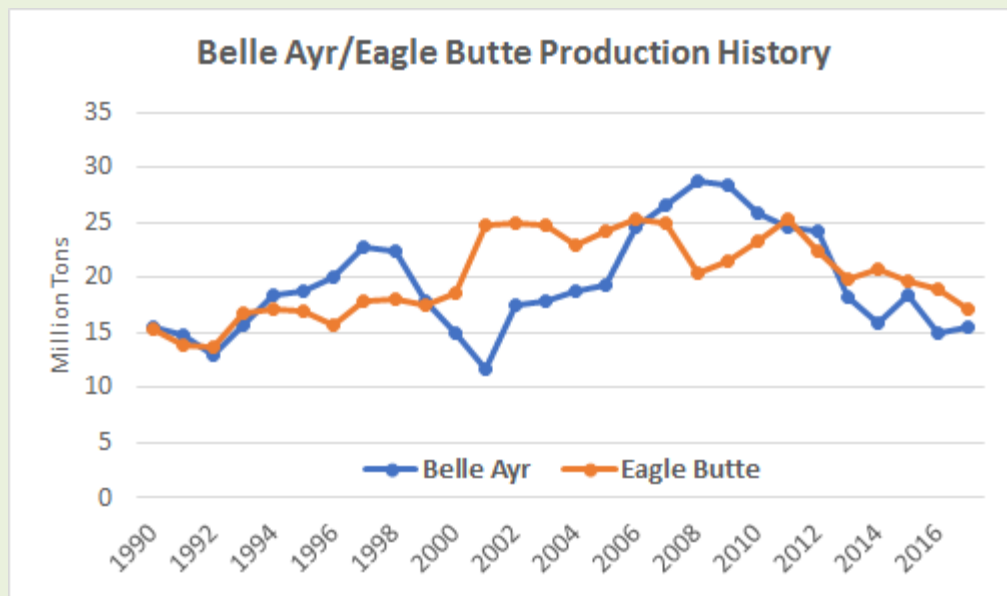




## DTC Flash©: Contura Sells PRB Mines

**Contura Energy Sells PRB Mines:** Following up on market chatter we reported last Thursday, this morning **Contura Energy** announced it has completed the sale of its Belle Ayr and Eagle Butte mines to **Blackjewel LLC** for \$50 mm in deferred royalty payments, as well as the assumption of \$200 mm in reclamation liabilities. Included in the sale are approx. 600 mm tons of proven and probable PRB reserves, related equipment and infrastructure and other real properties. **Blackjewel LLC** is an affiliate of the Jeff Hoops/**Revelation Energy** group.

- **Financial Impact:** **Contura** will incur a book loss on the sale, to be recorded in Q4 this year and the deal is expected to generate approx. \$400 - \$450 mm in income tax deductions (subject to further calculations), which the company would use to offset taxable income in 2017 and future years.
- **Background:** The two mines were previously owned by **Foundation Coal**, which was acquired by **Alpha Natural Resources** in 2009 for \$1.5 billion. **Contura** acquired **Alpha's** PRB assets as part of the restructuring following **Alpha's** bankruptcy in 2016.
- **Production:** Belle Ayr and Eagle Butte produce the PRB 8,400 btu quality and have combined Q1- Q3 2017 production of 24.47 mm tons, in line with 2016 production from the same period of 24.67 mm tons. Belle Ayr produced 14.88 mm in 2016 and Eagle Butte produced 19.00 mm tons, together 33.89 mm tons, which is the lowest combined total since the two mines produced 51.59 mm tons in 2007 (record year). Belle Ayr is on the Joint Line (BNSF/UP) but Eagle Butte is served by the BNSF exclusively.



- **Contura:** The separation of **Contura's** PRB assets makes them an eastern producer. Today **Contura** CEO Kevin Crutchfield said, "This transaction allows us to further sharpen our focus on the company's well-positioned eastern assets and a growing met sales portfolio." They guided 2017 production from Capp and Napp between 10.6 and 11.4 mm tons of which just over 4 mm

tons were metallurgical. Additionally, **Contura** reduced some of its **Alpha** acquisition liabilities when **Alpha** sold some of its idled properties to **Lexington Coal Company** in October this year. **Contura** reported they eliminated about \$35 mm of “Contingent Reclamation Funding” liabilities as well as other contingencies supporting **Alpha**’s credit as well as releasing \$2.8 mm from restricted to operating cash.

- **Revelation**: The acquisition of **Contura**’s PRB assets would be **Revelation**’s first move outside of Capp. Earlier this year **Revelation** acquired the Lone Mountain operations and the idled Cumberland River properties from **Arch Coal (ARCH)**. **Arch** reported a gain of approximately \$21.6 mm attributed to this transaction in their Q3 release. **Revelation** also bought mines from **SunCoke, James River, Bledsoe** and **Bell County Coal**. Based on production attributed to **Revelation** by MSHA (including Lone Mountain on a pro-forma basis,) the company produced 3.2 mm tons for the first 9 months of 2017 and 4.6 mm in 2016. Most of the production is in Harlan County, Kentucky and Buchanan and Wise counties in Virginia. **Lexington Coal Company** was founded by Jeff Hoops who is also the president of **Revelation Energy**.

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