and were not in-the-money at December 31, 2018.

Restricted Stock Awards—We grant restricted stock to certain senior executive employees and directors. The shares vest over one to three years from the date of grant. During the vesting period, the participants have voting rights and may receive dividends, but the shares may not be sold, assigned, transferred, pledged or otherwise encumbered. Additionally, granted but unvested shares are forfeited upon termination of employment, unless an employee enters into another written arrangement with the Company. The fair value of the restricted shares on the date of the grant is amortized ratably over the service period. We recorded compensation expense of \$2.6 million and \$0.7 million related to these awards in 2018 and 2017, respectively. As of December 31, 2018, there was \$3.8 million of total unrecognized compensation cost related to unvested restricted stock to be recognized over a weighted average period of 1.4 years.

The following table summarizes restricted awards outstanding as of December 31, 2018 as well as activity during the year:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2017	471,017	\$ 5.87
Granted	528,683	8.03
Vested	(27,984)	8.04
Forfeited	(5,582)	6.27
Outstanding at December 31, 2018	966,134	\$ 6.99

The total fair value of awards vested during the year ended December 31, 2018 was \$0.2 million.

NOTE 8—COMMITMENTS AND CONTINGENCIES

Leases

The Company leases coal reserves under agreements that require royalties to be paid as the coal is mined and sold. Many of these agreements require minimum annual royalties to be paid regardless of the amount of coal mined and sold. Total royalty expense was \$11.6 million, \$1.8 million and \$0.1 million for the years ended December 31, 2018, 2017 and 2016, respectively. These agreements generally have terms running through exhaustion of all the mineable and merchantable coal covered by the respective lease. Royalties or throughput payments are based on a percentage of the gross selling price received for the coal mined by the Company. Payments of minimum coal royalties and throughput payments for leases with Ramaco Coal, LLC commenced in 2017 pursuant to the terms of the agreements.

The Company also leases facilities under various noncancelable lease agreements. Rent expense for facilities totaled \$0.1 million, \$0.4 million and \$0.4 million in 2018, 2017 and 2016, respectively.

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Future minimum lease and royalty payments as of December 31, 2018 are as follows:

(In thousands) Year Ending December 31,	Operating Leases	Coal Lease and Royalty Obligations
2019	\$ 155	\$ 3,598
2020	117	3,798
2021	99	4,360
2022	41	4,361
2023	—	4,372
Thereafter	—	15,653
Total minimum payments	<u>\$ 412</u>	<u>\$ 36,142</u>

Environmental Liabilities

Environmental liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology and undiscounted site-specific costs. Generally, such recognition would coincide with a commitment to a formal plan of action. No amounts have been recognized for environmental liabilities.

Surety Bond

In accordance with state laws, the Company is required to post reclamation bonds to assure that reclamation work is completed. Reclamation bonds outstanding at December 31, 2018 totaled approximately \$12.7 million.

Purchase Commitments

We secured the ability to transport coal through rail contracts and export terminals that are sometimes funded through take-or-pay arrangements. As of December 31, 2018, commitments under take-or-pay arrangements totaled \$0.9 million, all of which is obligated within the next year.

Litigation

From time to time, the Company is subject to various litigation and other claims in the normal course of business. No amounts have been accrued in the consolidated financial statements with respect to any matters.

NOTE 9—REVENUES

Our revenues are derived from contracts for the sale of coal which is recognized at the point in time control is transferred to our customer. Generally, domestic sales contracts have terms of about one year and the pricing is typically fixed. Export sales have spot or term contracts and pricing can either be by fixed-price or a price derived against index-based pricing mechanisms. Disaggregated information about our revenues is presented below:

(In thousands)	Year ended December 31,		
	2018	2017	2016
Coal Sales			
Domestic revenues	\$ 121,433	\$ 31,199	\$ -
Export revenues	106,141	27,599	2,167
Total coal sales	<u>227,574</u>	<u>58,798</u>	<u>2,167</u>
Coal Processing	-	2,238	3,049
Total revenues	<u>\$ 227,574</u>	<u>\$ 61,036</u>	<u>\$ 5,216</u>

As of December 31, 2018, the Company has outstanding performance obligations for 2019 of approximately 1.3 million tons for contracts having fixed pricing and 0.3 million tons for contracts with index-based pricing mechanisms.

NOTE 10—RELATED PARTY TRANSACTIONS

Mineral Lease and Surface Rights Agreements

Much of the coal reserves and surface rights that the Company controls were acquired through a series of mineral leases and surface rights agreements with Ramaco Coal, LLC. Payments of minimum coal royalties and throughput payments commenced in 2017 pursuant to the terms of the agreements. Amounts due to Ramaco Coal, LLC of \$2.9 million and \$0.1 million at December 31, 2018 and 2017, respectively, are included in accounts payable in the consolidated balance sheet and represent production royalty payables. Royalties of \$1.9 million and \$0.8 million were paid to Ramaco Coal, LLC in 2018 and 2017, respectively.

Related Party Borrowings

Ramaco Coal, LLC historically funded the operating activities of the Company for periods before August 2015. Funds advanced by Ramaco Coal, LLC for development of the Company were reflected in the consolidated balance sheets as a note payable. This note payable was subsequently paid in its entirety using proceeds from the Company’s IPO.

In May 2018, the Company borrowed \$3.0 million from Ramaco Coal, LLC, pursuant to the Ramaco Coal Note. Interest accrued monthly at 10.0%. The Ramaco Coal Note was repaid on November 5, 2018 with proceeds from the Credit Facility.

On-going Administrative Services

Under a Mutual Services Agreement dated December 22, 2017 but effective as of March 31, 2017, the Company and Ramaco Coal, LLC agreed to share the services of certain of each company’s employees. Each party will pay the other a fee on a quarterly basis for such services calculated as the annual base salary of each employee providing services multiplied by the percentage of time each employee spent providing services for the other party. The services will be provided for 12-month terms, but may be terminated by either party at the end of any 12-month term by providing written notice at least 30 days prior to the end of the then-current term. No payments were made to either party under this agreement in 2018 or 2017.

NOTE 11— INCOME TAXES

Income tax expense consisted of the following:

(In thousands)	Year Ended December 31,		
	2018	2017	2016
Current taxes:			
Federal	\$ —	\$ —	\$ —
State	4	—	—
Current taxes	4	—	—
Deferred taxes:			
Federal	(111)	—	—
State	220	—	—
Deferred taxes	109	—	—
Provision for income taxes, net	\$ 113	\$ —	\$ —

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The items accounting for differences between income taxes computed at the federal statutory rate and the provision recorded for income taxes are as follows:

(In thousands)	Year Ended December 31,		
	2018	2017	2016
Income taxes computed at the federal statutory rate	\$ 5,289	\$ (5,242)	\$ (2,555)
Effect of:			
(Income) loss taxed as partnership	—	(552)	2,555
State taxes, net of federal benefits	970	(610)	—
Percentage depletion	(1,033)	—	—
Changes in tax status	—	(205)	—
Change in valuation allowance	(4,464)	4,464	—
Change in enacted tax rates	—	2,119	—
Other, net	(649)	26	—
Total	\$ 113	\$ —	\$ —

Deferred tax assets and liabilities are as follows:

(In thousands)	December 31,	
	2018	2017
Deferred tax assets:		
Loss carryforwards U.S. - Federal/States	\$ 17,073	\$ 13,500
Asset retirement obligations	3,306	3,178
Accrued expenses	521	—
Equity-based compensation	1,393	803
Other	4	—
Total deferred tax assets	22,297	17,481
Less valuation allowance	—	(4,464)
Deferred tax assets, net	22,297	13,017
Deferred tax liabilities:		
Depreciation & amortization	(22,406)	(13,017)
Net deferred tax liabilities, net of valuation allowance	\$ (109)	\$ —

As of December 31, 2018, our federal and state net operating loss carryforwards for income tax purposes were approximately \$70 million. If not utilized, the federal and state net operating loss carryforwards of approximately \$60 million will expire between 2035 and 2037. The remaining net operating loss carryforwards have no statutory expiration.

A valuation allowance was established against our net deferred tax assets in 2017 given our limited operating history. We now expect that our deferred tax assets will be realized based on our attainment of regular operations. As such, the valuation allowance was reversed in 2018.

Tax Cuts and Jobs Act

On December 22, 2017, the U.S. Government enacted comprehensive tax legislation referred to as the Tax Cuts and Jobs Act (the "Act"). The Act makes broad and complex changes to the U.S. tax code, including but not limited to, reducing the U.S. federal corporate rate from 35% to 21%, allowing full expensing of qualified property acquired and placed in service after September 27, 2017 and imposing new limits on the deduction of net operating losses, executive compensation and net interest expense. There was no impact of the Act on our 2017 financial statements.

NOTE 12– EARNINGS (LOSS) PER SHARE

The following table is a calculation of the net earnings (loss) per basic and diluted share for the years ended December 31, 2018 and 2017:

(In thousands, except per share amounts)	2018	2017
Numerator		
Net income (loss)	\$ 25,074	\$ (15,417)
Denominator		
Weighted average shares used to compute basic EPS	40,039	37,578
Dilutive effect of share-based awards ^(a)	224	-
Weighted average shares used to compute diluted EPS	<u>40,263</u>	<u>37,578</u>
Earnings (loss) per share		
Basic	\$ 0.63	\$ (0.41)
Diluted	\$ 0.62	\$ (0.41)

(a) The 2017 period excludes the shares issuable under outstanding option awards as their effect would have been antidilutive.

(b) For the 2016 comparable period, the calculation is not applicable as the Company was not a public company until February 8, 2017.

* * * * *

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents selected quarterly financial data derived from the Company's unaudited interim financial statements. The following data is only a summary and should be read with the Company's historical consolidated financial statements and related notes contained in this document.

(In thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2018				
Total revenues	\$ 55,943	\$ 65,278	\$ 62,166	\$ 44,187
Gross profit ^(a)	11,612	17,418	12,760	9,229
Operating income	5,620	10,647	5,804	2,025
Net income	5,266	10,203	6,211	3,394
Net earnings per share: ^(b)				
Basic	\$ 0.13	\$ 0.25	\$ 0.15	\$ 0.08
Diluted	\$ 0.13	\$ 0.25	\$ 0.15	\$ 0.08
2017				
Total revenues	\$ 11,538	\$ 11,074	\$ 14,405	\$ 24,019
Gross profit (loss) ^(a)	\$ 692	\$ (701)	\$ (2,120)	\$ 2,644
Operating loss	(3,184)	(3,710)	(6,342)	(2,657)
Net loss	(3,093)	(3,488)	(6,236)	(2,600)
Net loss per share: ^(b)				
Basic	\$ (0.10)	\$ (0.09)	\$ (0.16)	\$ (0.07)
Diluted	\$ (0.10)	\$ (0.09)	\$ (0.16)	\$ (0.07)

(a) Represents total revenues less cost of sales (exclusive of items shown separately below)

(b) The sum of quarterly per share amounts may not equal amounts reported for the annual periods due to the effects of rounding.

* * * * *

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer (“CEO”), the principal executive officer, and Chief Financial Officer (“CFO”), the principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and 15d - 15(e) promulgated under the Securities Exchange Act of 1934 (the “Exchange Act”), as amended. Based on this evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2018. There have been no significant changes in our internal controls or in other factors that could significantly affect the internal controls subsequent to the date we completed the evaluation.

Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the 1934 Act. Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2018 based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of this assessment, management concluded that, as of December 31, 2018, our internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item is incorporated herein by reference to our Proxy Statement for the 2019 Annual Meeting of Stockholders, which is expected to be filed with the SEC within 120 days after the close of our fiscal year.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to our Proxy Statement for the 2019 Annual Meeting of Stockholders, which is expected to be filed with the SEC within 120 days after the close of our fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to our Proxy Statement for the 2019 Annual Meeting of Stockholders, which is expected to be filed with the SEC within 120 days after the close of our fiscal year.

Item 13. Certain Relationships and Related Persons Transactions

The information required by this Item is incorporated herein by reference to our Proxy Statement for the 2019 Annual Meeting of Stockholders, which is expected to be filed with the SEC within 120 days after the close of our fiscal year.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to our Proxy Statement for the 2019 Annual Meeting of Stockholders, which is expected to be filed with the SEC within 120 days after the close of our fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) *The following documents are filed as part of this Report:*

- (1) Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2018 and 2017

Consolidated Statements of Operations for the Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Equity for the Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2017 and 2016

Notes to Consolidated Financial Statements

- (2) Selected Quarterly Financial Data (Unaudited)

(b) *Exhibits*

Exhibit Number	Description
2.1	Master Reorganization Agreement, dated February 1, 2017, by and among Ramaco Resources, Inc., Ramaco Development, LLC, Ramaco Merger Sub, LLC and the other parties named therein (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 7, 2017)
3.1	Amended and Restated Certificate of Incorporation of Ramaco Resources, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 14, 2017)
3.2	Amended and Restated Bylaws of Ramaco Resources, Inc. (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 14, 2017)
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
4.2	Registration Rights Agreement, dated as of February 8, 2017, by and among Ramaco Resources, Inc. and the stockholders named therein (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 14, 2017)

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4.3	Shareholders' Agreement, dated as of February 8, 2017, by and among Ramaco Resources, Inc., Yorktown Energy Partners IX, L.P., Yorktown Energy Partners X, L.P., Yorktown Energy Partners XI, L.P., Energy Capital Partners Mezzanine Opportunities Fund, LP, Energy Capital Partners Mezzanine Opportunities Fund A, LP, and ECP Mezzanine B (Ramaco IP), LP. (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 14, 2017)
†10.1	Ramaco Resources, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-8 (File No. 333-215913) filed with the Commission on February 6, 2017)
10.2	Berwind Mutual Cooperation Agreement, dated August 20, 2015, by and between Ramaco Resources, LLC and Ramaco Central Appalachia, LLC (incorporated by reference to Exhibit 10.3 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.3	Elk Creek Mutual Cooperation Agreement, dated August 20, 2015, by and between Ramaco Resources, LLC and Ramaco Central Appalachia, LLC (incorporated by reference to Exhibit 10.4 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.4	Indemnification Agreement, dated August 20, 2015, by and between Ramaco Coal, LLC and Ramaco Development, LLC (incorporated by reference to Exhibit 10.5 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.5	RAM Mine Mutual Cooperation Agreement, dated August 20, 2015, by and between RAM Mining, LLC and Ramaco Northern Appalachia, LLC (incorporated by reference to Exhibit 10.6 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.6	Promissory Note, dated August 31, 2016, by and between Ramaco Development, LLC, as maker, and Ramaco Coal, LLC, as noteholder (incorporated by reference to Exhibit 10.7 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.7	Corporate Guaranty, dated August 20, 2015, by and between Ramaco Coal, LLC, as guarantor, and RAMACO Development, LLC as obligee (incorporated by reference to Exhibit 10.8 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.8	Corporate Guaranty, dated August 20, 2015, by and between RAMACO Development, LLC, as guarantor, and Ramaco Coal, LLC, as obligee (incorporated by reference to Exhibit 10.9 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.9	Berwind Sublease Agreement, dated August 20, 2015, by and between Ramaco Central Appalachia, LLC and Ramaco Resources, LLC (incorporated by reference to Exhibit 10.10 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.10	First Amendment to Berwind Lease Agreement and Sublease, dated February 2016, by and among Berwind Land Company, Ramaco Central Appalachia, LLC and Ramaco Resources, LLC (incorporated by reference to Exhibit 10.11 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.11	Second Amendment to Berwind Sublease, dated August 31, 2016, by and between Ramaco Central Appalachia, LLC and Ramaco Resources, LLC (incorporated by reference to Exhibit 10.12 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.12	Elk Creek Coal Lease Agreement, dated August 20, 2015, by and between Ramaco Central Appalachia, LLC and Ramaco Resources, LLC (incorporated by reference to Exhibit 10.13 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)

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10.13	Amendment No. 1 to Elk Creek Coal Lease Agreement, dated December 31, 2015, by and between Ramaco Central Appalachia, LLC and Ramaco Resources, LLC (incorporated by reference to Exhibit 10.14 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.14	Amendment No. 2 to Elk Creek Coal Lease Agreement, dated March 31, 2016, by and between Ramaco Central Appalachia, LLC and Ramaco Resources, LLC (incorporated by reference to Exhibit 10.15 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.15	Amendment No. 3 to Elk Creek Coal Lease Agreement, dated August 31, 2016, by and between Ramaco Central Appalachia, LLC and Ramaco Resources, LLC (incorporated by reference to Exhibit 10.16 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.16	Elk Creek Surface Rights Lease Agreement, dated August 20, 2015, by and between Ramaco Central Appalachia, LLC and Ramaco Resources, LLC (incorporated by reference to Exhibit 10.17 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.17	Amendment No. 1 to Elk Creek Surface Rights Lease Agreement, dated December 31, 2015, by and between Ramaco Central Appalachia, LLC and Ramaco Resources, LLC (incorporated by reference to Exhibit 10.18 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.18	Amendment No. 2 to Elk Creek Surface Rights Lease Agreement, dated March 31, 2016, by and between Ramaco Central Appalachia, LLC and Ramaco Resources, LLC (incorporated by reference to Exhibit 10.19 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.19	Amendment No. 3 to Elk Creek Surface Rights Lease Agreement, dated August 31, 2016, by and between Ramaco Central Appalachia, LLC and Ramaco Resources, LLC (incorporated by reference to Exhibit 10.20 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.20	Mutual Services Agreement, dated August 20, 2015, by and between Ramaco Coal, LLC and Ramaco Development, LLC (incorporated by reference to Exhibit 10.21 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.21	Amendment No. 1 to Mutual Services Agreement, dated December 31, 2015, by and between Ramaco Coal, LLC and Ramaco Development, LLC (incorporated by reference to Exhibit 10.22 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.22	Amendment No. 2 to Mutual Services Agreement, dated September 1, 2016, by and between Ramaco Coal, LLC and Ramaco Development, LLC (incorporated by reference to Exhibit 10.23 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.23	Mutual Services Agreement, dated December 22, 2015, by and between Ramaco Development, LLC and Ramaco Coal, LLC (incorporated by reference to Exhibit 10.23 of the Company's Annual Report on Form 10-K (File No. 001-38003) filed with the Commission on March 21, 2018)
10.24	NRP Sublease Agreement, dated August 19, 2015, by and between Ramaco Central Appalachia, LLC and Ramaco Resources, LLC (incorporated by reference to Exhibit 10.24 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.25	Amendment No. 1 to NRP Sublease Agreement, dated August 31, 2016, by and between Ramaco Central Appalachia, LLC and Ramaco Resources, LLC (incorporated by reference to Exhibit 10.25 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)

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10.26	Amended and Restated Lease Agreement, dated August 20, 2015, by and among Ramaco Northern Appalachia, LLC, RAM Farms, LLC, RAM Mining, LLC and RAMACO Mining, LLC (incorporated by reference to Exhibit 10.26 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.27	Amendment No. 1 to Amended and Restated Lease Agreement, dated December 31, 2015, by and among Ramaco Northern Appalachia, LLC, RAM Farms, LLC and RAM Mining, LLC (incorporated by reference to Exhibit 10.27 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.28	Amendment No. 2 to Amended and Restated Lease Agreement, dated March 31, 2016, by and among Ramaco Northern Appalachia, LLC, RAM Farms, LLC and RAM Mining, LLC (incorporated by reference to Exhibit 10.28 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
10.29	Amendment No. 3 to Amended and Restated Lease Agreement, dated August 31, 2016, by and among Ramaco Northern Appalachia, LLC, RAM Farms, LLC and RAM Mining, LLC (incorporated by reference to Exhibit 10.29 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
†10.30	Ramaco Development, LLC 2016 Membership Unit Option Plan (incorporated by reference to Exhibit 10.30 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
†10.31	Form of Ramaco Resources, Inc. Stock Option Notice and Agreement (incorporated by reference to Exhibit 10.31 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
†10.32	Form of Amendment to Option Agreement (incorporated by reference to Exhibit 10.32 of the Company's Registration Statement on Form S-1 (File No. 333-215363) filed with the Commission on December 29, 2016)
†10.33	Indemnification Agreement (Randall Atkins) (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 14, 2017)
†10.34	Indemnification Agreement (Michael Bauersachs) (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 14, 2017)
†10.35	Indemnification Agreement (Mark Clemens) (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 14, 2017)
†10.36	Indemnification Agreement (Patrick C. Graney) (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 14, 2017)
†10.37	Indemnification Agreement (W. Howard Keenan, Jr.) (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 14, 2017)
†10.38	Indemnification Agreement (Trent Kososki) (incorporated by reference to Exhibit 10.6 of the Company's Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 14, 2017)
†10.39	Indemnification Agreement (Bryan H. Lawrence) (incorporated by reference to Exhibit 10.7 of the Company's Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 14, 2017)
†10.40	Indemnification Agreement (Tyler Reeder) (incorporated by reference to Exhibit 10.8 of the Company's Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 14, 2017)

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†10.41	Indemnification Agreement (Marc Solochek) (incorporated by reference to Exhibit 10.9 of the Company’s Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 14, 2017)
†10.42	Indemnification Agreement (Richard M. Whiting) (incorporated by reference to Exhibit 10.10 of the Company’s Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 14, 2017)
†10.43	Indemnification Agreement (Michael Windisch) (incorporated by reference to Exhibit 10.11 of the Company’s Current Report on Form 8-K (File No. 001-38003) filed with the Commission on February 14, 2017)
†10.44	Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K (File No. 001-38003) filed with the Commission on July 5, 2017)
†10.45	Indemnification Agreement (Bruce E. Cryder) (incorporated by reference to Exhibit 10.2 of the Company’s Current Report on Form 8-K (File No. 001-38003) filed with the Commission on July 5, 2017)
†10.46	Indemnification Agreement (Christopher L. Blanchard) (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K (File No. 001-38003) filed with the Commission on December 29, 2017)
10.47	Loan and Security Agreement, dated June 11, 2018, by and between Ramaco Resources, LLC and Maxus Capital Group, LLC (incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10-Q (File No. 001-38003) filed with the Commission on August 6, 2018)
10.48	Promissory Note dated June 11, 2018, by Ramaco Resources, LLC (incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10-Q (File No. 001-38003) filed with the Commission on August 6, 2018)
10.49	Corporate Guaranty dated June 11, 2018, by Ramaco Resources, Inc. (incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10-Q (File No. 001-38003) filed with the Commission on August 6, 2018)
10.50	Credit and Security Agreement, dated November 2, 2018, by and among: (i) Keybank National Association, as administrative agent, collateral agent, lender and issuer; (ii) such other lenders that are now or hereafter become a party thereto; and (iii) the Company, Ramaco Development, LLC, RAM Mining, LLC, Ramaco Coal Sales, LLC, Ramaco Resources, LLC and Ramaco Resources Land Holdings, LLC, as borrower (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K (File No. 001-38003) filed with the Commission on November 6, 2018)
*21.1	Subsidiaries of Ramaco Resources, Inc.
*23.1	Consent of Briggs & Veselka Co.
*23.2	Consent of Weir International, Inc.
*23.3	Consent of True Line, Inc.
*31.1	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
*31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*95.1	Mine Safety Disclosure
*101	Interactive Data File (Form 10-K for the year ended December 31, 2018 filed in XBRL). The financial information contained in the XBRL-related documents is “unaudited” and “unreviewed.”

* Exhibit filed herewith.

† Management contract or compensatory plan or agreement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

March 19, 2019 By: /s/ Randall W. Atkins
Randall W. Atkins
Executive Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

March 19, 2019 By: /s/ Randall W. Atkins
Randall W. Atkins
Executive Chairman and Chief Financial Officer and Director
(Principal Financial Officer)

March 19, 2019 By: /s/ Michael Bauersachs
Michael Bauersachs
President and Chief Executive Officer and Director
(Principal Executive Officer)

March 19, 2019 By: /s/ Michael Windisch
Michael Windisch
Chief Accounting Officer
(Principal Accounting Officer)

March 19, 2019 By: /s/ Bryan H. Lawrence
Bryan H. Lawrence
Director

March 19, 2019 By: /s/ Richard M. Whiting
Richard M. Whiting
Director

March 19, 2019 By: /s/ W. Howard Keenan, Jr.
W. Howard Keenan, Jr.
Director

March 19, 2019 By: /s/ Patrick C. Graney, III
Patrick C. Graney, III
Director

March 19, 2019 By: /s/ Tyler Reeder
Tyler Reeder
Director

March 19, 2019 By: /s/ Trent Kososki
Trent Kososki
Director

March 19, 2019 By: /s/ Bruce E. Cryder
Bruce E. Cryder
Director

Subsidiaries of Ramaco Resources, Inc.

Entity	State of Formation
Ramaco Development, LLC	Delaware
RAM Mining, LLC	Delaware
RAMACO Coal Sales, LLC	Delaware
Ramaco Resources, LLC	Delaware
RAMACO Resources Land Holdings, LLC	Delaware



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-215913) of Ramaco Resources, Inc. of our report date March 19, 2019, with respect to the consolidated balance sheets of Ramaco Resources, Inc. as of December 31, 2018 and 2017, and the related consolidated statements of operations, equity, and cash flows for each of the years in the three-year period ended December 31, 2018, which report appears in the December 31, 2018 Annual Report on Form 10-K of Ramaco Resources, Inc.

/s/ Briggs & Veselka Co.

Briggs & Veselka Co.
Houston, Texas

March 19, 2019

CONSENT OF WEIR INTERNATIONAL, INC.

Weir International, Inc., as independent mining engineers and geologists, hereby consents to the use by Ramaco Resources, Inc. (the “Company”) of information contained in our reserves and resource studies relating to the proven and probable coal reserves of Ramaco Resources, Inc.’s (the “Company”) Berwind, RAM Mine, Knox Creek and Elk Creek properties in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 (and any amendments thereto) and incorporation by reference of such information in the Company’s Registration Statement on Form S-8 (File No. 333-215913). We also consent to the reference to Weir International, Inc. in those filings and any amendments thereto.

WEIR INTERNATIONAL, INC.By: /s/ Fran X. TagliaFran X. Taglia
President

March 19, 2019

**Certification of Chief Executive Officer
pursuant to Rule 13a-14(a) and Rule 15d-14(a)
of the Securities Exchange Act OF 1934, as amended**

I, Michael D. Bauersachs, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2018 of Ramaco Resources, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 19, 2019

/s/ Michael D. Bauersachs
Michael D. Bauersachs
President and Chief Executive Officer

**Certification of Chief Financial Officer
pursuant to Rule 13a-14(a) and Rule 15d-14(a)
of the Securities Exchange Act OF 1934, as amended**

I, Randall W. Atkins, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2018 of Ramaco Resources, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 19, 2019

/s/ Randall W. Atkins
Randall W. Atkins
Executive Chairman and Chief Financial Officer

**Certification of
Chief Executive Officer
under Section 906 of the
Sarbanes Oxley Act of 2002, 18 U.S.C. § 1350**

In connection with the Annual Report on Form 10-K for the year ended December 31, 2018 of Ramaco Resources, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael Bauersachs, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 19, 2019

/s/ Michael D. Bauersachs
Michael D. Bauersachs
President and Chief Executive Officer

**Certification of
Chief Financial Officer
under Section 906 of the
Sarbanes Oxley Act of 2002, 18 U.S.C. § 1350**

In connection with the Annual Report on Form 10-K for the year ended December 31, 2018 of Ramaco Resources, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Marc Solocheck, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 19, 2019

/s/ Randall W. Atkins
Randall W. Atkins
Executive Chairman and Chief Financial Officer

Federal Mine Safety and Health Act Information

We work to prevent accidents and occupational illnesses. We have in place health and safety programs that include extensive employee training, safety incentives, drug and alcohol testing and safety audits. The objectives of our health and safety programs are to provide a safe work environment, provide employees with proper training and equipment and implement safety and health rules, policies and programs that foster safety excellence.

Our mining operations are subject to extensive and stringent compliance standards established pursuant to the Federal Mine Safety and Health Act of 1977 (the "Mine Act"). MSHA monitors and rigorously enforces compliance with these standards, and our mining operations are inspected frequently. Citations and orders are issued by MSHA under Section 104 of the Mine Act for violations of the Mine Act or any mandatory health or safety standard, rule, order or regulation promulgated under the Mine Act.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") requires issuers to include in periodic reports filed with the SEC certain information relating to citations or orders for violations of standards under the Mine Act. We present information below regarding certain mining safety and health violations, orders and citations, issued by MSHA and related assessments and legal actions and mine-related fatalities with respect to our coal mining operations. In evaluating this information, consideration should be given to factors such as: (i) the number of violations, orders and citations will vary depending on the size of the coal mine, (ii) the number of violations, orders and citations issued will vary from inspector to inspector and mine to mine, and (iii) violations, orders and citations can be contested and appealed, and in that process, are often reduced in severity and amount, and are sometimes dismissed.

The following tables include information required by the Dodd-Frank Act for the year ended December 31, 2018. The mine data retrieval system maintained by MSHA may show information that is different than what is provided herein. Any such difference may be attributed to the need to update that information on MSHA's system and/or other factors.

<i>Mine or Operating Name / MSHA Identification Number</i>	<i>Section 104(a) S&S Citations⁽¹⁾</i>	<i>Section 104(b) Orders⁽²⁾</i>	<i>Section 104(d) Citations and Orders⁽³⁾</i>	<i>Section 110(b)(2) Violations⁽⁴⁾</i>	<i>Section 107(a) Orders⁽⁵⁾</i>	<i>Total Dollar Value of MSHA Assessments Proposed (in thousands)⁽⁶⁾</i>
Active Operations						
Eagle Seam Deep Mine 46-09495	11	0	1	0	0	\$10
Coal Creek Prep Plant (VA) 44-05236	0	0	0	0	0	0
Elk Creek Prep Plant 46-02444	15	1	0	0	0	\$4
Stonecoal Branch Mine No. 2 46-08663	12	0	0	0	0	\$8
Ram Surface Mine No. 1 46-09537	0	0	0	0	0	\$1
Highwall Miner No. 1 46-09219	0	0	0	0	0	0
Berwind Deep Mine 46-09533	10	0	1	0	0	\$5
No. 2 Gas Deep Mine 46-09541	6	0	0	0	0	\$6

<i>Mine or Operating Name / MSHA Identification Number</i>	<i>Total Number of Mining Related Fatalities</i>	<i>Received Notice of Pattern of Violations Under Section 104(e) (yes/no)⁽⁷⁾</i>	<i>Legal Actions Pending as of Last Day of Period</i>	<i>Legal Actions Initiated During Period</i>	<i>Legal Actions Resolved During Period</i>
Active Operations					
Eagle Seam Deep Mine 46-09495	0	No	1	3	2
Coal Creek Prep Plant (VA) 44-05236	0	No	0	0	0
Elk Creek Prep Plant 46-02444	0	No	0	0	0
Stonecoal Branch Mine No. 2 46-08663	0	No	0	3	3
Ram Surface Mine No. 1 46-09537	0	No	1	1	0
Highwall Miner No. 1 46-09219	0	No	0	0	0
Berwind Deep Mine 46-09533	0	No	0	0	0
No. 2 Gas 46-09541	0	No	0	0	0

The number of legal actions pending before the Federal Mine Safety and Health Review Commission as of September 30, 2018 that fall into each of the following categories is as follows:

<i>Mine or Operating Name / MSHA Identification Number</i>	<i>Contests of Citations and Orders</i>	<i>Contests of Proposed Penalties</i>	<i>Complaints for Compensation</i>	<i>Complaints of Discharge / Discrimination / Interference</i>	<i>Applications for Temporary Relief</i>	<i>Appeals of Judge's Ruling</i>
Active Operations						
Eagle Seam Deep Mine 46-09495	0	2	0	0	0	0
Coal Creek Prep Plant (VA) 44-05236	0	0	0	0	0	0
Elk Creek Prep Plant 46-02444	0	0	0	0	0	0
Stonecoal Branch Mine No. 2 46-08663	0	3	0	0	0	0
Ram Surface Mine No. 1 46-09537	0	1	0	0	0	0
Highwall Miner No. 1 46-09219	0	0	0	0	0	0
Berwind Deep Mine 46-09533	0	0	0	0	0	0
No. 2 Gas 46-09541	0	0	0	0	0	0

(1) Mine Act section 104(a) S&S citations shown above are for alleged violations of mandatory health or safety standards that could significantly and substantially contribute to a coal mine health and safety hazard. It should be noted that, for purposes of this table, S&S citations that are included in another column, such as Section 104(d) citations, are not also included as Section 104(a) S&S citations in this column.

- (2) Mine Act section 104(b) orders are for alleged failures to totally abate a citation within the time period specified in the citation.
- (3) Mine Act section 104(d) citations and orders are for an alleged unwarrantable failure (i.e., aggravated conduct constituting more than ordinary negligence) to comply with mandatory health or safety standards.
- (4) Mine Act section 110(b)(2) violations are for an alleged “flagrant” failure (i.e., reckless or repeated) to make reasonable efforts to eliminate a known violation of a mandatory safety or health standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.
- (5) Mine Act section 107(a) orders are for alleged conditions or practices which could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated and result in orders of immediate withdrawal from the area of the mine affected by the condition.
- (6) Amounts shown include assessments proposed by MSHA during the year ended December 31, 2018 on all citations and orders, including those citations and orders that are not required to be included within the above chart.
- (7) Mine Act section 104(e) written notices are for an alleged pattern of violations of mandatory health or safety standards that could significantly and substantially contribute to a coal mine safety or health hazard.