CONTURA ENERGY, INC.

CONDENSED CONSOLIDATED AND CONDENSED PREDECESSOR COMBINED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

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State of incorporation: Delaware
I.R.S. Employer Identification Number: 81-3015061
Number of shares of Common Stock, $0.01 par value, outstanding as of June 30, 2017: 10,742,474.

The contents of these Condensed Consolidated Financial Statements and Report for the three and six months ended June 30, 2017 should not be construed as investment, legal or tax advice. This report is being prepared pursuant to contractual arrangements and is not required by any rules or regulations of, and will not be filed with, the U.S. Securities and Exchange Commission ("SEC") or any other securities regulatory authority of any country, state or any other relevant jurisdiction, nor has the SEC or any other authority or commission passed upon the accuracy or adequacy of this report. Contura Energy, Inc. is a new company and is in the early stages of the costly and challenging process of compiling the systems and processing the documentation necessary to implement and evaluate the effectiveness of its disclosure controls and procedures and internal control over financial reporting. The interim Condensed Consolidated Financial Statements contained in this report are unaudited.

Statements contained herein describing documents and agreements are summaries only and are qualified in their entirety by reference to the corresponding documents and agreements.

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CONTURA ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND
CONDENSED PREDECESSOR COMBINED STATEMENT OF OPERATIONS (Unaudited)
(Amounts in thousands, except share and per share data)

	Successor		Predecessor	
	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Revenues:				
Coal revenues	$ 440,774	$ 949,664	$ 238,294	$ 469,635
Freight and handling revenues	69,696	129,919	24,895	47,784
Other revenues	3,340	7,660	3,939	8,229
Total revenues	513,810	1,087,243	267,128	525,648
Costs and expenses:				
Cost of coal sales (exclusive of items shown separately below)	361,056	729,208	210,022	434,206
Freight and handling costs	69,696	129,919	24,895	47,784
Other expenses	973	2,426	1,955	4,167
Depreciation, depletion and amortization	17,346	34,277	39,721	74,720
Amortization of acquired intangibles, net	14,585	34,243	59	463
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization shown separately above)	26,319	40,148	14,348	26,090
Asset impairment and restructuring	—	—	2,641	3,137
Secondary offering costs	2,496	3,438	—	—
Total other operating (income) loss:				
Mark-to-market adjustment for acquisition-related obligations	6,739	2,382	—	—
Gain on settlement of acquisition-related obligations	(9,200)	(9,200)	—	—
Total costs and expenses	490,010	966,841	293,641	590,567
Income (loss) from operations	23,800	120,402	(26,513)	(64,919)
Other (expense) income:				
Interest expense	(8,307)	(19,775)	(37)	(41)
Interest income	42	73	22	51
Loss on early extinguishment of debt	—	(38,701)	—	—
Equity loss in affiliates	(490)	(1,701)	(1,198)	(2,622)
Bargain purchase gain	642	642	—	—
Miscellaneous income, net	22	227	62	674
Total other expense, net	(8,091)	(59,235)	(1,151)	(1,938)
Income (loss) before reorganization items and income taxes	15,709	61,167	(27,664)	(66,857)
Reorganization items, net	—	—	(11,746)	(26,300)
Income (loss) before income taxes	15,709	61,167	(39,410)	(93,157)
Income tax (expense) benefit	(3,098)	(13,445)	11,804	32,908
Net income (loss)	$ 12,611	$ 47,722	$ (27,606)	$ (60,249)
Basic income per common share	$ 1.22	$ 4.63		
Diluted income per common share	$ 1.16	$ 4.42		
Weighted average shares - basic	10,309,612	10,309,520		
Weighted average shares - diluted	10,874,175	10,801,228		

See accompanying Notes to Condensed Consolidated Financial Statements.

CONTURA ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) AND CONDENSED PREDECESSOR COMBINED STATEMENT OF COMPREHENSIVE LOSS (Unaudited)
(Amounts in thousands)

	Successor		Predecessor	
	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Net income (loss)	$ 12,611	$ 47,722	$ (27,606)	$ (60,249)
Other comprehensive (loss) income, net of tax:				
Employee benefit plans:				
Amortization of and adjustments to employee benefit costs, net of income tax of $0 for the three and six months ended June 30, 2017, respectively, and ($148) and ($78) for the three and six months ended June 30, 2016, respectively	(947)	(1,018)	263	138
Total other comprehensive (loss) income, net of tax	(947)	(1,018)	263	138
Total comprehensive income (loss)	$ 11,664	$ 46,704	$ (27,343)	$ (60,111)

See accompanying Notes to Condensed Consolidated Financial Statements.

CONTURA ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)

	Successor	
	June 30, 2017 (Unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 244,019	$ 127,948
Trade accounts receivable, net of allowance for doubtful accounts of $0 as of June 30, 2017 and December 31, 2016	184,811	182,600
Inventories, net	75,874	75,399
Assets held for sale	1,259	1,714
Prepaid expenses and other current assets	47,849	37,555
Total current assets	553,812	425,216
Property, plant, and equipment, net	317,990	317,013
Other acquired intangibles (net of accumulated amortization of $96,094 and $61,851 as of June 30, 2017 and December 31, 2016, respectively)	52,905	87,149
Long-term restricted cash	56,797	43,341
Long-term deposits	37,938	55,501
Other non-current assets	23,095	18,532
Total assets	$ 1,042,537	$ 946,752
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 16,438	$ 2,324
Trade accounts payable	103,159	98,166
Acquisition-related obligations - current	19,396	27,258
Dividend payable	92,786	—
Accrued expenses and other current liabilities	101,494	90,864
Total current liabilities	333,273	218,612
Long-term debt	369,342	346,837
Acquisition-related obligations - long-term	52,273	59,088
Asset retirement obligations	196,823	187,097
Other non-current liabilities	57,737	97,894
Total liabilities	1,009,448	909,528
Commitments and Contingencies (Note 22)		
Stockholders' Equity		
Preferred stock - par value $0.01, 2.0 million shares authorized, none issued	—	—
Common stock - par value $0.01, 20.0 million shares authorized, 10.7 million issued and outstanding at June 30, 2017 and 10.3 million issued and outstanding at December 31, 2016	107	103
Additional paid-in capital	31,914	45,964
Accumulated other comprehensive income	1,069	2,087
Treasury stock, at cost: 81 shares at June 30, 2017 and none issued at December 31, 2016	(1)	—
Accumulated deficit	—	(10,930)
Total stockholders' equity	33,089	37,224
Total liabilities and stockholders' equity	$ 1,042,537	$ 946,752

See accompanying Notes to Condensed Consolidated Financial Statements.

CONTURA ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS AND
CONDENSED PREDECESSOR COMBINED STATEMENT OF CASH FLOWS (Unaudited)
(Amounts in thousands)

	Successor	Predecessor
	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Operating activities:		
Net income (loss)	$ 47,722	$ (60,249)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	34,277	74,720
Amortization of acquired intangibles, net	34,243	463
Accretion of acquisition-related obligations discount	4,441	—
Mark-to-market adjustment for acquisition-related obligations	2,382	—
Gain on settlement of acquisition-related obligations	(9,200)	—
Bargain purchase gain	(642)	—
Equity loss in affiliates	1,701	2,622
Accretion of asset retirement obligations	11,049	10,952
Employee benefit plans, net	5,539	11,213
Deferred income taxes	—	(32,908)
Asset impairment and restructuring	—	3,137
Non-cash reorganization items, net	—	2,889
Non-cash loss on extinguishment of debt	13,665	—
Stock-based compensation	6,598	588
Other, net	498	242
Changes in operating assets and liabilities	20,485	19,583
Net cash provided by operating activities	172,758	33,252
Investing activities:		
Capital expenditures	(35,508)	(20,705)
Proceeds from sale of property, plant and equipment	2,272	500
Capital contributions to equity affiliates	(3,090)	(2,105)
Purchase of additional ownership interest in equity affiliate	(13,293)	—
Other, net	(408)	—
Net cash used in investing activities	(50,027)	(22,310)
Financing activities:		
Proceeds from borrowings on debt	396,000	—
Principal repayments of debt	(357,500)	—
Principal repayments of capital lease obligations	(504)	(36)
Debt issuance costs	(14,385)	—
Debt extinguishment costs	(25,036)	—
Debt amendment costs	(4,520)	—
Proceeds from exercise of warrants	11	—
Principal repayments of notes payable	(726)	—
Transfers to Alpha	—	(11,201)
Net cash used in financing activities	(6,660)	(11,237)
Net increase (decrease) in cash and cash equivalents	116,071	(295)
Cash and cash equivalents at beginning of period	127,948	269
Cash and cash equivalents at end of period	$ 244,019	$ (26)
Supplemental cash flow information:		
Cash paid for interest	$ 27,738	$ —
Cash paid for income taxes	$ 13,110	$ —
Supplemental disclosure of non-cash investing and financing activities:		

Capital leases and capital financing - equipment	$ 283	$ —
Accrued capital expenditures	$ 13,132	$ 9,730
Dividend Declaration	$ 92,786	$ —

See accompanying Notes to Condensed Consolidated Financial Statements.

CONTURA ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY AND
CONDENSED COMBINED STATEMENT OF PREDECESSOR BUSINESS EQUITY (Unaudited)
(Amounts in thousands)

	Common Stock							
	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock at Cost	(Accumulated Deficit) Retained Earnings	Alpha's Investment	Total Stockholders' Equity / Predecessor Business Equity
Predecessor								
Balances, December 31, 2015	—	$ —	$ —	$ 4,135	$ —	$ (559,922)	$ 1,769,684	$ 1,213,897
Net loss		—	—	—	—	(60,249)	—	(60,249)
Other comprehensive income (loss), net		—	—	138	—	—	—	138
Net distributions to Alpha		—	—	—	—	—	(2,853)	(2,853)
Balances, June 30, 2016	—	$ —	$ —	$ 4,273	$ —	$ (620,171)	$ 1,766,831	$ 1,150,933
Successor								
Balances, December 31, 2016	10,309	$ 103	$ 45,964	$ 2,087	$ —	$ (10,930)	$ —	$ 37,224
Net income	—	—	—	—	—	47,722	—	47,722
Other comprehensive income, net	—	—	—	(1,018)	—	—	—	(1,018)
Stock-based compensation and net issuance of common stock for share vesting	429	4	6,594	—	—	—	—	6,598
Special dividend	—	—	(22,019)	—	—	(70,767)	—	(92,786)
Retrospective warrants adjustment	—	—	1,167	—	—	33,975	—	35,142
Warrant exercises	4	—	208	—	(1)	—	—	207
Balances, June 30, 2017	10,742	$ 107	$ 31,914	$ 1,069	$ (1)	$ —	$ —	$ 33,089

See accompanying Notes to Condensed Consolidated Financial Statements.

(1) Business and Basis of Presentation

Business

Contura Energy, Inc. (“Contura”, the “Company”, “we” or “us”) is a private, Tennessee-based Company with affiliate mining operations across multiple major coal basins in Pennsylvania, Virginia, West Virginia and Wyoming. With customers across the globe, high-quality reserves, and significant port capacity, Contura supplies both met coal to produce steel and steam coal to generate power. Contura was formed to acquire and operate certain of Alpha Natural Resources, Inc.’s (“Alpha”) core coal operations (see Note 2), as part of the Alpha restructuring. Contura began operations on July 26, 2016, with mining complexes in Northern Appalachia (Cumberland mine complex), the Powder River Basin (Belle Ayr and Eagle Butte complexes), and three Central Appalachian mining complexes (the Nicholas mine complex in Nicholas County, West Virginia, and the McClure and Toms Creek mine complexes in Virginia).

As a result of the Alpha core coal operations’ acquisition, the historical financial statements are separated into Predecessor and Successor periods. Predecessor represents Contura prior to July 26, 2016, whereas Successor refers to the Company beginning July 26, 2016 and thereafter. For more detailed information regarding the Company’s and Predecessor’s consolidation and accounting policies, please refer to the Basis of Presentation discussion below and the financial statements and the notes thereto included elsewhere in this report.

Basis of Presentation

Together, the condensed consolidated statement of operations, statement of comprehensive income, balance sheet, statement of cash flows and statement of stockholders’ equity for the Company and the condensed combined statement of operations, statement of comprehensive loss, balance sheet, statement of cash flows and statement of business equity for the Predecessor are referred to as the “Condensed Financial Statements.” The Condensed Financial Statements are also referred to as consolidated (to reflect the Successor’s capital structure), and references across periods are generally labeled “Balance Sheets,” “Statements of Operations,” and “Statements of Cash Flows.”

The Condensed Consolidated Financial Statements include all wholly-owned subsidiaries’ results of operations for the three and six months ended June 30, 2017. All significant intercompany transactions have been eliminated in consolidation.

The Condensed Predecessor Financial Statements presented include the assets, liabilities, operating results and cash flows of Contura, prepared on a carve-out basis using Alpha’s historical bases in the assets and liabilities and the historical results of operations of Contura. The Condensed Predecessor Financial Statements have been derived from the consolidated financial statements and accounting records of Alpha. All transactions between Contura and Alpha have been included in these Condensed Predecessor Financial Statements. The aggregate net effect of such transactions has effectively been considered settled for cash at the time of the transaction and reflected in the condensed Predecessor statement of cash flows as “Transfers to Alpha.”

The Condensed Predecessor Financial Statements also include expense allocations of $28,635 and $51,356 for the three and six months ended June 30, 2016, respectively, for certain corporate and overhead functions historically performed by Alpha, including, but not limited to, general corporate expenses related to finance, legal, information technology, human resources, employee benefits and incentives, insurance, stock-based compensation, engineering, asset management, and sales and logistics, which were included in cost of coal sales and selling, general and administrative expenses in the accompanying Condensed Statements of Operations. These amounts exclude reorganization items which are discussed in Note 20. These expenses have been allocated to the Predecessor on the basis of direct usage when identifiable, with the remainder allocated on the basis of revenues, operating expenses, headcount or other relevant measures. The provision for income taxes has been prepared on a separate return basis. Management believes the assumptions underlying the Condensed Predecessor Financial Statements, including the assumptions regarding the allocation of corporate expenses from Alpha, are reasonable. Nevertheless, the Condensed Predecessor Financial Statements may not include all of the expenses that would have been incurred had the Company been a stand-alone Company during the period presented and may not reflect the Company’s condensed consolidated financial position, results of operations and cash flows had the Company been a stand-alone Company during the period. Actual costs that would have been incurred if the Predecessor had been a stand-alone Company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure.

Alpha used a centralized approach to cash management and financing of its operations. The majority of the Company's cash during the Predecessor period was transferred to Alpha, which funded its operating and investing activities as needed. This arrangement is not reflective of the manner in which the Company would have been able to finance its operations had it been a stand-alone business separate from Alpha during the Predecessor period.

On August 3, 2015 ("Petition Date"), Alpha and each of its wholly-owned domestic subsidiaries other than ANR Second Receivables Funding LLC (collectively the "Alpha Debtors") filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court"). The Alpha Debtors pursued a reorganization plan under which certain expenses were incurred and settlements negotiated, which were included within Reorganization items, net, during the Predecessor period. See Note 20 for further reorganization items disclosures. The Bankruptcy Court approved the Alpha Debtors Plan of Reorganization on July 7, 2016 and Alpha Debtors emerged from bankruptcy on July 26, 2016.

The accompanying Condensed Consolidated Financial Statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

Interim Financial Information

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been omitted. In the opinion of management, these interim Condensed Financial Statements reflect all normal and recurring adjustments necessary for a fair presentation of the results for the periods presented. Results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of the results to be expected for the year ending December 31, 2017 or any other period. These financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto.

New Accounting Pronouncements

In July 2017, the FASB issued ASU 2017-11 Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815) ("ASU 2017-11"). Under ASU 2017-11, when determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instruments are indexed to an entity's own stock. ASU 2017-11 is effective for annual reporting periods beginning after December 15, 2019 (December 15, 2018 for public entities) and interim periods within fiscal years beginning after December 15, 2020 (December 15, 2018 for public entities). Early adoption is permitted for all entities, including adoption in an interim period. The Company has elected to early adopt this ASU 2017-11 for fiscal year 2017 and all interim periods therein. See Note 16 for detail on the impact this guidance had on the Company's financial statements and disclosures.

(2) Acquisition

On July 26, 2016, a consortium of former Alpha creditors acquired Company common stock in exchange for a partial release of their creditor claims pursuant to the Alpha restructuring. Furthermore, pursuant to an asset purchase agreement between Contura and Alpha, Contura purchased certain former core coal operations of Alpha as further described in Note 1. As consideration for the purchased assets, in addition to the assumption by Contura of certain liabilities and the credit release by former Alpha creditors, Contura delivered to Alpha the following consideration: (i) 10,000,000 shares of Contura common stock with a fair value of $44,644 (representing 100% of the issued and outstanding Contura common stock at that time), (ii) a promissory note with a face amount of $300,000 and fair value of $285,936 (the "Buyer Takeback Paper" or "Senior Secured First Lien Notes"), (iii) a promissory note with a face amount of $5,500 and fair value of $4,208 (the "GUC Distribution Note") and warrants to acquire 810,811 shares of Contura common stock with a fair value of $1,167. Contura is accounting for the acquisition as a business combination.

Purchase Price

The purchase price of $335,955 consisted of the following:

Fair value of common stock issued	$ 44,644
Issuance of 10% Senior Secured First Lien Notes (net of discount of $14,064)	285,936
Issuance of GUC Distribution Note (net of discount of $1,292)	4,208
Issuance of warrants	1,167
Purchase price	$ 335,955

Allocation of Purchase Price

The total purchase price has been preliminarily allocated to the net tangible and intangible assets as of July 26, 2016 as follows:

	Provisional December 31, 2016	Provisional Adjustments	Provisional June 30, 2017
Cash and cash equivalents	$ 51,000	$ —	$ 51,000
Trade accounts receivable	68,355	—	68,355
Inventories	43,705	—	43,705
Assets held for sale	2,178	—	2,178
Prepaid expenses and other current assets	36,493	—	36,493
Property, plant, and equipment	348,407	—	348,407
Other acquired intangibles	149,000	—	149,000
Long-term restricted cash	92,800	—	92,800
Long-term deposits	94	—	94
Other non-current assets	3,688	4,417	8,105
Total assets	$ 795,720	$ 4,417	$ 800,137
			—
Current portion of long-term debt	$ 1,112	$ —	$ 1,112
Trade accounts payable	39,993	—	39,993
Acquisition-related obligations - current [1]	42,235	—	42,235
Accrued expenses and other current liabilities	42,905	(2,793)	40,112
Long-term debt	11,720	—	11,720
Acquisition-related obligations - long-term [1]	59,092	—	59,092
Asset retirement obligations	196,487	—	196,487
Other non-current liabilities	58,502	6,568	65,070
Total liabilities	452,046	3,775	455,821
			—
Bargain purchase gain	7,719	642	8,361
			—
Allocation of purchase price	$ 335,955	$ —	$ 335,955

[1] See Note 12.

The above purchase price allocation includes provisional amounts for certain assets and liabilities. The purchase price allocation will continue to be refined during the one-year measurement period, which will end no later than July 26, 2017, under acquisition accounting primarily in the area of income and property taxes and other long-term liabilities. During the measurement period, the Company expects to receive additional detailed information to refine the provisional allocation presented above.

During the three months ended June 30, 2017, the Company recorded measurement-period adjustments to the provisional opening balance sheet related to property tax liabilities. As a result of the measurement-period adjustments made, the provisional amount of bargain purchase gain was increased by $642 resulting in a total provisional bargain purchase gain of $8,361.

The following unaudited pro forma information has been prepared for illustrative purposes only and assumes the acquisition occurred on January 1, 2016. The unaudited pro forma results have been prepared based on estimates and assumptions, which the Company believes are reasonable; however, they are not necessarily indicative of the consolidated results of operations had the acquisition occurred on January 1, 2016, or of future results of operations.

The unaudited pro forma results for the three and six months ended June 30, 2016:

	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Total revenues		
As reported	$ 267,128	$ 525,648
Pro forma	$ 267,128	$ 525,648
Net loss		
As reported	$ (27,606)	$ (60,249)
Pro forma	$ (85,507)	$ (138,171)

(3) Accumulated Other Comprehensive Income

The following tables summarize the changes to accumulated other comprehensive income during the six months ended June 30, 2017 and 2016:

	Successor			
	Balance January 1, 2017	Other comprehensive income (loss) before reclassifications	Amounts reclassified from accumulated other comprehensive income (loss)	Balance June 30, 2017
Employee benefit costs	$ 2,087	$ (917)	$ (101)	$ 1,069

	Predecessor			
	Balance January 1, 2016	Other comprehensive income (loss) before reclassifications	Amounts reclassified from accumulated other comprehensive income (loss)	Balance June 30, 2016
Employee benefit costs	$ 4,135	$ (2,188)	$ 2,326	$ 4,273

CONTURA ENERGY, INC. AND SUBSIDIARIES AND PREDECESSOR
Notes to Condensed Financial Statements
(Unaudited, amounts in thousands except share and per share data)

The following table summarizes the amounts reclassified from accumulated other comprehensive income (loss) and the Statements of Operations line items affected by the reclassification during the three and six months ended June 30, 2017 and 2016:

	Amounts reclassified from accumulated other comprehensive (loss) income				
	Successor		Predecessor		
Details about accumulated other comprehensive income (loss) components	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016	Affected line item in the Statements of Operations
Employee benefit costs:					
Amortization of actuarial (gain) loss	$ (30)	$ (101)	$ 103	$ 178	(1)
Amortization of prior service cost	—	—	308	741	(1)
Curtailment loss	—	—	—	2,712	(1)
Total before income tax	(30)	(101)	411	3,631	
Income tax expense	—	—	(148)	(1,305)	Income tax (expense) benefit
Total, net of income tax	$ (30)	$ (101)	$ 263	$ 2,326	

(1) These accumulated other comprehensive income (loss) components are included in the computation of net periodic benefit costs for black lung. See Note 18.

(4) Earnings Per Share

The number of shares used to calculate basic earnings per common share is based on the weighted average number of the Company's outstanding common shares during the respective period. The number of shares used to calculate diluted earnings per common share is based on the number of common shares used to calculate basic earnings per share plus the dilutive effect of stock options and other stock-based instruments held by the Company's employees and directors during the period, and the Company's outstanding Series A warrants. The warrants become dilutive for earnings per common share calculations when the market price of the Company's common stock exceeds the exercise price. For the three months ended June 30, 2017, 129,520 stock options and 5,271 other stock-based instruments were excluded from the computation of dilutive earnings per share because they would have been anti-dilutive. For the six months ended June 30, 2017, 129,520 stock options and 217,314 other stock-based instruments were excluded from the computation of dilutive earnings per share because they would have been anti-dilutive. These potential shares could dilute earnings per share in the future.

The following table presents the net income per common share for the three and six months ended June 30, 2017:

	Successor	
	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Basic		
Net income	$ 12,611	$ 47,722
Weighted average common shares outstanding - basic	10,309,612	10,309,520
Net income per common share - basic	$ 1.22	$ 4.63
Diluted		
Net income	$ 12,611	$ 47,722
Weighted average common shares outstanding - basic	10,309,612	10,309,520
Diluted effect of warrants	178,717	148,978
Diluted effect of stock options	276,072	275,355
Diluted effect of restricted share units and restricted stock shares	109,774	67,375
Weighted average common shares outstanding - diluted	10,874,175	10,801,228
Net income per common share - diluted	$ 1.16	$ 4.42

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(5) Inventories, net

Inventories, net consisted of the following:

	Successor	
	June 30, 2017	December 31, 2016
Raw coal	$ 2,675	$ 5,055
Saleable coal	60,640	58,376
Materials, supplies and other, net	12,559	11,968
Total inventories, net	$ 75,874	$ 75,399

(6) Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	Successor	
	June 30, 2017	December 31, 2016
Prepaid freight	$ 14,270	$ 9,065
Deferred longwall move expenses	11,594	5,264
Maintenance and repairs contract	5,316	3,480
Other non-trade receivables	593	4,146
Prepaid insurance	978	2,073
Prepaid property tax	1,272	2,804
Refundable income taxes	1,442	1,305
Prepaid bond premium	3,202	3,485
Other prepaid expenses	9,182	5,933
Total prepaid expenses and other current assets	$ 47,849	$ 37,555

(7) Property, Plant, and Equipment, Net

Property, plant, and equipment, net consisted of the following:

	Successor	
	June 30, 2017	December 31, 2016
Plant and mining equipment	$ 208,434	$ 171,846
Owned and leased mineral rights [(1)]	127,719	126,219
Mine development	12,344	10,750
Land	24,891	24,684
Office equipment, software and other	1,320	978
Construction in progress	27,574	34,009
Total property, plant, and equipment	402,282	368,486
Less accumulated depreciation, depletion and amortization	84,292	51,473
Total property, plant, and equipment, net	$ 317,990	$ 317,013

[(1)] Amounts primarily relate to asset retirement obligation assets associated with active mining operations.

Included in plant and mining equipment are assets under capital leases totaling $3,043 and $2,888 with accumulated depreciation of $731 and $231 as of June 30, 2017 and December 31, 2016, respectively.

Depreciation, depletion and amortization expense associated with property, plant and equipment, net was $17,346 and $34,277 for the three and six months ended June 30, 2017, respectively and $39,721 and $74,720 for the three and six months ended June 30, 2016, respectively.

(8) Asset Impairment and Restructuring

The Company did not record any restructuring-related charges for the six months ended June 30, 2017. For the three months ended June 30, 2016, the Company recorded severance expenses and other restructuring-related charges of $758. Of this amount, $187, $204, $358, and $9 were recorded on the Central Appalachia ("CAPP"), Northern Appalachia ("NAPP"), Powder River Basin ("PRB"), and Trading & Logistics report segments, respectively. For the six months ended June 30, 2016, the Company recorded severance expenses and other restructuring-related charges of $1,025. Of this amount, $302, $199, $508, and $16 were recorded on the CAPP, NAPP, PRB, and Trading & Logistics report segments, respectively.

The Company did not record any gains or losses related to non-core property divestitures for the six months ended June 30, 2017. For the three and six months ended June 30, 2016, the Company recorded losses related to non-core property divestitures of $1,883 and $2,112, respectively, all of which related to the CAPP and NAPP reporting segments.

(9) Dividend Payable

The Company entered into the First Amendment to the Asset-Based Revolving Credit Agreement on June 9, 2017 and the First Amendment to Term Loan Credit Agreement on June 13, 2017. The amendments, among other things, permit an aggregate amount of $150,000 of cash to be used for the (i) payment of a one-time cash dividend on its common stock no later than July 28, 2017, and (ii) repurchase of its common stock at any time no later than December 31, 2017, subject to certain terms and conditions. See Note 11.

On June 16, 2017, the Company declared a special cash distribution of approximately $92,786 in the aggregate (the "Special Dividend"), payable to eligible holders of record of its common stock as of the close of business on July 5, 2017. In addition, pursuant to the terms of the Company's management incentive plan, dividend equivalent payments of approximately $7,949 in the aggregate (including the amounts payable with respect to each share underlying outstanding stock option awards and restricted stock unit awards and outstanding restricted common stock under the MIP) were paid to plan participants. The dividend equivalent payments were made on July 11, 2017, and the Special Dividend was paid on July 12, 2017. Pursuant to terms of the debt amendments, the Company made an offer to all Term Loan Credit Facility lenders to repay the loans at par concurrently with the payment of the Special Dividend, in an aggregate principal amount equal to $10,000. All the Term Loan Facility lenders accepted the offer, and the Company repaid $10,000 on July 13, 2017.

As of June 30, 2017, the Company recorded a dividend payable of $92,786 for the Special Dividend declaration and reduced the Company's retained earnings by $70,767 and additional paid-in capital by $22,019.

(10) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	Successor	
	June 30, 2017	December 31, 2016
Wages and benefits	$ 41,920	$ 32,020
Taxes other than income taxes	26,774	13,208
Income taxes	669	201
Maintenance and repairs contract liability	8,556	8,541
Current portion of asset retirement obligations	4,698	4,298
Freight accrual	2,775	3,006
Interest payable	125	13,574
Deferred revenue	789	3,780
Other	15,188	12,236
Total accrued expenses and other current liabilities	$ 101,494	$ 90,864

(11) Long-Term Debt

Long-term debt consisted of the following:

	Successor	
	June 30, 2017	December 31, 2016
Term Loan Credit Facility - due March 2024	$ 399,000	$ —
Term Facility	—	42,500
LC Facility	—	—
Closing Tranche Term Loan - due January 2018	—	8,500
GUC Distribution Note - due January 2018	—	5,500
10% Senior Secured First Lien Notes - due August 2021	—	300,000
Other	6,078	7,024
Debt discount and issuance costs	(19,298)	(14,363)
Total long-term debt	385,780	349,161
Less current portion	(16,438)	(2,324)
Long-term debt, net of current portion	$ 369,342	$ 346,837

Term Loan Credit Facility

On March 17, 2017, the Company entered into a Credit Agreement with Jefferies Finance LLC, as administrative agent and collateral agent, and the other lenders party thereto (as defined therein) and UBS Securities LLC, as joint lead arrangers and joint bookrunners, that provides for a term loan facility (the “Term Loan Credit Facility”) in an aggregate amount of $400,000 with a maturity date of March 17, 2024. Principal repayments equal to $1,000 are due each March, June, September and December (commencing with June 30, 2017) with the final principal repayment installment repaid on the maturity date and in any event shall be in an amount equal to the aggregate principal amount outstanding on such date. The Term Loan Credit Facility bears an interest rate per annum based on the character of the loan (defined as either “Base Rate Loan” or “Eurocurrency Rate Loan”) plus an applicable rate of 4.00% to 5.00% depending on loan type (the “Applicable Rate”), payable

bi-monthly in arrears. As of June 30, 2017, the Term Loan Credit Facility was classified as a Eurocurrency Rate Loan with an interest rate of 6.23%, calculated as the eurocurrency rate during the period plus an applicable rate of 5.00%.

In connection with the transaction, the Company paid all of its $300,000 outstanding 10.00% Senior Secured First Lien Notes due 2021. The proceeds of the Term Loan Credit Facility were also used to repay the $42,500 outstanding Term Facility due 2020, the $8,500 outstanding Closing Tranche Term Loan due 2018 and the $5,500 outstanding GUC Distribution Note due 2018. The Company recorded a loss on early extinguishment of debt of $38,701, primarily related to a prepayment premium on the 10.00% Senior Secured First Lien Notes and the write-off of outstanding debt discounts on the 10.00% Senior Secured First Lien Notes and GUC Distribution Note.

The Company entered into the First Amendment to the Term Loan Credit Agreement on June 13, 2017. The amendment, among other things, permit an aggregate amount of $150,000 of cash to be used for the (i) payment of a one-time cash dividend on its common stock no later than July 28, 2017, and (ii) repurchase of its common stock at any time no later than December 31, 2017, subject to certain terms and conditions. Pursuant to terms of the amendment, the Company made an offer to all Term Loan Credit Facility lenders to repay the loans at par concurrently with the payment of the Special Dividend, in an aggregate principal amount equal to $10,000. All the Term Loan Facility lenders accepted the offer, and the Company repaid $10,000 on July 13, 2017.

The Term Loan Credit Facility, as amended, and related documents contain negative and affirmative covenants including certain financial covenants. The Company was in compliance with all covenants under these agreements as of June 30, 2017.

Asset-Based Revolving Credit Agreement

On April 3, 2017, the Company entered into an Asset-Based Revolving Credit Agreement with Citibank N.A. as administrative agent, collateral agent, and swingline lender and the other lenders party thereto (the “Lenders”), and Citibank N.A., BMO Harris Bank N.A. and Credit Suisse AG as letter of credit issuers (“LC Lenders”). The Asset-Based Revolving Credit Agreement includes a senior secured asset-based revolving credit facility (the “Facility”). Under the Facility, the Company may borrow cash from the Lender or cause the LC Lenders to issue letters of credit, on a revolving basis, in an aggregate amount of up to $125,000, of which no more than $80,000 may be drawn through letters of credit. Any borrowings under the Facility will have a maturity date of April 4, 2022 and will bear interest based on the character of the loan (defined as either “Base Rate Loan” or “Eurocurrency Rate Loan”) plus an applicable rate ranging from 1.00% to 1.50% for Base Rate Loans and 2.00% to 2.50% for Eurocurrency Rate Loans, depending on the amount of credit available. The Asset-Based Revolving Credit Agreement provides that a specified percentage of billed, unbilled and approved foreign receivables and raw and clean inventory meeting certain criteria are eligible to be counted for purposes of collateralizing the amount of financing available, subject to certain terms and conditions. As of June 30, 2017, the Company had $0 borrowings and $11,300 letters of credit outstanding under the Facility.

The Company entered into the First Amendment to the Asset-Based Revolving Credit Agreement on June 9, 2017. The amendments, among other things, permit an aggregate amount of $150,000 of cash to be used for the (i) payment of a one-time cash dividend on its common stock no later than July 28, 2017, and (ii) repurchase of its common stock at any time no later than December 31, 2017, subject to certain terms and conditions.

The Asset-Based Revolving Credit Agreement, as amended, and related documents contain negative and affirmative covenants including certain financial covenants. The Company was in compliance with all covenants under these agreements as of June 30, 2017.

Capital Leases

The Company entered into capital leases for certain property and other equipment during 2017 and 2016. The Company’s liability for capital leases totaled $2,391 and $2,745, with $1,026 and $1,007 reported within the current portion of long-term debt as of June 30, 2017 and December 31, 2016, respectively.

(12) Acquisition-Related Obligations

Acquisition-related obligations consisted of the following:

	Successor	
	June 30, 2017	December 31, 2016
Retiree Committee VEBA Funding Settlement Liability	$ 7,000	$ 10,000
UMWA Funds Settlement Liability	7,500	7,500
UMWA VEBA Funding Settlement Liability	—	9,300
UMWA Contingent VEBA Funding Note 1	—	8,750
UMWA Contingent VEBA Funding Note 2	—	8,750
Reclamation Funding Liability	42,000	42,000
Contingent Reclamation Funding Liability [(1)]	22,216	20,370
Contingent Credit Support Commitment [(1)]	5,103	4,567
Other	2,107	2,261
Discount	(14,257)	(27,152)
Total acquisition-related obligations - long-term	71,669	86,346
Less current portion	(19,396)	(27,258)
Acquisition-related obligations, net of current portion	$ 52,273	$ 59,088

[(1)] Measured using the fair value option. See Note 15 for further disclosures on fair value.

The Company entered into various settlement agreements with Alpha and/or the Alpha bankruptcy successor ANR, Inc. (“ANR”) and third parties as part of the Alpha bankruptcy reorganization process. The Company assumed acquisition-related obligations through those settlement agreements which became effective on July 26, 2016, the effective date of Alpha’s plan of reorganization.

Contingent Credit Support Commitment

As of June 30, 2017, ANR had not drawn against the Contingent Commitment. The Company is electing to use the fair value option to measure this liability at each reporting period. During the three and six months ended June 30, 2017, the Company recorded mark to market losses of $177 and $536, respectively, which are classified as other operating expense in the Condensed Consolidated Statement of Operations. As of June 30, 2017, the fair value of the Contingent Commitment was $5,103, all of which is classified as a loan commitment within acquisition-related obligations - current in the Condensed Consolidated Balance Sheet.

No significant changes in factors were made for the contingent credit support fair value computation during the six months ended June 30, 2017. The fair value of the Contingent Credit Support Commitment will continue to change based on projected future cash flows of ANR, changes in metallurgical coal prices, and the progression toward the maturity of this obligation.

Contingent Funding of Restricted Cash Reclamation

The Company is electing to use the fair value option to measure this liability at each reporting period. During the three and six months ended June 30, 2017, the Company recorded mark to market losses of $6,408 and $1,846, respectively, which are classified as other operating income in the Condensed Consolidated Statement of Operations. As of June 30, 2017, the carrying value of the Contingent Reclamation Funding Liability was $22,216, all of which was classified as an acquisition-related obligation - long-term in the Condensed Consolidated Balance Sheet. The Company’s credit-adjusted risk free rate as of June 30, 2017 decreased relative to the rate used to discount the Contingent Reclamation Funding Liability as of December 31, 2016. The reduction in expected funding of the Contingent Reclamation Funding Liability by the Company, due to ANR’s contribution was offset by the change in discount rate resulting in an overall loss of $1,846 for the six months ended June 30, 2017. The fair value of the Contingent Reclamation Funding Liability will continue to change based on projected future cash flows of ANR, changes in metallurgical coal prices, and the progression toward the maturity of this obligation.

UMWA Contingent VEBA Funding Notes

Pursuant to the UMWA VEBA Funding Settlement agreement entered into on July 5, 2016, if federal legislation providing retirement benefits to the UMWA Retirees had not been enacted or if monies under the legislation had not become available for the benefits before August 1, 2017, on August 1, 2017, the Company would have been required to issue to the VEBA a 7-year 5.00% unsecured note ("UMWA Contingent VEBA Funding Note 1") with a face value of $8,750. If federal legislation providing retirement benefits to the UMWA Retirees had not been enacted or if moneys under the legislation had not become available for the benefits before December 1, 2017, on December 1, 2017, the Company would also have been required to issue to the VEBA a 7-year 5.00% unsecured note ("UMWA Contingent VEBA Funding Note 2") with a face value of $8,750. On May 5, 2017, federal legislation was passed in an omnibus spending bill which provided funding for retiree healthcare for UMWA Retirees. The Company eliminated all of its remaining carrying value of the UMWA Contingent VEBA Funding Notes 1 and Note 2 of $4,548 and $4,498, respectively, and recorded a gain on settlement of $9,046 which is classified as other operating income in the Condensed Consolidated Statement of Operations during the quarter ending June 30, 2017.

(13) Asset Retirement Obligations

The following table summarizes the changes in asset retirement obligations for the six months ended June 30, 2017:

Successor	
Total asset retirement obligations at December 31, 2016	$ 191,395
Accretion for the period	11,049
Revisions in estimated cash flows	(10)
Expenditures for the period	(913)
Total asset retirement obligations at June 30, 2017	$ 201,521
Less current portion	(4,698)
Long-term portion	$ 196,823

(14) Other Non-Current Liabilities

Other non-current liabilities consisted of the following:

	Successor	
	June 30, 2017	**December 31, 2016**
Warrants [(1)]	$ —	$ 35,141
Workers' compensation obligations	18,662	17,008
Black lung obligations	15,060	13,501
Life insurance benefits	11,599	11,687
Taxes other than income taxes	7,495	14,727
Other	4,921	5,830
Total other non-current liabilities	$ 57,737	$ 97,894

(1) See Note 16.

(15) Fair Value of Financial Instruments and Fair Value Measurements

The estimated fair values of financial instruments are determined based on relevant market information. These estimates involve uncertainty and cannot be determined with precision.

The carrying amounts for cash and cash equivalents, trade accounts receivable, net, prepaid expenses and other current assets, long-term restricted cash, long-term deposits, trade accounts payable, dividend payable, and accrued expenses and other

current liabilities approximate fair value as of June 30, 2017 and December 31, 2016 due to the short maturity of these instruments.

The following tables set forth by level, within the fair value hierarchy, the Company's long-term debt at fair value as of June 30, 2017 and December 31, 2016:

	Successor				
	June 30, 2017				
	Carrying Amount [1]	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Term Loan Credit Facility	$ 379,702	$ 368,311	$ 368,311	$ —	$ —

	Successor				
	December 31, 2016				
	Carrying Amount [1]	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Term Facility	$ 42,164	$ 42,164	$ —	$ 42,164	$ —
Closing Tranche Term Loan - due January 2018	8,500	8,500	—	—	8,500
GUC Distribution Note - due January 2018	4,546	4,967	—	—	4,967
10% Senior Secured First Lien Notes - due August 2021	286,927	320,625	320,625	—	—
Total long-term debt	$ 342,137	$ 376,256	$ 320,625	$ 42,164	$ 13,467

(1) Net of debt discounts and debt issuance costs.

The following tables set forth by level, within the fair value hierarchy, the Company's acquisition-related obligations at fair value as of June 30, 2017 and December 31, 2016:

	Successor				
	June 30, 2017				
	Carrying Amount [1]	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Retiree Committee VEBA Funding Settlement Liability	$ 5,752	$ 6,437	$ —	$ —	$ 6,437
UMWA Funds Settlement Liability	4,443	5,851	—	—	5,851
Reclamation Funding Liability	32,046	37,221	—	—	37,221
Total acquisition-related obligations	$ 42,241	$ 49,509	$ —	$ —	$ 49,509

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	Successor				
	December 31, 2016				
	Carrying Amount [1]	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Retiree Committee VEBA Funding Settlement Liability	$ 8,260	$ 8,937	$ —	$ —	$ 8,937
UMWA Funds Settlement Liability	4,050	5,100	—	—	5,100
UMWA VEBA Funding Settlement Liability	9,037	9,156	—	—	9,156
UMWA Contingent VEBA Funding Note 1	4,307	5,381	—	—	5,381
UMWA Contingent VEBA Funding Note 2	4,270	5,206	—	—	5,206
Reclamation Funding Liability	29,223	33,549	—	—	33,549
Total acquisition-related obligations	$ 59,147	$ 67,329	$ —	$ —	$ 67,329

(1) Net of discounts.

The following table sets forth by level, within the fair value hierarchy, the Company's financial and non-financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2017 and December 31, 2016. Financial and non-financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the determination of fair value for assets and liabilities and their placement within the fair value hierarchy levels.

	Successor			
	June 30, 2017			
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Contingent Credit Support Commitment [2]	$ 5,103	$ —	$ —	$ 5,103
Contingent Reclamation Funding Liability [2]	$ 22,216	$ —	$ —	$ 22,216

	Successor			
	December 31, 2016			
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Warrants [1]	$ 35,141	$ —	$ —	$ 35,141
Contingent Credit Support Commitment [2]	$ 4,567	$ —	$ —	$ 4,567
Contingent Reclamation Funding Liability [2]	$ 20,370	$ —	$ —	$ 20,370

(1) See Note 16.
(2) See Note 12 for further disclosures on these acquisition-related obligations and their mark to market effect on earnings.

The following table is a reconciliation of the financial and non-financial assets and liabilities that were accounted for at fair value on a recurring basis and that were categorized within Level 3 of the fair value hierarchy:

	Successor				
	December 31, 2016 Balance	Settlements	Loss (Gain) Recognized in Earnings	Transfer in (out) of Level 3 fair value hierarchy	June 30, 2017 Balance
Contingent Credit Support Commitment	$ 4,567	$ —	$ 536	$ —	$ 5,103
Contingent Reclamation Funding Liability	$ 20,370	$ —	$ 1,846	$ —	$ 22,216

For the period from July 26, 2016 to December 31, 2016 and the six months ended June 30, 2017, the Company fair valued assets and liabilities on a non-recurring basis in connection with acquisition accounting (see Note 2).

The following methods and assumptions were used to estimate the fair values of the assets and liabilities in the tables above.

Level 1 Fair Value Measurements

Term Loan Credit Facility - The fair value is based on observable market data.

10% Senior Secured First Lien Notes - due August 2021 - The fair value is based on observable market data.

Level 2 Fair Value Measurements

Term Facility - due July 2020 **-** The Company believes the carrying value of this obligation is a reasonable estimate of fair value as these obligations were repaid at face value without any premium or discount subsequent to December 31, 2016.

Level 3 Fair Value Measurements

Closing Tranche Term Loan - due January 2018 - The Company believes the carrying value of this obligation is a reasonable estimate of fair value as these obligations were repaid at face value without any premium or discount subsequent to December 31, 2016.

GUC Distribution Note - due January 2018, Retiree Committee VEBA Funding Settlement Liability, UMWA Funds Settlement Liability, VEBA Funding Settlement Liability, UMWA Contingent VEBA Funding Note 1, UMWA Contingent VEBA Funding Note 2 and Reclamation Funding Liability - Observable transactions are not available to aid in determining the fair value of these items. Therefore, the fair value was derived by using the expected present value approach in which estimated cash flows are discounted using a risk-free interest rate adjusted for market risk.

Contingent Credit Support Commitment - Observable transactions are not available to aid in determining the fair value of this commitment. The fair value of the Contingent Credit Support Commitment was derived by using the present value of the Company's estimated obligation to provide ANR with revolving credit support, discounted using the Company's credit-adjusted risk-free borrowing rate. The Company's estimated obligation to provide ANR with revolving credit support was derived based on a probability-weighted analysis of scenarios developed from ANR's projected cash flows. The present value of the Company's estimated obligation is calculated net of present value of the anticipated ANR repayments, discounted using an estimate of ANR's weighted average cost of capital.

Contingent Reclamation Funding Liability - Observable transactions are not available to aid in determining the fair value of this obligation. The fair value of the Contingent Reclamation Funding Liability was derived by aggregating the present value of the Company's estimated cash flow payments into the various Restricted Cash Reclamation Accounts, using the Company's credit-adjusted risk free rate. The Company's estimated cash flow payments were reduced by the present value of the expected ANR cash flow payments into the various Restricted Cash Reclamation Accounts, discounted at an estimate of ANR's weighted average cost of capital.

Warrants - The fair value of the warrants liability was estimated using a Black-Scholes pricing model and is marked to market at each reporting period with changes in value reflected in earnings. The inputs included in the Black-Scholes pricing model are the Company's OTC market price, the stated exercise price, the remaining time to maturity, the annual risk-free

interest rate based on the U.S. Constant Maturity Curve and annualized volatility. The annualized volatility was calculated by observing volatilities for comparable companies with adjustments for the Company's size and leverage.

Acquisition accounting - The Company accounts for business combinations under the acquisition method of accounting. The total cost of acquisitions is allocated to the underlying identifiable net tangible and intangible assets based on their respective estimated fair values. Determining the fair value of assets acquired and liabilities assumed requires management's judgment, the utilization of independent valuation experts and often involves the use of significant estimates and assumptions with respect to the timing and amounts of future cash inflows and outflows, discount rates, market prices and asset lives, among other items.

Long-lived assets - The fair values of certain asset groups were estimated using a discounted cash flow analysis utilizing market-place participant assumptions.

(16) Warrants

On July 26, 2016 (the "Initial Issue Date"), the Company issued 810,811 warrants, each with an initial exercise price of $55.93 per share of common stock and exercisable for one share of the Company's common stock, par value $0.01 per share. The warrants are exercisable for cash or on a cashless basis at any time from the Initial Issue Date until July 26, 2023. For the period from July 26, 2016 to December 31, 2016, the warrants were classified within non-current liabilities in our Consolidated Balance Sheet as a derivative liability and were initially and subsequently marked to market with changes in value reflected in earnings.

The fair value of the warrant liability for the period from July 26, 2016 to December 31, 2016 was estimated using a Black-Scholes pricing model, with changes in value reflected in earnings. The inputs included in the Black-Scholes pricing model used in the valuation of the warrants included the Company stock price, the stated exercise price, the expected term, the annual risk-free rate based on the U.S. Constant Maturity Curve, and annualized equity volatility. The annualized volatility was calculated by observing volatilities for comparable companies with adjustment for size and leverage. The annualized volatility as of December 31, 2016 decreased relative to the annualized volatility used as of the Acquisition Date due to improvement in the Company's leverage ratio. However, due to significant increases in the Company's stock price as of December 31, 2016 the Company recognized a cumulative mark-to-market loss on the derivative liability of approximately $33,975 recorded in other expenses within costs and expenses in the Condensed Consolidated Statements of Operations for the period from July 26, 2016 to December 31, 2016. As of December 31, 2016, the warrants derivative liability balance was approximately $35,141 classified within non-current liabilities in our Condensed Consolidated Balance Sheet.

During July of 2017, the FASB issued ASU 2017-11, which provided updates for Accounting for Certain Financial Instruments with Down Round features. Pursuant to ASU 2017-11, the Company's warrants are considered equity instruments, eliminating the derivative liability treatment and the mark-to-market adjustment requirements. The Company early adopted ASU 2017-11 for the period ended June 30, 2017, with retrospective adjustments to the Condensed Consolidated Balance Sheet through an adjustment of approximately $33,975 to retained earnings as of the beginning of the current fiscal year for all prior period mark-to-market adjustments and adjustments to the Condensed Consolidated Statement of Operations through the reversal of all year-to-date mark-to-market adjustments. Pursuant to the adoption of ASU 2017-11, as of June 30, 2017, the Company's warrants value at approximately $1,161 are classified within additional paid-in capital in the Condensed Consolidated Balance Sheet.

For the three months ended June 30, 2017, 3,504 warrants were exercised with the respective holder paying the exercise price with cash resulting in 3,504 shares of common stock being issued. For the six months ended June 30, 2017, 3,706 warrants were exercised with the respective holder paying the exercise price with cash resulting in 3,706 shares of common stock being issued, and an additional 101 warrants were exercised by the net share settlement feature provided by the warrant agreement, resulting in 20 additional shares of common stock being issued and outstanding and 81 shares being classified as treasury stock.

(17) Income Taxes

For the six months ended June 30, 2017, the Company recorded income tax expense of $13,445 on income before income taxes of $61,167. The income tax expense differs from the expected statutory amount primarily due to the impact of the percentage depletion allowance and the reduction in the valuation allowance. For the six months ended June 30, 2016, the

Company recorded income tax benefit of $32,908 on a loss before income taxes of $93,157. The income tax expense differed from the expected statutory amount primarily due to the impact of the percentage depletion allowance, partially offset by an increase in the valuation allowance.

As a result of generating income before income taxes during the six months ended June 30, 2017, the Company recorded a decrease of $7,055 to its deferred tax asset valuation allowance recorded as of June 30, 2017. The decrease in valuation allowance results from a decrease in net operating losses and other deferred tax assets since the prior reporting date of December 31, 2016. The valuation allowance associated with those deferred tax assets was released during the six months ended June 30, 2017. The Company currently is relying primarily on the reversal of taxable temporary differences, along with consideration of taxable income via carryback to prior years, and tax planning strategies to support the realization of deferred tax assets. The Company updates its assessment regarding the realizability of its deferred tax assets including scheduling the reversal of its deferred tax liabilities to determine the amount of valuation allowance needed. Scheduling the reversal of deferred tax asset and liability balances requires judgment and estimation. The Company believes the deferred tax liabilities relied upon as future taxable income in its assessment will reverse in the same period and jurisdiction and are of the same character as the temporary differences giving rise to the deferred tax assets that will be realized. The valuation allowance recorded represents the portion of deferred tax assets for which the Company is unable to support realization through the methods described above. As of June 30, 2017, the Company has recorded a full valuation allowance against its net deferred tax assets.

(18) Employee Benefit Plans

In the Predecessor period, certain of the Company's employees participated in plans sponsored by Alpha. Alpha provided several types of benefits for its employees, including postemployment health care and life insurance, defined benefit and defined contribution pension plans, and workers' compensation and black lung benefits.

Postemployment Health Care and Life Insurance, Defined Benefit and Defined Contribution Pension Plans ("Pension and Postretirement")

Alpha managed its pension and postretirement benefit plans on a combined basis, and claims data and liability information related to the Company are aggregated and combined, by plan, with those related to other Alpha businesses. As a result, pension and postretirement expenses have been recorded on a multi-employer plan basis for the Predecessor period.

The Company recognized $9,143 and $17,155 in expenses related to these allocations from Alpha during the three and six months ended June 30, 2016, respectively, which are reflected in cost of coal sales and selling, general and administrative expenses in the Condensed Combined Statements of Operations. These expenses are part of the Alpha allocations described in the basis of presentation portion of Note 1.

Black Lung

The following table details the components of the net periodic benefit cost for black lung obligations:

	Successor		Predecessor	
	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Service cost	$ 173	$ 325	$ 154	$ 312
Interest cost	170	316	299	623
Expected return on plan assets	—	—	(12)	(24)
Amortization of net actuarial (gain) loss	(17)	(74)	103	178
Amortization of prior service cost	—	—	308	741
Curtailment loss	—	—	—	2,712
Net periodic expense	$ 326	$ 567	$ 852	$ 4,542

The Company idled mining operations during the six months ended June 30, 2016, which resulted in corresponding reductions to the workforce. In connection with these reductions, the Company remeasured its obligations under its black lung obligations. As a result, the Company reduced its black lung obligation by $696, with an offset recorded in accumulated other comprehensive income (loss).

Life Insurance Benefits

As part of the Alpha restructuring and the Retiree Committee Settlement Agreement (see Note 12), the Company assumed the liability for life insurance benefits for certain disabled and non-union retired employees. Provisions are made for estimated benefits based on annual evaluations prepared by independent actuaries. Adjustments to the probable ultimate liabilities are made annually based on an actuarial study and adjustments to the liability are recorded based on the results of this study. These obligations are included in the Condensed Consolidated Balance Sheet as accrued expenses and other current liabilities and other non-current liabilities. At June 30, 2017, the Company had $12,466 of life insurance benefits liability primarily related to obligations assumed in the acquisition.

The following table details the components of the net periodic benefit cost for life insurance benefit obligations:

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Interest cost	$ 101	$ 203
Amortization of net actuarial gain	(13)	(27)
Net periodic expense	$ 88	$ 176

Defined Contribution and Profit Sharing Plans

The Company sponsors defined contribution plans to assist its eligible employees in providing for retirement. Generally, under the terms of these plans, employees make voluntary contributions through payroll deductions and the Company makes matching and/or discretionary contributions, as defined by each plan. The Company's total contributions to these plans for the three and six months ending June 30, 2017 were $1,822 and $7,453, respectively.

In the Predecessor period, certain of the Company's employees participated in defined contribution and profit sharing plans sponsored by Alpha. The amount of contributions allocated to the Company related to the plans totaled $0 for the six months ended June 30, 2016.

Self-Insured Medical Plan

The Company is self-insured for health insurance coverage for all of its active employees. Estimated liabilities for health and medical claims are recorded based on the Company's historical experience and include a component for incurred but not paid claims. During the three and six months ended June 30, 2017, the Company incurred total expenses of $8,369 and $16,532, respectively, which primarily includes claims processed and an estimate for claims incurred but not paid.

In Predecessor period, certain of the Company's employees participated in self-insured medical plans sponsored by Alpha. The amount of contributions allocated to the Company related to the plans totaled $12,333 and $19,613 for the three and six months ended June 30, 2016, respectively, which is reflected within cost of coal sales and selling, general and administrative expenses in the Results of Operations.

(19) Stock-Based Compensation Awards

Successor

The Management Incentive Plan (the "Plan") is currently authorized for the issuance of awards of up to 1,201,202 shares of common stock, and as of June 30, 2017, there were no additional shares of common stock available for grant under the Plan.

During the six months ended June 30, 2017, the Company granted 429,357 shares of restricted stock and 129,520 non-qualified stock options to certain of its officers and key employees under the Management Incentive Plan. The restricted stock shares and non-qualified stock options vest ratably over a three-year period or in the event of a change in control, will fully vest subject to the recipient's continued employment through such date.

The restricted stock awards have a grant date fair value of $65.50 based on the Company's stock price at the date of grant. The non-qualified stock options have an exercise price of $66.13 with a 10-year expiration from the date of grant. The non-qualified stock options have a grant date fair value of $37.44 based on a Black-Scholes pricing model. The Black-Scholes pricing model incorporates the assumptions as presented in the following table:

	Successor
	Six Months Ended June 30, 2017
Stock price	$ 65.50
Exercise price	$ 66.13
Expected term [(1)]	6.00
Annual risk-free interest rate [(2)]	2.18%
Annualized volatility [(3)]	60.9%

(1) The expected term represents the period of time that awards granted are expected to be outstanding.
(2) The annual risk-free interest rate is based on the U.S. Constant Maturity Curve with a term equal to the award's expected term on date of grant.
(3) The annualized volatility is calculated by observing volatilities for comparable companies with adjustments for the Company's size and leverage.

Additionally, during the six months ended June 30, 2017, the Company granted 5,271 time-based restricted stock units to its non-employee directors. These time-based units granted to the Company's non-employee directors will vest on the first to occur of (i) the one-year anniversary of the date of grant, (ii) the director's separation from service (as defined in Section 409A) due to the directors' death or disability, and (iii) a change in control, subject in each case to the director's continuous service with the Company through such date. Upon vesting of time-based share units, the Company issues authorized and unissued shares of the Company's common stock to the recipient. The time-based restricted stock units granted on May 31, 2017 and June 9, 2017 have a grant date fair value of $74.00 and $73.00, respectively, based on the Company's stock price at the date of grant.

At June 30, 2017, the Company had three types of stock-based awards outstanding: time-based restricted share units, time-based restricted stock shares, and stock options. Stock-based compensation expense recorded by the Company totaled $5,167 and $6,598 for the three and six months ended June 30, 2017, respectively. For the three and six months ended June 30, 2017, $4,875 and $6,230, respectively, of stock-based compensation expense was reported as selling, general and administrative expenses and $292 and $368, respectively, was recorded as cost of coal sales.

The Company is authorized to repurchase common shares from employees (upon the election by the employee) to satisfy the employees' statutory tax withholdings upon the vesting of stock grants. Shares that are repurchased to satisfy the employees' statutory tax withholdings are recorded in treasury stock at cost. The Company did not repurchase any common shares from employees during the six months ended June 30, 2017.

Alpha

In the Predecessor period, Alpha sponsored certain employee stock plans in which certain Company employees participated.

The Amended and Restated 2012 Long-Term Incentive Plan ("LTIP") was authorized for the issuance of awards of up to 13,100,000 shares of common stock, and as of June 30, 2016, 7,212,045 shares of common stock were available for grant under the plan.

Alpha did not grant any stock-based awards during the six months ended June 30, 2016. Alpha's liability for all outstanding liability awards totaled $0 at June 30, 2016.

At June 30, 2016, Alpha had three types of stock-based awards outstanding: restricted share units (both time-based and performance-based), restricted cash units (both time-based and performance-based), and stock options. As a result of Alpha's bankruptcy filing, Alpha was no longer settling pre-petition awards. Stock-based compensation expense recorded by the Company totaled $2 and $588 for the three and six months ended June 30, 2016, respectively. For the three and six months ended June 30, 2016, ($37) and $453, respectively, of stock-based compensation expense was reported as selling, general and administrative expenses and $39 and $135, respectively, was recorded as cost of coal sales.

Alpha was authorized to repurchase common shares from employees (upon the election by the employee) to satisfy the employees' minimum statutory tax withholdings upon the vesting of restricted stock and restricted share units (both time-based and performance-based). Shares that were repurchased to satisfy the employees' minimum statutory tax withholdings were recorded in treasury stock at cost. Alpha did not repurchase any common shares from employees during the six months ended June 30, 2016. The Successor did not assume any of the pre-emergence stock-based awards issued by Alpha.

(20) Reorganization Items

Reorganization items consisted of the following:

	Predecessor	
	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Professional fees [1]	$ (11,817)	$ (24,340)
Provision for rejected contracts and leases	168	(3,523)
Trade accounts payable and other	(97)	1,563
Reorganization items, net	$ (11,746)	$ (26,300)

[1] Net cash paid for reorganization items for the three and six months ended June 30, 2016 totaled approximately $12,708 and $23,411, respectively, related to professional fees.

(21) Related Party Transactions

Successor

There were no material related party transactions for the six months ended June 30, 2017.

Predecessor

As discussed in Note 1, the Condensed Predecessor Financial Statements include direct costs of the Company incurred by Alpha on the Company's behalf and an allocation of general corporate expenses of Alpha which were not historically allocated to the Company for certain support functions that were provided on a centralized basis within Alpha and not recorded at the business unit level, such as expenses related to engineering, finance, human resources, information technology, sales and logistics, and legal, among others, and that would have been incurred had the Company been a separate, stand-alone entity. All significant affiliate transactions between Contura and Alpha have been included in these Financial Statements and are considered to be effectively settled for cash at the time the transaction is recorded. The total net effect of the settlement of these affiliate transactions represents capital contributions from or distributions to Alpha and therefore is reflected in the accompanying Statements of Cash Flows as a financing activity.

During the three and six months ended June 30, 2016, the Company was allocated $28,635 and $51,356, respectively, of indirect general corporate expenses incurred by Alpha, which are included within cost of coal sales and selling, general and administrative expenses in the Statements of Operations. These amounts exclude allocated reorganization items, which are discussed in Note 20.

(22) Commitments and Contingencies

(a) General

Estimated losses from loss contingencies are accrued by a charge to income when information available indicates that it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated.

If a loss contingency is not probable or reasonably estimable, disclosure of the loss contingency is made in the Financial Statements when it is at least reasonably possible that a loss may be incurred and that the loss could be material.

(b) Commitments and Contingencies

Commitments

The Company leases coal mining and other equipment under long-term capital and operating leases with varying terms. In addition, the Company leases mineral interests and surface rights from land owners under various terms and royalty rates.

Net rent expense under operating leases was $1,151 and $2,078 and coal royalty expense was $14,511 and $33,157 for the three and six months ended June 30, 2017, respectively. Net rent expense under operating leases was $530 and $1,193 and coal royalty expense was $12,822 and $26,320 for the three and six months ended June 30, 2016, respectively.

Other Commitments

The Company has obligations under certain coal purchase agreements that contain minimum quantities to be purchased in the remainder of 2017, 2018, 2019, and 2020 totaling $170,982, $59,577, $13,186 and $2,223, respectively. The Company also has obligations under certain equipment purchase agreements that contain minimum quantities to be purchased in 2017 and 2018 totaling $21,947 and $513, respectively.

Contingencies

Extensive regulation of the impacts of mining on the environment and of maintaining workplace safety has had and is expected to continue to have a significant effect on the Company’s costs of production and results of operations. Further regulations, legislation or litigation in these areas may also cause the Company’s sales or profitability to decline by increasing costs or by hindering the Company’s ability to continue mining at existing operations or to permit new operations.

During the normal course of business, contract-related matters arise between the Company and its customers. When a loss related to such matters is considered probable and can reasonably be estimated, the Company records a liability.

(c) Guarantees and Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, the Company is a party to certain guarantees and financial instruments with off-balance sheet risk, such as bank letters of credit, performance or surety bonds, and other guarantees and indemnities related to the obligations of affiliated entities which are not reflected in the Company’s Balance Sheet. As of June 30, 2017, the Company had outstanding surety bonds with a total face amount of $407,849 to secure various obligations and commitments.

As of June 30, 2017, the Company had mining equipment and real property collateralizing $102,357 of reclamation bonds. As of July 25, 2017, the Company replaced $71,000 of mining equipment collateralizing reclamation bonds with third party surety bonding.

Letters of Credit

As of June 30, 2017, the Company had $11,300 letters of credit outstanding under the Asset-Based Revolving Credit Agreement.

(d) Legal Proceedings

The Company could become party to legal proceedings from time to time. These proceedings, as well as governmental examinations, could involve various business units and a variety of claims including, but not limited to, contract disputes, personal injury claims, property damage claims (including those resulting from blasting, trucking and flooding), environmental and safety issues, and employment matters. While some legal matters may specify the damages claimed by the plaintiffs, many seek an unquantified amount of damages. Even when the amount of damages claimed against the Company or its subsidiaries is stated, (i) the claimed amount may be exaggerated or unsupported; (ii) the claim may be based on a novel legal theory or involve a large number of parties; (iii) there may be uncertainty as to the likelihood of a class being certified or the ultimate size of the class; (iv) there may be uncertainty as to the outcome of pending appeals or motions; and/or (v) there may be significant factual issues to be resolved. As a result, if such legal matters arise in the future the Company may be unable to estimate a range of possible loss for matters that have not yet progressed sufficiently through discovery and development of important factual information and legal issues. The Company records accruals based on an estimate of the ultimate outcome of these matters, but these estimates can be difficult to determine and involve significant judgment.

(23) Segment Information

The Company extracts, processes and markets steam and met coal from surface and deep mines for sale to electric utilities, steel and coke producers, and industrial customers. The Company operates only in the United States with mines in Northern and Central Appalachia and the Powder River Basin. The Company has four reportable segments: CAPP, NAPP, PRB and Trading and Logistics. CAPP consists of nine active mines and two preparation plants in Virginia, one active mine and one preparation plant in West Virginia, as well as expenses associated with certain closed mines. NAPP consists of one active mine in Pennsylvania and one preparation plant, as well as expenses associated with one closed mine. PRB consists of two active mines in Wyoming. Trading and Logistics segment primarily engages in coal trading activities and coal terminal services.

In addition to the four reportable segments, the All Other category includes general corporate overhead and corporate assets and liabilities.

The operating results of these reportable segments are regularly reviewed by the Chief Operating Decision Maker (“CODM”), who is the Chief Executive Officer of the Company.

Segment operating results and capital expenditures for the three months ended June 30, 2017 were as follows:

	Successor					
	Three Months Ended June 30, 2017					
	CAPP	NAPP	PRB	Trading and Logistics	All Other	Consolidated
Total revenues	$ 111,525	$ 78,668	$ 74,142	$ 249,244	$ 231	$ 513,810
Depreciation, depletion, and amortization	$ 5,206	$ 3,506	$ 8,407	$ —	$ 227	$ 17,346
Amortization of acquired intangibles, net	$ —	$ —	$ —	$ 14,585	$ —	$ 14,585
Adjusted EBITDA	$ 39,407	$ 18,014	$ (576)	$ 25,506	$ (17,450)	$ 64,901
Capital expenditures	$ 5,140	$ 12,610	$ 4,022	$ —	$ 858	$ 22,630

Segment operating results and capital expenditures for the six months ended June 30, 2017 were as follows:

	Successor					
	Six Months Ended June 30, 2017					
	CAPP	NAPP	PRB	Trading and Logistics	All Other	Consolidated
Total revenues	$ 260,604	$ 176,980	$ 172,456	$ 476,809	$ 394	$ 1,087,243
Depreciation, depletion, and amortization	$ 10,711	$ 6,662	$ 16,489	$ —	$ 415	$ 34,277
Amortization of acquired intangibles, net	$ —	$ —	$ —	$ 34,243	$ —	$ 34,243
Adjusted EBITDA	$ 109,336	$ 51,505	$ 12,717	$ 50,833	$ (30,720)	$ 193,671
Capital expenditures	$ 7,189	$ 22,209	$ 5,052	$ —	$ 1,058	$ 35,508

Segment operating results and capital expenditures for the three months ended June 30, 2016 were as follows:

	Predecessor					
	Three Months Ended June 30, 2016					
	CAPP	NAPP	PRB	Trading and Logistics	All Other	Combined
Total revenues	$ 77,062	$ 100,973	$ 79,979	$ 9,114	$ —	$ 267,128
Depreciation, depletion, and amortization	$ 7,015	$ 23,788	$ 8,560	$ 358	$ —	$ 39,721
Amortization of acquired intangibles, net	$ —	$ 59	$ —	$ —	$ —	$ 59
Adjusted EBITDA	$ (2,682)	$ 20,170	$ 11,765	$ (132)	$ (14,349)	$ 14,772
Capital expenditures	$ 652	$ 9,264	$ 1,931	$ —	$ —	$ 11,847

Segment operating results and capital expenditures for the six months ended June 30, 2016 were as follows:

	Predecessor					
	Six Months Ended June 30, 2016					
	CAPP	NAPP	PRB	Trading and Logistics	All Other	Combined
Total revenues	$ 149,843	$ 197,470	$ 166,355	$ 11,980	$ —	$ 525,648
Depreciation, depletion, and amortization	$ 13,642	$ 43,797	$ 16,545	$ 736	$ —	$ 74,720
Amortization of acquired intangibles, net	$ —	$ 463	$ —	$ —	$ —	$ 463
Adjusted EBITDA	$ (3,337)	$ 21,522	$ 20,484	$ (1,123)	$ (26,093)	$ 11,453
Capital expenditures	$ 652	$ 13,068	$ 6,985	$ —	$ —	$ 20,705

CONTURA ENERGY, INC. AND SUBSIDIARIES AND PREDECESSOR
Notes to Condensed Financial Statements
(Unaudited, amounts in thousands except share and per share data)

The following table presents a reconciliation of net income (loss) to adjusted EBITDA for the three months ended June 30, 2017:

	Successor					
	Three Months Ended June 30, 2017					
	CAPP	NAPP	PRB	Trading and Logistics	All Other	Consolidated
Net income (loss)	$ 33,979	$ 14,871	$ (9,019)	$ 10,921	$ (38,141)	$ 12,611
Interest expense	(153)	(420)	(31)	—	8,911	8,307
Interest income	(2)	—	—	—	(40)	(42)
Income tax expense	—	—	—	—	3,098	3,098
Depreciation, depletion and amortization	5,206	3,506	8,407	—	227	17,346
Mark-to-market adjustment - acquisition-related obligations	—	—	—	—	6,739	6,739
Gain on settlement of acquisition-related obligations	—	—	—	—	(9,200)	(9,200)
Secondary offering costs	—	—	—	—	2,496	2,496
Bargain purchase gain	—	—	—	—	(642)	(642)
Amortization of acquired intangibles, net	—	—	—	14,585	—	14,585
Expenses related to Special Dividend	377	57	67	—	9,102	9,603
Adjusted EBITDA	$ 39,407	$ 18,014	$ (576)	$ 25,506	$ (17,450)	$ 64,901

The following table presents a reconciliation of net income (loss) to adjusted EBITDA for the six months ended June 30, 2017:

	Successor					
	Six Months Ended June 30, 2017					
	CAPP	NAPP	PRB	Trading and Logistics	All Other	Consolidated
Net income (loss)	$ 98,346	$ 45,155	$ (4,000)	$ 16,590	$ (108,369)	$ 47,722
Interest expense	(93)	(369)	161	—	20,076	19,775
Interest income	(5)	—	—	—	(68)	(73)
Income tax expense	—	—	—	—	13,445	13,445
Depreciation, depletion and amortization	10,711	6,662	16,489	—	415	34,277
Mark-to-market adjustment - acquisition-related obligations	—	—	—	—	2,382	2,382
Gain on settlement of acquisition-related obligations	—	—	—	—	(9,200)	(9,200)
Secondary offering costs	—	—	—	—	3,438	3,438
Loss on early extinguishment of debt	—	—	—	—	38,701	38,701
Bargain purchase gain	—	—	—	—	(642)	(642)
Amortization of acquired intangibles, net	—	—	—	34,243	—	34,243
Expenses related to Special Dividend	377	57	67	—	9,102	9,603
Adjusted EBITDA	$ 109,336	$ 51,505	$ 12,717	$ 50,833	$ (30,720)	$ 193,671

CONTURA ENERGY, INC. AND SUBSIDIARIES AND PREDECESSOR
Notes to Condensed Financial Statements
(Unaudited, amounts in thousands except share and per share data)

The following table presents a reconciliation of net (loss) income to adjusted EBITDA for the three months ended June 30, 2016:

	Predecessor					
	Three Months Ended June 30, 2016					
	CAPP	NAPP	PRB	Trading and Logistics	All Other	Combined
Net (loss) income	$ (13,617)	$ (10,109)	$ (728)	$ (600)	$ (2,552)	$ (27,606)
Interest expense	1	—	36	—	—	37
Interest income	(4)	(14)	(4)	—	—	(22)
Income tax benefit	—	—	—	—	(11,804)	(11,804)
Depreciation, depletion and amortization	7,015	23,788	8,560	358	—	39,721
Reorganization items, net	2,890	5,205	3,543	101	7	11,746
Asset impairment and restructuring	1,033	1,241	358	9	—	2,641
Amortization of acquired intangibles, net	—	59	—	—	—	59
Adjusted EBITDA	$ (2,682)	$ 20,170	$ 11,765	$ (132)	$ (14,349)	$ 14,772

The following table presents a reconciliation of net (loss) income to adjusted EBITDA for the six months ended June 30, 2016:

	Predecessor					
	Six Months Ended June 30, 2016					
	CAPP	NAPP	PRB	Trading and Logistics	All Other	Combined
Net (loss) income	$ (25,367)	$ (34,372)	$ (5,228)	$ (2,083)	$ 6,801	$ (60,249)
Interest expense	2	—	39	—	—	41
Interest income	(8)	(34)	(9)	—	—	(51)
Income tax benefit	—	—	—	—	(32,908)	(32,908)
Depreciation, depletion and amortization	13,642	43,797	16,545	736	—	74,720
Reorganization items, net	7,017	10,432	8,629	208	14	26,300
Asset impairment and restructuring	1,377	1,236	508	16	—	3,137
Amortization of acquired intangibles, net	—	463	—	—	—	463
Adjusted EBITDA	$ (3,337)	$ 21,522	$ 20,484	$ (1,123)	$ (26,093)	$ 11,453

No asset information has been provided for these reportable segments as the CODM does not regularly review asset information by reportable segment.

The Company markets produced, processed and purchased coal to customers in the United States and in international markets, primarily India, Italy, France, Mexico, and Brazil. Export coal revenues, including freight and handling revenues, were the following:

	Successor		Predecessor	
	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Total coal revenue [1]	$ 510,470	$ 1,079,583	$ 263,189	$ 517,419
Export coal revenue [1] [2]	$ 339,266	$ 693,338	$ 79,862	$ 143,602
Export coal revenue as % of total coal revenue [1]	66%	64%	30%	28%

(1) Amounts include freight and handling revenues
(2) The amounts for the three and six months ended June 30, 2017 include $91,015 and $200,718, respectively, of export coal revenue, including freight and handling revenue, from external customers in India. Revenue is tracked within the Company's accounting records based on the product destination.

(24) Investment in Unconsolidated Affiliate

Dominion Terminal Associates ("DTA")

On March 31, 2017, the Company acquired a portion of another partner's interest in DTA for $13,293 thereby increasing its ownership in DTA to sixty-five percent. DTA is reliant upon continuous cash contributions from the partners to fund its operating costs. The capital contributions which increase the capital accounts of the respective partners are a form of future subordinated financial support required by DTA to finance its activities. As a result, the Company has concluded DTA does not have sufficient equity investment to finance its activities without the support from the equity partners and is a variable interest entity. Prior to the purchase of the additional interest in DTA, no single party held a majority ownership interest in DTA. After the transaction, there are two remaining owners and Contura will hold a sixty-five percent voting ownership interest in DTA. However, two representatives must be present for business to be conducted and consent and unanimous approval of both the members is required for decisions to be taken. Further, there are no provisions that allow either party to override or otherwise unilaterally make a decision. As a result, the Company has concluded that it does not have the power to direct the activities that most significantly impact it's economic performance and therefore is not the primary beneficiary. Accordingly, the Company continues to apply the equity method of accounting.

The Company recorded equity method losses, before taxes, from DTA of ($496) and ($1,709) for the three and six months ended June 30, 2017, respectively, which are reflected within equity loss in affiliates in the Statements of Operations. The Company recorded equity method losses, before taxes, from DTA of ($1,204) and ($2,631) for the three and six months ended June 30, 2016, respectively, which are reflected within equity loss in affiliates in the Statements of Operations. As of June 30, 2017 and December 31, 2016, the Company's investment in DTA was $15,123 and $172, respectively, and is recorded within other non-current assets within the Balance Sheets.

Condensed balance sheet information as of June 30, 2017 and December 31, 2016 and condensed income statement information for the three and six months ended June 30, 2017 and 2016 for DTA is presented in the tables that follow.

	Successor	
	June 30, 2017	December 31, 2016
Current assets	$ 5,287	$ 3,453
Non-current assets	$ 62,404	$ 63,630
Current liabilities	$ 2,346	$ 1,397
Non-current liabilities	$ 6,849	$ 7,147
Partners' equity	$ 58,496	$ 58,538

	Successor		Predecessor	
	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Operating expenses	$ 5,934	$ 11,991	$ 5,128	$ 10,445
Other income, net	$ (4,365)	$ (6,224)	$ (2,256)	$ (4,413)
Total expenses, net	$ 1,569	$ 5,767	$ 2,872	$ 6,032
Contributions from partners to fund continuing operations	$ 3,171	$ 5,725	$ 1,848	$ 4,691
Expenses over contributions	$ 1,602	$ (42)	$ (1,024)	$ (1,341)
Depreciation and amortization	$ 1,224	$ 2,184	$ 1,053	$ 2,037

(25) Subsequent Events

On June 16, 2017, the Company declared a Special Dividend of approximately $92,786 payable to eligible holders of record of its common stock as of the close of business on July 5, 2017. In addition, pursuant to the terms of the Company's management incentive plan, dividend equivalent payments of approximately $7,949 in the aggregate (including the amounts payable with respect to each share underlying outstanding stock option awards and restricted stock unit awards and outstanding restricted common stock under the MIP) were paid to plan participants. The dividend equivalent payments were made on July 11, 2017, and the Special Dividend was paid on July 12, 2017. Pursuant to terms of the debt amendments, the Company made an offer to all Term Loan Credit Facility lenders to repay the loans at par concurrently with the payment of the Special Dividend, in an aggregate principal amount equal to $10,000. All the Term Loan Facility lenders accepted the offer, and the Company repaid $10,000 on July 13, 2017.

Pursuant to the Warrants Agreement dated as of July 26, 2016, the exercise price and the warrant share number were adjusted as a result of the occurrence of the Special Dividend. The warrant share number was adjusted from 1.00 to 1.15, and the exercise price was adjusted from $55.93 per share to $48.741 per share as of the July 5, 2017 record date.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides a narrative of our results of operations and financial condition for the three and six months ended June 30, 2017 (Successor), and on a carve-out basis for the three and six months ended June 30, 2016 (Predecessor). You should read the following discussion of our results of operations and financial condition in conjunction with the accompanying audited and unaudited Successor consolidated financial statements and Predecessor combined financial statements included elsewhere in this report. See Note 1 to the financial statements included elsewhere in this report for further disclosures on the basis of presentation, as the Predecessor periods presented herein include the assets, liabilities, operating results and cash flows of Contura, prepared on a carve-out basis using Alpha's historical bases in the assets and liabilities and the historical results of operations of Contura.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This report includes statements of our expectations, intentions, plans and beliefs that constitute "forward-looking statements". These statements, which involve risks and uncertainties, relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable and may also relate to our future prospects, developments and business strategies. We have used the words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "should" and similar terms and phrases, including references to assumptions, in this report to identify forward-looking statements. These forward-looking statements are made based on expectations and beliefs concerning future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed in or implied by these forward-looking statements.

The following factors are among those that may cause actual results to differ materially from our forward-looking statements:

- our liquidity, results of operations and financial condition;
- depressed levels or declines in coal prices;
- worldwide market demand for coal, electricity and steel, including demand for U.S. coal exports, and competition in coal markets;
- utilities switching to alternative energy sources such as natural gas, renewables and coal from basins where we do not operate;
- reductions or increases in customer coal inventories and the timing of those changes;
- our production capabilities and costs;
- inherent risks of coal mining beyond our control;
- changes in domestic or environmental laws and regulations, and court decisions, including those directly affecting our coal mining and production, and those affecting our customers' coal usage, including potential climate change initiatives;
- our relationships with, and other conditions affecting, our customers, including the inability to collect payments from our customers if their creditworthiness declines;
- changes in, renewal or acquisition of, terms of and performance of customers under coal supply arrangements and the refusal by our customers to receive coal under agreed contract terms;
- our ability to obtain, maintain or renew any necessary permits or rights, and our ability to mine properties due to defects in title on leasehold interests;
- attracting and retaining key personnel and other employee workforce factors, such as labor relations;
- funding for and changes in employee benefit obligations;
- cybersecurity attacks or failures, threats to physical security, extreme weather conditions or other natural disasters;
- reclamation and mine closure obligations;
- our assumptions concerning economically recoverable coal reserve estimates;
- our ability to negotiate new United Mine Workers of America wage agreements on terms acceptable to us, increased unionization of our workforce in the future, and any strikes by our workforce;
- disruptions in delivery or changes in pricing from third party vendors of key equipment and materials that are necessary for our operations, such as diesel fuel, steel products, explosives and tires;
- inflationary pressures on supplies and labor and significant or rapid increases in commodity prices;
- railroad, barge, truck and other transportation availability, performance and costs;
- disruption in third party coal supplies;
- the consummation of financing or refinancing transactions, acquisitions or dispositions and the related effects on our business and financial position;
- our indebtedness and potential future indebtedness;

- our ability to generate sufficient cash or obtain financing to fund our business operations; and
- our ability to obtain or renew surety bonds on acceptable terms or maintain our current bonding status.

When considering these forward-looking statements, you should keep in mind the cautionary statements in this report. We do not undertake any responsibility to release publicly any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of this report. Additionally, we do not undertake any responsibility to update you on the occurrence of any unanticipated events, which may cause actual results to differ from those expressed or implied by the forward-looking statements contained in this report.

Overview

We are a large-scale, diversified provider of met and steam coal to a global customer base, operating high-quality, cost-competitive coal mines across three major U.S. coal basins (CAPP, NAPP, and the PRB) along with a robust Trading and Logistics business. As of June 30, 2017, our operations consisted of thirteen mines and four coal preparation and load-out facilities, with approximately 2,300 employees. We produce, process and sell steam coal and met coal from operations located in Virginia, West Virginia, Pennsylvania and Wyoming. We also sell coal produced by others, some of which is processed and/or blended with coal produced from our mines prior to resale, with the remainder purchased for resale by our trading operations.

We were formed to acquire and operate certain of Alpha's former core coal operations, as part of the Alpha restructuring. We began operations on July 26, 2016, with mining complexes in NAPP (including the Cumberland mine complex), the PRB (the Belle Ayr and Eagle Butte complexes), and three CAPP mining complexes (the Nicholas mine complex in Nicholas County, West Virginia, and the McClure and Toms Creek mine complexes in Virginia). We also acquired Alpha's 40.6% interest in the DTA coal export terminal in eastern Virginia, and on March 31, 2017, we acquired a portion of another partner's ownership stake and increased our interest to 65.0%. Through the Acquisition (see Note 2), Contura acquired a significant reserve base. As of December 31, 2016, we had over 1.0 billion tons of proven reserves and approximately 310 million tons of probable reserves. See Note 2 for disclosures related to the Acquisition.

For the three and six months ended June 30, 2017 sales of steam coal were 8.5 million tons and 19.5 million tons, respectively, and accounted for approximately 79% and 81%, respectively, of our coal sales volume and sales of met coal, which generally sells at a premium over steam coal, were 2.3 million tons and 4.5 million tons, respectively, and accounted for approximately 21% and 19%, respectively, of our coal sales volume. For the three and six months ended June 30, 2016 sales of steam coal were 9.2 million tons and 18.5 million tons, respectively, and accounted for approximately 88% and 89%, respectively, of our coal sales volume and sales of met coal, which generally sells at a premium over steam coal, were 1.2 million tons and 2.3 million tons, respectively, and accounted for approximately 12% and 11%, respectively, of our coal sales volume. These numbers include sales from our Trading and Logistics business.

Our sales of steam coal during the Successor and Predecessor periods were made primarily to large utilities and industrial customers throughout the U.S., and our sales of met coal were made primarily to steel companies in the northeastern and midwestern regions of the U.S. and in several countries in Europe, Asia and the Americas. For the three and six months ended June 30, 2017 approximately 62% and 60%, respectively, of our total coal revenues were derived from coal sales made to customers outside the United States. For the three and six months ended June 30, 2016 approximately 24% and 21%, respectively, of our total coal revenues were derived from coal sales made to customers outside the United States.

In addition, we generate other revenues from equipment sales, rentals, terminal and processing fees, coal and environmental analysis fees, royalties and the sale of natural gas. We also record revenue for freight and handling services provided in delivering coal to certain customers, which are a component of the contractual selling price.

Our primary expenses are operating supply costs, repair and maintenance expenditures, cost of purchased coal, royalties, wages and benefits, post-employment benefits, freight and handling costs, and taxes incurred in selling our coal. Historically, our cost of coal sales per ton is lower for sales of our produced and processed coal than for sales of purchased coal that we do not process prior to resale.

We have four reportable segments: CAPP Operations, NAPP Operations, PRB Operations and Trading and Logistics Operations. CAPP consists of 10 active mines, including five mines in Virginia operated by third-party contractors, four mines operated by us in Virginia and one mine operated by us in West Virginia. CAPP Operations also include two preparation plants in Virginia, one preparation plant in West Virginia, as well as expenses associated with certain closed mines. NAPP consists of one active mine in Pennsylvania and one preparation plant, as well as expenses associated with one closed mine. PRB consists

of two active mines in Wyoming. The Trading and Logistics segment focuses primarily on coal trading and coal terminal facility services. Our All Other category includes general corporate overhead and corporate assets and liabilities.

Formation

On August 3, 2015, Alpha filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia. Alpha pursued a reorganization plan under which certain expenses were incurred and settlements negotiated. The Bankruptcy Court approved Alpha's Plan of Reorganization on July 7, 2016 and Alpha emerged from bankruptcy on July 26, 2016.

Contura was incorporated in the State of Delaware on June 10, 2016 to acquire and operate certain of Alpha's core coal operations, as part of the Alpha Restructuring. On July 26, 2016, a consortium of former Alpha creditors acquired our common stock in exchange for a partial release of their creditor claims pursuant to the Alpha Restructuring. Furthermore, pursuant to an asset purchase agreement between Contura and Alpha, we purchased certain former core coal operations of Alpha. See Note 1 for disclosures related to the Acquisition.

Basis of Presentation

In this management's discussion and analysis, (i) the "Successor" refers to Contura Energy, Inc. and its subsidiaries for the period beginning July 26, 2016 and thereafter following the acquisition of certain of Alpha's core coal operations as part of the Alpha Restructuring ("Acquisition"), and (ii) "Predecessor" refers to Contura on a carve-out basis using Alpha's historical bases in the assets, liabilities and operating results of Contura while under Alpha's ownership.

The historical costs and expenses reflected in the Predecessor combined results of operations include an allocation for certain corporate functions historically provided by Alpha, including, but not limited to, general corporate expenses related to finance, legal, information technology, human resources, employee benefits and incentives, insurance, stock-based compensation, engineering, asset management, and sales and logistics, which were included in cost of coal sales and selling, general and administrative expenses in the financial statements included elsewhere in this report.

The combined financial statements of our Predecessor included elsewhere in this report and the other historical Predecessor combined financial information presented and discussed herein may not be indicative of what our financial condition, results of operations and cash flows would have been if we were a separate stand-alone entity, nor are they indicative of what our financial position, results of operations and cash flows may be in the future. In addition, the Successor consolidated financial statements on and after July 26, 2016 are not comparable with the Predecessor combined financial statements prior to that date. Refer to Notes 1 and 2 for additional information.

Factors Affecting Our Results of Operations

Sales Volume. We earn revenues primarily through the sale of coal produced at our operations and resale of coal purchased from third parties. During the Successor period for the three months and six months ended June 30, 2017, we sold 1.0 million tons and 2.1 million tons of met coal from CAPP and NAPP, 1.3 million tons and 2.3 million tons of met coal from our Trading and Logistics business, and 8.5 million tons and 19.5 million tons of steam coal from CAPP, NAPP and the PRB, respectively. During the Predecessor period for the three and six months ended June 30, 2016, we sold 1.1 million tons and 2.2 million tons of met coal from CAPP and NAPP, 0.1 million tons and 0.1 million tons of met coal from our Trading and Logistics business, and 9.2 million tons and 18.5 million tons of steam coal from CAPP, NAPP, PRB, and our Trading and Logistics business, respectively.

Sales Agreements

Steam Coal. We enter into long-term supply agreements to sell our steam coal production in advance, thereby reducing the risks associated with our steam portfolio in future years. As of July 7, 2017, in our PRB segment, we had contracted 2017 sales of approximately 31.3 million tons of steam coal at an average realized price per ton of $11.03, including contracted sales for the second half of 2017 of approximately 15.8 million tons of steam coal at an average realized price per ton of $11.17, and contracted 2018 sales of approximately 18.3 million tons of steam coal at an average realized price per ton of $10.81. In our NAPP segment, we had contracted 2017 sales of approximately 7.8 million tons of steam coal at an average realized price per ton of $42.13, including contracted sales for the second half of 2017 of approximately 3.9 million tons of steam coal at an average realized price per ton of $42.38, and contracted 2018 sales of approximately 5.7 million tons of steam coal at an average realized price per ton of $42.53. As of July 7, 2017, 98% of our steam coal supply is committed and priced for 2017. The table below outlines our current steam coal committed and priced volumes from 2017 to 2020 (as of July 7, 2017).

Segment *(tons in millions)*	Second Half 2017	Full Year 2017	2018	2019	2020
NAPP	3.9	7.8	5.7	3.1	1.0
PRB	15.8	31.3	18.3	9.7	4.9

Met Coal. Met coal sales are contracted differently based on the region where the customer is located. Domestic contracts are typically on an annual basis, while our export contracts are normally either on a quarterly or spot basis. As of July 7, 2017, we had contracted 2017 full-year sales of approximately 2.7 million tons of met coal at an average realized price per ton of $121.11 from our CAPP segment and approximately 0.1 million tons of met coal at an average realized price per ton of $100.74 from our NAPP segment, and we had contracted sales for the second half of 2017 of approximately 0.7 million tons of met coal at an average realized price per ton of $101.77 from our CAPP Segment. As of July 7, 2017, we had 1.4 million tons of committed and unpriced sales volume for the second half of 2017 in our Trading and Logistics segment.

Realized Pricing. Our realized price per ton of coal is influenced by many factors that vary by region, including (i) coal quality, which includes energy (heat content), sulfur, ash, volatile matter and moisture content; (ii) differences in market conventions concerning transportation costs and volume measurement; and (iii) regional supply and demand.

- *Coal Quality.* The energy content or heat value of steam coal is a significant factor influencing coal prices as higher energy coal is more desirable to consumers and typically commands a higher price in the market. The heat value of coal is commonly measured in British thermal units or the amount of heat needed to raise the temperature of one pound of water by one degree Fahrenheit. Coal from the eastern and midwest regions of the United States tends to have a higher heat value than coal found in the western United States. Coal volatility is a significant factor influencing met coal pricing as coal with a lower volatility has historically been more highly valued and typically commands a higher price in the market. The volatility refers to the loss in mass, less moisture, when coal is heated in the absence of air. The volatility of met coal determines the percentage of feed coal that actually becomes coke, known as coke yield, with lower volatility producing a higher coke yield.

- *Market Conventions.* Coal sales contracts are priced according to conventions specific to the market into which such coal is to be sold. Our domestic sales contracts are typically priced free on board (“FOB”) at our mines and on a short ton basis. Our international sales contracts are typically priced FOB at the shipping port from which such coal is delivered and on a metric ton basis. Accordingly, for international sales contracts, we typically bear the cost of transportation from our mine complexes to the applicable outbound shipping port, and our coal sales realization per ton reflects the conversion of such tonnage from metric tons into short tons, as well as the elimination of transportation costs from mine to port, which are presented as freight and handling revenue. In addition, for domestic sales contracts, as customers typically bear the cost of transportation from our mine complexes, our operations located further away from the end user of the coal may command lower prices.

- *Regional Supply and Demand.* Our realized price per ton is influenced by market forces of the regional market into which such coal is to be sold. Market pricing may vary according to region and lead to different discounts or premiums to the most directly comparable benchmark price for such coal product.

Costs. Our results of operations are dependent upon our ability to improve productivity and control costs. Our primary expenses are for operating supply costs, repair and maintenance expenditures, cost of purchased coal, royalties, current wages and benefits, freight and handling costs and taxes incurred in selling our coal. Principal goods and services we use in our operations include maintenance and repair parts and services, electricity, fuel, roof control and support items, explosives, tires, conveyance structure, ventilation supplies and lubricants.

In addition, our cost of coal sales includes idle mine costs, which are spread over total sales volume by basin and forecasted using upcoming reclamation obligations and historical cost trends. The following table shows our cost of coal sales and idle mine costs for the successor periods included in this report. We calculate adjusted cost of coal sales as cost of coal sales less idle mine costs.

	Period from July 26, 2016 to December 31, 2016 (Actual)		Three Months Ended June 30, 2017 (Actual)		Six Months Ended June 30, 2017 (Actual)	
	Per Ton		Per Ton		Per Ton	
CAPP						
Cost of coal sales	$	68.68	$	73.23	$	74.05
Idle mine costs	$	2.08	$	1.44	$	1.60
Adjusted cost of coal sales	$	66.60	$	71.79	$	72.45
NAPP						
Cost of coal sales	$	36.97	$	33.01	$	31.13
Idle mine costs	$	1.60	$	0.92	$	0.80
Adjusted cost of coal sales	$	35.37	$	32.09	$	30.33
PRB						
Cost of coal sales	$	8.44	$	11.00	$	10.16
Idle mine costs		—		—		—
Adjusted cost of coal sales	$	8.44	$	11.00	$	10.16

Our management strives to aggressively control costs and improve operating performance to mitigate external cost pressures. We have experienced volatility in operating costs related to fuel, explosives, steel, tires, contract services and healthcare, among others, and have taken measures to mitigate the increases in these costs at all operations. We have a centralized sourcing group for major supplier contract negotiation and administration, for the negotiation and purchase of major capital goods, and to support the business units. We promote competition between suppliers and seek to develop relationships with suppliers that focus on lowering our costs. We seek suppliers who identify and concentrate on implementing continuous improvement opportunities within their area of expertise. To the extent upward pressure on costs exceeds our ability to realize sales increases, or if we experience unanticipated operating or transportation difficulties, our operating margins would be negatively impacted. We may also experience difficult geologic conditions, delays in obtaining permits, labor shortages, unforeseen equipment problems, and unexpected shortages of critical materials such as tires, fuel and explosives that may result in adverse cost increases and limit our ability to produce at forecasted levels.

Results of Operations

Our results of operations for the Successor period for the three and six months ended June 30, 2017 and the Predecessor period for the three and six months ended June 30, 2016 are discussed in these "Results of Operations" presented below. Given the change in basis that resulted from the Acquisition on July 26, 2016, we separately discuss our Successor and Predecessor results of operations and segment results.

Three Months Ended June 30, 2017 (Successor)

The following tables summarize certain financial information relating to our operating results that have been derived from our consolidated financial statements for the three months ended June 30, 2017. Also included is certain information relating to the operating results as a percentage of total revenues.

Revenues

(In thousands, except for per ton data)	Successor Three Months Ended June 30, 2017	% of Total Revenues
Revenues:		
Coal revenues:		
Steam	$ 147,370	28.7%
Met	293,404	57.1%
Freight and handling revenues	69,696	13.6%
Other revenues	3,340	0.6%
Total revenues	$ 513,810	100.0%
Tons sold:		
Steam	8,524	
Met	2,316	
Total	10,840	
Coal sales realization per ton:		
Steam	17.29	
Met	126.69	
Average	40.66	

(In thousands, except for per ton data)	Successor Three Months Ended June 30, 2017	% of Total Revenues
Coal revenues [(1)]:		
CAPP Operations	$ 111,244	21.7%
NAPP Operations	77,346	15.1%
PRB Operations	72,912	14.2%
Trading and Logistics Operations	179,272	34.9%
Total coal revenues	$ 440,774	85.9%
Tons sold:		
CAPP Operations	990	
NAPP Operations	1,839	
PRB Operations	6,721	
Trading and Logistics Operations	1,290	
Coal sales realization per ton [(1)]:		
CAPP Operations	112.37	
NAPP Operations	42.06	
PRB Operations	10.85	
Trading and Logistics Operations	138.97	
Average	40.66	

[(1)] Does not include any portion of the price paid by our export customers to transport coal to the relevant outbound shipping port.

Total revenues were $513.8 million for the three months ended June 30, 2017 and consisted of coal revenues of $440.8 million, freight and handling revenues of $69.7 million and other revenues of $3.3 million. Our sales mix of met coal and steam coal based on volume was 21% and 79%, respectively, and sales mix of met coal and steam coal based on coal revenues was

67% and 33%, respectively, for the three months ended June 30, 2017. Average coal sales realization per ton was $40.66. CAPP, NAPP, PRB and Trading and Logistics Operations' coal revenues comprised 22%, 15%, 14% and 35%, respectively, of total revenues for the three months ended June 30, 2017.

Total coal revenues were down by $68.1 million relative to the three months ended March 31, 2017 primarily as a result of a reduction in tons sold in the PRB of approximately 2 million tons and a reduction in coal sales realization per ton in CAPP of approximately $28 per ton.

Costs and Expenses

	Successor	
(In thousands, except for per ton data)	**Three Months Ended June 30, 2017**	**% of Total Revenues**
Cost of coal sales (exclusive of items shown separately below)	361,056	70.3 %
Freight and handling costs	69,696	13.6 %
Other expenses	973	0.2 %
Depreciation, depletion and amortization	17,346	3.4 %
Amortization of acquired intangibles, net	14,585	2.8 %
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization shown separately above)	26,319	5.1 %
Mark-to-market adjustment for acquisition-related obligations	6,739	1.3 %
Gain (loss) on settlement of acquisition-related obligations	(9,200)	(1.8)%
Secondary offering costs	2,496	0.5 %
Total costs and expenses	$ 490,010	95.4 %
Other (expense) income:		
Interest expense	(8,307)	(1.6)%
Interest income	42	— %
Equity loss in affiliates	(490)	(0.1)%
Bargain purchase gain	642	0.1 %
Miscellaneous income, net	22	— %
Total other expense, net	(8,091)	(1.6)%
Income tax expense	(3,098)	(0.6)%
Net income	$ 12,611	2.5 %
Cost of coal sales:		
CAPP Operations	72,496	14.1 %
NAPP Operations	60,710	11.8 %
PRB Operations	73,900	14.4 %
Trading and Logistics Operations	153,554	29.9 %

Tons sold:	
CAPP Operations	990
NAPP Operations	1,839
PRB Operations	6,721
Trading and Logistics Operations	1,290
Cost of coal sales per ton [1]:	
CAPP Operations	73.23
NAPP Operations	33.01
PRB Operations	11.00
Trading and Logistics Operations	119.03
Coal margin per ton [2]:	
CAPP Operations	39.14
NAPP Operations	9.05
PRB Operations	(0.15)
Trading and Logistics Operations	19.94

(1) Cost of coal sales per ton exclude costs associated with our All Other category.

(2) Coal margin per ton for our reportable segments is calculated as coal sales realization per ton for our reportable segments less cost of coal sales per ton for our reportable segments. Coal margin per ton is not shown for our All Other category since it has no coal sales or coal production.

Cost of coal sales was $361.1 million (including $0.5 million of expenses related to the Special Dividend), freight and handling costs were $69.7 million, other expenses were $1.0 million and depreciation, depletion and amortization was $17.3 million for the three months ended June 30, 2017.

Amortization of acquired intangibles, net was $14.6 million for the three months ended June 30, 2017. During the three months ended June 30, 2017, coal supply agreement assets related to the Acquisition were amortized over the actual amount of tons shipped under each contract.

Selling, general and administrative expenses were $26.3 million for the three months ended June 30, 2017, which includes approximately $1.4 million of non-recurring expenses associated primarily with the company’s filing of a registration statement with the SEC, $4.8 million of non-cash stock compensation charges and $1.6 million of charges related to our incentive bonus plans. The selling, general and administrative expenses also include approximately $9.1 million of expenses incurred in connection with the special dividend (which is comprised of approximately $7.6 million of dividend equivalent payments pursuant to the award adjustment provisions of the Contura Energy, Inc. Management Incentive Plan (the “MIP”) and approximately $1.5 million of professional fees related to the special dividend) and approximately $1.6 million of business development expense.

The mark-to-market loss on acquisition-related obligations of $6.7 million for the three months ended June 30, 2017 primarily consisted of a mark-to-market loss of $6.4 million related to the Contingent Reclamation Funding Liability and a mark-to-market loss of $0.2 million related to the Contingent Credit Support Commitment.

During the three months ended June 30, 2017, the expected contribution requirements into the Restricted Cash Reclamation Accounts increased resulting in an increase to the Contingent Reclamation Funding Liability. Our credit-adjusted risk free rate as of June 30, 2017 decreased relative to the rate used to discount the Contingent Reclamation Funding Liability as of March 31, 2017. The increase in our estimated funding of the Contingent Reclamation Funding Liability and the change in discount rate resulted in an overall loss of $6.4 million.

The gain on settlement of acquisition-related obligations of $9.2 million for the three months ended June 30, 2017 primarily consisted of the UMWA Contingent VEBA Funding Notes 1 and Note 2 settlements. See Note 12 for additional information.

The secondary offering costs of $2.5 million recorded during the three months ended June 30, 2017 related to (i) legal fees for drafting the registration statement and other legal advice directly related to the offering, (ii) financial reporting advisory fees directly related to the offering including preparation of the pro forma financial statements and other financial information included in the registration statement and (iii) and other registration related fees.

Interest expense of $8.3 million for the three months ended June 30, 2017 consisted of the interest on debt instruments and acquisition-related obligations, including discounts, resulting from the Acquisition.

Income tax expense of $3.1 million was recorded for the three months ended June 30, 2017 on income before income taxes of $15.7 million. The income tax rate differs from the federal statutory rate of 35% primarily due to the impact of the percentage depletion allowance and the reduction in the valuation allowance.

Segment Adjusted EBITDA

Segment Adjusted EBITDA for our reportable segments is a non-GAAP financial measure. This non-GAAP financial measure is presented as a supplemental measure and is not intended to replace financial performance measures determined in accordance with GAAP. Moreover, this measure is not calculated identically by all companies and therefore may not be comparable to similarly titled measures used by other companies. Segment Adjusted EBITDA is presented because management believes it is a useful indicator of the financial performance of our coal operations. The following table presents a reconciliation of net income (loss) to Adjusted EBITDA for the three months ended June 30, 2017:

	Successor					
	Three Months Ended June 30, 2017					
(In thousands)	CAPP	NAPP	PRB	Trading and Logistics	All Other	Consolidated
Net income (loss)	$ 33,979	$ 14,871	$ (9,019)	$ 10,921	$ (38,141)	$ 12,611
Interest expense	(153)	(420)	(31)	—	8,911	8,307
Interest income	(2)	—	—	—	(40)	(42)
Income tax expense	—	—	—	—	3,098	3,098
Depreciation, depletion and amortization	5,206	3,506	8,407	—	227	17,346
Mark-to-market adjustment - acquisition-related obligations	—	—	—	—	6,739	6,739
Gain on settlement of acquisition-related obligations	—	—	—	—	(9,200)	(9,200)
Secondary offering costs	—	—	—	—	2,496	2,496
Bargain purchase gain	—	—	—	—	(642)	(642)
Amortization of acquired intangibles, net	—	—	—	14,585	—	14,585
Expenses related to Special Dividend	377	57	67	—	9,102	9,603
Adjusted EBITDA	$ 39,407	$ 18,014	$ (576)	$ 25,506	$ (17,450)	$ 64,901

CAPP Coal Operations. Adjusted EBITDA was $39.4 million for the three months ended June 30, 2017, driven by coal margin per ton of $39.14, coal sales realization per ton of $112.37 and cost of coal sales per ton of $73.23.

NAPP Coal Operations. Adjusted EBITDA was $18.0 million for the three months ended June 30, 2017, driven by coal margin per ton of $9.05, coal sales realization per ton of $42.06 and cost of coal sales per ton of $33.01.

PRB Coal Operations. Adjusted EBITDA was ($0.6) million for the three months ended June 30, 2017, driven by coal margin per ton of ($0.15), coal sales realization per ton of $10.85 and cost of coal sales per ton of $11.00.

Trading and Logistics Operations. Adjusted EBITDA was $25.5 million for the three months ended June 30, 2017, driven by coal margin per ton of $19.94, coal sales realization per ton of $138.97 and cost of coal sales per ton of $119.03.

All Other category. Adjusted EBITDA was ($17.5) million for the three months ended June 30, 2017, which includes approximately $1.4 million of non-recurring expenses associated primarily with the company's filing of a registration statement with the SEC, $4.8 million of non-cash stock compensation charges, $1.6 million of charges related to our incentive bonus plans and approximately $1.6 million of business development expense.

Six Months Ended June 30, 2017 (Successor)

The following tables summarize certain financial information relating to our operating results that have been derived from our consolidated financial statements for the six months ended June 30, 2017. Also included is certain information relating to the operating results as a percentage of total revenues.

Revenues

	Successor	
(In thousands, except for per ton data)	Six Months Ended June 30, 2017	% of Total Revenues
Revenues:		
Coal revenues:		
Steam	$ 335,019	30.8%
Met	614,645	56.5%
Freight and handling revenues	129,919	12.0%
Other revenues	7,660	0.7%
Total revenues	$ 1,087,243	100.0%
Tons sold:		
Steam	19,460	
Met	4,466	
Total	23,926	
Coal sales realization per ton:		
Steam	17.22	
Met	137.63	
Average	39.69	

	Successor	
(In thousands, except for per ton data)	Six Months Ended June 30, 2017	% of Total Revenues
Coal revenues [(1)]:		
CAPP Operations	$ 259,975	23.9%
NAPP Operations	175,001	16.1%
PRB Operations	168,764	15.5%
Trading and Logistics Operations	345,924	31.8%
Total coal revenues	$ 949,664	87.3%
Tons sold:		
CAPP Operations	2,048	
NAPP Operations	4,038	
PRB Operations	15,499	
Trading and Logistics Operations	2,341	
Coal sales realization per ton [(1)]:		
CAPP Operations	126.94	
NAPP Operations	43.34	
PRB Operations	10.89	
Trading and Logistics Operations	147.77	
Average	39.69	

(1) Does not include any portion of the price paid by our export customers to transport coal to the relevant outbound shipping port.

Total revenues were $1,087.2 million for the six months ended June 30, 2017 and consisted of coal revenues of $949.7 million, freight and handling revenues of $129.9 million and other revenues of $7.7 million. Our sales mix of met coal and steam coal based on volume was 19% and 81%, respectively, and sales mix of met coal and steam coal based on coal revenues was 65% and 35%, respectively, for the three months ended June 30, 2017. Average coal sales realization per ton was $39.69. CAPP, NAPP, PRB and Trading and Logistics Operations' coal revenues comprised 24%, 16%, 15% and 32%, respectively, of total revenues for the six months ended June 30, 2017.

Costs and Expenses

(In thousands, except for per ton data)	Successor Six Months Ended June 30, 2017	% of Total Revenues
Cost of coal sales (exclusive of items shown separately below)	729,208	67.1 %
Freight and handling costs	129,919	11.9 %
Other expenses	2,426	0.2 %
Depreciation, depletion and amortization	34,277	3.2 %
Amortization of acquired intangibles, net	34,243	3.1 %
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization shown separately above)	40,148	3.7 %
Mark-to-market adjustment for acquisition-related obligations	2,382	0.2 %
Gain (loss) on settlement of acquisition-related obligations	(9,200)	(0.8)%
Secondary offering costs	3,438	0.3 %
Total costs and expenses	$ 966,841	88.9 %
Other (expense) income:		
Interest expense	(19,775)	(1.8)%
Interest income	73	— %
Loss on early extinguishment of debt	(38,701)	(3.6)%
Equity loss in affiliates	(1,701)	(0.2)%
Bargain purchase gain	642	0.1 %
Miscellaneous income, net	227	— %
Total other expense, net	(59,235)	(5.4)%
Income tax expense	(13,445)	(1.2)%
Net income	$ 47,722	4.4 %
Cost of coal sales:		
CAPP Operations	151,645	13.9 %
NAPP Operations	125,712	11.6 %
PRB Operations	157,470	14.5 %
Trading and Logistics Operations	294,381	27.1 %

Tons sold:	
CAPP Operations	2,048
NAPP Operations	4,038
PRB Operations	15,499
Trading and Logistics Operations	2,341
Cost of coal sales per ton [(1)]:	
CAPP Operations	74.05
NAPP Operations	31.13
PRB Operations	10.16
Trading and Logistics Operations	125.75
Coal margin per ton [(2)]:	
CAPP Operations	52.89
NAPP Operations	12.21
PRB Operations	0.73
Trading and Logistics Operations	22.02

(1) Cost of coal sales per ton exclude costs associated with our All Other category.

(2) Coal margin per ton for our reportable segments is calculated as coal sales realization per ton for our reportable segments less cost of coal sales per ton for our reportable segments. Coal margin per ton is not shown for our All Other category since it has no coal sales or coal production.

Cost of coal sales was $729.2 million (including $0.5 million of expenses related to the Special Dividend), freight and handling costs were $129.9 million, other expenses were $2.4 million and depreciation, depletion and amortization was $34.3 million for the six months ended June 30, 2017.

Amortization of acquired intangibles, net was $34.2 million. During the six months ended June 30, 2017, coal supply agreement assets related to the Acquisition were amortized over the actual amount of tons shipped under each contract.

Selling, general and administrative expenses were $40.1 million for the six months ended June 30, 2017, which includes approximately $3.8 million of non-recurring expenses associated with the formation of the company and costs related to the company's filing of a registration statement with the SEC, $6.2 million of non-cash stock compensation charges and $3.4 million of charges related to our incentive bonus plans. The selling, general and administrative expenses also include approximately $9.1 million of expenses incurred in connection with the special dividend (which is comprised of approximately $7.6 million of dividend equivalent payments pursuant to the award adjustment provisions of the Contura Energy, Inc. Management Incentive Plan (the "MIP") and approximately $1.5 million of professional fees related to the special dividend) and approximately $1.6 million of business development expense.

The mark-to-market loss on acquisition-related obligations of $2.4 million for the six months ended June 30, 2017 primarily consisted of a mark-to-market loss of $1.8 million related to the Contingent Reclamation Funding Liability and a mark-to-market loss of $0.5 million related to the Contingent Credit Support Commitment.

Our credit-adjusted risk free rate as of June 30, 2017 decreased relative to the rate used to discount the Contingent Reclamation Funding Liability as of December 31, 2016. The reduction in expected funding of the Contingent Reclamation Funding Liability by us, due to ANR's contribution was offset by the change in discount rate resulting in an overall loss of $1.8 million for the six months ended June 30, 2017.

The gain on settlement of acquisition-related obligations of $9.2 million for the six months ended June 30, 2017 primarily consisted of the UMWA Contingent VEBA Funding Notes 1 and Note 2 settlements. See Note 12 for additional information.

The secondary offering costs of $3.4 million recorded during the six months ended June 30, 2017 related to (i) legal fees for drafting the registration statement and other legal advice directly related to the offering, (ii) financial reporting advisory fees directly related to the offering including preparation of the pro forma financial statements and other financial information included in the registration statement and (iii) and other registration related fees.

Interest expense of $19.8 million for the six months ended June 30, 2017 consisted of the interest on debt instruments and acquisition-related obligations, including discounts, resulting from the Acquisition. Interest expense decreased by $3.2 million relative to the three months ended March 31, 2017 primarily as a result of the decrease in interest expense due to the extinguishment of certain debt instruments, including discounts, associated with the transaction on March 17, 2017. See Note 11 for further detail on the transaction.

The loss on early extinguishment of debt of $38.7 million for the six months ended June 30, 2017 primarily related to a prepayment premium of $22.5 million on the 10.00% Senior Secured First Lien Notes and the write-off of outstanding debt discounts of $13.4 million on the 10.00% Senior Secured First Lien Notes and GUC Distribution Note in connection with the Credit Agreement entered into by the Company on March 17, 2017. See Note 11 for additional information on our debt refinancing.

Income tax expense of $13.4 million was recorded for the six months ended June 30, 2017 on income before income taxes of $61.2 million. The income tax rate differs from the federal statutory rate of 35% primarily due to the impact of the percentage depletion allowance and the reduction in the valuation allowance.

Segment Adjusted EBITDA

Segment Adjusted EBITDA for our reportable segments is a non-GAAP financial measure. This non-GAAP financial measure is presented as a supplemental measure and is not intended to replace financial performance measures determined in accordance with GAAP. Moreover, this measure is not calculated identically by all companies and therefore may not be comparable to similarly titled measures used by other companies. Segment Adjusted EBITDA is presented because management believes it is a useful indicator of the financial performance of our coal operations. The following table presents a reconciliation of net income (loss) to Adjusted EBITDA for the six months ended June 30, 2017:

	Successor					
	Six Months Ended June 30, 2017					
(In thousands)	CAPP	NAPP	PRB	Trading and Logistics	All Other	Consolidated
Net income (loss)	$ 98,346	$ 45,155	$ (4,000)	$ 16,590	$ (108,369)	$ 47,722
Interest expense	(93)	(369)	161	—	20,076	19,775
Interest income	(5)	—	—	—	(68)	(73)
Income tax expense	—	—	—	—	13,445	13,445
Depreciation, depletion and amortization	10,711	6,662	16,489	—	415	34,277
Mark-to-market adjustment - acquisition-related obligations	—	—	—	—	2,382	2,382
Gain on settlement of acquisition-related obligations	—	—	—	—	(9,200)	(9,200)
Secondary offering costs	—	—	—	—	3,438	3,438
Loss on early extinguishment of debt	—	—	—	—	38,701	38,701
Bargain purchase gain	—	—	—	—	(642)	(642)
Amortization of acquired intangibles, net	—	—	—	34,243	—	34,243
Expenses related to Special Dividend	377	57	67	—	9,102	9,603
Adjusted EBITDA	$ 109,336	$ 51,505	$ 12,717	$ 50,833	$ (30,720)	$ 193,671

CAPP Coal Operations. Adjusted EBITDA was $109.3 million for the six months ended June 30, 2017, driven by coal margin per ton of $52.89, coal sales realization per ton of $126.94 and cost of coal sales per ton of $74.05.

NAPP Coal Operations. Adjusted EBITDA was $51.5 million for the six months ended June 30, 2017, driven by coal margin per ton of $12.21, coal sales realization per ton of $43.34 and cost of coal sales per ton of $31.13.

PRB Coal Operations. Adjusted EBITDA was $12.7 million for the six months ended June 30, 2017, driven by coal margin per ton of $0.73, coal sales realization per ton of $10.89 and cost of coal sales per ton of $10.16.

Trading and Logistics Operations. Adjusted EBITDA was $50.8 million for the six months ended June 30, 2017, driven by coal margin per ton of $22.02, coal sales realization per ton of $147.77 and cost of coal sales per ton of $125.75.

All Other category. Adjusted EBITDA was ($30.7) million for the six months ended June 30, 2017, which includes approximately $3.8 million of non-recurring expenses associated with the formation of the company and costs related to the company's filing of a registration statement with the SEC, $6.2 million of non-cash stock compensation charges, $3.4 million of charges related to our incentive bonus plans and approximately $1.6 million of business development expense.

Three Months Ended June 30, 2016 (Predecessor)

The following tables summarize certain financial information relating to our operating results that have been derived from our combined financial statements for the three months ended June 30, 2016. Also included is certain information relating to the operating results as a percentage of total revenues.

Revenues

	Predecessor	
(In thousands, except for per ton data)	**Three Months Ended June 30, 2016**	**% of Total Revenues**
Revenues:		
Coal revenues:		
Steam	$ 168,977	63.3%
Met	69,317	25.9%
Freight and handling revenues	24,895	9.3%
Other revenues	3,939	1.5%
Total revenues	$ 267,128	100.0%
Tons sold:		
Steam	9,151	
Met	1,223	
Total	10,374	
Coal sales realization per ton:		
Steam	18.47	
Met	56.68	
Average	22.97	

(In thousands, except for per ton data)	Predecessor Three Months Ended June 30, 2016	% of Total Revenues
Coal revenues [1]:		
CAPP Operations	$ 59,321	22.2%
NAPP Operations	94,071	35.2%
PRB Operations	78,500	29.4%
Trading and Logistics Operations	6,402	2.4%
Total coal revenues	$ 238,294	89.2%
Tons sold:		
CAPP Operations	998	
NAPP Operations	2,185	
PRB Operations	7,071	
Trading and Logistics Operations	120	
Coal sales realization per ton [1]:		
CAPP Operations	59.44	
NAPP Operations	43.05	
PRB Operations	11.10	
Trading and Logistics Operations	53.35	
Average	22.97	

(1) Does not include any portion of the price paid by our export customers to transport coal to the relevant outbound shipping port.

Total revenues were $267.1 million for the three months ended June 30, 2016 and consisted of coal revenues of $238.3 million, freight and handling revenues of $24.9 million and other revenues of $3.9 million. Our sales mix of met coal and steam coal based on volume was 12% and 88%, respectively, and our sales mix of met coal and steam coal based on coal revenues was 29% and 71%, respectively, for the three months ended June 30, 2016. Average coal sales realization per ton was $22.97. CAPP, NAPP, PRB and Trading and Logistics Operations' coal revenues comprised 22%, 35%, 29% and 3%, respectively, of total revenues for the three months ended June 30, 2016.

Costs and Expenses

(In thousands, except for per ton data)	Predecessor Three Months Ended June 30, 2016	% of Total Revenues
Cost of coal sales (exclusive of items shown separately below)	$ 210,022	78.6 %
Freight and handling costs	24,895	9.3 %
Other expenses	1,955	0.7 %
Depreciation, depletion and amortization	39,721	14.9 %
Amortization of acquired intangibles, net	59	— %
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization shown separately above)	14,348	5.4 %
Asset impairment and restructuring	2,641	1.0 %
Total costs and expenses	$ 293,641	109.9 %
Other (expense) income:		
Interest expense	(37)	— %
Interest income	22	— %
Equity loss in affiliates	(1,198)	(0.4)%
Miscellaneous income, net	62	— %
Total other expense, net	(1,151)	(0.4)%
Reorganization items, net	(11,746)	(4.4)%

Income tax benefit	11,804	4.4 %
Net loss	$ (27,606)	(10.3)%
Cost of coal sales:		
CAPP Operations	63,115	23.6 %
NAPP Operations	73,977	27.7 %
PRB Operations	67,263	25.2 %
Trading and Logistics Operations	5,667	2.1 %
Tons sold:		
CAPP Operations	998	
NAPP Operations	2,185	
PRB Operations	7,071	
Trading and Logistics Operations	120	
Cost of coal sales per ton [1]:		
CAPP Operations	63.24	
NAPP Operations	33.86	
PRB Operations	9.51	
Trading and Logistics Operations	47.23	
Coal margin per ton [2]:		
CAPP Operations	(3.80)	
NAPP Operations	9.19	
PRB Operations	1.59	
Trading and Logistics Operations	6.12	

(1) Cost of coal sales per ton exclude costs associated with our All Other category.
(2) Coal margin per ton for our reportable segments is calculated as coal sales realization per ton for our reportable segments less cost of coal sales per ton for our reportable segments. Coal margin per ton is not shown for our All Other category since it has no coal sales or coal production.

Cost of coal sales was $210.0 million, freight and handling costs were $24.9 million, other expenses were $2.0 million, depreciation, depletion and amortization was $39.7 million, amortization of acquired intangibles, net was $0.1 million and selling, general and administrative expenses were $14.3 million for the three months ended June 30, 2016.

Asset impairment and restructuring expenses of $2.6 million for the three months ended June 30, 2016 comprised $0.7 million related to severance expenses and other restructuring-related charges and $1.9 million related to non-core asset disposals.

Reorganization items, net of ($11.7) million for the three months ended June 30, 2016 primarily consisted of realized gains and losses from the settlement of pre-petition liabilities, professional fees, and provisions for losses resulting from Alpha's Restructuring.

Income tax benefit of $11.8 million was recorded for the three months ended June 30, 2016 on a loss before income taxes of $39.4 million. The income tax benefit rate differs from the federal statutory rate of 35% primarily due to the increase in the valuation allowance and the non-deductible transaction costs, partially offset by the impact of the percentage depletion allowance.

Segment Adjusted EBITDA

Segment Adjusted EBITDA for our reportable segments is a non-GAAP financial measure. This non-GAAP financial measure is presented as a supplemental measure and is not intended to replace financial performance measures determined in accordance with GAAP. Moreover, this measure is not calculated identically by all companies and therefore may not be comparable to similarly titled measures used by other companies. Segment Adjusted EBITDA is presented because management believes it is a useful indicator of the financial performance of our coal operations. The following table presents a reconciliation of net (loss) income to Adjusted EBITDA for the three months ended June 30, 2016:

	Predecessor					
	Three Months Ended June 30, 2016					
(In thousands)	CAPP	NAPP	PRB	Trading and Logistics	All Other	Combined
Net (loss) income	$ (13,617)	$ (10,109)	$ (728)	$ (600)	$ (2,552)	$ (27,606)
Interest expense	1	—	36	—	—	37
Interest income	(4)	(14)	(4)	—	—	(22)
Income tax benefit	—	—	—	—	(11,804)	(11,804)
Depreciation, depletion and amortization	7,015	23,788	8,560	358	—	39,721
Reorganization items, net	2,890	5,205	3,543	101	7	11,746
Asset impairment and restructuring	1,033	1,241	358	9	—	2,641
Amortization of acquired intangibles, net	—	59	—	—	—	59
Adjusted EBITDA	$ (2,682)	$ 20,170	$ 11,765	$ (132)	$ (14,349)	$ 14,772

CAPP Coal Operations. Adjusted EBITDA was ($2.7) million for the three months ended June 30, 2016, driven by coal margin loss per ton of $3.80, coal sales realization per ton of $59.44 and cost of coal sales per ton of $63.24.

NAPP Coal Operations. Adjusted EBITDA was $20.2 million for the three months ended June 30, 2016, driven by coal margin per ton of $9.19, coal sales realization per ton of $43.05 and cost of coal sales per ton of $33.86.

PRB Coal Operations. Adjusted EBITDA was $11.8 million for the three months ended June 30, 2016, driven by coal margin per ton of $1.59, coal sales realization per ton of $11.10 and cost of coal sales per ton of $9.51.

Trading and Logistics Operations. Adjusted EBITDA was ($0.1) million for the three months ended June 30, 2016, driven by coal margin per ton of $6.12, coal sales realization per ton of $53.35 and cost of coal sales per ton of $47.23.

All Other category. Adjusted EBITDA was ($14.3) million for the three months ended June 30, 2016, primarily driven by incentive pay of $5.6 million, wages and benefits expense of $4.1 million, professional fees of $1.8 million and rent, utilities and property costs of $1.2 million.

Six Months Ended June 30, 2016 (Predecessor)

The following tables summarize certain financial information relating to our operating results that have been derived from our combined financial statements for the six months ended June 30, 2016. Also included is certain information relating to the operating results as a percentage of total revenues.

Revenues

(In thousands, except for per ton data)	Predecessor Six Months Ended June 30, 2016	% of Total Revenues
Revenues:		
Coal revenues:		
Steam	$ 337,482	64.2%
Met	132,153	25.1%
Freight and handling revenues	47,784	9.1%
Other revenues	8,229	1.6%
Total revenues	$ 525,648	100.0%
Tons sold:		
Steam	18,454	
Met	2,326	
Total	20,780	
Coal sales realization per ton:		
Steam	18.29	
Met	56.82	
Average	22.60	

(In thousands, except for per ton data)	Predecessor Six Months Ended June 30, 2016	% of Total Revenues
Coal revenues [(1)]:		
CAPP Operations	$ 115,845	22.0%
NAPP Operations	182,375	34.7%
PRB Operations	163,042	31.0%
Trading and Logistics Operations	8,373	1.6%
Total coal revenues	$ 469,635	89.3%
Tons sold:		
CAPP Operations	1,932	
NAPP Operations	4,152	
PRB Operations	14,544	
Trading and Logistics Operations	152	
Coal sales realization per ton [(1)]:		
CAPP Operations	59.96	
NAPP Operations	43.92	
PRB Operations	11.21	
Trading and Logistics Operations	55.09	
Average	22.60	

(1) Does not include any portion of the price paid by our export customers to transport coal to the relevant outbound shipping port.

Total revenues were $525.6 million for the six months ended June 30, 2016 and consisted of coal revenues of $469.6 million, freight and handling revenues of $47.8 million and other revenues of $8.2 million. Our sales mix of met coal and steam coal based on volume was 11% and 89%, respectively, and our sales mix of met coal and steam coal based on coal revenues

was 28% and 72%, respectively, for the six months ended June 30, 2016. Average coal sales realization per ton was $22.60. CAPP, NAPP, PRB and Trading and Logistics Operations' coal revenues comprised 22%, 35%, 31% and 1%, respectively, of total revenues for the six months ended June 30, 2016.

Costs and Expenses

	Predecessor	
(In thousands, except for per ton data)	Six Months Ended June 30, 2016	% of Total Revenues
Cost of coal sales (exclusive of items shown separately below)	$ 434,206	82.6 %
Freight and handling costs	47,784	9.1 %
Other expenses	4,167	0.8 %
Depreciation, depletion and amortization	74,720	14.2 %
Amortization of acquired intangibles, net	463	0.1 %
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization shown separately above)	26,090	5.0 %
Asset impairment and restructuring	3,137	0.6 %
Total costs and expenses	$ 590,567	112.4 %
Other (expense) income:		
Interest expense	(41)	— %
Interest income	51	— %
Equity loss in affiliates	(2,622)	(0.5)%
Miscellaneous income, net	674	0.1 %
Total other expense, net	(1,938)	(0.4)%
Reorganization items, net	(26,300)	(5.0)%
Income tax benefit	32,908	6.3 %
Net loss	$ (60,249)	(11.5)%
Cost of coal sales:		
CAPP Operations	121,271	23.0 %
NAPP Operations	161,665	30.8 %
PRB Operations	143,816	27.4 %
Trading and Logistics Operations	7,454	1.4 %
Tons sold:		
CAPP Operations	1,932	
NAPP Operations	4,152	
PRB Operations	14,544	
Trading and Logistics Operations	152	
Cost of coal sales per ton [(1)]:		
CAPP Operations	62.77	
NAPP Operations	38.94	
PRB Operations	9.89	
Trading and Logistics Operations	49.04	
Coal margin per ton [(2)]:		
CAPP Operations	(2.81)	
NAPP Operations	4.98	

PRB Operations	1.32
Trading and Logistics Operations	6.05

(1) Cost of coal sales per ton exclude costs associated with our All Other category.
(2) Coal margin per ton for our reportable segments is calculated as coal sales realization per ton for our reportable segments less cost of coal sales per ton for our reportable segments. Coal margin per ton is not shown for our All Other category since it has no coal sales or coal production.

Cost of coal sales was $434.2 million, freight and handling costs were $47.8 million, other expenses were $4.2 million, depreciation, depletion and amortization was $74.7 million, amortization of acquired intangibles, net was $0.5 million and selling, general and administrative expenses were $26.1 million for the six months ended June 30, 2016.

Asset impairment and restructuring expenses of $3.1 million for the six months ended June 30, 2016 comprised $1.0 million related to severance expenses and other restructuring-related charges and $2.1 million related to non-core asset disposals.

Reorganization items, net of ($26.3) million for the six months ended June 30, 2016 primarily consisted of realized gains and losses from the settlement of pre-petition liabilities, professional fees, and provisions for losses resulting from Alpha's Restructuring.

Income tax benefit of $32.9 million was recorded for the six months ended June 30, 2016 on a loss before income taxes of ($93.2) million. The income tax benefit rate differs from the federal statutory rate of 35% primarily due to the impact of the percentage depletion allowance, partially offset by an increase in the valuation allowance.

Segment Adjusted EBITDA

Segment Adjusted EBITDA for our reportable segments is a non-GAAP financial measure. This non-GAAP financial measure is presented as a supplemental measure and is not intended to replace financial performance measures determined in accordance with GAAP. Moreover, this measure is not calculated identically by all companies and therefore may not be comparable to similarly titled measures used by other companies. Segment Adjusted EBITDA is presented because management believes it is a useful indicator of the financial performance of our coal operations. The following table presents a reconciliation of net (loss) income to Adjusted EBITDA for the six months ended June 30, 2016:

	Predecessor					
	Six Months Ended June 30, 2016					
(In thousands)	CAPP	NAPP	PRB	Trading and Logistics	All Other	Combined
Net (loss) income	$ (25,367)	$ (34,372)	$ (5,228)	$ (2,083)	$ 6,801	$ (60,249)
Interest expense	2	—	39	—	—	41
Interest income	(8)	(34)	(9)	—	—	(51)
Income tax benefit	—	—	—	—	(32,908)	(32,908)
Depreciation, depletion and amortization	13,642	43,797	16,545	736	—	74,720
Reorganization items, net	7,017	10,432	8,629	208	14	26,300
Asset impairment and restructuring	1,377	1,236	508	16	—	3,137
Amortization of acquired intangibles, net	—	463	—	—	—	463
Adjusted EBITDA	$ (3,337)	$ 21,522	$ 20,484	$ (1,123)	$ (26,093)	$ 11,453

CAPP Coal Operations. Adjusted EBITDA was ($3.3) million for the six months ended June 30, 2016, driven by coal margin loss per ton of $2.81, coal sales realization per ton of $59.96 and cost of coal sales per ton of $62.77.

NAPP Coal Operations. Adjusted EBITDA was $21.5 million for the six months ended June 30, 2016, driven by coal margin per ton of $4.98, coal sales realization per ton of $43.92 and cost of coal sales per ton of $38.94.

PRB Coal Operations. Adjusted EBITDA was $20.5 million for the six months ended June 30, 2016, driven by coal margin per ton of $1.32, coal sales realization per ton of $11.21 and cost of coal sales per ton of $9.89.

Trading and Logistics Operations. Adjusted EBITDA was ($1.1) million for the six months ended June 30, 2016, driven by coal margin per ton of $6.05, coal sales realization per ton of $55.09 and cost of coal sales per ton of $49.04.

All Other category. Adjusted EBITDA was ($26.1) million for the six months ended June 30, 2016, primarily driven by incentive pay of $8.2 million, wages and benefits expense of $8.0 million, professional fees of $3.5 million and rent, utilities and property costs of $2.1 million.

Liquidity and Capital Resources

Our primary liquidity and capital resource requirements stem from the cost of our coal production and purchases, our capital expenditures, our debt service, our reclamation obligations, our regulatory costs and settlements and associated costs. Our primary sources of liquidity are derived from sales of coal, our debt financing and miscellaneous revenues.

We believe that cash on hand and cash generated from our operations will be sufficient to meet our working capital requirements, anticipated capital expenditures, debt service requirements, acquisition-related obligations, and reclamation obligations. We have relied on a number of assumptions in budgeting for our future activities. These include the costs for mine development to sustain capacity of our operating mines, our cash flows from operations, effects of regulation and taxes by governmental agencies, mining technology improvements and reclamation costs. These assumptions are inherently subject to significant business, political, economic, regulatory, environmental and competitive uncertainties, contingencies and risks, all of which are difficult to predict and many of which are beyond our control. We may need to raise additional funds more quickly if market conditions deteriorate; or one or more of our assumptions proves to be incorrect or if we choose to expand our acquisition, exploration, appraisal, development efforts or any other activity more rapidly than we presently anticipate. We may decide to raise additional funds before we need them if the conditions for raising capital are favorable. We may seek to sell equity or debt securities or obtain additional bank credit facilities. The sale of equity securities could result in dilution to our stockholders. The incurrence of additional indebtedness could result in increased fixed obligations and additional covenants that could restrict our operations.

At June 30, 2017, we had total liquidity of $357.7 million, including cash and cash equivalents of $244.0 million and $113.7 million unused commitments available under the Asset-Based Revolving Credit Facility, subject to limitations described therein. On March 17, 2017, we entered into a $400.0 million Term Loan Credit Facility with a maturity date of March 17, 2024. On April 3, 2017, we entered into a $125.0 million Asset-Based Revolving Credit Agreement expiring on April 4, 2022. We entered into the First Amendment to the Asset-Based Revolving Credit Agreement on June 9, 2017 and the First Amendment to Term Loan Credit Agreement on June 13, 2017. The amendments, among other things, permit an aggregate amount of $150.0 million of cash to be used for the (i) payment of a one-time cash dividend on its common stock no later than July 28, 2017, and (ii) repurchase of its common stock at any time no later than December 31, 2017, subject to certain terms and conditions.

To secure our obligations under certain workers' compensation and reclamation-related bonds, we are required to provide cash collateral. At June 30, 2017, we had cash collateral in the amounts of $56.8 million and $35.1 million classified as long-term restricted cash and long-term deposits, respectively, on our balance sheet.

On June 16, 2017, we declared a Special Dividend of approximately $92.8 million payable to eligible holders of record of its common stock as of the close of business on July 5, 2017. In addition, pursuant to the terms of the Company's management incentive plan, dividend equivalent payments in the amount of approximately $7.9 million in the aggregate (including the amounts payable with respect to each share underlying outstanding stock option awards and restricted stock unit awards and outstanding restricted common stock under the MIP) were paid to plan participants. The dividend equivalent payments were made on July 11, 2017, and the Special Dividend was paid on July 12, 2017. Pursuant to terms of the debt amendments, we made an offer to all Term Loan Credit Facility lenders to repay the loans at par concurrently with the payment of the Special Dividend, in an aggregate principal amount equal to $10.0 million. All the Term Loan Facility lenders accepted the offer, and we repaid $10.0 million on July 13, 2017.

Cash Flows

Cash and cash equivalents increased by $116.1 million and decreased by $0.3 million over the six months ended June 30, 2017 and 2016, respectively. The net change in cash and cash equivalents was attributable to the following:

	Successor	Predecessor
	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Cash flows (in thousands):		
Net cash provided by operating activities	$ 172,758	$ 33,252
Net cash used in investing activities	(50,027)	(22,310)
Net cash used in financing activities	(6,660)	(11,237)
Net increase (decrease) in cash and cash equivalents	$ 116,071	$ (295)

Operating Activities

Net cash flows from operating activities consist of net income (loss) adjusted for non-cash items, such as depreciation, depletion and amortization, amortization of acquired intangibles, net, accretion of acquisition-related obligations discount, mark-to-market adjustments for warrants derivative liability and acquisition related obligations, equity loss in affiliates, accretion of asset retirement obligations, employee benefit plans, deferred income taxes, non-cash loss on extinguishment of debt, asset impairment and restructuring charges, and changes in net working capital.

Net cash provided by operating activities for the six months ended June 30, 2017 was $172.8 million and was primarily attributed to net income of $47.7 million adjusted for depreciation, depletion and amortization of $34.3 million, amortization of acquired intangibles, net of $34.2 million, accretion of asset retirement obligations of $11.0 million, a non-cash loss on extinguishment of debt of $13.7 million, partially offset by a $9.2 million gain on settlement of acquisition-related obligations. The change in our operating assets and liabilities of $20.5 million was primarily attributed to increases in trade accounts payable.

Net cash provided by operating activities for the six months ended June 30, 2016 was $33.2 million and was primarily attributed to net loss of $60.2 million adjusted for depreciation, depletion and amortization of $74.7 million, amortization of acquired intangibles, net of $0.5 million, and accretion of asset retirement obligations of $11.0 million, partially offset by deferred income taxes of $32.9 million. The change in our operating assets and liabilities of $19.6 million was primarily attributed to decreases in trade accounts receivable and inventory partially offset by increases in long-term restricted cash.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2017 was $50.0 million, driven by the purchase of additional ownership interest in equity affiliate of $13.3 million, capital expenditures of $35.5 million and capital contributions to equity affiliates of $3.1 million, partially offset by proceeds from sale of property, plant and equipment of $2.3 million.

Net cash used in investing activities for the six months ended June 30, 2016 was $22.3 million, driven by capital expenditures of $20.7 million and capital contributions to equity affiliates of $2.1 million, partially offset by proceeds from sale of property, plant and equipment of $0.5 million.

Financing Activities

Net cash used in financing activities for the six months ended June 30, 2017 was $6.7 million, primarily attributable to proceeds from borrowings on debt of $396.0 million, partially offset by principal repayments of debt of $357.5 million, debt extinguishment costs of $25.0 million, debt issuance costs of $14.3 million and $4.5 million debt amendment costs.

Net cash used in financing activities for the six months ended June 30, 2016 was $11.2 million, primarily attributable to transfers to Alpha.

Long-Term Debt

See Note 11 for disclosures on long-term debt.

Analysis of Material Debt Covenants

We were in compliance with all covenants under the Term Loan Credit Facility, as amended, and the Asset-Based Revolving Credit Agreement, as amended, as of June 30, 2017. A breach of the covenants in the Term Loan Credit Facility, as amended, and the Asset-Based Revolving Credit Agreement , as amended, could result in a default under the terms of the agreement and the respective lenders could elect to declare all amounts borrowed due and payable.

Pursuant to the Asset-Based Revolving Credit Agreement, as amended, during any Liquidity Period (capitalized terms as defined in the Asset-Based Revolving Credit Agreement, as amended), our Fixed Charge Coverage Ratio cannot be less than 1.00 to 1.00 as of the last day of any Test Period, commencing with the Test Period ended immediately preceding the commencement of such Liquidity Period. The Fixed Charge Coverage Ratio is calculated as (a) Consolidated EBITDA of the Company and its Restricted Subsidiaries for such period, minus nonfinanced Capital Expenditures (including Capital Expenditures financed with the proceeds of any Loans) paid or payable currently in cash by the Company or any of its Subsidiaries for such period to (b) the Fixed Charges of the Company and its Restricted Subsidiaries during such period. As of June 30, 2017, we were not in a Liquidity Period.

In the event that there shall be Excess Cash Flow for any fiscal year, pursuant to the Term Loan Credit Facility, as amended, we will, no later than 130 days after the end of such fiscal year, prepay the Term Loan Credit Facility, as amended, based on the Total Leverage Ratio as follows:

Total Leverage Ratio (1)	Prepayment Amount (2)
Equal to or greater than 2.50	75% of Excess Cash Flow
Less than 2.50 and greater than or equal to 1.25	50% of Excess Cash Flow
Less than 1.25	25% of Excess Cash Flow

(1) Total Leverage Ratio is calculated as the ratio of (i) Consolidated Net Total Debt on such date to (ii) Consolidated EBITDA (capitalized terms as defined in the Term Loan Credit Facility, as amended) for the period of the four consecutive fiscal quarters ending as of the date of the financial statements most recently delivered.
(2) % of Excess Cash Flow is reduced by voluntary repayments of the Term Loan Credit Facility, as amended, as defined within the Term Loan Credit Facility, as amended.

Excess Cash Flow is calculated in accordance with our Term Loan Credit Facility Credit Agreement, as amended, and is equal to (i) the sum, without duplication, of Consolidated Net Income, the amount of all non-cash charges, the amount of the decrease, if any, in Consolidated Working Capital and the amount of non-cash losses on the disposition of property to the extent deducted in arriving at Consolidated Net Income minus (ii) the sum, without duplication, of the amount of all non-cash credits included in arriving at Consolidated Net Income, certain capital expenditures, certain amounts of regularly schedule principal payments of Indebtedness made in cash, the amount of the increase, if any, in Consolidated Working Capital and the aggregate amount of non-cash gains on the disposition of property to the extent included in arriving at Consolidated Net Income.

Consolidated Net Income is calculated in accordance with our Term Loan Credit Facility, as amended, and is equal to the net income determined in accordance with GAAP, excluding, without duplication, noncash compensation expenses related to common stock and other equity securities issued to employees, extraordinary and non-recurring gains and loss, income or losses from discontinued operations, any non-cash impairment charges or asset write-offs resulting from the application of certain ASC standards, net unrealized gains or losses resulting from non-cash foreign currency remeasurement gains or losses, net unrealized gains or losses results in such period from certain derivatives, non-cash charges including non-cash charges due to cumulative effects of changes in accounting principles, any net income or loss of any person that is not a restricted subsidiary or that is accounted for by equity method accounting except to the extent the dividends or similar distributions are paid in cash to the specified person or restricted subsidiary, the net income (but not loss) of any restricted subsidiary to the extent that the declaration or payment of dividends or similar distributions by that restricted subsidiary of that net income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that restricted subsidiary or its stockholders (other than any restriction that has been waived or released), plus, without duplication, any cash dividends and/or distributions actually received by the Company or restricted subsidiary from any restricted subsidiary and/or Joint venture to the extent not already included therein.

Additionally, under the Term Loan Credit Facility, as amended, our ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is also tied to certain financial ratios, including

Consolidated EBITDA as defined per the Term Loan Credit Facility. Consolidated EBITDA is defined as EBITDA further adjusted to exclude certain non-cash items, non-recurring items, and other adjustments permitted in calculating covenant compliance under the Term Loan Credit Facility. EBITDA, a measure used by management to evaluate our ongoing operations for internal planning and forecasting purposes, is defined as net income (loss) from operations plus interest expense, income tax expense, amortization of acquired intangibles, net and depreciation, depletion and amortization, less interest income and income tax benefit. EBITDA is not a financial measure recognized under United States generally accepted accounting principles and does not purport to be an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. The amounts shown for EBITDA as presented may differ from amounts calculated and may not be comparable to other similarly titled measures used by other companies.

Consolidated EBITDA is calculated in accordance with our Term Loan Credit Facility, as amended, and is equal to Consolidated Net Income plus, without duplication (i) consolidated interest expense; (ii) to the extent deducted in computing such Consolidated Net Income, the sum of all income, franchise or similar taxes; (iii) depreciation, depletion, amortization (including, without limitation, amortization of intangibles, deferred financing fees and any amortization included in pension or other employee benefit expenses) and all other non-cash items reducing Consolidated Net Income (including, without limitation, write-downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of acquisition accounting) but excluding, in each case, non-cash charges in a period which reflect cash expenses paid or to be paid in another period); (iv) non-recurring restructuring costs, expenses and charges, including, without limitation, all business optimization costs and expenses, facility opening, pre-opening and closing and consolidation costs and expenses, advisory and professional fees and stay and retention bonuses; *provided* that the amount of non-recurring restructuring costs, expenses and charges permitted to be added back pursuant to this clause (iv) for a four-quarter period shall not exceed 20% of Consolidated EBITDA for such period (calculated before giving effect to such add-back); (v) any expenses, costs or charges related to any equity offering, Investment permitted, acquisition, disposition, recapitalization or Indebtedness permitted to be incurred by the indenture (whether or not successful); (vi) all non-recurring or unusual losses, charges and expenses (and less all non-recurring or unusual gains); (vii) all non-cash charges and expenses; (viii) any debt extinguishment costs; (ix) any amount of asset retirement obligations expenses; (x) all Transaction Costs incurred in connection with the Transactions contemplated hereby; (xi) transaction costs, fees and expenses incurred during such period in connection with any acquisition or disposition not prohibited hereunder or any issuance of debt or equity securities by the Borrower or any of its Restricted Subsidiaries, in each case, for such expenses; and (xii) commissions, premiums, discounts, fees or other charges relating to performance bonds, bid bonds, appeal bonds, surety bonds, reclamation and completion guarantees and other similar obligations; *provided* that, with respect to any Restricted Subsidiary, such items will be added only to the extent and in the same proportion that the relevant Restricted Subsidiary's net income was included in calculating Consolidated Net Income.

The calculation of Consolidated EBITDA is based on our results of operations in accordance with the Term Loan Credit Facility, as amended, and therefore, is different from Adjusted EBITDA presented elsewhere in this report. The calculation of Consolidated EBITDA for purposes of the Excess Cash Flow calculation is performed at the end of each fiscal year (commencing with the fiscal year ending December 31, 2017 for the portion of such fiscal year occurring after the Closing Date).

Acquisition-Related Obligations

See Note 12 for disclosures on acquisition-related obligations.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to certain off-balance sheet arrangements. These arrangements include guarantees, operating leases, indemnifications and financial instruments with off-balance sheet risk, such as bank letters of credit and performance or surety bonds. Obligations related to these arrangements are not reflected in our Consolidated Balance Sheet. However, the underlying liabilities that they secure, such as asset retirement obligations, workers' compensation liabilities, and royalty obligations, are reflected in our Consolidated Balance Sheet.

We are required to provide financial assurance in order to perform the post-mining reclamation required by our mining permits, pay our federal production royalties, pay workers' compensation claims under workers' compensation laws in various states, pay federal black lung benefits, and perform certain other obligations. In order to provide the required financial assurance, we generally use surety bonds for post-mining reclamation and workers' compensation obligations. We can also use bank letters of credit to collateralize certain obligations.

As of June 30, 2017, we had outstanding surety bonds with a total face amount of $407.8 million to secure various obligations and commitments. To secure our obligations under these bonds, we had cash collateral in the amounts of $56.8

million and $35.1 million classified as long-term restricted cash and long-term deposits, respectively, on our balance sheet as of June 30, 2017.

As of June 30, 2017, the Company had mining equipment and real property collateralizing $102.4 million of reclamation bonds. As of July 25, 2017, the Company replaced $71.0 million of mining equipment collateralizing reclamation bonds with third party surety bonding.

We meet frequently with our surety providers and have discussions with certain providers regarding the extent of and the terms of their participation in the program. These discussions may cause us to shift surety bonds between providers or to alter the terms of their participation in our program. To the extent that surety bonds become unavailable or our surety bond providers require additional collateral, we would seek to secure our obligations with letters of credit, cash deposits or other suitable forms of collateral. Our failure to maintain, or inability to acquire, surety bonds or to provide a suitable alternative would have a material adverse effect on our liquidity. These failures could result from a variety of factors including lack of availability, higher cost or unfavorable market terms of new surety bonds, and the exercise by third-party surety bond issuers of their right to refuse to renew the surety.

Other

As a regular part of our business, we review opportunities for, and engage in discussions and negotiations concerning, the acquisition or disposition of coal mining and related infrastructure assets and interests in coal mining companies, and acquisitions or dispositions of, or combinations or other strategic transactions involving companies with coal mining or other energy assets. When we believe that these opportunities are consistent with our strategic plans and our acquisition or disposition criteria, we will make bids or proposals and/or enter into letters of intent and other similar agreements. These bids or proposals, which may be binding or non-binding, are customarily subject to a variety of conditions and usually permit us to terminate the discussions and any related agreement if, among other things, we are not satisfied with the results of due diligence. Any acquisition opportunities we pursue could materially affect our liquidity and capital resources and may require us to incur indebtedness, seek equity capital or both. There can be no assurance that additional financing will be available on terms acceptable to us, or at all.

Contractual Obligations

The following is a summary of our significant contractual obligations as of June 30, 2017:

(in thousands)	2017	2018	2019	2020	2021	After 2021	Total
Long-term debt [1]	$ 12,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 371,000	$ 399,000
Other debt [2]	619	3,068	—	—	—	—	3,687
Capital lease obligations [3]	530	1,008	816	22	11	4	2,391
Acquisition-related obligations [4]	10,500	14,500	14,500	15,000	2,000	—	56,500
Equipment purchase commitments	21,947	513	—	—	—	—	22,460
Maintenance and repairs contracts	11,309	19,675	8,040	7,715	5,583	4,719	57,041
Transportation commitments	461	3,042	3,072	3,102	—	—	9,677
Operating leases	656	843	766	719	708	487	4,179
Minimum royalties	196	1,391	594	554	564	734	4,033
Coal purchase commitments	170,982	59,577	13,186	2,223	—	—	245,968
Other [5]	8,741	—	—	—	—	—	8,741
Total	$ 237,941	$ 107,617	$ 44,974	$ 33,335	$ 12,866	$ 376,944	$ 813,677

(1) Long-term debt includes principal amounts due in the years shown. Cash interest payable on this obligation, with an interest rate of 6.23%, would be approximately $12,393 in 2017, $24,350 in 2018, $24,097 in 2019, $23,910 in 2020, $23,592 in 2021, and $51,262 after 2021.

(2) Other debt includes principal amounts due in the years shown. Cash interest payable on these obligations, with an interest rate of 4.49%, would be approximately $56 in 2017 and $71 in 2018.

(3) Capital lease obligations include principal amounts due in the years shown. Cash interest payable on these obligations with interest rates ranging between 4.72% and 9.50%, would be approximately $71 in 2017, $92 in 2018, $25 in 2019, and $1 in 2020.
(4) Certain contingent liabilities and guarantees are excluded from the table above, for which the timing of payments are not estimable. See Note 12 for further disclosures related to these contingent liabilities and guarantees.
(5) Personal property and real estate taxes assumed pursuant to the bankruptcy settlement include principal amounts due in the year shown.

Additionally, we have long-term liabilities relating to asset retirement obligations, black lung benefits, life insurance benefits, and workers' compensation benefits. The table below reflects the estimated undiscounted cash flows for these obligations:

(in thousands)	2017	2018	2019	2020	2021	After 2021	Total
Asset retirement obligation	$ 3,423	$ 5,357	$ 5,387	$ 56,799	$ 56,637	$ 386,970	$ 514,573
Black lung benefit obligation	—	—	—	—	12	46,743	46,755
Life insurance benefit obligation	433	806	727	680	669	18,854	22,169
Workers' compensation benefit obligation	1,948	3,301	2,313	1,781	1,543	9,477	20,363
Total	$ 5,804	$ 9,464	$ 8,427	$ 59,260	$ 58,861	$ 462,044	$ 603,860

We expect to spend between $90 million and $110 million on capital expenditures during 2017.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other factors and assumptions, including the current economic environment that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis and adjust such estimates and assumptions as facts and circumstances require. Illiquid credit markets, foreign currency and energy markets, and fluctuations in demand for steel products have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results may differ significantly from these estimates. Changes in these estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Business Combinations. We account for our business combinations under the acquisition method of accounting. The total cost of acquisitions is allocated to the underlying identifiable net tangible and intangible assets based on their respective estimated fair values. Determining the fair value of assets acquired and liabilities assumed requires management's judgment, the utilization of independent valuation experts and often involves the use of significant estimates and assumptions with respect to the timing and amounts of future cash inflows and outflows, discount rates, market prices and asset lives, among other items.

Reclamation. Our asset retirement obligations arise from the federal Surface Mining Control and Reclamation Act of 1977 and similar state statutes, which require that mine property be restored in accordance with specified standards and an approved reclamation plan. Significant reclamation activities include reclaiming refuse and slurry ponds, reclaiming the pit and support acreage at surface mines, sealing portals at deep mines and the treatment of water. We determine the future cash flows necessary to satisfy our reclamation obligations on a permit-by-permit basis based upon current permit requirements and various estimates and assumptions, including estimates of disturbed acreage, cost estimates, and assumptions regarding productivity. We are also faced with increasingly stringent environmental regulation, much of which is beyond our control, which could increase our costs and materially increase our asset retirement obligations. Estimates of disturbed acreage are determined based on approved mining plans and related engineering data. Cost estimates are based upon third-party costs. Productivity assumptions are based on historical experience with the equipment that is expected to be utilized in the reclamation activities. Our asset retirement obligations are initially recorded at fair value. In order to determine fair value, we use assumptions including a discount rate and third-party margin. Each is discussed further below:

- *Discount Rate.* Asset retirement obligations are initially recorded at fair value. We utilize discounted cash flow techniques to estimate the fair value of our obligations. We base our discount rate on the rates of treasury bonds with

maturities similar to expected mine lives and adjust for our credit standing as necessary after considering funding and assurance provisions. Changes in our credit standing could have a material impact on our asset retirement obligations.

- *Third-Party Margin.* The measurement of an obligation at fair value is based upon the amount a third-party would demand to perform the obligation. Because we plan to perform a significant amount of the reclamation activities with internal resources, a third-party margin was added to the estimated costs of these activities. This margin was estimated based upon our historical experience with contractors performing similar types of reclamation activities. The inclusion of this margin will result in a recorded obligation that is greater than our estimates of our cost to perform the reclamation activities. If our cost estimates are accurate, the excess of the recorded obligation over the cost incurred to perform the work will be recorded as a gain at the time that reclamation work is completed.

On at least an annual basis, we review our reclamation liabilities and make necessary adjustments for permit changes as granted by state authorities, additional costs resulting from accelerated mine closures, and revisions to cost estimates and productivity assumptions, to reflect current experience and updated plans. At June 30, 2017, we had recorded asset retirement obligation liabilities of $201.5 million, including amounts reported as current. While the precise amount of these future costs cannot be determined with certainty, as of June 30, 2017, we estimate that the aggregate undiscounted cost of final mine closures is approximately $514.6 million.

Coal Reserves. There are numerous uncertainties inherent in estimating quantities of economically recoverable coal reserves, many of which are beyond our control. As a result, estimates of economically recoverable coal reserves are by their nature uncertain. Information about our reserves consists of estimates based on engineering, economic and geological data assembled by our internal engineers and geologists. Some of the factors and assumptions that impact economically recoverable reserve estimates include:

- geological conditions;
- historical production from the area compared with production from other producing areas;
- the assumed effects of regulations and taxes by governmental agencies;
- assumptions governing future prices;
- current mine plans; and
- future operating costs.

Each of these factors may vary considerably from the assumptions used in estimating reserves. For these reasons, estimates of the economically recoverable quantities of coal attributable to a particular group of properties, and classifications of these reserves based on risk of recovery and estimates of future net cash flows, may vary substantially. Actual production, revenues and expenditures with respect to reserves will likely vary from estimates, and these variances may be material. Variances could affect our projected future revenues and expenditures, as well as the valuation of coal reserves. At December 31, 2016, we had 1.3 billion tons of proven and probable coal reserves, of which 0.7 billion tons were assigned to our active operations and 0.6 billion tons were unassigned.

Workers' Compensation. Individuals who sustain personal injuries due to job-related accidents may be compensated for their disabilities, medical costs, and on some occasions, for the costs of their rehabilitation, and the survivors of workers who suffer fatal injuries may receive compensation for lost financial support. The workers' compensation laws are administered by state agencies with each state having its own set of rules and regulations regarding compensation that is owed to an employee who is injured in the course of employment. Our obligations are partially covered through high-deductible third-party insurance policies. We accrue for any liability by recognizing costs when it is probable that a covered liability has been incurred and the cost can be reasonably estimated. Our estimates of these costs are adjusted based upon actuarial studies. Actual losses may differ from these estimates, which could increase or decrease our costs. At June 30, 2017, we had workers' compensation obligations of $23.1 million primarily related to obligations assumed in the Acquisition.

Coal Workers' Pneumoconiosis. We are required by federal and state statutes to provide benefits to employees for awards related to coal workers' pneumoconiosis disease (black lung). Our subsidiaries are insured for black lung obligations by a third-party insurance provider using high-deductible plans. Provisions are made for estimated benefits based on annual evaluations prepared by independent actuaries. As of June 30, 2017, we had estimated black lung obligations of approximately $15.1 million.

Life Insurance Benefits. As part of the Alpha Restructuring and the Retiree Committee Agreement, we assumed the liability for life insurance benefits for certain disabled and non-union retired employees. Provisions are made for estimated benefits based on annual evaluations prepared by independent actuaries. As of June 30, 2017, we had estimated life insurance benefit obligations of approximately $12.5 million.

Warrant Derivative Liability. We issued Series A Warrants on July 26, 2016 and classified the warrants as a derivative liability for the period from July 26, 2016 to December 31, 2016 as they possessed an underlying amount (stock price), a notional amount (number of shares), required no initial net investment, and allowed for net share settlement. The warrants were fair-valued using a Black-Scholes pricing model and marked to market with changes in value reflected in earnings. Pursuant to the retrospective adoption of ASU 2017-11, our warrants are no longer classified as a derivative liability as of January 1, 2017. See Note 16 for disclosures related to Warrants.

Income Taxes. We recognize deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. In evaluating our ability to recover our deferred tax assets within the jurisdiction in which they arise, we consider all available positive and negative evidence, including the expected reversals of deferred tax liabilities, projected future taxable income, taxable income available via carryback to prior years, tax planning strategies, and results of recent operations. We assess the realizability of our deferred tax assets including scheduling the reversal of our deferred tax assets and liabilities to determine the amount of valuation allowance needed. Scheduling the reversal of deferred tax asset and liability balances requires judgment and estimation. We believe the deferred tax liabilities relied upon as future taxable income in our assessment will reverse in the same period and jurisdiction and are of the same character as the temporary differences giving rise to the deferred tax assets that will be realized. Due to our formation through the acquisition of the core coal assets of Alpha as part of the Alpha Restructuring, a lack of history of operating results, and ownership change limitations applicable to net operating loss and other carryforwards, a full valuation allowance is currently recorded against the net deferred tax assets of ours.

Asset Impairment. U.S. GAAP requires that a long-lived asset group that is held and used should be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the long-lived asset group might not be recoverable. Testing long-lived assets for impairment after indicators of impairment have been identified is a two-step process. Step one compares the net undiscounted cash flows of an asset group to its carrying value. If the carrying value of an asset group exceeds the net undiscounted cash flows of that asset group, step two is performed whereby the fair value of the asset group is estimated and compared to its carrying amount. The amount of impairment, if any, is equal to the excess of the carrying value of an asset group over its estimated fair value. The amount of impairment, if any, is allocated to the long-lived assets on a pro-rata basis, except that the carrying value of the individual long-lived assets are not reduced below their estimated fair value. Long-lived assets located in a close geographic area are grouped together for purposes of impairment testing when, after considering revenue and cost interdependencies, circumstances indicate the assets are used together to produce future cash flows. Our asset groups generally consist of the assets and applicable liabilities of one or more mines and preparation plants and associated coal reserves for which cash flows are largely independent of cash flows of other mines, preparation plants and associated reserves.

Acquisition-Related Obligations. We entered into various settlement agreements with Alpha and/or the Alpha bankruptcy successor ANR and third parties as part of the Alpha Restructuring. We assumed acquisition-related obligations through those settlement agreements which became effective on July 26, 2016, the effective date of Alpha's plan of reorganization. These acquisition-related obligations include financial instruments which are fair valued on a recurring basis. Observable transactions are not available to aid in determining the fair value. Therefore, the fair value is derived by using the expected present value approach in which estimated cash flows are discounted using a risk-free interest rate adjusted for market risk. See Note 12 and Note 15 for disclosures related to acquisition-related obligations.

New Accounting Pronouncements. See Note 1 for disclosures related to new accounting policies adopted.

Quantitative and Qualitative Disclosures about Market Risk

Commodity Price Risk

We manage our commodity price risk for coal sales through the use of coal supply agreements. As of July 7, 2017, we had sales commitments for approximately 16.7 million tons of PRB steam coal for the remainder of 2017, 95% of which is priced, 3.9 million tons of NAPP steam coal for the remainder of 2017, 100% of which is priced, 1.8 million tons of CAPP metallurgical coal for the remainder of 2017, 38% of which is priced, and 1.5 million tons of Trading and Logistics metallurgical coal for the remainder of 2017, 10% of which is priced.

We have exposure to price risk for supplies that are used directly or indirectly in the normal course of production such as diesel fuel, steel and other items such as explosives. We manage our risk for these items through strategic sourcing contracts in normal quantities with our suppliers and may use derivative instruments in the future from time to time, primarily swap contracts with financial institutions, for a certain percentage of our monthly requirements. Swap agreements would essentially fix the price paid for our diesel fuel by requiring us to pay a fixed price and receive a floating price.

We expect to use approximately 10.2 million gallons of diesel fuel for the remaining six months of 2017 and 20.2 million gallons of diesel fuel for 2018.

Credit Risk

Our credit risk is primarily with electric power generators and steel producers. Our policy is to independently evaluate each customer's creditworthiness prior to entering into transactions and to monitor outstanding accounts receivable against established credit limits. When appropriate (as determined by our credit management function), we have taken steps to reduce our credit exposure to customers that do not meet our credit standards or whose credit has deteriorated. These steps include obtaining letters of credit or cash collateral, obtaining credit insurance, requiring prepayments for shipments or establishing customer trust accounts held for our benefit in the event of a failure to pay.

Interest Rate Risk

We have exposure to changes in interest rates through our Asset-Based Revolving Credit Agreement, which bears interest based on the character of the loan (defined as either "Base Rate Loan" or "Eurocurrency Rate Loan") plus an applicable rate ranging from 1.00% to 1.50% for Base Rate Loans and 2.00% to 2.50% for Eurocurrency Rate Loans, depending on the amount of credit available. As of June 30, 2017, the Company had no borrowings under the Asset-Based Term Loan Credit Agreement.

We also have exposure to changes in interest rates through our Term Loan Credit Facility, which bears an interest rate per annum based on the character of the loan (defined as either "Base Rate Loan" or "Eurocurrency Rate Loan") plus an applicable rate of 4.00% to 5.00% depending on loan type (the "Applicable Rate"), payable bi-monthly in arrears. As of June 30, 2017, a 50 basis point increase or decrease in interest rates would increase or decrease our annual interest expense by approximately $1.9 million.

Controls and Procedures

We are a new company and are in the costly and challenging process of compiling the systems and processing the documentation necessary to implement and evaluate the effectiveness of our disclosure controls and procedures. As we are a private company, we are not required to implement, maintain and evaluate, on a formal basis, internal control over financial reporting.

Our management team is developing a process for establishing, maintaining and evaluating disclosure controls and procedures that are designed to ensure that information disclosed by us in our periodic and annual reports is timely recorded, processed, summarized and reported. In addition, we have established a Code of Business Ethics designed to provide a statement of the values and ethical standards to which we require our employees and directors to adhere. The Code of Business Ethics provides the framework for maintaining the highest possible standards of professional conduct. We also maintain a process allowing employees, vendors and others to report violations of the Code of Ethics or other matters. Even when fully completed, there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.