CONTURA ENERGY, INC.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND REPORT FOR THE PERIOD FROM JULY 26, 2016 TO SEPTEMBER 30, 2016

Date published: November 29, 2016

Contura Energy, Inc.
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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 September 30, 2016: 10,309,310.

The contents of these Condensed Consolidated Financial Statements and Report for the period from July 26, 2016 to September 30, 2016 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. During the development of these systems, it is possible that its financial statements could contain errors. The interim Condensed Consolidated Financial Statements contained in this report are unaudited and have not been reviewed by independent accountants.

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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Condensed Consolidated Statement of Operations (Unaudited)
(Amounts in thousands, except share and per share data)

		Period from July 26, 2016 to September 30, 2016
Revenues:		
Coal revenues	$	212,911
Freight and handling revenues		29,903
Other revenues		2,599
Total revenues		245,413
Costs and expenses:		
Cost of coal sales (exclusive of items shown separately below)		179,441
Freight and handling costs		29,903
Other expenses		1,092
Depreciation, depletion and amortization		22,230
Amortization of acquired intangibles, net		23,562
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization shown separately above)		9,547
Total costs and expenses		265,775
Loss from operations		(20,362)
Other income (expense):		
Interest expense		(9,090)
Interest income		2
Mark-to-market adjustment for warrant derivative liability		(21,932)
Miscellaneous income, net		207
Total other expense, net		(30,813)
Loss before income taxes		(51,175)
Income tax expense		(1)
Net loss	$	(51,176)
Basic loss per common share	$	(4.96)
Diluted loss per common share	$	(4.96)
Weighted average shares - basic		10,309,310
Weighted average shares - diluted		10,309,310

See accompanying Notes to Condensed Consolidated Financial Statements.

CONTURA ENERGY, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheet (Unaudited)
(Amounts in thousands, except share and per share data)

		September 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	$	72,047
Trade accounts receivable, net		102,642
Inventories, net		49,720
Prepaid expenses and other current assets		24,526
Total current assets		248,935
Property, plant, and equipment, net		354,919
Other acquired intangibles (net of accumulated amortization of $23,819)		126,241
Long-term restricted cash		35,136
Long-term deposits		57,116
Other non-current assets		5,336
Total assets	$	827,683
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	$	60,924
Current portion of long-term debt		1,356
Acquisition-related obligations - current		52,794
Accrued expenses and other current liabilities		77,308
Total current liabilities		192,382
Long-term debt		302,631
Acquisition-related obligations - long-term		49,352
Asset retirement obligations		201,622
Other non-current liabilities		86,287
Total liabilities		832,274
Commitments and Contingencies (Note 19)		
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, 10.3 million issued and outstanding at September 30, 2016		103
Additional paid-in capital		46,482
Accumulated deficit		(51,176)
Total stockholders' equity		(4,591)
Total liabilities and stockholders' equity	$	827,683

See accompanying Notes to Condensed Consolidated Financial Statements.

CONTURA ENERGY, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Cash Flows (Unaudited)
(Amounts in thousands)

	Period from July 26, 2016 to September 30, 2016
Operating activities:	
Net loss	$ (51,176)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation, depletion and amortization	22,230
Amortization of acquired intangibles, net	23,562
Accretion of acquisition-related obligations discounts	2,633
Mark-to-market adjustment for warrants derivative liability	21,932
Accretion of asset retirement obligations	4,569
Stock-based compensation	1,941
Other, net	1,567
Changes in operating assets and liabilities	6,412
Net cash provided by operating activities	33,670
Investing activities:	
Capital expenditures	(12,826)
Proceeds from sale of property, plant and equipment	453
Net cash used in investing activities	(12,373)
Financing activities:	
Principal repayments of capital lease obligations	(83)
Principal repayments of notes payable	(167)
Net cash used in financing activities	(250)
Net increase in cash and cash equivalents	21,047
Cash and cash equivalents at beginning of period	51,000
Cash and cash equivalents at end of period	$ 72,047

Supplemental disclosure of non-cash investing and financing activities:

Accrued capital expenditures	$ (6,976)
Issuance of equity in connection with acquisition	$ 44,644

See accompanying Notes to Condensed Consolidated Financial Statements.

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, amounts in thousands except share and per share data)

(1) Business and Basis of Presentation

Business

Contura Energy, Inc. (“Contura” or the “Company”) 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 metallurgical coal to produce steel and thermal coal to generate power. Contura was formed to acquire and operate certain of Alpha Natural Resources, Inc.’s (“Alpha”) core coal operations (see Note 3), as part of the Alpha bankruptcy 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). Through the acquisition, Contura acquired 1.4 billion tons of proven and probable coal reserves, of which 1.0 billion tons were assigned to our active operations and 0.4 billion tons were unassigned.

Contura also acquired Alpha’s interest in the Dominion Terminal Associates coal export terminal in eastern Virginia.

Basis of Presentation

The accompanying interim Condensed Consolidated Financial Statements of the Company are unaudited and have not been reviewed by independent accountants. Results of operations for the period from July 26, 2016 to September 30, 2016 are not necessarily indicative of the results to be expected for the period from July 26, 2016 to December 31, 2016 or any other period. The Condensed Consolidated Financial Statements include Contura and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

Use of Estimates

The preparation of the Company’s Condensed Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include inventories; mineral reserves; allowance for non-recoupable advanced mining royalties; asset impairments; reclamation obligations; postemployment and other employee benefit obligations; useful lives for depreciation, depletion and amortization; reserves for workers’ compensation and black lung claims; current and deferred income taxes; reserves for contingencies and litigation; and fair value of financial instruments. Estimates are based on facts and circumstances believed to be reasonable at the time; however, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held with reputable depository institutions and highly liquid, short-term investments with original maturities of three months or less. Cash and cash equivalents are stated at cost, which approximates fair market value. At September 30, 2016, the Company’s cash equivalents consisted of highly rated money market funds.

Restricted Cash

Restricted cash represents cash deposits that are restricted as to withdrawal as required by certain agreements entered into by the Company and provide collateral in the amounts of $7,001 and $28,135 as of September 30, 2016 for securing the Company’s obligations under certain worker’s compensation and reclamation related bonds, respectively, which have been written on the Company’s behalf. The Company’s restricted cash is primarily invested in interest bearing accounts.

Deposits

(Unaudited, amounts in thousands except share and per share data)

Deposits represent cash deposits held at third parties as required by certain agreements entered into by the Company to provide cash collateral. At September 30, 2016, the Company had cash collateral in the form of deposits to secure the Company's obligations under reclamation related bonds and various other operating agreements in the amounts of $52,578 and $4,538, respectively.

Trade Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company establishes provisions for losses on accounts receivable when it is probable that all or part of the outstanding balance will not be collected. The Company regularly reviews its accounts receivable balances and establishes or adjusts the allowance as necessary primarily using the specific identification method. The allowance for doubtful accounts was $0 at September 30, 2016. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories

Coal is reported as inventory at the point in time the coal is extracted from the mine. Raw coal represents coal stockpiles that may be sold in current condition or may be further processed prior to shipment to a customer. Saleable coal represents coal stockpiles which require no further processing prior to shipment to a customer.

Coal inventories are stated at the lower of cost or net realizable value. The cost of coal inventories is determined based on the average cost of production, which includes labor, supplies, equipment costs, operating overhead, depreciation, and other related costs. Net realizable value considers the projected future sales price of the product, less estimated preparation and selling costs.

Material and supplies inventories are valued at average cost, less an allowance for obsolete and surplus items.

Deferred Longwall Move Expenses

The Company defers the direct costs, including labor and supplies, associated with moving longwall equipment, the related equipment refurbishment costs, costs to drill gob gas vent holes and plug existing gas wells in advance of the longwall panel in prepaid expenses and other current assets. These deferred costs are amortized on a units-of-production basis into cost of coal sales over the life of the related panel of coal mined by the longwall equipment. As of September 30, 2016, the amount of deferred longwall move expenses was $2,400.

Advanced Mining Royalties

Lease rights to coal reserves are often acquired in exchange for royalty payments. Advance mining royalties are advance payments made to lessors under terms of mineral lease agreements that are recoupable against future production royalties. These advance payments are deferred and charged to operations as the coal reserves are mined. The Company regularly reviews recoverability of advance mining royalties and establishes or adjusts the allowance for advance mining royalties as necessary using the specific identification method. Advance royalty balances are generally charged off against the allowance when they are no longer recoupable.

Advanced mining royalties (net of allowance) of $703 as of September 30, 2016, are reported in other non-current assets in the Condensed Consolidated Balance Sheet. The changes in the allowance for advance mining royalties reported in other non-current assets in the Condensed Consolidated Balance Sheet were as follows:

Balance at July 26, 2016	$	—
Provision for non-recoupable advance mining royalties		102
Balance at September 30, 2016	$	102

Property, Plant and Equipment

(Unaudited, amounts in thousands except share and per share data)

Costs for mine development incurred to expand capacity of operating mines or to develop new mines are capitalized and charged to operations on the units-of-production method over the estimated proven and probable reserve tons directly benefiting from the capital expenditures. Mine development costs include costs incurred for site preparation and development of the mines during the development stage less any incidental revenue generated during the development stage. Mining equipment, buildings and other fixed assets are stated at cost and depreciated on a straight-line basis over estimated useful lives ranging from one to 47 years. Leasehold improvements are amortized using the straight-line method, over the shorter of the estimated useful lives or term of the lease. Major repairs and betterments that significantly extend original useful lives or improve productivity are capitalized and depreciated over the period benefited. Maintenance and repairs are expensed as incurred. When equipment is retired or disposed, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposal is recognized in cost of coal sales. Costs to obtain owned and leased mineral rights are capitalized and amortized to operations as depletion expense using the units-of-production method. Only proven and probable reserves are included in the depletion base.

Acquired Intangibles

Application of acquisition accounting resulted in the recognition of assets for above market-priced coal supply agreements and liabilities for below market-priced coal supply agreements on the date of the acquisition. The coal supply agreements were valued based on the present value of the difference between the expected net contractual cash flows based on the stated contract terms, and the estimated net contractual cash flows derived from applying forward market prices at the acquisition date for new contracts of similar terms and conditions. The coal supply agreement assets and liabilities are being amortized over the actual amount of tons shipped under each contract and will be amortized over a weighted average useful life of approximately 15 months. Coal supply agreement assets are reported in other acquired intangibles and coal supply agreement liabilities are reported in other non-current liabilities in the Condensed Consolidated Balance Sheet.

	July 26, 2016 Acquisition value	Accumulated amortization	September 30, 2016 Balance, net
Assets:			
Above-market coal supply agreements	$ 150,060	$ (23,819)	$ 126,241
Liabilities:			
Below-market coal supply agreements	$ 570	$ (257)	$ 313

Amortization of other acquired intangible assets was $23,819 of expense and amortization of other non-current liabilities was a credit to expense of ($257), resulting in a net expense of $23,562 for the period from July 26, 2016 to September 30, 2016, which is reported as amortization of acquired intangibles, net in the Condensed Consolidated Statement of Operations. Future net amortization expense (income) related to acquired intangibles is expected to be as follows:

Remainder of 2016	$ (49,115)
2017	(59,333)
2018	(14,650)
2019	(1,870)
2020	(960)
Total net future amortization income	$ (125,928)

Asset Impairment and Disposal of Long-Lived Assets

Long-lived assets, such as property, equipment, mine development costs, owned and leased mineral rights and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset groups may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to the estimated undiscounted future cash flows expected to be generated by the asset or asset group. 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. The Company’s 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 coal reserves. If the carrying amount of an asset or asset group exceeds its estimated future cash flows, the potential impairment is equal to the amount by which the carrying amount of the asset or asset group exceeds the fair value of the asset or asset group. 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. Assets to be disposed would separately be presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the Condensed Consolidated Balance Sheet. There were no asset impairments during the period from July 26, 2016 to September 30, 2016.

Asset Retirement Obligations

Minimum standards for mine reclamation have been established by various regulatory agencies and dictate the reclamation requirements at the Company's operations. The Company's asset retirement obligations consist principally of costs to reclaim acreage disturbed at surface operations, estimated costs to reclaim support acreage, treat mine water discharge and perform other related functions at underground mines. The Company records these reclamation obligations at fair value in the period in which the legal obligation associated with the retirement of the long-lived asset is incurred. Changes to the liability at operations that are not currently being reclaimed are offset by increasing or decreasing the carrying amount of the related long-lived asset. Changes to the liability at operations that are currently being reclaimed are recorded to cost of coal sales. Over time, the liability is accreted and any capitalized cost is depreciated or depleted over the useful life of the related asset. To settle the liability, the obligation is paid, and to the extent there is a difference between the liability and the amount of cash paid, a gain or loss upon settlement is recorded. The Company annually reviews its estimated future cash flows for its asset retirement obligations. See Note 11 for further disclosures related to asset retirement obligations.

Income Taxes

The Company recognizes deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax basis 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 asset will not be realized. In evaluating its ability to recover deferred tax assets within the jurisdiction in which they arise, the Company considers all available positive and negative evidence, including the expected reversals of taxable temporary differences, projected future taxable income, taxable income available via carryback to prior years, tax planning strategies, and results of recent operations. See Note 15 for further disclosures related to income taxes.

Revenue Recognition

The Company earns revenues primarily through the sale of coal produced at Company operations and coal purchased from third parties. The Company recognizes revenue using the following general revenue recognition criteria: 1) persuasive evidence of an arrangement exists; 2) delivery has occurred or services have been rendered; 3) the price to the buyer is fixed or determinable; and 4) collectability is reasonably assured.

Delivery on our coal sales is determined to be complete for revenue recognition purposes when title and risk of loss has passed to the customer in accordance with stated contractual terms and there are no other future obligations related to the shipment. For domestic shipments, title and risk of loss generally passes as the coal is loaded into transport carriers for delivery to the customer. For international shipments, title generally passes at the time coal is loaded onto the shipping vessel.

Freight and handling costs paid to third-party carriers and invoiced to coal customers are recorded as freight and handling costs and freight and handling revenues, respectively.

Deferred Financing Costs

The costs to obtain new debt financing or amend existing financing agreements are generally deferred and amortized to interest expense over the life of the related indebtedness or credit facility using the effective interest method. Unamortized deferred financing costs are presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts or premiums.

Workers' Compensation and Pneumoconiosis (Black Lung) Benefits

Workers' Compensation

The Company primarily utilizes high-deductible insurance programs for workers' compensation claims at its operations. The liabilities for workers' compensation claims are estimates of the ultimate losses incurred based on the Company's experience, and include a provision for incurred but not reported losses. 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.

Black Lung Benefits

The Company is required by federal and state statutes to provide benefits to employees for awards related to black lung. The Company utilizes high-deductible insurance programs for these benefits. Charges are made to operations for black lung claims, as determined by an independent actuary at the present value of the actuarially computed liability for such benefits over the employee's applicable term of service. The Company recognizes in its balance sheet the amount of the Company's unfunded Accumulated Benefit Obligation ("ABO") at the end of the year. Amounts recognized in accumulated other comprehensive income (loss) are adjusted out of accumulated other comprehensive income (loss) when they are subsequently recognized as components of net periodic benefit cost. See Note 16 for further disclosures related to black lung benefits.

Life Insurance Benefits

As part of the Alpha bankruptcy restructuring and the Retiree Committee Settlement Agreement (see Note 10), 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.

Earnings (Loss) Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of outstanding common shares for the period. Diluted earnings per share reflects the potential dilution that could occur if instruments that may require the issuance of common shares in the future were settled and the underlying common shares were issued. Diluted earnings per share is computed by increasing the weighted-average number of outstanding common shares computed in basic earnings per share to include the additional common shares that would be outstanding after issuance and adjusting net income for changes that would result from the issuance. Only those securities that are dilutive are included in the calculation. See Note 4 for further disclosures related to earnings per share.

Stock-Based Compensation

The Company recognizes expense for stock-based compensation awards based on their grant-date fair value. The expense is recorded over the respective service period of the underlying award. See Note 17 for further disclosures related to stock-based compensation arrangements.

Warrants

The Company issued Series A Warrants on July 26, 2016 and classified the warrants as a derivative liability as they possess an underlying amount (stock price), a notional amount (number of shares), require no initial net investment, and allow for net share settlement. The warrants are fair-valued using a Black-Scholes pricing model and result in a mark to market non-cash adjustment at each reporting period with changes in value reflected in earnings. See Note 14 for further disclosures related to warrants.

Equity Method Investments

Investments in unconsolidated affiliates that the Company has the ability to exercise significant influence over, but not control, are accounted for under the equity method of accounting. Under the equity method of accounting, the Company records its proportionate share of the entity's net income or loss at each reporting period in the Condensed Consolidated Statement of Operations in miscellaneous income, net, with a corresponding entry to increase or decrease the carrying value of the investment.

New Accounting Pronouncements

On May 28, 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date ("ASU 2015-14"). In March 2016, the FASB issued ASU 2016-08 Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("ASU 2016-08"). In April 2016, the FASB issued ASU 2016-10 Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing ("ASU 2016-10"). In May 2016, the FASB issued Update 2016-11 -Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting (SEC Update). In May 2016, the FASB issued ASU 2016-12 Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients ("ASU 2016-12"). The guidance and amendments in these updates address certain contract revenue recognition practices including clarification for identifying performance obligations in contracts with customers and the recognition of revenue for contracts. These updates are effective for annual reporting periods beginning after December 15, 2018 (December 15, 2017 for public entities) and interim periods within those annual periods. Early adoption is permitted. The Company has not yet selected a transition method and is still evaluating the effect of the standard on its ongoing financial reporting.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"). ASU 2015-16 requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The new standard is effective for annual reporting periods beginning after December 15, 2017 (December 15, 2016 for public entities) and interim periods within those annual periods. Early adoption is permitted. The Company adopted ASU 2015-16 during the period from July 26, 2016 to September 30, 2016.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). The standard requires companies to classify all deferred tax assets and liabilities as noncurrent in a classified statement of financial position. The new standard is effective for annual periods beginning after December 15, 2017 (December 15, 2016 for public entities) and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted and the Company adopted ASU 2015-17 during the period from July 26, 2016 to September 30, 2016.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). The amendments in this update address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for annual periods beginning after December 15, 2018 (December 15, 2017 for public entities) and interim periods within those annual periods. Early adoption is not permitted. The Company is currently evaluating the impact this guidance will have on financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), Amendments to the FASB Accounting Standards Codification ("ASU 2016-02"). ASU 2016-02 is a comprehensive new leases standard that amends various aspects of existing guidance for leases and requires additional disclosures about leasing arrangements. It will require lessees to recognize lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. Topic 842 retains a distinction between finance leases and operating leases. It is effective for annual periods beginning after December 15, 2019 (December 15, 2018 for public entities) and interim periods within those annual periods. Early adoption is permitted. In the financial statements in which the ASU is first applied, leases shall be measured and recognized at the beginning of the earliest comparative period presented with an adjustment to equity. Practical expedients are available for election as a package and if applied consistently to all leases. The Company is currently evaluating the impact this guidance will have on financial statements and disclosures.

In March 2016, the FASB issued ASU 2016-09 Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). The areas for simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2017 (December 15, 2016 for public entities), and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact this guidance will have on financial statements and disclosures.

In August 2016, the FASB issued ASU 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force) (“ASU 2016-15”). The amendments in this Update provide guidance on the presentation of certain issues in the statement of cash flows. ASU 2016-15 is effective for annual reporting periods beginning after December 15, 2018 (December 15, 2017 for public entities), and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company has not yet selected a transition method and is still evaluating the effect of the standard on its ongoing financial reporting.

In October 2016, the FASB issued ASU 2016-16 Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory (“ASU 2016-16”). The amendments in this Update address the income tax accounting of intra-entity transfers. ASU 2016-16 is effective for annual reporting periods beginning after December 15, 2018 (December 15, 2017 for public entities), and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted in the first interim period of a fiscal year. The Company is currently evaluating the impact this guidance will have on financial statements and disclosures and does not expect a material impact.

(3) Acquisition

On July 26, 2016, a consortium of former Alpha Natural Resources, Inc. creditors acquired Company common stock in exchange for a partial release of their creditor claims pursuant to the Alpha bankruptcy settlement. Alpha was a coal producer with operations in Central Appalachia, Northern Appalachia, and the Powder River Basin. The Company acquired certain core coal assets of Alpha, which are located primarily in Pennsylvania, Virginia, West Virginia, and Wyoming.

The fair value of the credit release consideration was $44,644.

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

(Unaudited, amounts in thousands except share and per share data)

Cash and cash equivalents	$ 51,000
Trade accounts receivable, net	68,355
Inventories, net	43,635
Prepaid expenses and other current assets	14,630
Property, plant, and equipment, net	363,172
Other acquired intangibles, net	150,060
Long-term restricted cash	92,800
Long-term deposits	1,851
Other non-current assets	5,018
Total assets	$ 790,521
Current portion of long-term debt	$ 1,112
Acquisition-related obligations - current [1]	42,235
Trade accounts payable	41,439
Accrued expenses and other current liabilities	44,304
Long-term debt	301,864
Acquisition-related obligations - long-term [1]	57,276
Asset retirement obligations	196,487
Other non-current liabilities	61,160
Total liabilities	745,877
Net tangible and intangible assets acquired	$ 44,644

[1] See Note 10.

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 under acquisition accounting primarily in the areas of mineral reserves, property, plant and equipment, net, income taxes, other current liabilities, other non-current liabilities, acquired intangibles, acquisition-related obligations, and other contingencies. During the measurement period, the Company expects to receive additional detailed information to refine the provisional allocation presented above.

The provisional amounts reported above include the impacts of an anticipated settlement agreement among the Company, Old ANR, LLC (formerly known as Alpha Natural Resources, Inc.) and ANR, Inc., the successor in bankruptcy to Alpha, related to the Alpha bankruptcy process. The agreement was executed by all parties on November 3, 2016 and will become effective upon the approval of a final order from the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court").

The acquisition occurred on July 26, 2016, which was therefore the beginning of the Company's annual reporting period. Therefore, supplemental pro forma information is not presented.

(4) Earnings (Loss) 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 periods. 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 each 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. In periods of net loss, the number of shares used to calculate diluted earnings per share is the same as basic earnings per share.

(5) Inventories, net

Inventories, net consisted of the following:

CONTURA ENERGY, INC. AND SUBSIDIARIES
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	September 30, 2016
Raw coal	$ 4,017
Saleable coal	32,287
Materials, supplies and other, net	13,416
Total inventories, net	$ 49,720

(6) Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	September 30, 2016
Prepaid insurance	$ 2,770
Maintenance and repairs contract	5,414
Deferred longwall move expenses	2,400
Prepaid property tax	5,394
Prepaid freight	4,636
Other prepaid expenses	3,912
Total prepaid expenses and other current assets	$ 24,526

(7) Property, Plant, and Equipment, Net

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

	September 30, 2016
Plant and mining equipment	$ 165,463
Owned and leased mineral rights [1]	153,366
Mine development	2,646
Land	23,920
Office equipment, software and other	979
Construction in progress	30,768
Total property, plant, and equipment	377,142
Less accumulated depreciation, depletion and amortization	22,223
Total property, plant, and equipment, net	$ 354,919

[1] Amount relates to capitalized asset retirement obligation costs associated with active mining operations.

Included in plant and mining equipment are assets under capital leases totaling $791 with accumulated depreciation of $44 as of September 30, 2016.

Depreciation, depletion and amortization expense associated with property, plant and equipment, net was $22,230 for the period from July 26, 2016 to September 30, 2016.

(8) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

(Unaudited, amounts in thousands except share and per share data)

	September 30, 2016
Wages and benefits	$ 21,614
Current portion of asset retirement obligations	7,059
Taxes other than income taxes	12,224
Interest payable	5,468
Deferred revenue	2,082
Maintenance and repairs contract liability	10,237
Freight accrual	2,835
Other	15,789
Total accrued expenses and other current liabilities	$ 77,308

(9) Long-Term Debt

Long-term debt consisted of the following:

	September 30, 2016
Term Facility	$ —
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	4,832
Debt discount and issuance costs	(14,845)
Total long-term debt	303,987
Less current portion	(1,356)
Long-term debt, net of current portion	$ 302,631

Asset-Based Term Loan Credit Agreement

On July 26, 2016, the Company entered into an Asset-Based Term Loan Credit Agreement (“ABL Facility”) with Credit Suisse Loan Funding LLC, as lender, Wilmington Trust, National Association, as administrative agent and collateral agent, and Citigroup Global Markets Inc., as sole lead arranger. Under the ABL Facility, the lender provides commitments to the Company for (i) the term loan credit facility (“Term Facility”) in an aggregate principal amount of $42,500, (ii) a cash collateralized letter of credit facility (“LC Facility”), which provides for the issuance of letters of credit secured by 105% cash collateral, and (iii) the Closing Tranche Term Loan, in each case, on the terms and subject to the conditions set forth therein. These commitments by the lender are secured by certain eligible accounts receivable and eligible inventory.

The Term Facility is available commencing on the fifteenth day following July 26, 2016 until on the earlier to occur of (a) the date that is six months after the effective date and (b) the date on which the commitments are terminated. The Company may draw on the Term Facility during the availability period no more than three times, up to an aggregate principal amount of $42,500. Any loans under the Term Facility will bear an interest rate of LIBOR plus a margin of 5% (subject to a LIBOR floor of 1%) and mature on July 26, 2020. The LC Facility is available at any time and from time to time commencing on the effective date until five days prior to the LC termination date. The Closing Tranche Term Loan has an aggregate principal amount of $8,500, bears an interest rate of LIBOR plus a margin of 5% (subject to a LIBOR floor of 1%), and has a maturity of January 26, 2018. As of September 30, 2016, the interest rate of the Closing Tranche Term Loan was 6%.

As of September 30, 2016, the carrying value of the Closing Tranche Term Loan was $8,419, net of debt issuance costs of $81, all of which is classified as long-term debt in the Condensed Consolidated Balance Sheet. As of September 30, 2016, the Company had not drawn on the Term Facility and did not have any letters of credit outstanding under the LC Facility.

(Unaudited, amounts in thousands except share and per share data)

On October 7, 2016, we borrowed $41,845 under the Term Facility of the ABL Facility and on October 11, 2016, we borrowed the remaining $655 of capacity under the Term ABL Facility. These loans carry an interest rate of LIBOR plus 500 basis points, with a LIBOR floor of 100 basis points, and have a maturity date of July 26, 2020.

GUC Distribution Note

On July 26, 2016, the Company entered into a $5,500 promissory note ("GUC Distribution Note") agreement with U.S. Bank National Association, as nominee and agent for the benefit of the holders of Allowed Category I General Unsecured Claims pursuant to the Alpha bankruptcy restructuring. The GUC Distribution Note bears no interest and has a maturity date of January 26, 2018. As of September 30, 2016, the carrying value of the GUC Distribution Note was $4,348, net of debt discount of $1,152, all of which is classified as long-term debt in the Condensed Consolidated Balance Sheet.

10% Senior Secured First Lien Notes

On July 26, 2016, the Company and Wilmington Trust, National Association, as trustee and collateral agent, entered into an indenture governing the Company's issuance of the 10.00% Senior Secured First Lien Notes ("Senior Secured First Lien Notes"), initially in an aggregate principal amount of $300,000.

Unless earlier paid or deemed paid, the Senior Secured First Lien Notes will mature on August 1, 2021 (the "Maturity Date"), and, on the Maturity Date, the Company will pay each holder of notes $1 in cash for each $1 principal amount of the Senior Secured First Lien Notes held, together with accrued and unpaid interest to, but not including, the Maturity Date. The Senior Secured First Lien Notes will accrue interest at a rate equal to 10% per annum from the most recent date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, the issue date, until the date the principal amount of such Senior Secured First Lien Notes is paid or deemed paid. Interest will be payable semi-annually in arrears on February 1 and August 1 of each year, beginning February 1, 2017, to the registered holder of each such Senior Secured First Lien Note as of the close of business on January 15 and July 15, as the case may be, immediately preceding the applicable interest payment date (each such date, a "Regular Record Date"), regardless of whether such Senior Secured First Lien Note is repurchased or redeemed after such Regular Record Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The Senior Secured First Lien Notes collateral includes a first-priority lien on all assets except for certain excluded assets, as defined in the indenture relating to the Senior Secured First Lien Notes, other than the ABL Facility collateral, and a secondary-priority lien on the ABL Facility collateral.

As of September 30, 2016, the carrying value of the Senior Secured First Lien Notes was $286,388, net of debt discount of $13,612, all of which is classified as long-term debt in the Condensed Consolidated Balance Sheet.

Capital Leases

The Company entered into capital leases for certain property and other equipment during 2016. The Company's liability for capital leases as of September 30, 2016 totaled $809.

Future Maturities

Future maturities of long-term debt as of September 30, 2016 are as follows:

Remainder of 2016	$	280
2017		1,452
2018		16,967
2019		133
2020		—
2021		300,000
Total long-term debt	$	318,832

(10) Acquisition-Related Obligations

Acquisition-related obligations consisted of the following:

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	September 30, 2016
Contingent Credit Support Commitment	$ 21,954
Retiree Committee VEBA Funding Settlement Liability	10,000
UMWA Funds Settlement Liability	7,500
UMWA VEBA Funding Settlement Liability	18,600
UMWA Contingent VEBA Funding Note 1	8,750
UMWA Contingent VEBA Funding Note 2	8,750
Environmental Groups Settlement Guarantee	446
Reclamation Funding Liability	42,000
Contingent Reclamation Funding Liability	46,882
Discount	(62,736)
Total acquisition-related obligations - long-term	102,146
Less current portion	(52,794)
Acquisition-related obligations, net of current portion	$ 49,352

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 (“Effective Date”), the effective date of Alpha’s plan of reorganization.

Contingent Credit Support Commitment

The Contingent Credit Support Commitment (“Contingent Commitment”) is an unsecured obligation to ANR that requires the Company to provide ANR with revolving credit support in an aggregate total amount of $35,000 from the Effective Date through September 30, 2018. ANR is entitled to draw against the Contingent Commitment if, and only if, the amount of cash and cash equivalents on ANR’s balance sheet falls below $20,000 at any time prior to September 30, 2018 (the amount of any such shortfall, the “Shortfall”), in which case, ANR is entitled to draw against the Contingent Commitment an amount equal to the lesser of the Shortfall and the then-remaining undrawn amount of the Contingent Commitment. ANR is able to draw upon and repay the Contingent Commitment as necessary through September 30, 2018. The Company must fund a draw on the Contingent Commitment within 10 business days of notice from Alpha. ANR will be required to repay the funds drawn against the Contingent Commitment (i) prior to September 30, 2018 to the extent the amount of cash and cash equivalents on ANR’s balance sheet is greater than $20,000 as of the end of any calendar quarter ending on or before September 30, 2018 (exclusive of the amount outstanding from the Contingent Commitment) or (ii) if any amounts are outstanding under the Contingent Commitment after September 30, 2018, to the extent the amount of cash and cash equivalents on ANR’s balance sheet at the end of any calendar quarter is greater than $30,000 (exclusive of the amount outstanding from the Contingent Commitment), within 10 business days following the closing of its books for the relevant calendar quarter. Notwithstanding the above, all outstanding balances under the Contingent Commitment must be repaid by September 30, 2019.

As of September 30, 2016, ANR had not drawn against the Contingent Commitment. As of September 30, 2016, the carrying value of the Contingent Commitment was $21,954, all of which is classified as a loan commitment within acquisition-related obligations - current in the Condensed Consolidated Balance Sheet. The Company is electing to use the fair value option to measure this liability at each reporting period.

Retiree Committee VEBA Funding Settlement

The Retiree Committee Settlement Agreement requires the Company to provide funding to the voluntary employees’ beneficiary association fund (“VEBA”) established by the retiree committee, which represented the interests of certain non-union Alpha retirees during the Alpha bankruptcy case, in an aggregate nominal amount of $13,000 (the “Retiree Committee VEBA Funding Settlement Liability") for the benefit of the VEBA beneficiaries pursuant to the following schedule: (a) $3,000 within 10 business days after the later of the Effective Date or Alpha Natural Resources, Inc. and such subsidiaries (“Debtors”) receipt of written notice; (b) $3,000 on January 1, 2017; (c) $3,500 on January 1, 2018; (d) $2,500 on January 1, 2019; and (e) $1,000 on January 1, 2020. The initial $3,000 installment was paid as part of the Alpha bankruptcy settlement process and is therefore not reflected in the cash flows of the Company for the period from July 26, 2016 to September 30, 2016.

As of September 30, 2016, the carrying value of the Retiree Committee VEBA Funding Settlement liability is $7,899, net of discount of $2,101, and was classified as acquisition-related obligations, with $3,000 classified as current in the Condensed Consolidated Balance Sheet.

UMWA Funds Settlement

The United Mine Workers of America ("UMWA") Funds Settlement ("UMWA Funds Settlement") provides for the Coal Act Funds, the 1974 Pension Plan, the 1993 Benefit Plan, the CDSP and the Account Plan (collectively, the "UMWA Funds") to receive an initial distribution of $2,500 in cash (to be allocated among the UMWA Funds by the UMWA Funds in their discretion) on the Effective Date. The Company is required to make periodic cash payments (to be allocated among the UMWA Funds by the UMWA Funds in their discretion) on the dates and in the amounts listed: December 31, 2017: $500; December 31, 2018: $1,000; December 31, 2019: $2,000; December 31, 2020: $2,000; December 31, 2021: $2,000. The initial distribution of $2,500 was paid as part of the Alpha bankruptcy settlement process and is not reflected in the cash flows of the Company for the period from July 26, 2016 to September 30, 2016.

As of September 30, 2016, the carrying value of the UMWA Funding Settlement liability was $3,867, net of discount of $3,633, all of which was classified as acquisition-related obligations - long-term in the Condensed Consolidated Balance Sheet.

UMWA VEBA Funding and Notes Settlements

UMWA VEBA Funding

Pursuant to the UMWA VEBA Funding Settlement agreement entered into on July 5, 2016, the Company was required to contribute $10,000 to a voluntary employees' beneficiary association fund (the "VEBA trust") on or before the Effective Date. Beginning on November 1, 2016 and again on the first of each month through April 1, 2017, the Company is required to deposit $3,000 into the VEBA trust (total of $18,000 in six monthly payments). On or before November 15, 2016, and February 15, 2017 the Company is required to deposit $300 into the VEBA trust (total of $600 in two payments). The initial $10,000 contribution was paid as part of the Alpha bankruptcy settlement process and is not reflected in the cash flows of the Company for the period from July 26, 2016 to September 30, 2016.

As of September 30, 2016, the carrying value of the UMWA VEBA Funding Settlement liability is $17,686, net of discount of $914, all of which was classified as acquisition-related obligations - current in the Condensed Consolidated Balance Sheet.

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 has not been enacted or if monies under the legislation have not become available for the benefits before August 1, 2017, on August 1, 2017, the Company is required to issue to the VEBA a 7-year 5% unsecured note ("UMWA Contingent VEBA Funding Note 1") with a face value of $8,750. The note will have a maturity of 7 years and will be subordinate to the Company's Senior Secured First Lien Notes.

As of September 30, 2016, the carrying value of the UMWA Contingent VEBA Funding Note 1 was $4,158, net of discount of $4,592, all of which was classified as acquisition-related obligations - long-term in the Condensed Consolidated Balance Sheet.

If federal legislation providing retirement benefits to the UMWA Retirees has not been enacted or if moneys under the legislation have not become available for the benefits before December 1, 2017, on December 1, 2017, the Company is also required to issue to the VEBA a 7-year 5% unsecured note ("UMWA Contingent VEBA Funding Note 2") with a face value of $8,750. The note will have a maturity of 7 years and will be subordinate to the Company's Senior Secured First Lien Notes.

As of September 30, 2016, the carrying value of the UMWA Contingent VEBA Funding Note 2 was $4,128, net of discount of $4,622, all of which was classified as acquisition-related obligations - long-term in the Condensed Consolidated Balance Sheet.

Environmental Groups Settlement Guarantee

(Unaudited, amounts in thousands except share and per share data)

Pursuant to the Environmental Groups Settlement Agreement dated June 24, 2016 as part of the Alpha bankruptcy restructuring, the Company has agreed to guarantee Alpha's obligations to make payments of $1,600 on each of March 31, 2017 and March 31, 2018 ("the Environmental Groups Settlement Guarantee"), but otherwise has no obligations under the Environmental Groups Settlement Agreement.

As of September 30, 2016, the carrying value of the Environmental Groups Settlement Guarantee was $446, with $154 classified as current, all of which was classified as acquisition-related obligations in the Condensed Consolidated Balance Sheet.

Reclamation Funding Agreement

Pursuant to the Reclamation Funding Agreement dated July 12, 2016, separate interest bearing segregated deposit accounts ("Restricted Cash Reclamation Accounts") were established for certain applicable federal and state environmental regulatory authorities to provide certain funding for the reclamation, mitigation and water treatment, and certain management work to be done at reclaim-only sites related to certain obligations under the various permits associated with ANR's retained assets.

Funding of Restricted Cash Reclamation

Pursuant to the Reclamation Funding Agreement, the Company must pay the aggregate amount of $50,000 into the various Restricted Cash Reclamation Accounts as follows: $8,000 immediately upon the Effective Date; $10,000 on the anniversary of the Effective Date in each of 2017, 2018, and 2019; and $12,000 on the anniversary of the Effective Date in 2020. The initial $8,000 payment was paid as part of the Alpha bankruptcy settlement process and is not reflected in the cash flows of the Company for the period from July 26, 2016 to September 30, 2016.

As of September 30, 2016, the carrying value of the Funding of Restricted Cash Reclamation liability is $27,906, net of discount of $14,094, with $10,000 classified as current, all of which was classified as acquisition-related obligations in the Condensed Consolidated Balance Sheet.

Contingent Funding of Restricted Cash Reclamation

Pursuant to the Reclamation Funding Agreement, under certain circumstances, the Company will be required to pay up to an aggregate amount of $50,000 into various Restricted Cash Reclamation Accounts from 2021 through 2025 as follows: (1) if ANR does not contribute $50,000 of free cash flow, as defined in the agreement, into the Restricted Cash Reclamation Accounts through December 31, 2020; and (2) if ANR makes any reorganized ANR contingent revenue payment, as defined in the agreement, that reduces the amount of free cash flow that ANR otherwise would have contributed to the Restricted Cash Reclamation Accounts, then the Company will be obligated to pay the amount of the difference between (a) the amount of free cash flow that ANR would have contributed to the Restricted Cash Reclamation Accounts had it not made such reorganized ANR contingent revenue payment and (b) the amount of free cash flow actually contributed.

As of September 30, 2016, the carrying value of the Contingent Funding of Restricted Cash Reclamation liability was $14,102, net of discount of $32,780, all of which was classified as acquisition-related obligations - long-term in the Condensed Consolidated Balance Sheet.

(11) Asset Retirement Obligations

The following table summarizes the changes in asset retirement obligations for the period from July 26, 2016 to September 30, 2016:

Total asset retirement obligations at July 26, 2016	$	204,326
Accretion for the period		4,569
Expenditures for the period		(214)
Total asset retirement obligations at September 30, 2016	$	208,681
Less current portion		(7,059)
Long-term portion	$	201,622

(Unaudited, amounts in thousands except share and per share data)

(12) Other Non-Current Liabilities

Other non-current liabilities consisted of the following:

	September 30, 2016
Workers' compensation obligations	$ 11,325
Black lung obligations	19,983
Warrants [1]	23,098
Life insurance benefits	14,682
Taxes other than income taxes	7,058
Other	10,141
Total other non-current liabilities	$ 86,287

[1] See Note 14.

(13) 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, trade accounts payable, long-term restricted cash, long-term deposits, and accrued expenses and other current liabilities approximate fair value due to the short maturity of these instruments.

The following table sets forth by level, within the fair value hierarchy, the Company's long-term debt at fair value as of September 30, 2016:

	September 30, 2016				
	Carrying Amount	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
10% Senior Secured First Lien Notes - due August 2021 [1]	$ 286,388	$ 310,500	$ 310,500	$ —	$ —

[1] Net of debt discount of $13,612 as of September 30, 2016.

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 September 30, 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.

	September 30, 2016			
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Warrants	$ 23,098	$ —	$ —	$ 23,098

For the period from July 26, 2016 to September 30, 2016, the Company fair valued assets and liabilities on a non-recurring basis in connection with acquisition accounting (see Note 3).

(Unaudited, amounts in thousands except share and per share data)

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

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

Level 3 Fair Value Measurements

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.

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.

The Company determined that it was not practicable to estimate the fair value of the financial instruments that are measured at amortized cost on the balance sheet with the exception of those provided herein that have a quoted market price available.

(14) 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. The warrants are classified as a derivative liability and are initially and subsequently marked to market with changes in value reflected in earnings.

The following table presents the fair values and location of the Company's derivative instruments within the Condensed Consolidated Balance Sheet:

Derivatives not designated as cash flow hedging instruments	Statement of Financial Position Location	Liability Derivatives September 30, 2016
Warrants	Other non-current liabilities	$ 23,098

The following table presents the loss from derivative instruments for the period from July 26, 2016 to September 30, 2016, and its location within the Condensed Consolidated Financial Statements:

Derivatives not designated as cash flow hedging instruments	Loss recorded in earnings Period from July 26, 2016 to September 30, 2016
Warrants (1)	$ (21,932)

(1) Amount is recorded as a component of non-operating expense in the Condensed Consolidated Statement of Operations.

(15) Income Taxes

For the period from July 26, 2016 to September 30, 2016, the Company recorded an income tax expense of $1 on a loss before income taxes of $51,175. The income tax expense relates to foreign income taxes and differs from the expected statutory amount primarily due to an increase in the valuation allowance and the impact of the non-deductible mark-to-market adjustment for the warrant derivative liability, partially offset by the impact of the percentage depletion allowance.

(Unaudited, amounts in thousands except share and per share data)

The Company acquired the core assets of Alpha in a tax-free reorganization as part of the Alpha bankruptcy restructuring. As a result of the tax-free reorganization, the Company inherited the tax basis of the core assets and the net operating loss and other carryforwards of Alpha. On December 31, 2016, the net operating loss carryforwards, other carryforwards, and tax basis will be subject to reduction under Internal Revenue Code Section 108 due to the cancellation of indebtedness resulting from the Alpha bankruptcy restructuring. Due to the change in ownership, the net operating loss and other carryforwards will be subjected to limitations on their use in future years.

As of September 30, 2016, the Company has recorded a full valuation allowance against its net deferred tax assets. Due to our formation through acquisition of certain core coal assets as part of the Alpha bankruptcy restructuring, the Company does not have a history of operating results. Additionally, ownership change limitations will limit the ability of the Company to utilize its net operating loss and other carryforwards in future years.

(16) Black Lung Benefits

The Company sponsors or participates in several benefit plans for its employees, including providing black lung benefits.

Components of Net Periodic Costs of Black Lung

The components of net periodic benefit cost are as follows:

	Period from July 26, 2016 to September 30, 2016
Service cost	$ 153
Interest cost	120
Net periodic benefit cost	$ 273

(17) Stock-Based Compensation Awards

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 September 30, 2016, 572,474 shares of common stock were available for grant under the Plan.

On July 26, 2016, the Company granted certain of its officers and key employees 309,310 shares of common stock, 145,648 stock options with an exercise price of $2.50 per share, and 145,648 stock options with an exercise price equal to the 30-day volume-weighted average price for the period beginning July 27, 2016 and ending thirty days thereafter, but in any case not less than $2.50 per share and not more than $5.00 per share. The units granted to the officers and key employees were fully vested on the grant date.

Additionally, the Company granted 14,061 time-based restricted stock units to its non-employee directors.

These time-based units 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.

Stock-based compensation expense totaled $1,941 for the period from July 26, 2016 to September 30, 2016. For the period from July 26, 2016 to September 30, 2016, approximately 93% of stock-based compensation expense was reported as selling, general and administrative expenses and the remainder 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’ minimum statutory tax withholdings upon the vesting of stock grants. Shares that are repurchased to satisfy the employees’ minimum statutory tax withholdings are recorded in treasury stock at cost. The Company did not repurchase any common shares from employees during the period from July 26, 2016 to September 30, 2016.

(18) Related Party Transactions

For the period from July 26, 2016 to September 30, 2016, there were no material related party transactions.

(19) 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 Condensed Consolidated 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. The Company also has obligations under certain coal transportation agreements that contain minimum quantities to be shipped during specific periods.

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 Condensed Consolidated Balance Sheet. As of September 30, 2016, the Company had outstanding surety bonds with a total face amount of $302,516 to secure various obligations and commitments.

(d) Legal Proceedings

On November 16, 2016, the West Virginia Department of Environmental Protection (DEP) filed a complaint with the Bankruptcy Court (Adversary Case 16-03334) against Alpha Natural Resources, Inc., Contura Energy, Inc., Citicorp North America, Inc. and certain former members of Alpha management who are now affiliated with the Company. The complaint made, among other claims, allegations regarding the accuracy of financial projections prepared in connection with the confirmation of Alpha's plan of reorganization in July 2016.

On November 28, 2016, the parties reached a settlement pursuant to which the Company will provide financial guarantees, for the benefit of the DEP, in connection with ANR's performance of certain of its environmental obligations through 2018. The Company would provide a letter of credit of $4,000, or similar instrument, in support of ANR's payment obligations under the Permitting and Reclamation Plan Settlement Agreement for the State of West Virginia, dated as of July 12, 2016 by and among ANR, Contura and DEP and the Reclamation Funding Agreement, dated as of July 12, 2016, by and among ANR, Contura the relevant agencies of the states of Illinois, Kentucky, Virginia and West Virginia and the United States government. Until the letter of credit or similar instrument is in place, the Company would cause $4,000 in cash to be kept in escrow. The Company would also provide a secured guaranty for ANR's payment obligations under the two agreements described above in an amount not to exceed $4,500, with security for this guaranty in place on or before March 31, 2017.

The settlement is contingent upon the dismissal of the DEP complaint with prejudice and is subject to the approval of the Bankruptcy Court.

Other Legal Proceedings

The Company could also become party to other 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.

(20) Concentration of Credit Risk and Major Customers

The Company markets its coal principally to electric utilities in the United States and international and domestic steel producers. Credit is extended based on an evaluation of the customer’s financial condition and collateral is generally not required. Credit losses are provided for in the Condensed Consolidated Financial Statements and were minimal for the period from July 26, 2016 to September 30, 2016. For the period from July 26, 2016 to September 30, 2016, the Company’s ten largest customers accounted for approximately 50% of total revenues. Sales to the Company’s largest customer accounted for approximately 8% of total revenues for the period from July 26, 2016 to September 30, 2016. Steam coal and metallurgical coal accounted for approximately 85% and 15%, respectively, of the Company’s coal sales volume during the period from July 26, 2016 to September 30, 2016. Additionally, one of the Company’s customers had an outstanding balance in excess of 10% of the total accounts receivable balance as of September 30, 2016.

(21) Segment Information

The Company extracts, processes and markets steam and metallurgical 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: Central Appalachia Operations (“CAPP”), Northern Appalachia Operations (“NAPP”), Powder River Basin Operations (“PRB”) and Trading and Logistics. Central Appalachia Operations consist 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. Northern Appalachia Operations consist of one active mine in Pennsylvania and one preparation plant, as well as expenses associated with one closed mine. Powder River Basin Operations consists of two active mines in Wyoming. The Trading and Logistics segment primarily engages in coal brokerage 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 following table presents a reconciliation of adjusted EBITDA to net income (loss) by segment for the period from July 26, 2016 to September 30, 2016:

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, amounts in thousands except share and per share data)

	Period from July 26, 2016 to September 30, 2016					
	CAPP	NAPP	PRB	Trading and Logistics	All Other	Consolidated
Adjusted EBITDA	$ 5,154	$ 2,663	$ 21,201	$ 5,800	$ (9,181)	$ 25,637
Interest expense	(35)	(68)	(112)	—	(8,875)	(9,090)
Interest income	—	—	—	—	2	2
Income tax expense	—	—	—	—	(1)	(1)
Depreciation, depletion and amortization	(3,540)	(2,537)	(16,015)	—	(138)	(22,230)
Change in fair value of warrants	—	—	—	—	(21,932)	(21,932)
Amortization of acquired intangibles, net	—	—	—	(23,562)	—	(23,562)
Net income (loss)	$ 1,579	$ 58	$ 5,074	$ (17,762)	$ (40,125)	$ (51,176)

	CAPP	NAPP	PRB	Trading and Logistics	All Other	Consolidated
Total revenues	$ 38,069	$ 42,808	$ 80,942	$ 83,490	$ 104	$ 245,413
Depreciation, depletion and amortization	$ 3,540	$ 2,537	$ 16,015	$ —	$ 138	$ 22,230
Amortization of acquired intangibles, net	$ —	$ —	$ —	$ 23,562	$ —	$ 23,562
Adjusted EBITDA	$ 5,154	$ 2,663	$ 21,201	$ 5,800	$ (9,181)	$ 25,637
Capital expenditures	$ 1,001	$ 7,485	$ 3,793	$ —	$ 547	$ 12,826

The Company markets produced, processed, and purchased coal to customers in the United States and in international markets, primarily India, Italy, Mexico, and Brazil. Export revenues, including freight and handling revenues, totaled $111,156, or approximately 45%, of total revenues for the period from July 26, 2016 to September 30, 2016.

(22) Subsequent Events

The Company's subsequent events have been evaluated through November 29, 2016, the date the Condensed Consolidated Financial Statements for the period from July 26, 2016 to September 30, 2016 were published.

On October 7, 2016, the Company borrowed $41,845 under the Term Facility of the ABL Facility and on October 11, 2016, the Company borrowed the remaining $655 of capacity under the Term Facility of the ABL Facility. These loans carry an interest rate of LIBOR plus 500 basis points, with a LIBOR floor of 100 basis points, and have a maturity date of July 26, 2020.

The Company entered into a settlement agreement with ANR, Inc., and Old ANR, LLC related to matters associated with the Alpha bankruptcy process. The agreement was executed by all parties on November 3, 2016 and will become effective upon the approval of a final order from the United States Bankruptcy Court.

On November 16, 2016, the West Virginia Department of Environmental Protection (DEP) filed a complaint with the Bankruptcy Court (Adversary Case 16-03334) against Alpha Natural Resources, Inc., Contura Energy, Inc., Citicorp North America, Inc. and certain former members of Alpha management who are now affiliated with the Company. The complaint made, among other claims, allegations regarding the accuracy of financial projections prepared in connection with the confirmation of Alpha's plan of reorganization in July 2016.

On November 28, 2016, the parties reached a settlement pursuant to which the Company will provide financial guarantees, for the benefit of the DEP, in connection with ANR's performance of certain of its environmental obligations through 2018. The Company would provide a letter of credit of $4,000, or similar instrument, in support of ANR's payment obligations under the Permitting and Reclamation Plan Settlement Agreement for the State of West Virginia, dated as of July 12, 2016 by and among ANR, Contura and DEP and the Reclamation Funding Agreement, dated as of July 12, 2016, by and among ANR, Contura the relevant agencies of the states of Illinois, Kentucky, Virginia and West Virginia and the United States government. Until the letter of credit or similar instrument is in place, the Company would cause $4,000 in cash to be kept in escrow. The Company would also provide a secured guaranty for ANR's payment obligations under the two agreements described above in an amount not to exceed $4,500, with security for this guaranty in place on or before March 31, 2017.

The settlement is contingent upon the dismissal of the DEP complaint with prejudice and is subject to the approval of the Bankruptcy Court.

GLOSSARY OF SELECTED TERMS

Ash. Impurities consisting of iron, alumina and other incombustible matter that are contained in coal. Since ash increases the weight of coal, it adds to the cost of handling and can affect the burning characteristics of coal.

Assigned reserves. Coal that is planned to be mined at an operation that is currently operating, currently idled, or for which permits have been submitted and plans are eventually to develop the operation.

British thermal unit, or Btu. A measure of the thermal energy required to raise the temperature of one pound of pure liquid water one degree Fahrenheit at the temperature at which water has its greatest density (39 degrees Fahrenheit).

Central Appalachia. Coal producing area in eastern Kentucky, Virginia, southern West Virginia and a portion of eastern Tennessee.

Coal seam. Coal deposits occur in layers. Each layer is called a "seam."

Coal slurry impoundment. Coal slurry consists of solid and liquid waste and is a by-product of the coal mining and preparation processes. It is a fine coal refuse and water mixture. Impoundment is for the storage of liquid and primarily noncombustible solids that are by-products of coal cleaning.

Coke. A hard, dry carbon substance produced by heating coal to a very high temperature in the absence of air. Coke is used in the manufacture of iron and steel. Its production results in a number of useful byproducts.

Fossil fuel. Fuel such as coal, petroleum or natural gas formed from the fossil remains of organic material.

High Btu coal. Coal which has an average heat content of 12,500 Btus per pound or greater.

Illinois Basin. Coal producing area in Illinois, Indiana and western Kentucky.

Longwall mining. The most productive underground mining method in the United States. A rotating drum is trammed mechanically across the face of coal, and a hydraulic system supports the roof of the mine while the drum advances through the coal. Chain conveyors then move the loosened coal to a standard underground mine conveyor system for delivery to the surface.

Low sulfur coal. Coal which, when burned, emits 1.6 pounds or less of sulfur dioxide per million Btu.

Metallurgical coal. The various grades of coal suitable for carbonization to make coke for steel manufacture. Also known as "met" coal, its quality depends on four important criteria: volatility, which affects coke yield; the level of impurities including sulfur and ash, which affect coke quality; composition, which affects coke strength; and basic characteristics, which affect coke oven safety. Met coal typically has a particularly high Btu but low ash and sulfur content.

Nitrogen oxide (NOx). A gas formed in high temperature environments such as coal combustion.

Northern Appalachia. Coal producing area in Maryland, Ohio, Pennsylvania and northern West Virginia.

Overburden. Layers of earth and rock covering a coal seam. In surface mining operations, overburden is removed prior to coal extraction.

Powder River Basin. Coal producing area in northeastern Wyoming and southeastern Montana. This is the largest known source of coal reserves and the largest producing region in the United States.

Preparation plant. A preparation plant is a facility for crushing, sizing and washing coal to remove impurities and prepare it for use by a particular customer. The washing process has the added benefit of removing some of the coal's sulfur content. A preparation plant is usually located on a mine site, although one plant may serve several mines.

Probable reserves. Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

Proven reserves. Reserves for which quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

Reclamation. The process of restoring land and the environment to their original state following mining activities. The process commonly includes "recontouring" or reshaping the land to its approximate original appearance, restoring topsoil and planting native grass and ground covers. Reclamation operations are usually underway before the mining of a particular site is completed. Reclamation is closely regulated by both state and federal law.

Reserve. That part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination.

Steam coal. Coal used by power plants and industrial steam boilers to produce electricity, steam or both. It generally is lower in Btu heat content and higher in volatile matter than metallurgical coal.

Sulfur. One of the elements present in varying quantities in coal that contributes to environmental degradation when coal is burned. Sulfur dioxide is produced as a gaseous by-product of coal combustion.

Surface mine. A mine in which the coal lies near the surface and can be extracted by removing the covering layer of soil (see "Overburden").

Tons. A "short" or net ton is equal to 2,000 pounds. A "long" or British ton is equal to 2,240 pounds; a "metric" tonne is approximately 2,205 pounds. The short ton is the unit of measure referred to in this document unless otherwise specified.

Unassigned reserves. Coal that is likely to be mined in the future, but which is not considered *Assigned reserves.*

Underground mine. Also known as a "deep" mine. Usually located several hundred feet below the earth's surface, an underground mine's coal is removed mechanically and transferred by shuttle car and conveyor to the surface.

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

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 privately-held, regionally diverse United States coal producer with operations in Central Appalachia, Northern Appalachia, and the Powder River Basin with an active coal brokerage platform. As of September 30, 2016, we operate 13 mines and 4 coal preparation and load-out facilities, with approximately 2,200 employees. Our affiliated companies produce, process, and sell thermal coal, also known as "steam" coal, and metallurgical 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 brokerage operations.

The Company was formed to acquire and operate certain of Alpha Natural Resources, Inc.'s ("Alpha") core coal operations, as part of the Alpha bankruptcy restructuring. We began operations on July 26, 2016, with mining complexes in Northern Appalachia (including the 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). We also acquired Alpha's interest in the Dominion Terminal Associates coal export terminal in eastern Virginia. See Note 3 to the Condensed Consolidated Financial Statements included elsewhere in this report for disclosures related to the acquisition.

For the period from July 26, 2016 to September 30, 2016, sales of steam coal were 8.3 million tons and accounted for approximately 85% of our coal sales volume and sales of metallurgical coal, which generally sells at a premium over steam coal, were 1.4 million tons and accounted for approximately 15% of our coal sales volume.

Our sales of steam coal for the period from July 26, 2016 to September 30, 2016 were made primarily to large utilities and industrial customers throughout the United States, and our sales of metallurgical coal were made primarily to steel companies in the Northeastern and Midwestern regions of the United States and in several countries in Europe, Asia and South America. For the period from July 26, 2016 to September 30, 2016, approximately 45% of our total revenues were derived from coal sales made to customers outside the United States.

We have four reportable segments, Central Appalachia ("CAPP") Operations, Northern Appalachia ("NAPP") Operations, Powder River Basin ("PRB") Operations, and Trading and Logistics Operations. CAPP consists of nine active mines, including four mines operated by third-party contractors, and two preparation plants in Virginia. CAPP also has 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. The Trading and Logistics segment focuses primarily on coal brokerage and coal terminal facility services. Our All Other category includes general corporate overhead and corporate assets and liabilities.

Coal Pricing Trends, Uncertainties and Outlook

The global coal supply/demand dynamic has been very positive over the past few months, with both the thermal and metallurgical markets experiencing marked price improvements.

Metallurgical Coal

The Australian benchmark metallurgical coal price has increased from $92.50 per metric ton in the third quarter of 2016 to $200 per metric ton in the fourth quarter. Whereas, the spot market for Australian hard coking coal has more than tripled, from approximately $100 per metric ton as of August 1, 2016 to over $300 per metric ton currently. This explosive price move has translated into significant strength in the Atlantic Basin with High Volatile A metallurgical coal price currently quoted at $262 per metric ton, up from $102 at the beginning of August 2016, according to Platts. We believe that a combination of reduced coal production as mandated by the Chinese government, undiminished Chinese steel production, and coal production challenges in Australia due to weather, geology and labor issues are the main drivers of the dramatic surge in metallurgical coal prices. These market trends did not have a significant impact on the results for the period from July 26, 2016 to September 30, 2016; however, we expect they will result in significantly higher realizations for our high quality metallurgical coal in the fourth quarter.

According to the World Steel Association, the global demand for steel is expected to increase by 0.5% in 2017 after a forecasted 0.2% growth in 2016. More importantly for us, the demand in our key customer markets is forecast to grow at 2.9% in 2017 in North America with South and Central America expected to grow at a more robust 4.1%. Given the current trade environment in the U.S. and Europe, we believe the steel trends will continue to favor the Atlantic Basin region, which would bode well for U.S. based coal suppliers, such as Contura.

Thermal Coal

While the price move in the thermal segment has been less robust than in the metallurgical market, it has been a welcome sign after the very difficult price environment experienced over the past few years. The API 2 price has shown strong improvements since August 1, 2016 with nearly a 43% increase from $61.75 to $88.20 per metric ton as of November 15, 2016.

On the domestic thermal front, NAPP prices have increased by approximately 35% from $35.10 since August 1, 2016 to $47.20 per ton as of November 15, 2016, while CAPP prices have strengthened from $42.75 to $62.50 or approximately 46%. PRB has seen a more modest price move over the same period with current price indications in the $11.70 range for the 8800 BTU coal, up approximately 22%. We believe that the domestic thermal demand has stabilized over the past several months and anticipate that the policies of the incoming federal government administration will be more supportive of a broad range of energy sources.

The price of coal is influenced by many factors that vary by region. Such factors include, but are not limited to: (1) coal quality, which includes energy (heat content) sulfur, ash, volatile matter and moisture content; (2) transportation costs; (3) regional supply and demand; (4) available competitive fuel sources such as natural gas, nuclear or hydro; and (5) production costs, which vary by mine type, available technology and equipment utilization, productivity and geological conditions.

The energy content or heat value of 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.

PRB coal, with its lower energy content, lower production cost and often greater distance to travel to the consumer, typically sells at a lower price than CAPP and NAPP coal that has higher energy content and is often located closer to the end user.

Results of Operations

Period from July 26, 2016 to September 30, 2016

Summary

Total revenues were $245.4 million for the period from July 26, 2016 to September 30, 2016. The major components of total revenue were coal revenues of $212.9 million, freight and handling revenues of $29.9 million and other revenues of $2.6 million. The coal revenues consisted of steam coal revenues of $119.2 million and metallurgical coal revenues of $93.7 million. The freight and handling revenues primarily consisted of freight and handling charges incurred in exporting metallurgical coal, for which we are reimbursed by our customers. These revenues are offset by equivalent freight and handling costs and do not contribute to our profitability. Other revenues primarily consisted of coal processing revenue, terminal fees and miscellaneous other revenues.

Net loss was $51.2 million for the period from July 26, 2016 to September 30, 2016. The net loss was primarily due to the $23.6 million of amortization of acquired coal supply agreements, net and a $21.9 million charge related to the change in fair value of our derivative warrant liability.

Operating costs and expenses were $265.8 million for the period from July 26, 2016 to September 30, 2016. Operating costs and expenses primarily consisted of $179.4 million of cost of coal sales, $29.9 million of freight and handling costs, $22.2 million of depreciation, depletion and amortization, $23.6 million of amortization of acquired intangibles, net, and $9.5 million of selling, general, and administrative expenses.

Coal sales volumes were 9.7 million tons for the period from July 26, 2016 to September 30, 2016. Coal sales volumes consisted of 8.3 million tons of steam coal and 1.4 million of metallurgical coal.

The average coal sales realization per ton is calculated as coal revenues divided by tons sold. The average coal sales realization per ton for steam coal and metallurgical coal was $14.30 and $65.51, respectively, for the period from July 26, 2016 to September 30, 2016. The overall average coal sales realization per ton was $21.81 for the period from July 26, 2016 to September 30, 2016.

Coal margin percentage for our reportable segments and coal margin per ton for our reportable segments are non-GAAP financial measures. These non-GAAP financial measures are presented as supplemental measures and are not intended to replace financial performance measures determined in accordance with GAAP. Moreover, these measures are not calculated identically by all companies and therefore may not be comparable to similarly titles measures used by other companies. Coal margin percentage and coal margin per ton are presented because management believes they are useful indicators of the financial performance of our core coal operations. Coal margin percentage is calculated as coal revenues of our reportable segments less cost of coal sales of our reportable segments divided by coal revenues of our reportable segments. Coal revenues for our Central Appalachian Operations and Trading and Logistics Operations included only metallurgical coal revenues. Coal revenues for our Northern Appalachian Operations included metallurgical coal revenues and steam coal revenues. Coal revenues for our Powder River Basin Operations included only steam coal revenues. Coal margin percentage is not shown for our All Other Category since it has no coal sales or coal production. Coal margin percentage for our CAPP Operations, NAPP Operations and PRB Operations and Trading and Logistics Operations was 10.3%, 4.9%, 26.6% and 10.5%, respectively, for the period from July 26, 2016 to September 30, 2016. 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. Coal margin per ton for our CAPP Operations, NAPP Operations, PRB Operations and Trading and Logistics Operations was $7.01, $2.15, $2.86 and $6.90, for the period from July 26, 2016 to September 30, 2016.

	Period from July 26, 2016 to September 30, 2016	
	(In thousands, except for per ton data)	
	Total	% of Total
Revenues:		
Coal revenues:		
Steam	$ 119,173	49%
Metallurgical	93,738	38%
Freight and handling revenues	29,903	12%
Other revenues	2,599	1%
Total revenues	$ 245,413	
Tons sold:		
Steam	8,332	85%
Metallurgical	1,431	15%
Total	9,763	
Coal sales realization per ton:		
Steam	$ 14.30	
Metallurgical	$ 65.51	
Average	$ 21.81	

	Period from July 26 to September 30, 2016
	(In thousands, except for per ton data)
Coal Revenues[1]:	
CAPP Operations	$ 37,235
NAPP Operations	$ 42,308
PRB Operations	$ 79,960
Trading and Logistics Operations	$ 53,408
Tons Sold[1]:	
CAPP Operations	549
NAPP Operations	970
PRB Operations	7,431
Trading and Logistics Operations	813
Coal sales realization per ton[1]:	
CAPP Operations	$ 67.82
NAPP Operations	$ 43.62
PRB Operations	$ 10.76
Trading and Logistics Operations	$ 65.69
Average	$ 21.81

[1] Our All Other Category, which has no coal sales or coal production, is not presented.

Coal revenues. The coal revenues of $212.9 million for the period from July 26, 2016 to September 30, 2016 consisted of steam coal revenues of $119.2 million, or 56% of total coal revenues, and metallurgical coal revenues of $93.7 million, or 44% of total coal revenues.

Total steam coal revenues of $119.2 million for the period from July 26, 2016 to September 30, 2016 consisted of $39.2 million, or 33%, from NAPP Operations and $80.0 million, or 67% from PRB Operations.

Total metallurgical coal revenues of $93.7 million for the period from July 26, 2016 to September 30, 2016 consisted of $37.2 million, or 40% of CAPP Operations, $3.1 million, or 3% of NAPP Operations, and $53.4 million, or 57%, of Trading and Logistics Operations. Our Trading and Logistics Operations' coal revenues are substantially derived from sales of coal purchased pursuant to a long-term coal supply contract with our largest brokered coal supplier.

Export coal revenues were $83.1 million, or 39%, and domestic coal revenues were $129.8 million, or 61%, of total coal revenues for the period from July 26, 2016 to September 30, 2016.

	Period from July 26, 2016 to September 30, 2016	
	(In thousands, except for per ton data)	
Cost of coal sales (exclusive of items shown separately below)	$	179,441
Freight and handling costs		29,903
Other expenses		1,092
Depreciation, depletion and amortization		22,230
Amortization of acquired intangibles, net		23,562
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization shown separately above)		9,547
Total costs and expenses	$	265,775
Cost of coal sales [(1)]:		
CAPP Operations	$	33,006
NAPP Operations	$	40,223
PRB Operations	$	58,672
Trading and Logistics Operations	$	47,787
Tons Sold [(1)]:		
CAPP Operations		549
NAPP Operations		970
PRB Operations		7,431
Trading and Logistics Operations		813
Cost of coal sales per ton [(1)] [(2)]:		
CAPP Operations	$	60.12
NAPP Operations	$	41.47
PRB Operations	$	7.90
Trading and Logistics Operations	$	58.78

[1] Our All Other Category, which has no coal sales or coal production, is not presented.
[2] Cost of coal sales per ton is calculated as cost of coal sales divided by tons sold.

Cost of coal sales. Cost of coal sales of $179.4 million for the period from July 26, 2016 to September 30, 2016 primarily consisted of labor and benefit expenses, supplies and maintenance expenses, sales-related costs associated with steam and metallurgical coal revenues, coal purchases, rail freight and royalty expenses. NAPP volumes and cost of coal sales were negatively affected by and abnormal rock intrusion which reduced production volumes for a majority of September. The Cumberland longwall has progressed beyond this geologic anomaly and further disruptions are not anticipated. NAPP production returned to normal levels after a longwall move was completed in mid-October. The cost of coal sales for the PRB mines benefited from a lower than normal overburden removal.

Depreciation, depletion and amortization. Depreciation, depletion and amortization of $22.2 million for the period from July 26, 2016 to September 30, 2016 primarily consisted of depreciation on mining equipment and depletion related to capitalized asset retirement obligation costs.

Amortization of acquired intangibles, net. Amortization expense of acquired intangibles, net of $23.6 million for the period from July 26, 2016 to September 30, 2016 was primarily comprised of the amortization of above-market contracts assumed in the acquisition. Amortization of these contracts will continue to be a charge through 2020.

Selling, general and administrative. Selling, general and administrative expenses of $9.5 million for the period from July 26, 2016 to September 30, 2016 primarily consisted of wages and benefits, professional services, stock compensation, and expenses associated with the formation of the company.

Interest expense. Interest expense of $9.1 million for the period from July 26, 2016 to September 30, 2016 consisted of the accrued interest on debt instruments and acquisition related obligations and the amortization of discounts.

Income taxes. Income tax expense of $1 thousand was recorded for the period from July 26, 2016 to September 30, 2016 on a loss before income taxes of $51.2 million. The income tax expense relates to foreign income taxes and differs from the federal statutory rate of 35% primarily due to an increase in the valuation allowance and the impact of the non-deductible mark-to-market adjustment for the warrant derivative liability, partially offset by the impact of the percentage depletion allowance. The change in valuation allowance results from an increase in deferred tax assets for which we are currently unable to support realization.

Segment Adjusted EBITDA

We have four reportable segments: CAPP Operations, NAPP Operations, PRB Operations and Trading and Logistics Operations. In evaluating operating performance in each segment, management uses, among other factors, total revenues and adjusted EBITDA. The following table presents a reconciliation of adjusted EBITDA to net income (loss) by segment for the period from July 26, 2016 to September 30, 2016 (in thousands):

	Period from July 26, 2016 to September 30, 2016					
	CAPP	NAPP	PRB	Trading and Logistics	All Other	Consolidated
Adjusted EBITDA	$ 5,154	$ 2,663	$ 21,201	$ 5,800	$ (9,181)	$ 25,637
Interest expense	(35)	(68)	(112)	—	(8,875)	(9,090)
Interest income	—	—	—	—	2	2
Income tax expense	—	—	—	—	(1)	(1)
Depreciation, depletion and amortization	(3,540)	(2,537)	(16,015)	—	(138)	(22,230)
Change in fair value of warrants	—	—	—	—	(21,932)	(21,932)
Amortization of acquired intangibles, net	—	—	—	(23,562)	—	(23,562)
Net income (loss)	$ 1,579	$ 58	$ 5,074	$ (17,762)	$ (40,125)	$ (51,176)

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, cash generated from our operations and borrowing capacity available under our ABL Facility (as defined below), will be sufficient to meet our working capital requirements, anticipated capital expenditures, debt service requirements, acquisition-related obligations, and reclamation obligations.

At September 30, 2016, we had total liquidity of $114.5 million, including cash and cash equivalents of $72.0 million and $42.5 million of unused commitments available under the ABL Facility, subject to limitations described therein.

To secure our obligations under certain workers' compensation and reclamation-related bonds, we are required to provide cash collateral. At September 30, 2016, we had cash collateral in the amounts of $35.1 million and $52.6 million classified as long-term restricted cash and long-term deposits, respectively, on the Condensed Consolidated Balance Sheet.

Cash Flows

Cash and cash equivalents increased by $21.0 million over the period from July 26, 2016 to September 30, 2016. The net change in cash and cash equivalents was attributable to the following:

	Period from July 26, 2016 to September 30, 2016
Cash Flows (in thousands):	
Net cash provided by operating activities	$ 33,670
Net cash used in investing activities	(12,373)
Net cash used in financing activities	(250)
Net increase in cash and cash equivalents	$ 21,047

Net cash provided by operating activities for the period from July 26, 2016 to September 30, 2016 was $33.7 million. Non-cash amounts included in net loss for the period from July 26, 2016 to September 30, 2016 were primarily related to depreciation, depletion and amortization, amortization of acquired intangibles, net and the mark-to-market adjustment for the warrant derivative liability.

Net cash used in investing activities for the period from July 26, 2016 to September 30, 2016 was $12.4 million. The cash used for investing activities for the period from July 26, 2016 to September 30, 2016 included capital expenditures of $12.8 million.

Net cash used in financing activities for the period from July 26, 2016 to September 30, 2016 was $0.3 million. The cash used for financing activities for the period from July 26, 2016 to September 30, 2016 included $0.1 million in principal payments for capital lease obligations and $0.2 million in principal repayments of notes payable.

Asset-Based Term Loan Credit Agreement and Long-Term Debt

As of September 30, 2016, our total long-term indebtedness consisted of the following (in thousands):

	September 30, 2016
Term Facility	$ —
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	4,832
Debt discount and issuance costs	(14,845)
Total long-term debt	303,987
Less current portion	(1,356)
Long-term debt, net of current portion	$ 302,631

Asset-Based Term Loan Credit Agreement

On July 26, 2016, we entered into an Asset-Based Term Loan Credit Agreement ("ABL Facility") with Credit Suisse Loan Funding LLC, as lender, Wilmington Trust, National Association, as administrative agent and collateral agent, and Citigroup Global Markets Inc., as sole lead arranger. Under the ABL Facility, the lender provides commitments to us for (i) the term loan credit facility ("Term Facility") in an aggregate principal amount of $42.5 million, (ii) a cash collateralized letter of credit facility ("LC Facility"), which provides for the issuance of letters of credit secured by 105% cash collateral, and (iii) the Closing Tranche Term Loan, in each case, on the terms and subject to the conditions set forth herein. These commitments by the lender are secured by certain eligible accounts receivable and eligible inventory.

The Term Facility is available commencing on the fifteenth day following July 26, 2016 until on the earlier to occur of (a) the date that is six months after the effective date and (b) the date on which the commitments are terminated. We may draw on the Term Facility during the availability period no more than three times, up to an aggregate principal amount of $42.5 million. Any loans under the Term Facility will bear an interest rate of LIBOR plus a margin of 5% (subject to a LIBOR floor of 1%) and mature on July 26, 2020. The LC Facility is available at any time and from time to time commencing on the effective date until five days prior to the LC termination date. The Closing Tranche Term Loan is in an aggregate principal amount of $8.5 million, bears an interest rate of LIBOR plus a margin of 5% (subject to a LIBOR floor of 1%), and has a maturity of January 26, 2018. As of September 30, 2016, the interest rate of the Closing Tranche Term Loan was 6%.

As of September 30, 2016, the carrying value of the Closing Tranche Term Loan was $8.4 million, net of debt issuance costs of $0.1 million, all of which is classified as long-term debt in the Condensed Consolidated Balance Sheet. As of September 30, 2016, we had not drawn on the Term Facility and did not have any letters of credit outstanding under the LC Facility.

On October 7, 2016, we borrowed $41.8 million under the Term Facility of the ABL Facility and on October 11, 2016, we borrowed the remaining $0.7 million of capacity under the Term ABL Facility. These loans carry an interest rate of LIBOR plus 500 basis points, with a LIBOR floor of 100 basis points, and have a maturity date of July 26, 2020.

GUC Distribution Note

On July 26, 2016, we entered into a $5.5 million promissory note ("GUC Distribution Note") agreement with U.S. Bank National Association, as nominee and agent for the benefit of the holders of Allowed Category I General Unsecured Claims pursuant to the Alpha bankruptcy restructuring. The GUC Distribution Note bears no interest and has a maturity date of January 26, 2018. As of September 30, 2016, the carrying value of the GUC Distribution Note was $4.3 million, net of debt discount of $1.2 million, all of which is classified as long-term debt in the Condensed Consolidated Balance Sheet.

10% Senior Secured First Lien Notes

On July 26, 2016, we and Wilmington Trust, National Association, as trustee and collateral agent, entered into an indenture governing our issuance of the 10.00% Senior Secured First Lien Notes ("Senior Secured First Lien Notes"), initially in an aggregate principal amount of $300.0 million.

Unless earlier paid or deemed paid, the Senior Secured First Lien Notes will mature on August 1, 2021 (the "Maturity Date"), and, on the Maturity Date, we will pay each holder of notes $1,000 in cash for each $1,000 principal amount of the Senior Secured First Lien Notes held, together with accrued and unpaid interest to, but not including, the Maturity Date. The Senior Secured First Lien Notes will accrue interest at a rate equal to 10% per annum from the most recent date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, the issue date, until the date the principal amount of such Senior Secured First Lien Notes is paid or deemed paid. Interest will be payable semi-annually in arrears on February 1 and August 1 of each year, beginning February 1, 2017, to the registered holder of each such Senior Secured First Lien Note as of the close of business on January 15 and July 15, as the case may be, immediately preceding the applicable interest payment date (each such date, a "Regular Record Date"), regardless of whether such Senior Secured First Lien Note is repurchased or redeemed after such Regular Record Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The Senior Secured First Lien Notes collateral includes a first-priority lien on all assets except for certain excluded assets, as defined in the indenture relating to the Senior Secured First Lien Notes, other than the ABL Facility collateral, and a secondary-priority lien on the ABL Facility collateral.

As of September 30, 2016, the carrying value of the Senior Secured First Lien Notes was $286.4 million, net of debt discount of $13.6 million, all of which is classified as long-term debt in the Condensed Consolidated Balance Sheet.

Acquisition-Related Obligations

As of September 30, 2016, our acquisition-related obligations consisted of the following (in thousands):

	September 30, 2016
Contingent Credit Support Commitment	$ 21,954
Retiree Committee VEBA Funding Settlement Liability	10,000
UMWA Funds Settlement Liability	7,500
UMWA VEBA Funding Settlement Liability	18,600
UMWA Contingent VEBA Funding Note 1	8,750
UMWA Contingent VEBA Funding Note 2	8,750
Environmental Groups Settlement Guarantee	446
Reclamation Funding Liability	42,000
Contingent Reclamation Funding Liability	46,882
Discount	(62,736)
Total acquisition-related obligations - long-term	102,146
Less current portion	(52,794)
Acquisition-related obligations, net of current portion	$ 49,352

We 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. We assumed acquisition-related obligations through those settlement agreements which became effective on July 26, 2016 (“Effective Date”), the effective date of Alpha’s plan of reorganization.

Contingent Credit Support Commitment

The Contingent Credit Support Commitment (“Contingent Commitment”) is an unsecured obligation to ANR that requires us to provide ANR with revolving credit support in an aggregate total amount of $35.0 million from the Effective Date through September 30, 2018. ANR is entitled to draw against the Contingent Commitment if, and only if, the amount of cash and cash equivalents on ANR’s balance sheet falls below $20.0 million at any time prior to September 30, 2018 (the amount of any such shortfall, the “Shortfall”), in which case, ANR is entitled to draw against the Contingent Commitment an amount equal to the lesser of the Shortfall and the then-remaining undrawn amount of the Contingent Commitment. ANR is able to draw upon and repay the Contingent Commitment as necessary through September 30, 2018. We must fund a draw on the Contingent Commitment within 10 business days of notice from Alpha. ANR will be required to repay the funds drawn against the Contingent Commitment (i) prior to September 30, 2018 to the extent the amount of cash and cash equivalents on ANR’s balance sheet is greater than $20.0 million as of the end of any calendar quarter ending on or before September 30, 2018 (exclusive of the amount outstanding from the Contingent Commitment) or (ii) if any amounts are outstanding under the Contingent Commitment after September 30, 2018, to the extent the amount of cash and cash equivalents on ANR’s balance sheet at the end of any calendar quarter is greater than $30.0 million (exclusive of the amount outstanding from the Contingent Commitment), within 10 business days following the closing of its books for the relevant calendar quarter. Notwithstanding the above, all outstanding balances under the Contingent Commitment must be repaid by September 30, 2019.

As of September 30, 2016, ANR had not drawn against the Contingent Commitment. As of September 30, 2016, the carrying value of the Contingent Commitment was $22.0 million, all of which is classified as a loan commitment within acquisition-related obligations - current in the Condensed Consolidated Balance Sheet. We are electing to use the fair value option to measure this liability at each reporting period.

Retiree Committee VEBA Funding Settlement

The Retiree Committee Settlement Agreement requires the Company to provide funding to the voluntary employees’ beneficiary association fund (“VEBA”) established by the retiree committee, which represented the interests of certain non-union Alpha retirees during the Alpha bankruptcy case, in an aggregate nominal amount of $13.0 million (the “Retiree Committee VEBA Funding Settlement Liability") for the benefit of the VEBA beneficiaries pursuant to the following schedule: (a) $3.0 million within 10 business days after the later of the Effective Date or the Alpha Natural Resources, Inc. and such subsidiaries (“Debtors”) receipt of written notice; (b) $3.0 million on January 1, 2017; (c) $3.5 million on January 1, 2018; (d) $2.5 million on January 1, 2019; and (e) $1.0 million on January 1, 2020. The initial $3.0 million installment was paid as part of the Alpha bankruptcy settlement process and is therefore not reflected in the cash flows of the Company for the period from July 26, 2016 to September 30, 2016.

As of September 30, 2016, the carrying value of the Retiree Committee VEBA Funding Settlement liability is $7.9 million, net of discount of $2.1 million, and was classified as acquisition-related obligations, with $3.0 million classified as current in the Condensed Consolidated Balance Sheet.

UMWA Funds Settlement

The United Mine Workers of America (“UMWA”) Funds Settlement (“UMWA Funds Settlement”) provides for the Coal Act Funds, the 1974 Pension Plan, the 1993 Benefit Plan, the CDSP and the Account Plan (collectively, the “UMWA Funds”) to receive an initial distribution of $2.5 million in cash (to be allocated among the UMWA Funds by the UMWA Funds in their discretion) on the Effective Date. We are required to make periodic cash payments (to be allocated among the UMWA Funds by the UMWA Funds in their discretion) on the dates and in the amounts listed: December 31, 2017: $0.5 million; December 31, 2018: $1.0 million; December 31, 2019: $2.0 million; December 31, 2020: $2.0 million; December 31, 2021: $2.0 million. The initial distribution of $2.5 million was paid as part of the Alpha bankruptcy settlement process and is not reflected in our cash flows for the period from July 26, 2016 to September 30, 2016.

As of September 30, 2016, the carrying value of the UMWA Funding Settlement liability was $3.9 million, net of discount of $3.6 million, all of which was classified as acquisition-related obligations - long-term in the Condensed Consolidated Balance Sheet.

UMWA VEBA Funding and Notes Settlements

UMWA VEBA Funding

Pursuant to the UMWA VEBA Funding Settlement agreement entered into on July 5, 2016, we were required to contribute $10.0 million to a voluntary employees’ beneficiary association fund (the “VEBA trust”) on or before the Effective Date. Beginning on November 1, 2016 and again on the first of each month through April 1, 2017, we are required to deposit $3.0 million into the VEBA trust (total of $18.0 million in six monthly payments). On or before November 15, 2016, and February 15, 2017, we are required to deposit $0.3 million into the VEBA trust (total of $0.6 million in two payments). The initial $10.0 million contribution was paid as part of the Alpha bankruptcy settlement process and is not reflected in the cash flows of the Company for the period from July 26, 2016 to September 30, 2016.

As of September 30, 2016, the carrying value of the UMWA VEBA Funding Settlement liability is $17.7 million, net of discount of $0.9 million, all of which was classified as acquisition-related obligations - current in the Condensed Consolidated Balance Sheet.

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 has not been enacted or if moneys under the legislation have not become available for the benefits before August 1, 2017, on August 1, 2017, we are required to issue to the VEBA a 7-year 5% unsecured note (“UMWA Contingent VEBA Funding Note 1”) with a face value of $8.8 million. The note will have a maturity of 7 years and will be subordinate to our Senior Secured First Lien Notes.

As of September 30, 2016, the carrying value of the UMWA Contingent VEBA Funding Note 1 was $4.2 million, net of discount of $4.6 million, all of which was classified as acquisition-related obligations - long-term in the Condensed Consolidated Balance Sheet.

If federal legislation providing retirement benefits to the UMWA Retirees has not been enacted or if moneys under the legislation have not become available for the benefits before December 1, 2017, on December 1, 2017, the Company is also required to issue to the VEBA a 7-year 5% unsecured note (“UMWA Contingent VEBA Funding Note 2”) with a face value of $8.8 million. The note will have a maturity of 7 years and will be subordinate to our Senior Secured First Lien Notes.

As of September 30, 2016, the carrying value of the UMWA Contingent VEBA Funding Note 2 was $4.1 million, net of discount of $4.6 million, all of which was classified as acquisition-related obligations - long-term in the Condensed Consolidated Balance Sheet.

Environmental Groups Settlement

Pursuant to the Environmental Groups Settlement Agreement dated June 24, 2016 as part of the Alpha bankruptcy restructuring, we have agreed to guarantee Alpha's obligations to make payments of $1.6 million on each of March 31, 2017 and March 31, 2018 ("the Environmental Groups Settlement Guarantee"), but otherwise have no obligations under the Environmental Groups Settlement Agreement.

As of September 30, 2016, the carrying value of the Environmental Groups Settlement Guarantee was $0.4 million, with $0.2 million classified as current, all of which was classified as acquisition-related obligations in the Condensed Consolidated Balance Sheet.

Reclamation Funding Agreement

Pursuant to the Reclamation Funding Agreement dated July 12, 2016, separate interest bearing segregated deposit accounts ("Restricted Cash Reclamation Accounts") were established for certain applicable federal and state environmental regulatory authorities to provide certain funding for the reclamation, mitigation and water treatment, and certain management work to be done at reclaim-only sites related to certain obligations under the various permits associated with ANR's retained assets.

Funding of Restricted Cash Reclamation

Pursuant to the Reclamation Funding Agreement, we must pay the aggregate amount of $50.0 million into the various Restricted Cash Reclamation Accounts as follows: $8.0 million immediately upon the Effective Date; $10.0 million on the anniversary of the Effective Date in each of 2017, 2018, and 2019; and $12.0 million on the anniversary of the Effective Date in 2020. The initial $8.0 million payment was paid as part of the Alpha bankruptcy settlement process and is not reflected in the cash flows of the Company for the period from July 26, 2016 to September 30, 2016.

As of September 30, 2016, the carrying value of the Funding of Restricted Cash Reclamation liability is $27.9 million, net of discount of $14.1 million, with $10.0 million classified as current, all of which was classified as acquisition-related obligations in the Condensed Consolidated Balance Sheet.

Contingent Funding of Restricted Cash Reclamation

Pursuant to the Reclamation Funding Agreement, under certain circumstances, we will be required to pay up to an aggregate amount of $50.0 million into various Restricted Cash Reclamation Accounts from 2021 through 2025, as follows: (1) if ANR does not contribute $50.0 million of free cash flow, as defined in the agreement, into the Restricted Cash Reclamation Accounts through December 31, 2020; and (2) if ANR makes any reorganized ANR contingent revenue payment, as defined in the agreement, that reduces the amount of free cash flow that ANR otherwise would have contributed to the Restricted Cash Reclamation Accounts, then we will be obligated to pay the amount of the difference between (a) the amount of free cash flow that ANR would have contributed to the Restricted Cash Reclamation Accounts had it not made such reorganized ANR contingent revenue payment and (b) the amount of free cash flow actually contributed.

As of September 30, 2016, the carrying value of the Contingent Funding of Restricted Cash Reclamation liability was $14.1 million, net of discount of $32.8 million, all of which was classified as acquisition-related obligations - long-term in the Condensed Consolidated Balance Sheet.

Warrants

On July 26, 2016 (the "Initial Issue Date"), we 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. The warrants are classified as a derivative liability and are initially and subsequently marked to market with changes in value reflected in earnings.

Capital Leases

Our liability for capital leases as of September 30, 2016 totaled $0.8 million, with $0.3 million reported as current portion of long-term debt.

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 Condensed 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 Condensed 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 September 30, 2016, we had outstanding surety bonds with a total face amount of $302.5 million to secure various obligations and commitments. To secure our obligations under these bonds, we have cash collateral in the amounts of $28.1 million and $52.6 million classified as long-term restricted cash and long-term deposits, respectively, on the Condensed Consolidated Balance Sheet. 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. In the event that additional 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.

Contractual Obligations

The following is a summary of our significant contractual obligations as of September 30, 2016 (in thousands):

	Remainder of 2016	2017	2018-2019	2020-2021	After 2021	Total
Long-term debt [(1)]	$ —	$ —	$ 14,000	$ 300,000	$ —	$ 314,000
Other debt [(2)]	199	1,120	2,703	—	—	4,022
Capital lease obligations [(3)]	81	332	397	—	—	810
Acquisition-related obligations [(4)]	6,300	47,908	29,292	27,000	54,382	164,882
Equipment purchase commitments	10,176	—	—	—	—	10,176
Maintenance and repairs contracts	4,629	18,807	20,818	12,652	4,830	61,736
Transportation commitments	210	1,108	6,114	3,102	—	10,534
Operating leases	217	497	—	—	—	714
Minimum royalties	133	3,159	1,253	444	734	5,723
Coal purchase commitments	51,658	31,828	—	—	—	83,486
Other [(5)]	—	2,204	4,407	2,204	—	8,815
Total	$ 73,603	$ 106,963	$ 78,984	$ 345,402	$ 59,946	$ 664,898

(1) Long-term debt includes principal amounts due in the years shown. Cash interest payable on these obligations, with interest rates ranging between 6.00% and 10.00% on our loans, would be approximately $753 in the remainder of 2016, $32,273 in 2017, $65,250 in 2018 to 2019, and $61,466 in 2020 to 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 $29 in the remainder of 2016, $147 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 $19 in the remainder of 2016, $60 in 2017, and $41 in 2018 to 2019.

(4) Acquisition-related obligations includes principal amounts due in the years shown. Cash interest payable on these obligations, with interest rates of 5.00%, would be approximately $109 in 2017, $1,750 in 2018 to 2019, $1,750 in 2020 to 2021, and $2,516 after 2021.

(5) Personal property taxes assumed pursuant to the bankruptcy settlement include principal amounts due in the years shown. Cash interest payable on these obligations, with interest rates ranging between 5% and 18%, would be approximately $664 in 2017, $547 in 2018 to 2019, $109 in 2020 to 2021. Real estate taxes assumed pursuant to the bankruptcy settlement

include principal amounts due in the years shown. Cash interest payable on these obligations, with interest rates ranging between 5% and 18%, would be approximately $849 in 2017, $599 in 2018 to 2019, $120 in 2020 to 2021.

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):

	Remainder of 2016	2017	2018-2019	2020-2021	After 2021	Total
Asset retirement obligation	$ 2,414	$ 5,889	$ 85,660	$ 96,864	$ 269,497	$ 460,324
Black lung benefit obligation	—	—	—	—	54,203	54,203
Life insurance benefit obligation	193	751	1,318	1,159	18,229	21,650
Workers' compensation benefit obligation	517	1,825	2,632	1,818	6,114	12,906
Total	$ 3,124	$ 8,465	$ 89,610	$ 99,841	$ 348,043	$ 549,083

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 September 30, 2016, we had recorded asset retirement obligation liabilities of $209 million, including amounts reported as current. While the precise amount of these future costs cannot be determined with certainty, as of September 30, 2016, we estimate that the aggregate undiscounted cost of final mine closures is approximately $460 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 and reviewed by a third party consultant. 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 September 30, 2016, we had 1.4 billion tons of proven and probable coal reserves, of which 1.0 billion tons were assigned to our active operations and 0.4 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 September 30, 2016, we had workers' compensation obligations of $14 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 September 30, 2016, we had estimated black lung obligations of approximately $20 million.

Life Insurance Benefits. As part of the Alpha bankruptcy 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 September 30, 2016, we had estimated life insurance obligations of approximately $15.4 million.

Warrant Derivative Liability. We issued Series A Warrants on July 26, 2016 and classified the warrants as a derivative liability as they possess an underlying amount (stock price), a notional amount (number of shares), require no initial net investment, and allow for net share settlement. The warrants are fair-valued using a Black-Scholes pricing model and marked to market at each reporting period with changes in value reflected in earnings.

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. Due to our formation through acquisition of the core coal assets of Alpha as part of the Alpha bankruptcy 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 deferred tax assets of the Company.

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.

New accounting pronouncements. See Note 2 in the Condensed Consolidated Financial Statements included elsewhere in this report 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 November 23, 2016, we had sales commitments for approximately 8.9 million tons of PRB steam coal for 2016, all of which is priced, 2.3 million tons of NAPP steam coal for 2016, all of which is priced, 1.1 million tons of CAPP metallurgical coal for 2016, all of which is priced, and 0.5 million tons of Trading and Logistics metallurgical coal for 2016, all 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 4.5 million gallons of diesel fuel for the remaining three months of 2016 and 18.7 million gallons of diesel fuel for 2017.

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 Term Loan Credit Agreement, which has a variable interest rate at LIBOR plus a margin of 5% (subject to LIBOR floor of 1%). As of September 30, 2016, the total amount borrowed under the Asset-Based Term Loan Credit Agreement was $8.5 million and it matures in January 2018. A 50 basis point increase or decrease in interest rates would increase or decrease our annual interest expense by $0.04 million.

Controls and Procedures

We are a new company and are 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 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.

OTHER INFORMATION

Legal Proceedings

For a description of the Company’s legal proceedings, see Note 19, part (d), to the Condensed Consolidated Financial Statements for the period from July 26, 2016 to September 30, 2016, which is incorporated herein by reference.

Risk Factors

Investment in our securities is subject to various risks, including risks and uncertainties inherent in our business. The following sets forth factors related to our business, operations, financial position, or future financial performance or cash flows which could cause an investment in our securities to decline and result in a loss. In addition, we may also face new risks as yet unidentified.

Risks Relating to Our Industry and the Global Economy

Sustained low coal prices, or declines in coal prices, would reduce our revenues and adversely affect our operating results, cash flows, financial condition, stock price and the value of our coal reserves.

Our results of operations are substantially dependent upon the prices we receive for our coal. Those prices depend upon factors beyond our control (some of which are described in more detail in other risk factors below), including:

- the demand for domestic and foreign coal, which depends significantly on the demand for electricity and steel;
- the price and availability of natural gas and other alternative fuels;
- competition from other suppliers of coal and other energy sources;
- the regulatory and tax environment for our industry and those of our customers; and
- the proximity to and availability, reliability and cost of transportation and port facilities.

Sustained low coal prices, or declines in coal prices, in the United States and other countries may materially adversely affect our operating results and cash flows, as well as the value of our coal reserves, and may cause the number of risks that we face to increase in likelihood, magnitude and duration.

Lower demand for metallurgical coal by U.S. and foreign steel producers would reduce our revenues and could reduce the price of our metallurgical coal.

We produce metallurgical coal that is used in both the U.S. and foreign steel industries. Metallurgical coal accounted for approximately 44% of our coal sales revenue for the period from July 26, 2016 to September 30, 2016. Any deterioration in conditions in the U.S. or the foreign steel industry, including the demand for steel and the continued financial viability of the industry, would reduce the demand for our metallurgical coal and could impact the collectability of our accounts receivable from U.S. or foreign steel industry customers. The demand for foreign-produced steel both in foreign markets and in the U.S. market also depends on factors such as tariff rates on steel. In addition, the U.S. steel industry increasingly relies on processes to make steel that do not use coke, such as electric arc furnaces or pulverized coal processes. If this trend continues, the amount of metallurgical coal that we sell and the prices that we receive for it could decrease, thereby reducing our revenues and adversely impacting our earnings and the value of our coal reserves. Lower demand for metallurgical coal in international markets would reduce the amount of metallurgical coal that we sell and the prices that we receive for it, thereby reducing our revenues and adversely impacting our earnings and the value of our coal reserves. Foreign government policies related to coal production and consumption could negatively impact pricing and demand for our products.

Lower demand for steam coal by North American electric power generators could reduce the price of our steam coal which would reduce our revenues.

Steam coal accounted for approximately 56% of our coal sales revenues for the period from July 26, 2016 to September 30, 2016. The majority of our sales of steam coal were to U.S. and Canadian electric power generators. The North American demand for steam coal is affected primarily by:

- the overall demand for electricity, which is in turn influenced by the global economy and the weather, among other factors (for example, mild North American winters typically result in lower demand);
- the availability, quality and price of competing fuels, such as natural gas, nuclear fuel, oil and alternative energy sources such as wind, solar, or hydroelectric power, which may change over time as a result of, among other things, technological developments;
- increasingly stringent environmental and other governmental regulations, including air emission standards for coal-fired power plants; and
- the coal inventories of utilities.

Many North American electric power generators have shifted from coal to natural gas-fired power plants. Despite ongoing advancements in the availability and deployment of advanced coal and emissions reduction technologies, we expect that new power plants in the near-term will be fired by natural gas because natural gas-fired plants are less expensive to construct than coal-fired plants and natural gas is a cleaner-burning fuel, with plentiful supplies and low cost at the current time. Increasingly stringent regulations have also reduced the number of new power plants being built. A reduction in the amount of coal consumed by North American electric power generators would reduce the amount of steam coal that we sell and the price that we receive for it, thereby reducing our revenues and adversely impacting our earnings and the value of our coal reserves.

Competition within the coal industry may adversely affect our ability to sell coal, and excess production capacity in the industry could put downward pressure on coal prices.

We compete with numerous other coal producers in various regions of the United States for domestic and international sales. We also compete in international markets against coal producers in other countries. International demand for U.S. coal exports also affects coal demand in the United States. This competition affects domestic and foreign coal prices and our ability to retain or attract coal customers. Increased competition from the Illinois basin, the threat of increased production from competing mines, and natural gas price declines with large basis differentials have all contributed to soft market conditions.

In addition, if the currencies of our foreign competitors decline against the U.S. dollar or against our customers' currencies, those competitors may be able to offer lower prices to our customers than we can.

In the past, high demand for coal and attractive pricing brought new investors to the coal industry, leading to the development of new mines and added production capacity. Subsequent overcapacity in the industry has contributed, and may in the future contribute, to lower coal prices.

Lower demand for U.S. coal exports would reduce our foreign sales and could negatively impact our revenues and results of operations and could result in downward pressure on domestic coal prices.

Coal exports revenues, including freight and handling revenues, accounted for approximately 45% of our total revenues for the period from July 26, 2016 to September 30, 2016. In addition to the factors described above, demand for and viability of U.S. coal exports is dependent upon a number of factors outside of our control, including ocean freight rates and port and shipping capacity. Additionally, China is the world's largest importer of coal, and decreases in its demand could cause decreases in the prices we receive for our export shipments. Furthermore, if the amount of coal exported from the United States were to decline, this decline could cause competition among coal producers in the United States to intensify, potentially resulting in additional downward pressure on domestic coal prices.

Economic downturns and disruptions in the global financial markets have had and could in the future have a material adverse effect on the demand for and price of coal, which could have a material negative effect on our sales, margins and profitability, and on our ability to obtain financing.

Economic downturns and disruptions in the global financial markets have from time to time resulted in, among other things, extreme volatility in securities prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others, including real estate. These sorts of disruptions, and in particular the tightening of credit in financial markets, could adversely affect our customers' ability to obtain financing for operations and result in a decrease in demand, lower coal prices, the cancellation of some orders for our coal and the restructuring of agreements with some of our customers. Any prolonged global, national or regional economic recession or other similar events could have a material adverse effect on the demand for and price of coal, on our sales, margins and profitability, and on our own ability to obtain financing. We are unable to predict the timing, duration and severity of any potential future disruptions in financial markets and potential future adverse economic conditions in the United States and other countries and the impact these events may have on our operations and the industry in general.

The loss of, or significant reduction in, purchases by our largest customers could adversely affect our revenues and profitability.

Our largest customer during the period from July 26, 2016 to September 30, 2016 accounted for approximately 8% of our total revenues, and sales to our ten largest customers accounted for approximately 50% of our total revenues. These customers may not continue to purchase coal from us as they have previously, or at all. If these customers were to reduce their purchases of coal significantly or if we were unable to sell coal to them on terms as favorable to us, our revenues and profitability could suffer materially.

We may not be able to extend our existing long-term supply contracts or enter into new ones, and our existing supply contracts may contain certain provisions that may reduce protection from short-term coal price volatility, which could adversely affect the profitability of our operations.

In recent years, in part as a result of the volatility in coal prices, the volume of coal being delivered pursuant to long-term contracts has declined. Further, our long-term contracts sometimes prevent us from capitalizing on more favorable market prices.

When our current contracts with customers expire or are otherwise renegotiated, our customers may decide to purchase fewer tons of coal than in the past or on terms, including pricing terms, that are not as favorable to us as the terms under our current agreements.

In large part as a result of increasing and frequently changing regulation, as described above, and natural gas pricing, electric power generators are increasingly less willing to enter into long-term coal supply contracts, instead purchasing higher percentages of coal under short-term supply contracts. This industry shift away from long-term supply contracts could adversely affect us and the level of our revenues. For example, our having fewer customers with a contractual obligation to purchase coal from us increases the risk that we will not have a consistent market for our production and may require us to sell more coal in the spot market, where prices may be lower than we would expect a customer to pay for a contractually committed supply. Spot market prices also tend to be more volatile than contractual prices, which could result in decreased revenues.

In addition, price adjustment, "price reopener" and other similar provisions in long-term supply contracts reduce the protection from short-term coal price volatility that these contracts have traditionally provided. Price reopener provisions are particularly common in international metallurgical coal sales contracts. Some of our coal supply contracts allow for the price to be renegotiated at periodic intervals. Generally, price reopener provisions require the parties to agree on a new price based on the prevailing market price; however, some contracts provide that the new price is set between a pre-set "floor" and "ceiling." In some cases, failure of the parties to agree on a price under a price reopener provision can lead to termination of the contract or litigation, the outcome of which would be uncertain. During periods of economic weakness, some of our customers experience lower demand for their products and services and may be unwilling to take all of their contracted tonnage or may request a lower price. Customers may make similar requests when market prices drop significantly. Any adjustment or renegotiation leading to a significantly lower contract price could result in decreased revenues. Accordingly, supply contracts with terms of one year or more may provide only limited protection during adverse market conditions.

Our ability to collect payments from our customers could be impaired if their creditworthiness and financial health deteriorates.

Our ability to receive payment for coal sold and delivered depends on the continued creditworthiness and financial health of our customers. Competition with other coal suppliers could force us to extend credit to customers and on terms that could increase the risk we bear on payment default. In recent years, downturns in the economy and disruptions in the global financial markets have, from time to time, affected the creditworthiness of our customers and limited their liquidity and credit availability.

Customers in other countries may be subject to other pressures and uncertainties that may affect their ability to pay, including trade barriers, exchange controls and local economic and political conditions. In the period from July 26, 2016 to September 30, 2016, we derived 45% of our total revenues from sales made to customers outside the United States.

Regulatory and Legal Risks

Climate change initiatives could significantly reduce the demand for coal and reduce the value of our coal assets.

Global climate change continues to attract considerable public and scientific attention. There is concern in particular about the emissions of GHGs, such as carbon dioxide and methane. Combustion of fossil fuels like coal results in the creation of carbon dioxide, which is emitted into the atmosphere by coal end users such as coal-fired electric power generators. As a result, there have been and are expected to be numerous GHG emissions initiatives that could reduce the demand for coal, including:

- international action to continue to implement the Kyoto Protocol through 2020 and implementation of the December 2015 agreement adopted by the United Nations Climate Change Conference in Paris to achieve further reductions in GHG emissions through a legally binding commitment by each participating country to set an emissions reduction target, referred to as "nationally determined contributions" or "NDCs" with a review of the NDCs that could lead to updates and enhancements every five years beginning in 2023, and a transparency commitment requiring participating countries to disclose their progress.
- various federal EPA initiatives, including a formal finding under the Clean Air Act that GHG emissions result in "endangerment" to public health and welfare, required annual reporting of GHG emissions; the final "tailoring rule" requiring certain large industrial facilities, including power plants, to obtain permits to emit, and to use best available control technology to curb emissions of, GHGs; an August 2015 final rule to impose federal limits on GHG emissions from new power plants; and an August 2015 final rule to impose federal limits on GHG emissions from existing, modified and reconstructed power plants, which is known as EPA's Clean Power Plan;
- Treasury Department guidelines introduced in October 2013 curtailing United States government support for public financing of new foreign coal-fired power plants;
- state and regional climate change initiatives, such as the Regional Greenhouse Gas Initiative of eastern states and the Western Climate Initiative, and recent and proposed legislation and regulation in various states, including California's GHG cap-and-trade regulations, which took effect for the electricity sector on January 1, 2013 and have the objective of reducing state-wide GHG emissions to 1990 levels by 2020, and renewable portfolio standards that have been enacted or are being considered in numerous states, such as the California requirement that retail sellers of electricity deliver their customers' electricity requirements from renewable resources currently phasing in at a level of 33% and to increase to 50% by December 2030;
- litigation by various states and municipal entities seeking to have certain utilities, including some of our customers, reduce their emission of carbon dioxide; and
- climate change guidelines for investors and lenders (for example, guidelines announced by three of Wall Street's largest investment banks in February 2008 that require the evaluation of carbon risks in the financing of utility power plants, which may make it more difficult for utilities to obtain financing for coal-fired plants).

Considerable uncertainty is associated with these initiatives, as the content of proposed legislation and regulation is not yet fully determined, many of the new regulatory initiatives remain subject to governmental and judicial review, and the 2016 U.S. election could result in revision or termination of some of the federal initiatives. Given this uncertainty, the various alternatives proposed and the complex interactions between economic and environmental issues, it is difficult to predict the economic effects of these initiatives.

However, any regulatory controls on GHG emissions have and are likely to continue to impose significant costs on many coal-fired power plants and industrial boilers, which may make them unprofitable. Accordingly, some existing power generators have switched to other fuels that generate fewer emissions and others are likely to switch, some power plants have closed and others are likely to close, and fewer new coal-fired plants are being constructed, all of which reduce demand for coal and the amount of coal that we sell and the prices that we receive for it, thereby reducing our revenues and adversely impacting our earnings and the value of our coal reserves.

In addition, regulatory controls on allowable emissions and the price of emissions allowances have a potentially significant impact on the demand for our coal based on its sulfur content. We sell both higher sulfur and low sulfur coal. More widespread installation by power generators of technology that reduces sulfur emissions may make high sulfur coal more competitive with our low sulfur coal. Decreases in the price of emissions allowances could have a similar effect. Significant increases in the price of emissions allowances could reduce the competitiveness of higher sulfur coal compared to low sulfur coal and possibly natural gas at power plants not equipped to reduce sulfur dioxide emissions. Any of these consequences could result in a decrease in revenues from some of our operations, which could adversely affect our business and results of operations.

Other extensive environmental laws and regulations also could affect our customers, reduce the demand for coal and cause our sales to decline.

Our customers' operations are subject to extensive environmental laws and regulations relating to the regulation of emissions and discharges; the storage, treatment and disposal of wastes; and other operational permits. In particular, the Clean Air Act and similar state and local laws extensively regulate the amount of sulfur dioxide, particulate matter, nitrogen oxides, mercury and other compounds emitted into the air from electric power plants, which are the largest end-users of our coal. A series of more stringent requirements will or may become effective in coming years, including:

- implementation of the current and more stringent proposed ambient air quality standards for sulfur dioxide, nitrogen oxides, particulate matter and ozone, including the EPA's issuance in October 2015 of a more stringent ambient air quality standard for ozone;
- implementation of the EPA's Cross-State Air Pollution Rule ("CSAPR") to significantly reduce nitrogen oxide and sulfur dioxide emissions from power plants in 28 states and the CSAPR Update Rule, signed by the EPA in September 2016, intended to implement the 2008 ozone national air quality standards by requiring further reductions in nitrogen oxides in 2017 in 23 states subject to CSAPR during the summertime ozone season;
- implementation of the EPA's Mercury and Air Toxics Standards ("MATS"), which impose stringent limits on emissions of mercury and other toxic air pollutants from electric power generators and are being phased in generally over four years, issued in December 2011 and in effect pending completion of judicial review proceedings;
- implementation of the EPA's August 2014 final rule on cooling water intake structures for power plants;
- more stringent EPA requirements governing management and disposal of coal ash pursuant to a final rule published in April 2015; and
- implementation of the EPA's November 2015 final rule setting limits on the levels of toxic metals that can be discharged from power plants

These environmental laws and regulations impose significant costs on our customers, which are increasing as their requirements become more stringent. These costs make coal more expensive to use and make it a less attractive fuel source of energy for our customers. Accordingly, some existing power generators have switched to other fuels that generate fewer emissions and others are likely to switch, some power plants have closed and others are likely to close, and fewer coal-fired plants are being constructed, all of which reduce demand for coal and the amount of coal that we sell and the prices that we receive for it, thereby reducing our revenues and adversely impacting our earnings and the value of our coal reserves.

The extensive regulation of the mining industry imposes significant costs on us, and future regulations or violations could increase those costs or limit our ability to produce coal.

Our operations are subject to a variety of federal, state and local environmental, health and safety, transportation, labor and other laws and regulations relating to matters such as:

- controls on emissions and discharges;
- the effects of operations on surface water and groundwater quality and availability;
- the storage, treatment and disposal of wastes;
- the remediation of contaminated soil, surface and groundwater;
- surface subsidence from underground mining; and
- employee health and safety, and benefits for current and retired coal miners.

These laws and regulations are becoming increasingly stringent. For example:

- federal and state agencies and citizen groups have increasingly focused on the amount of selenium and other constituents in mine-related water discharges;

- MSHA and the state of West Virginia have implemented and proposed changes to mine safety and health requirements to impose more stringent health and safety controls, enhance mine inspection and enforcement practices, increase sanctions, and expand monitoring and reporting; and
- as described above, more stringent regulation of GHG emissions is being considered that, if expanded to cover coal mining, could increase our costs, require additional controls, or compel us to limit our current operations, particularly at our underground coal mines.

In addition, these laws and regulations require us to obtain numerous governmental permits (described in more detail below).

We incur substantial costs to comply with the laws, regulations and permits that apply to our mining and other operations, and to address the outcome of inspections. The required compliance and actions are often time-consuming and may delay commencement or continuation of exploration or production. In addition, due in part to the extensive and comprehensive regulatory requirements, violations of laws, regulations and permits occur at our operations from time to time and may result in significant costs to us to correct the violations, as well as substantial civil or criminal penalties and limitations or shutdowns of our operations. For more information concerning certain violations that have occurred, see Exhibit 40 to this report.

MSHA and state regulators may also order the temporary closing of a mine in the event of certain violations of safety rules, accidents or imminent dangers. In addition, regulators may order changes to mine plans or operations due to their interpretation or application of existing or new laws or regulations. Any required changes to mine plans or operations may result in temporary idling of production or addition of costs.

These factors have had and will continue to have a significant effect on our costs of production and competitive position, and as a result on our results of operations, cash flows and financial condition. New laws and regulations, as well as future interpretations or different enforcement of existing laws and regulations, may have a similar or more significant impact on us, including delays, interruptions or a termination of operations.

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

Our operations use certain hazardous materials, and from time to time we generate limited quantities of hazardous wastes. We may be subject to claims under federal or state law for toxic torts, natural resource damages and other damages as well as for the investigation and clean-up of soil, surface water, sediments, groundwater and other natural resources. Such claims may arise out of current or former conditions at sites that we own or operate currently as well as at sites that we acquired and at contaminated sites that have always been owned or operated by third parties. Our liability for such claims may be joint and several, so that we may be held responsible for more than our share of the contamination or other damages, or even for the entire share.

We operate and maintain coal slurry impoundments at a number of our mining complexes. These impoundments are subject to extensive regulation. Slurry impoundments maintained by other coal mining operations have been known to fail, causing extensive damage to the environment and natural resources, as well as liability for related personal injuries and property damages. Some of our impoundments overlie mined out areas, which can pose a heightened risk of failure and of resulting damages. If one of our impoundments were to fail, we could be subject to substantial claims for the resulting environmental contamination and associated liability, as well as for fines and penalties.

These and other environmental impacts that our operations may have, as well as exposures to hazardous substances or wastes associated with our operations, could result in costs and liabilities that could render continued operations at certain mines economically unfeasible or impractical or otherwise materially and adversely affect our financial condition and results of operations.

We may be unable to obtain and renew permits necessary for our operations, which would reduce our production, cash flows and profitability.

Mining companies must obtain numerous regulatory permits that impose strict conditions on various environmental and safety matters in connection with coal mining. The permitting rules are complex and change over time, potentially in ways that may make our ability to comply with the applicable requirements more difficult or impractical or even preclude the continuation of ongoing operations or the development of future mining operations. The public, including special interest groups and individuals, have certain rights under various statutes to comment upon, submit objections to and otherwise engage in the permitting process, including bringing citizens' lawsuits to challenge permits or mining activities. In recent years, the permitting required for coal mining has been the subject of increasingly stringent regulatory and administrative requirements and extensive litigation by environmental groups.

As a result, the permitting process is costly and time-consuming, required permits may not be issued or renewed in a timely fashion (or at all), and permits that are issued may be conditioned in a manner that may restrict our ability to conduct our mining activities efficiently. In some circumstances, regulators could seek to revoke permits previously issued. We may also be required under certain permits to provide authorities data on the impact on the environment of proposed exploration for or production of coal.

In particular, certain of our activities require a Section 404 dredge and fill permit from the Army Corps of Engineers (the "COE"). In recent years, the Section 404 permitting process has been subject to increasingly stringent regulatory and administrative requirements and a series of court challenges, which have resulted in increased costs and delays in the permitting process. The COE has taken action to restrict the availability of its Nationwide Permit 21 and the United States Court of Appeals for the Sixth Circuit has invalidated the Nationwide Permit 21 permits issued in 2007. In addition, in 2015, the EPA and the COE issued a final rule, referred to as the "Waters of the United States" rule, which although currently stayed pending judicial review, would further expand the circumstances when a Section 404 permit is needed. Increasingly stringent requirements governing coal mining also are being considered or implemented under the Surface Mining Control and Reclamation Act, the National Pollution Discharge Elimination System permit process, and various other environmental programs. For example, in 2015, the Office of Surface Mining Reclamation and Enforcement ("OSM") issued a proposed Stream Protection Rule ("SPR"), which would amend over 475 existing rules and add new requirements, impact both surface and underground mining operations, and would, among other changes, increase testing and monitoring requirements related to the quality or quantity of surface water and groundwater or the biological condition of streams. It is unclear what impact these and other developments may have on the types of conditions or restrictions that will be imposed on our future applications for surface coal mining permits and surface facilities at underground mines.

Many of our permits are subject to renewal from time to time, and renewed permits may contain more restrictive conditions than our existing permits. For example, many of our permits governing surface stream and groundwater discharges and impacts will be subject to new and more stringent conditions to address various new water quality requirements upon renewal over the next several years. To obtain renewed permits, we may have to petition to have stream quality designations changed based on available data, and if we are unsuccessful, we may not be able to continue to operate the facility as planned or at all. Although we have no estimates at this time, our costs to satisfy these conditions could be substantial.

Future changes or challenges to the permitting process could cause additional increases in the costs, time, and difficulty associated with obtaining and complying with the permits, and could delay or prevent commencing or continuing exploration or production operations, and as a result, adversely affect our coal production, cash flows and profitability.

Changes in federal or state income tax laws, particularly in the area of percentage depletion, could cause our financial position and profitability to deteriorate.

The United States Congress continues to consider reform of the Internal Revenue Code. If the percentage depletion tax benefit is reduced or eliminated, for example, our cash flows, results of operations or financial condition could be materially impacted.

Risks Relating to Our Operations

Our coal mining production and delivery is subject to conditions and events beyond our control that could result in higher operating expenses and decreased production and sales, which would adversely affect our operating results and could result in impairments to our assets.

A majority of our coal mining in our eastern operations is conducted in underground mines, with the balance at surface mines. Our coal production at these mines is subject to operating conditions and events beyond our control that could disrupt operations, affect production and the cost of mining for varying lengths of time and have a significant impact on our operating results. Adverse operating conditions and events that we have experienced in the past and/or may experience in the future include:

- changes or variations in geologic conditions, such as the thickness of the coal deposits and the amount of rock embedded in or overlying the coal deposit;
- mining, processing and loading equipment failures and unexpected maintenance problems;

- limited availability or increased costs of mining, processing and loading equipment and parts and other materials from suppliers;
- difficulties associated with mining under or around surface obstacles;
- the proximity to and availability, reliability and cost of transportation facilities;
- adverse weather and natural disasters, such as heavy snows, heavy rains and flooding or hurricanes;
- accidental mine water discharges;
- coal slurry releases and impoundment failures;
- unexpected mine safety accidents, including fires and explosions from methane and other sources;
- a shortage of skilled labor;
- strikes and other labor-related interruptions; and
- the termination of material contracts by state or other governmental authorities.

If any of these or other conditions or events occur in the future at any of our mines or affect deliveries of our coal to customers, they may increase our cost of mining and delay or halt production or sales to our customers either permanently or for varying lengths of time, which would adversely affect our operating results and could result in impairments to our assets.

In addition, our mining operations are concentrated in a smaller number of mines. As a result, the effects of any of these conditions or events may be exacerbated and may have a disproportionate impact on our results of operations and assets.

We maintain insurance policies that provide limited coverage for some, but not all, of these risks. Even where covered by insurance, these risks may not be fully covered and insurers may contest their obligations to make payments. Failures by insurers to make payments could have a material adverse effect on our cash flows, results of operations or financial condition.

A decline in demand for metallurgical coal would limit our ability to sell our high quality steam coal as higher priced metallurgical coal, which would reduce our revenues and profitability, and could affect the economic viability of some of our mines with higher operating costs.

We are able to mine, process and market some of our coal reserves as either metallurgical coal or high quality steam coal. In deciding our approach to these reserves, we assess the conditions in the metallurgical and steam coal markets, including factors such as the current and anticipated future market prices of steam coal and metallurgical coal, the generally higher price of metallurgical coal as compared to steam coal, the lower volume of saleable tons that results when producing coal for sale in the metallurgical market rather than the steam market, the increased costs of producing metallurgical coal, the likelihood of being able to secure a longer term sales commitment for steam coal and our contractual commitments to deliver different types of coal to our customers. A decline in demand for metallurgical coal relative to steam coal could cause us to shift coal from the metallurgical market to the steam market, thereby reducing our revenues and profitability.

Mining in Central and Northern Appalachia is more complex and involves more regulatory constraints than mining in other areas of the United States, which could affect our mining operations and cost structures in these areas.

The geological characteristics of Northern and Central Appalachian coal reserves, such as depth of overburden and coal seam thickness, make them complex and costly to mine. As mines become depleted, replacement reserves may not be available or, if available, may not be able to be mined at costs comparable to those of the depleting mines. In addition, compared to mines in the Powder River Basin, permitting, licensing and other environmental and regulatory requirements are more costly and time consuming to satisfy. These factors could materially adversely affect the mining operations and cost structures of, and our customers' ability to use coal produced by, our mines in Northern and Central Appalachia.

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

Our ability to operate our business and implement our strategies depends in part on the efforts of our executive officers and other key employees. In addition, our business depends on, among other factors, our ability to attract and retain other qualified personnel. The loss of the services of any of our executive officers or other key employees or the inability to attract or retain other qualified personnel in the future could have a material adverse effect on our business or business prospects.

Certain provisions in our coal supply agreements may result in economic penalties upon our failure to meet specifications.

Most of our coal supply agreements contain provisions requiring us to deliver coal meeting quality thresholds for certain characteristics such as BTU, sulfur content, ash content, grindability, moisture and ash fusion temperature. Failure to meet these specifications could result in economic penalties, including price adjustments, the rejection of deliveries or termination of the contracts. Further, some of our coal supply agreements allow our customers to terminate the contract in the event of regulatory changes that restrict the type of coal the customer may use at its facilities or the use of that coal or increase the price of coal or the cost of using coal beyond specified limits. In addition, our coal supply agreements typically contain force majeure provisions allowing temporary suspension of performance by us or the customer during specified events beyond the control of the affected party. As a result of these issues, we may not achieve the revenue or profit we expect to achieve from our coal supply agreements.

Disruptions in transportation services and increased transportation costs could impair our ability to supply coal to our customers and adversely affect our business.

During the period from July 26, 2016 to September 30, 2016, 79% of our produced and processed coal volume was transported from the load-out or preparation plant to the customer by rail. Deterioration in the reliability of the service provided by rail carriers would result in increased internal coal handling costs and decreased shipping volumes, and if we are unable to find alternatives our business could be adversely affected. Some of our operations are serviced by a single rail carrier. Due to the difficulty in arranging alternative transportation, these operations are particularly at risk to disruptions, capacity issues or other difficulties with that carrier's transportation services, which could adversely impact our revenues and results of operations.

We also depend upon trucks, beltlines, ocean vessels and barges to deliver coal to our customers. In addition, much of our eastern coal is transported from our mines to our loading facilities by trucks owned and operated by third parties. Disruption of any of these transportation services due to weather-related problems, mechanical difficulties, strikes, lockouts, bottlenecks, terrorist attacks and other events could impair our ability to supply coal to our customers, resulting in decreased shipments and revenue. Disruption in shipment levels over longer periods of time could cause our customers to look to other sources for their coal needs, negatively affecting our revenues and results of operations.

An increase in transportation costs could have an adverse effect on our ability to increase or to maintain production on a profit-making basis and could therefore adversely affect our revenues and earnings. Because transportation costs represent a significant portion of the total cost of coal for our customers, increases in transportation costs could also reduce overall demand for coal or make our coal production less competitive than coal produced from other sources.

Expenditures for certain employee benefits could be materially higher than we have anticipated, which could increase our costs and adversely affect our financial results.

We are responsible for certain liabilities under a variety of benefit plans and other arrangements with employees, including certain obligations we assumed from Alpha as part of the bankruptcy reorganization. The unfunded status of these obligations as of September 30, 2016, as reflected in our Condensed Consolidated Financial Statements, included $14 million of workers' compensation obligations and $20 million of black lung obligations. These obligations have been estimated based on assumptions including actuarial estimates, discount rates, and changes in health care costs. We could be required to expend greater amounts than anticipated. In addition, future regulatory and accounting changes relating to these benefits could result in increased obligations or additional costs, which could also have a material adverse effect on our financial results. Several states in which we operate consider changes in workers' compensation laws from time to time, which, if enacted, could adversely affect us.

Federal healthcare legislation could adversely affect our financial condition and results of operations.

In March 2010, the Patient Protection and Affordable Care Act ("PPACA") was enacted, potentially impacting our costs of providing healthcare benefits to our eligible active and certain retired employees and workers' compensation benefits related to occupational disease resulting from coal workers' pneumoconiosis (black lung disease). The PPACA has both short-term and long-term implications on benefit plan standards. Implementation of this legislation is expected to extend through 2020. In the short term, our healthcare costs could increase due to, among other things, an increase in the maximum age for covered dependents to receive benefits, changes to benefits for occupational disease related illnesses, the elimination of lifetime dollar limits per covered individual and restrictions on annual dollar limits per covered individual. In the long term, our healthcare costs could increase due to, among other things, an excise tax on "high cost" plans and the elimination of annual dollar limits per covered individual.

Beginning in 2020, the PPACA will impose a 40% excise tax on employers to the extent that the value of their healthcare plan coverage exceeds certain dollar thresholds. We anticipate that certain governmental agencies will provide additional regulations or interpretations concerning the application of this excise tax. We will continue to evaluate the impact of the

PPACA, including any new regulations or interpretations, and the potential effects of the recent federal election results, in future periods.

If the assumptions underlying our accruals for reclamation and mine closure obligations prove to be inaccurate, we could be required to expend greater amounts than anticipated.

The SMCRA establishes operational, reclamation and closure standards for all aspects of surface mining as well as deep mining. We accrue for the costs of current mine disturbance and final mine closure, including the cost of treating mine water discharge where necessary. Estimates of our total reclamation and mine-closing liabilities total $208.7 million as of September 30, 2016 based upon permit requirements and the historical experience at our operations, and depend on a number of variables involving assumptions and estimation and therefore may be subject to change, including the estimated future asset retirement costs and the timing of such costs, estimated proven reserves, assumptions involving profit margins of third party contractors, inflation rates and discount rates. Furthermore, these obligations are primarily unfunded. If these accruals are insufficient or our liability in a particular year is greater than currently anticipated, our future operating results and financial position could be adversely affected. In addition, significant changes from period to period could result in significant variability in our operating results, which could reduce comparability between periods and impact our liquidity.

Estimates of our economically recoverable coal reserves involve uncertainties, and inaccuracies in our estimates could result in lower than expected revenues, higher than expected costs, decreased profitability and asset impairments.

We base our estimates of our economically recoverable coal reserves on engineering, economic and geological data assembled and analyzed by our staff, including various engineers and geologists, and periodically reviewed by outside firms. Our estimates as to the quantity and quality of the coal in our reserves are updated annually to reflect production of coal from the reserves and new drilling, engineering or other data. These estimates depend upon a variety of factors and assumptions, many of which involve uncertainties and factors beyond our control and may vary considerably from actual results, such as:

- geological and mining conditions that may not be fully identified by available exploration data or that may differ from experience in current operations;
- historical production from the area compared with production from other similar producing areas;
- the assumed effects of regulation and taxes by governmental agencies; and
- assumptions about coal prices, operating costs, mining technology improvements, development costs and reclamation costs.

For these reasons, estimates of the economically recoverable quantities and qualities attributable to any particular group of properties, classifications of reserves based on risk of recovery and estimates of net cash flows expected from particular reserves prepared by different engineers or by the same engineers at different times may vary substantially. In addition, actual coal tonnage recovered from identified reserve areas or properties and revenues and expenditures with respect to our reserves may vary materially from estimates. Accordingly, our estimates may not accurately reflect our actual reserves. Any inaccuracy in our reserve estimates could result in lower than expected revenues, higher than expected costs, decreased profitability and asset impairments.

Our business will be adversely affected if we are unable to develop or acquire additional coal reserves that are economically recoverable.

Our profitability depends substantially on our ability to mine in a cost-effective manner coal reserves of the quality our customers need. Although we have coal reserves that we believe will support current production levels for more than 20 years, we have not yet developed the mines for all our reserves. We may not be able to mine all of our reserves as profitably as we do at our current operations. In addition, in order to develop our reserves, we must receive various governmental permits. As discussed above, some of these permits are becoming increasingly more difficult and expensive to obtain and the review process continues to lengthen. We may be unable to obtain the necessary permits on terms that would permit us to operate profitably or at all.

Because our reserves are depleted as we mine our coal, our future success and growth depend in part on our ability to acquire additional coal reserves that are economically recoverable. Our planned development projects and acquisition activities may not result in significant additional reserves, and we may not succeed in developing new mines or expanding existing mines beyond our existing reserves. Replacement reserves may not be available when required or, if available, may not be able to be mined at costs comparable to those of the depleting mines. We may not be able to accurately assess the geological characteristics of any reserves that we now own or subsequently acquire, which may adversely affect our profitability and financial condition. Exhaustion of reserves at particular mines also may have an adverse effect on our operating results due to lost production capacity from diminished or discontinued operations at those mines, as well as lay-offs, write-off charges and other costs, potentially causing an adverse effect that is disproportionate to the percentage of overall production represented by those mines. Our ability to acquire other reserves in the future could be limited by restrictions under our existing or future debt agreements, competition from other coal companies for attractive properties or the lack of suitable acquisition candidates available on commercially reasonable terms, among other factors. If we are unable to replace or increase our coal reserves on acceptable terms, our production and revenues will decline as our reserves are depleted.

Our work force could become increasingly unionized in the future and our unionized or union-free work force could strike, which could adversely affect the stability of our production and reduce our profitability.

Approximately 70% of our total workforce and approximately 60% of our hourly workforce is union-free as of September 30, 2016. However, under the National Labor Relations Act, employees have the right at any time to form or affiliate with a union. Any further unionization of our employees or the employees of third-party contractors who mine coal for us could adversely affect the stability of our production and reduce our profitability.

Certain of our subsidiaries have wage agreements with the UMWA or other unions that expire at various times. As is the case with our union-free operations, the union-represented employees could strike, which would disrupt our production, increase our costs and disrupt shipments of coal to our customers, and could result in the closure of affected mines, all of which could reduce our profitability.

We are a new company and are in the process of developing and maintaining proper and effective disclosure controls and procedures and internal control over financial reporting. We may not complete our development or implementation of our disclosure controls and procedures or internal control over financial reporting in a timely manner, or our disclosure controls and procedures or internal control may have one or more material weaknesses, which may adversely affect the value of our common stock.

We are a new company and are 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 our disclosure controls and procedures and internal control over financial reporting. These activities may divert management's attention from other business concerns. Further, during the development of these systems, it is possible that our financial statements could contain errors, which could have a material adverse effect on our business, financial condition, results of operations and cash flows, and cause investors to lose confidence in our reported results, thus affecting our ability to finance our business. To design, maintain and improve the effectiveness of our disclosure controls and procedures, we must commit significant resources, may be required to hire additional staff and need to continue to provide effective management oversight, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Defects in title in our mine properties could limit our ability to recover coal from these properties or result in significant unanticipated costs.

We conduct a significant part of our mining operations on properties that we lease. Title to most of our leased properties and mineral rights is not thoroughly verified until a permit to mine the property is obtained, and in some cases, title is not verified at all. Accordingly, actual or alleged defects in title or boundaries may exist, which may result in the loss of our right to mine on the property or in unanticipated costs to obtain leases or mining contracts to allow us to conduct our mining operations on the property, which could adversely affect our business and profitability. In addition, from time to time, the rights of third parties for competing uses of adjacent, overlying or underlying lands, such as oil and gas activity, coalbed methane, pipelines, roads, easements and public facilities, may affect our ability to operate as planned if our title is not superior or arrangements cannot be negotiated. Furthermore, some leases require us to produce a minimum quantity of coal and pay minimum production royalties. If those requirements are not met, the leasehold interest may terminate.

Decreased availability or increased costs of key equipment and materials could impact our cost of production and decrease our profitability.

We depend on reliable supplies of mining equipment, replacement parts and materials such as explosives, diesel fuel, tires and magnetite. The supplier base providing mining materials and equipment has been relatively consistent in recent years, although there continues to be consolidation, which has resulted in a limited number of suppliers for certain types of equipment and supplies. Any significant reduction in availability or increase in cost of any mining equipment or key supplies could adversely affect our operations and increase our costs, which could adversely affect our operating results and cash flows.

In addition, the prices we pay for these materials are strongly influenced by the global commodities markets. Coal mines consume large quantities of commodities such as steel, copper, rubber products, explosives and diesel and other liquid fuels. Some materials, such as steel, are needed to comply with regulatory requirements. A rapid or significant increase in the cost of these commodities could increase our mining costs because we have limited ability to negotiate lower prices, and in some cases, do not have a ready substitute.

Because we purchase coal to be blended and resold with coal that we produce, disruption in supplies of coal produced by third parties could impair our ability to fill customers' orders or increase our costs.

We sold 1.3 million tons of coal purchased from third parties during the period from July 26, 2016 to September 30, 2016, representing approximately 13% of our total coal sales volume during the period from July 26, 2016 to September 30, 2016. The availability of the coal we purchase may decrease and prices may increase as a result of, among other things, changes in overall coal supply and demand levels, consolidation in the coal industry and new laws or regulations. Furthermore, we purchase a substantial portion of this coal from one source. Disruption in our supply of purchased coal could impair our ability to fill our customers' orders or require us to pay higher prices to obtain the required coal from other sources. Any increase in the prices we pay for purchased coal could increase our costs and therefore lower our earnings.

Strategic transactions, including acquisitions, involve a number of risks, any of which could result in a material adverse effect on our business, financial condition or results of operations.

In the future, we may undertake strategic transactions such as the acquisition or disposition of coal mining and related infrastructure assets, interests in coal mining companies, joint ventures or other strategic transactions involving companies with coal mining or other energy assets. Our ability to complete these transactions is subject to the availability of attractive opportunities, including potential acquisition targets that can be successfully integrated into our existing business and provide us with complementary capabilities, products or services on terms acceptable to us, as well as general market conditions, among other things.

Risks inherent in these strategic transactions include:

- uncertainties in assessing the value, strengths, and potential profitability, and identifying the extent of all weaknesses, risks, contingent and other liabilities, of acquisition candidates and strategic partners;
- the potential loss of key customers, management and employees of an acquired business;
- the ability to achieve identified operating and financial synergies from an acquisition or other strategic transactions in the amounts and on the timeframe due to inaccurate assumptions underlying estimates of expected cost savings, the deterioration of general industry and business conditions, unanticipated legal, insurance and financial compliance costs, or other factors;
- the ability of management to manage successfully our exposure to pending and potential litigation and regulatory obligations;
- unanticipated increases in competition that limit our ability to expand our business or capitalize on expected business opportunities, including retaining current customers; and
- unanticipated changes in business, industry, market, or general economic conditions that differ from the assumptions underlying our rationale for pursuing the acquisition or other strategic transactions.

The ultimate success of any strategic transaction we may undertake will depend in part on our ability to continue to realize the anticipated synergies, business opportunities and growth prospects from those transactions. We may not be able to successfully integrate the companies, businesses or properties that we acquire, invest in or partner with. Problems that could arise from the integration of an acquired business may involve:

- coordinating management and personnel and managing different corporate cultures;
- applying our safety program at acquired mines and facilities;
- establishing, testing and maintaining effective internal control processes and systems of financial reporting to the acquired business;
- the diversion of our management's and our finance and accounting staff's resources and time commitments, and the disruption of either our or the acquired company's ongoing businesses;
- tax costs or inefficiencies; and
- inconsistencies in standards, information technology systems, procedures or policies.

Any one or more of these factors could cause us not to realize the benefits anticipated from a strategic transaction, adversely affect our ability to maintain relationships with clients, employees or other third parties or reduce our earnings.

Moreover, any strategic transaction we pursue could materially affect our liquidity and capital resources and may require us to incur indebtedness, seek equity capital or both. Future transactions could also result in our assuming more long-term liabilities relative to the value of the acquired assets. Further, acquisition accounting rules require changes in certain assumptions made subsequent to the measurement period, as defined in current accounting standards, to be recorded in current period earnings, including in connection with our acquisition of certain core coal assets of Alpha, which could affect our results of operations.

Disruptions in supplies of coal from mines operated by third party contractors could impair our ability to fill customers' orders or increase our costs.

We use third-party contractors to operate some of our mines. Operational difficulties at these mines, increased competition for contract miners from other coal producers and other factors beyond our control could affect the availability, pricing and quality of coal produced for us by contractors. Disruption in our supply of contractor-produced coal could impair our ability to fill our customers' orders or require us to pay higher prices to obtain the required coal from other sources. Any increase in the prices we pay for contractor-produced coal could increase our costs and therefore lower our earnings.

Cybersecurity attacks, natural disasters and other similar crises or disruptions may negatively affect our business, financial condition and results of operations.

Our business may be impacted by disruptions such as cybersecurity attacks or failures, threats to physical security, and extreme weather conditions or other natural disasters. These disruptions or any significant increases in energy prices that follow could result in government-imposed price controls. It is possible that any of these occurrences, or a combination of them, could have a material adverse effect on our business, financial condition and results of operations.

Changes in the fair value of derivative instruments and other assets or liabilities that are marked to market could cause volatility in our earnings.

Derivative financial instruments are recognized as either assets or liabilities and are measured at fair value. Changes in fair value are recognized either in earnings or equity, depending on whether the transaction qualifies for cash flow hedge accounting, and if so, how effective the derivatives are at offsetting price movements in the underlying exposure.

We issued Series A Warrants on July 26, 2016 and classified the warrants as a derivative liability. The warrants we issued are recorded at fair value and marked to market in each reporting period, with changes in value reflected in earnings.

Any of these changes in fair value can have a significant non-cash impact on our earnings from period to period. For example, in the period from July 26, 2016 to September 30, 2016, the change in fair value of our derivative warrant liability was a charge of $21.9 million.

We may be unable to generate sufficient taxable income from future operations, or other circumstances could arise, which may limit our ability to utilize our tax net operating loss carryforwards or maintain our deferred tax assets.

We acquired the core coal assets of Alpha in a tax-free reorganization as part of Alpha's bankruptcy restructuring. As a result of the tax-free reorganization, we inherited the tax basis of the core assets and the net operating loss and other carryforwards of Alpha. These carryforwards and tax basis will be subject to reduction on December 31, 2016 due to the cancellation of indebtedness resulting from Alpha's bankruptcy restructuring. Due to the change in ownership, the net operating loss and other carryforwards will be subjected to limitations on their use in future years. In addition, the Company does not have a history of operating results, and if we are unable to generate profits in future, we may be unable to utilize these carryforwards. As of September 30, 2016, the Company has recorded a full valuation allowance against its net deferred tax assets.

Coal competes with natural gas, and factors affecting the natural gas industry could have an adverse impact on our coal sales.

Our coal competes with natural gas, and the price of natural gas can therefore affect coal sales. The natural gas market has been volatile historically and prices in this market are subject to wide fluctuations in response to relatively minor changes in supply and demand. Changes in supply and demand could be prompted by any number of factors, such as worldwide and regional economic and political conditions; the level of global exploration, production and inventories; natural gas prices; and transportation availability. If natural gas prices decline significantly, it could lead to reduced coal sales and have a material effect on our financial condition, results of operations and cash flows.

Risks Relating to Our Liquidity

Our substantial indebtedness exposes us to various risks.

At September 30, 2016, we had $318.8 million of indebtedness outstanding before discounts and issuance costs applied for financial reporting, of which $18.8 million will mature in the next three years. As of September 30, 2016, the Company had not drawn on the Term Facility and did not have any letters of credit outstanding under the LC Facility.

Our indebtedness could have important consequences to our business. For example, it could:

- make it more difficult for us to pay or refinance our debts as they become due during adverse economic and industry conditions because any related decrease in revenues could cause us to not have sufficient cash flows from operations to make our scheduled debt payments;
- force us to seek additional capital, restructure or refinance our debts, or sell assets;
- cause us to be less able to take advantage of significant business opportunities such as acquisition opportunities and to react to changes in market or industry conditions;
- cause us to use a portion of our cash flow from operations for debt service, reducing the availability of working capital and delaying or preventing investments, capital expenditures, research and development and other business activities;
- cause us to be more vulnerable to general adverse economic and industry conditions;
- expose us to the risk of increased interest rates because certain of our borrowings are at variable rates of interest;
- expose us to the risk of foreclosure on substantially all of our assets and those of most of our subsidiaries, which secure certain of our indebtedness if we default on payment;
- limit our ability to borrow additional monies in the future to fund working capital, capital expenditures and other general corporate purposes; and
- result in a downgrade in the credit rating of our indebtedness, which could harm our ability to incur additional indebtedness and result in more restrictive borrowing terms, including increased borrowing costs and more restrictive covenants, all of which could affect our internal cost of capital estimates and therefore impact operational and investment decisions.

Our ability to meet our debt service obligations will depend on our future cash flow from operations and our ability to restructure or refinance our debt, which will depend on the condition of the capital markets and our financial condition at that time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations, and the terms of existing or future debt instruments may restrict us from adopting some of these alternatives.

Pressure on our business, cash flow and liquidity could materially and adversely affect our ability to fund our business operations or react to and withstand changing market and industry conditions. Additional sources of funds may not be available.

A significant source of liquidity is our cash balances. Access to additional funds from liquidity-generating transactions or other sources of external financing may not be available to us and, if available, would be subject to market conditions and certain limitations including our credit rating and covenant restrictions in our credit facility and indentures.

Our ability to make the required payments on our indebtedness is dependent on the cash flow generated by our subsidiaries, which may be constrained by legal, contractual, market or operating conditions from paying us dividends.

We will be dependent to a significant extent on the generation of cash flow by our subsidiaries and their ability to make that cash available to us, by dividend, debt repayment or otherwise. These subsidiaries may not be able to, or be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each of these subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions, as well as the financial condition and operating requirements of our subsidiaries, may limit our ability to obtain cash from our subsidiaries. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required payments of principal, premium, if any, and interest on our indebtedness.

We have agreed to provide certain guarantees and other support in certain circumstances in connection with the Alpha bankruptcy settlement, which could increase our financial obligations.

In connection with Alpha's bankruptcy reorganization, we agreed to provide certain support to ANR under certain circumstances. Pursuant to the Contingent Commitment, an unsecured obligation to ANR, we must provide ANR with revolving credit support in an aggregate total amount of $35,000 from the Effective Date through September 30, 2018. Pursuant to the UMWA VEBA Funding Settlement agreement, if federal legislation providing retirement benefits to the UMWA Retirees has not been enacted or if moneys under the legislation have not become available for the benefits before August 1, 2017, on August 1, 2017, we are required to issue to the UMWA Contingent VEBA Funding Note 1 with a face value of $8.8 million, and if federal legislation providing retirement benefits to the UMWA Retirees has not been enacted or if moneys under the legislation have not become available for the benefits before December 1, 2017, on December 1, 2017, we are also required to issue to the VEBA the UMWA Contingent VEBA Funding Note 2 with a face value of $8.8 million. Pursuant to the Environmental Groups Settlement Agreement dated June 24, 2016 as part of the Alpha bankruptcy restructuring, we agreed to the Environmental Groups Settlement Guarantee, which is a guarantee of Alpha's obligations to make payments of $1.6 million on each of March 31, 2017 and March 31, 2018. Additionally, pursuant to the Reclamation Funding Agreement dated July 12, 2016, Restricted Cash Reclamation Accounts were established for certain federal and state environmental regulatory authorities to provide certain funding for the reclamation, mitigation and water treatment, and certain management work to be done at reclaim-only sites related to certain obligations under the various permits associated with ANR's retained assets. Pursuant to the Reclamation Funding Agreement, under certain circumstances, we will be required to pay up to an aggregate amount of $50.0 million into various Restricted Cash Reclamation Accounts from 2021 through 2025.

ANR is newly emerged from the bankruptcy process, and it may not be able to operate at a profit or generate significant cash flows. If we are required to provide support under these various commitments, it would significantly increase our financial obligations and increase the related risks that we now face.

We may incur more secured or unsecured debt which could further exacerbate the risks associated with our significant indebtedness.

We may incur additional secured or unsecured indebtedness in the future, subject to compliance with certain financial covenants. The addition of new debt to our current debt levels could increase the related risks that we now face.

The terms of our credit facilities and the indentures governing our notes limit our and our subsidiaries' ability to take certain actions, which may limit our operating and financial flexibility and adversely affect our business.

Our credit facilities and the indentures governing our notes contain a number of significant restrictions and covenants that limit our ability and our subsidiaries' ability to, among other things, incur additional indebtedness, enter into sale and leaseback transactions, pay dividends, make redemptions and repurchases of certain capital stock, make loans and investments, create liens, sell certain assets, engage in transactions with affiliates, and merge or consolidate with other companies or sell substantially all of our assets. These covenants could adversely affect our ability to finance our future operations or capital needs or to execute preferred business strategies. In addition, complying with these covenants may make it more difficult for us to successfully execute our business strategy and compete against companies who are not subject to such restrictions. We regularly evaluate opportunities to enhance our capital structure and financial flexibility through a variety of methods, including repayment or repurchase of outstanding debt, amendment of our credit facility and other facilities, and other methods. As a result of any of these actions, the restrictions and covenants that apply to us may become more restrictive or otherwise change.

Operating results below current levels, or other adverse factors, including a significant increase in interest rates, could result in our being unable to comply with our covenants and payment obligations contained in our credit facility and the indenture governing our notes. If we violate these covenants or obligations under any of these agreements and are unable to obtain waivers from our lenders, our debt under all of these agreements would be in default and could be accelerated by our lenders. If our indebtedness is accelerated, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if we were able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to us. If our debt is in default for any reason, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

The need to maintain capacity for required letters of credit could limit our ability to provide financial assurance for self-insured obligations and negatively impact our ability to fund future working capital, capital expenditure or other general corporate requirements.

As of September 30, 2016, the Company had not drawn on the Term Facility and did not have any letters of credit outstanding under the LC Facility. The Term Facility and LC Facility provide for revolving commitments of up to $42.5 million, all of which can be used to issue letters of credit. Obligations secured by letters of credit may increase in the future. If we do not maintain sufficient borrowing capacity under our letter of credit facility, we may be unable to provide financial assurance for our mining operations.

Failure to obtain or renew surety bonds on acceptable terms could affect our ability to secure reclamation and coal lease obligations, which could adversely affect our ability to mine or lease coal.

Federal and state laws require us to obtain surety bonds to secure payment of certain long-term obligations such as mine closure or reclamation costs, federal and state workers' compensation costs, coal leases and other obligations. These bonds are typically renewable annually. Surety bond issuers and holders may not continue to renew the bonds, may demand less favorable terms upon renewal or may impose new or increased collateral requirements. In addition, if the financial markets experience instability and volatility in the future, our current surety bond providers may experience difficulties in providing new surety bonds to us, maintaining existing surety bonds, or satisfying liquidity requirements under existing surety bond contracts. In certain circumstances, we may also utilize self-bonding, subject to meeting certain financial measures, the elements of which are subject to interpretation.

Difficulty in acquiring surety bonds, or additional collateral requirements, would increase our costs and likely require greater use of alternative sources of funding for this purpose, which would reduce our liquidity. If we were to be unable to provide the financial assurance that is required by state and federal law to secure our reclamation and coal lease obligations, our ability to mine or lease coal and, as a result, our results of operations could be adversely affected.

Upon a change of control, we may be unable to fulfill our obligations to repurchase our debt and may experience an event of default under one or more of the instruments governing our debt.

Under certain circumstances, we will be required, under the terms of the indenture governing our 10% notes due 2021, to offer to purchase all of the outstanding notes at 101% of their principal amount if we experience a change of control. If a change of control were to occur, we may not have sufficient funds to purchase our series of notes. We also might not be able to obtain additional financing to fund those purchases. Our failure to repurchase the notes upon a change of control would cause a default under the indenture and a cross default under our other financing arrangements. A change of control is also an event of default under our ABL Facility, permitting our lenders to accelerate the maturity of certain borrowings. If that were to occur, we may not be able to replace our ABL Facility on terms equal to or more favorable than the current terms, or at all. Any of our future debt agreements may contain similar provisions as our existing agreements.

Risks Relating to Our Common Stock

Our common stock is not listed on a national securities exchange and is traded only in the over-the-counter market, which could negatively affect our stock price and liquidity.

Our common stock is now trading over-the-counter and is quoted on the OTC Market under the ticker symbol "CNTE." The extent of the public market for our common stock and the continued availability of quotations depend upon such factors as the aggregate market value of the common stock, the interest in maintaining a market in our common stock on the part of securities firms and other factors. The OTC Market is a significantly more limited market than the New York Stock Exchange or NASDAQ, and the quotation of our common stock on the OTC Market may result in a less liquid market available for existing and potential shareholders to trade shares of our common stock, which could depress the trading price of our common stock. In addition, an inactive and illiquid market may impair our ability to raise capital by selling shares of common stock and may impair our ability to acquire other businesses or assets by using shares of our common stock as consideration.

We are party to a Registration Rights Agreement, which under certain circumstances permits certain holders of our common stock to require that we file a registration statement with the United States Securities and Exchange Commission to register the common stock. However, there can be no assurance that we will be able to fulfill this obligation to file a registration statement, and the filing of the registration statement could be subject to considerable delays. Accordingly, we cannot assure you that any public market for our common stock will exist in the future or that we will be able to list our common stock on a national securities exchange. This may lead to additional negative implications, including the potential loss of confidence in us by suppliers, customers and employees and the loss of institutional investor interest in our common stock.

Sales of additional shares of our common stock or the exercise or granting of additional equity securities could cause the price of our common stock to decline.

Sales of substantial amounts of our common stock in the open market and the availability of those shares for sale could adversely affect the price of our common stock. In addition, future issuances of equity securities, including issuances pursuant to outstanding or future stock-based awards under our long-term incentive plans and shares issuable upon exercise of the warrants, could dilute the interests of our existing stockholders and could cause the market price for our common stock to decline. We may issue equity or equity-linked securities in the future for a number of reasons, including to finance our operations and business strategy, adjust our ratio of debt to equity, satisfy claims or obligations or for other reasons. The price of our common stock could also be affected by hedging or arbitrage trading activity.

We do not intend to pay cash dividends on our common stock in the foreseeable future.

We have never declared or paid a cash dividend, and we do not intend to pay cash dividends on our common stock in the foreseeable future. If we were to decide in the future to pay dividends, our ability to do so would be dependent on the ability of our subsidiaries to make cash available to us, by dividend, debt repayment or otherwise. Our ability to pay dividends is limited by restrictions in our financing arrangements.

Provisions in our organizational documents and the instruments governing our debt may discourage a takeover attempt even if doing so might be beneficial to our stockholders.

Provisions contained in our certificate of incorporation and bylaws could impose impediments to the ability of a third party to acquire us even if a change of control would be beneficial to our stockholders. Provisions of our certificate of incorporation and bylaws impose various procedural and other requirements, which could make it more difficult for stockholders to effect certain corporate actions. For example, our certificate of incorporation authorizes our board of directors to determine the rights, preferences, privileges and restrictions of unissued series of preferred stock, without any vote or action by our stockholders. Thus, our board of directors can authorize the issuance of shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our common stock. These provisions may have the effect of delaying or deterring a change of control of our Company, and could limit the price that certain investors might be willing to pay in the future for shares of our common stock.

A Change of Control (as defined in the ABL Facility) is an event of default under the ABL Facility, permitting our lenders to accelerate the maturity of certain borrowings. If a Change of Control (as defined in the indenture governing our Senior Secured First Lien Notes) occurs, holders of the notes can require us to repurchase the notes. Further, our borrowing arrangements impose other restrictions on us, including with respect to mergers or consolidations with other companies and the sale of substantially all of our assets. These provisions could prevent or deter a third party from acquiring us even where the acquisition could be beneficial to our stockholders.

Mine Safety Disclosures

Information concerning mine safety violations or other regulatory matters described in Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 40 to this report.

Exhibit No.	Description of Exhibit
1	Asset Purchase Agreement, dated July 26, 2016, among Contura Energy, Inc.; Alpha Natural Resources, Inc.; certain subsidiaries of Alpha Natural Resources, Inc.; ANR, Inc.; and Alpha Natural Resources, Inc. as sellers' representative.
2	Settlement Agreement, dated November 3, 2016 but effective only as of the Settlement Effective Time, by and among Contura Energy, Inc., for itself and on behalf of certain of its subsidiaries; ANR, Inc., for itself and on behalf of certain of its affiliates; and Old ANR, Inc. (f/k/a Alpha Natural Resources, Inc.) on behalf of itself and on behalf of all of the sellers in its capacity as sellers' representative.
3	Reclamation Funding Agreement, dated July 12, 2016, by and among Alpha Natural Resources, Inc., on behalf of itself and its debtor-affiliates; Contura Energy, Inc.; the Illinois Department of Natural Resources; the Kentucky Energy and Environment Cabinet, Department for Natural Resources; the United States Department of the Interior, Office of Surface Mining, Reclamation and Enforcement, in its capacity as the regulatory authority over surface mining operations in the State of Tennessee; the Virginia Department of Mines, Minerals and Energy; and the West Virginia Department of Environmental Protection.
4	Settlement Agreement, dated July 12, 2016, by and among Alpha Natural Resources, Inc., on behalf of itself and its debtor-affiliates; Contura Energy, Inc.; Citicorp North America, Inc.; and the United States Department of the Interior, on behalf of the Office of Surface Mining, Reclamation and Enforcement, including in its capacity as the regulatory authority over surface mining operations in the State of Tennessee, the Office of Natural Resources Revenue and the Bureau of Land Management.
5	Permitting and Reclamation Plan Settlement Agreement for the State of Illinois, dated July 12, 2016, by and among Alpha Natural Resources, Inc., on behalf of itself and its debtor-affiliates; Contura Energy, Inc.; and the Illinois Department of Natural Resources.
6	Permitting and Reclamation Plan Settlement Agreement for the Commonwealth of Kentucky, dated July 12, 2016, by and among Alpha Natural Resources, Inc., on behalf of itself and its debtor-affiliates; Contura Energy, Inc.; and the Kentucky Energy and Environment Cabinet, Department for Natural Resources.
7	Permitting and Reclamation Plan Settlement Agreement for the Commonwealth of Virginia, dated July 12, 2016, by and among Alpha Natural Resources, Inc., on behalf of itself and its debtor-affiliates; Contura Energy, Inc.; and the Commonwealth of Virginia, Department of Mines, Minerals and Energy.
8	Permitting and Reclamation Plan Settlement Agreement for the State of West Virginia, dated July 12, 2016, by and among Alpha Natural Resources, Inc., on behalf of itself and its debtor-affiliates; Contura Energy, Inc.; and the West Virginia Department of Environmental Protection.
9	Stipulation Regarding Water Treatment Obligations, dated July 12, 2016, by and among Alpha Natural Resources, Inc., on behalf of itself and its debtor-affiliates; Contura Energy, Inc.; and the United States.
10	Retiree Committee Settlement
11	UMWA Funds Settlement
12	Agreement to Fund VEBA, dated July 5, 2016, by and among Contura Energy, Inc., on behalf of itself and as authorized agent for certain of its subsidiaries and the United Mine Workers of America.
13	Amended and Restated Certificate of Incorporation of Contura Energy, Inc.
14	Amended and Restated Bylaws of Contura Energy, Inc.
15	Indenture relating to the 10.0% Senior Secured First Lien Notes of Contura Energy, Inc., dated July 26, 2016, among Contura Energy, Inc.; the subsidiary guarantors of Contura Energy, Inc.; and Wilmington Trust, National Association as trustee and collateral agent.
16	First Supplemental Indenture relating to the 10.0% Senior Secured First Lien Notes of Contura Energy, Inc., dated July 26, 2016, between Contura Energy, Inc. and Wilmington Trust, National Association, as trustee.
17	Second Supplemental Indenture relating to the 10.0% Senior Secured First Lien Notes of Contura Energy, Inc., dated July 29, 2016, between Contura Energy, Inc. and Wilmington Trust, National Association, as trustee.
18	Third Supplemental Indenture relating to the 10.0% Senior Secured First Lien Notes of Contura Energy, Inc., dated August 4, 2016, between Contura Energy, Inc. and Wilmington Trust, National Association, as trustee.
19	Fourth Supplemental Indenture relating to the 10.0% Senior Secured First Lien Notes of Contura Energy, Inc., dated August 15, 2016, between Contura Energy, Inc. and Wilmington Trust, National Association, as trustee.
20	Fifth Supplemental Indenture relating to the 10.0% Senior Secured First Lien Notes of Contura Energy, Inc., dated September 8, 2016, between Contura Energy, Inc. and Wilmington Trust, National Association, as trustee.
21	Sixth Supplemental Indenture relating to the 10.0% Senior Secured First Lien Notes of Contura Energy, Inc., dated November 2, 2016, between Contura Energy, Inc. and Wilmington Trust, National Association, as trustee.
22	Form of 10.0% Senior Secured First Lien Note of Contura Energy, Inc.

23 Asset-Based Term Loan Credit Agreement, dated July 26, 2016, among Contura Energy, Inc.; the subsidiary guarantors of Contura Energy, Inc.; the lenders party thereto; the issuing bank party thereto; Wilmington Trust, National Association, as administrative agent and as collateral agent; and Citigroup Global Markets Inc., as sole lead arranger.

24 Security Agreement, dated July 26, 2016, among Contura Energy, Inc., certain subsidiaries of Contura Energy, Inc. And Wilmington Trust, National Association, as collateral agent, in connection with the Asset-Based Term Loan Credit Agreement.

25 Security Agreement, dated July 26, 2016, among Contura Energy, Inc., certain subsidiaries of Contura Energy, Inc. And Wilmington Trust, National Association, as collateral agent, in connection with the 10.0% Senior Secured First Lien Notes.

26 Registration Rights Agreement, dated July 26, 2016, by and among Contura Energy, Inc. and certain holders of its common stock party thereto.

27 Loan Agreement, dated July 26, 2016, by and among ANR, Inc., as borrower; certain subsidiary guarantors of ANR, Inc.; and Contura Energy, Inc., as lender.

28 Employment Agreement by and between Contura Energy, Inc. and Kevin S. Crutchfield, dated July 26, 2016.

29 Contura Energy, Inc. Management Incentive Plan.

30 Form of Contura Energy, Inc. Emergence Award Agreement.

31 Contura Energy, Inc. Annual Incentive Bonus Program.

32 Form of Indemnification Agreement by and between Contura Energy, Inc. and each of its current and future directors and officers.

33 Contura Energy, Inc. Key Employee Separation Plan.

34 Contura Energy, Inc. Non-Employee Director Compensation Policy.

35 Form of Contura Energy, Inc. Non-Employee Director Restricted Stock Unit Award Agreement.

36 Form of warrant to acquire common stock.

37 Warrant Agreement, dated July 26, 2016, between Contura Energy, Inc., Computershare, Inc. and Computershare Trust Company, N.A.

38 Contura Energy, Inc. Code of Business Ethics.

39 Subsidiaries.

40 Mine Safety Disclosure.