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METC.OQ - Q1 2017 Ramaco Resources Inc Earnings Call

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CORPORATE PARTICIPANTS

Michael Windisch *Ramaco Resources, Inc. - Chief Accounting Officer*

Randall Atkins *Ramaco Resources, Inc. - Executive Chairman*

Michael Bauersachs *Ramaco Resources, Inc. - President and CEO*

Marc Solochek *Ramaco Resources, Inc. - CFO*

CONFERENCE CALL PARTICIPANTS

Jeremy Sussman *Clarksons - Analyst*

Mark Levin *Seaport Global - Analyst*

Michael Dudas *Vertical Research Partners - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Ramaco Resources First Quarter 2017 Earnings Conference Call.

At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. (Operator Instructions) As a reminder, this conference call may be recorded.

I would now like to turn the conference over to Michael Windisch. You may begin.

Michael Windisch - *Ramaco Resources, Inc. - Chief Accounting Officer*

Thank you, Anne.

Good morning. Welcome to the conference call for Ramaco Resources First Quarter Earnings.

With me this morning is Randy Atkins, our executive chairman; Mike Bauersachs, our president and CEO; and Marc Solochek, our chief financial officer.

Before we start I would like to share our normal cautionary statement regarding forward-looking statements. Certain statements discussed on today's call constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent Ramaco's expectations or beliefs concerning future events, and it is possible that the results discussed will not be achieved. These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of Ramaco's control, which could cause actual results to differ materially from the results discussed in the forward-looking statements.

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With that said, let me introduce Randy Atkins, our executive chairman.

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

Thanks, Mike.

Again, on behalf of all of us at Ramaco Resources, I want to thank everyone for joining us today on our second earnings call in actually about six weeks. We are now basically three months beyond our IPO and we're continuing to derisk our mining assets at all of our properties, which we're going to detail for you today.

To make the point, which we said during our IPO, Ramaco is in development mode in 2017. We will not be either in substantial production or active sales mode until our Elk Creek prep plant is fully operational later this summer. So we've got relatively minor exposure to the current market.

We feel that the volatility in the met market continues to support the wisdom of our strategy to be a debt-free, low-cost producer. And that volatility, since our last call, has been impressive.

On our March 29th call, low-vol prices for spot was about $150. Two weeks, later it was $315. This week, spot is back to about $190 and the '18 forward curve is $150. If we talked to you 12 months ago in May, the spot price was only $90. So regardless if you're a buyer or a seller, it's tough to pick the spot to either sell on or catch a falling knife.

We're a firm believer, however, that this volatility for better or for worse is going to continue. We also believe that as long as Ramaco becomes one of the lowest cost producers and remains debt-free, we will just find in whatever market we find ourselves. Our goal remains to generate strong long-term cash flow and occasionally benefit from periods of short-term market tightness.

In the meantime, we are continuing to execute according to our plans we've outlined before. And in a moment, my partner Mike Bauersachs is going to comment on some of those highlights.

Our Elk Creek infrastructure and mine build-out is well under construction. We put up some recent pictures of activity on our website this week, and we are also organizing an analyst and investor trip early next month so everybody can see the progress at Elk Creek firsthand.

Financially, since we are in development mode, we have limited meaningful operational results today. Our 10-Q was released yesterday. Marc Solochek, our CFO, will follow Mike with some remarks on our first quarter financials, which are in line with expectations. We'd also like to make some brief remarks on the state of the overall met markets.

As I said earlier, we have seen some substantial price give-back in the markets even over the past few weeks. This correction is post Cyclone Debbie and is in some [measurement] based on a renormalization of supply from Australia whether we will even see a Q2 benchmark and at what level is still open to debate.

After listening to several of our peers over the past week, I believe it's a safe bet that no one can truly assess where the market will be positioned in six weeks much less six months. We have seen prices and realizations quoted all over the board. And candidly, there are now both as well as negative signals coming from both China as well as domestic met and steel markets. Again to reiterate, we believe that some price stabilization will be good for the markets and we feel that an inflection benchmark price somewhere in the one slate $150 price range we'll continue to see a general balancing of supply and demand at those levels.

At that level, for export benchmark pricing, that would translate to roughly $85 to $90 at the mine for our coals whether those prices are going to be there in late Q3 and Q4, we will see. But we at Ramaco remain focused on getting our test shipments into the market during the balance of Q2 and Q3 so we can be poised to have a substantial position in the market in Calendar 2018.

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In summary, we are very content in this type of market because we should have a very low cost of production because we will have growth ramping from under a million tons of production this year to over 4.5 million tons in a few years. We expect to generate increasingly strong cash flows going forward.

And lastly, with respect to the elephant in the room, we have no special insight why our stock has had such a downward trend since our IPO. With $80 million in cash, we are now essentially trading at 3X of cash.

We recognize that small cap energy companies have recently been penalized, but to reiterate, we have always said that Ramaco is not a 2017 story, but rather a 2018 and forward story. We are continuing to execute on our plan. We are keeping our head down, and we look forward to the market ultimately recognizing our value.

Now, at this time, I'd like to turn it over to Mike to provide some more detail and update on our overall operations.

Michael Bauersachs - *Ramaco Resources, Inc. - President and CEO*

Thank you, Randy.

I'm pleased to provide an update on our operating and marketing developments as well as our infrastructure build-out. We are equally excited about hosting our pending Elk Creek site visit on June 6 and 7 with numerous coal analysts and investors. While viewing the pictures on our website is helpful, the visit should reinforce the fact that our on-the-ground execution, the very complex tasks and infrastructure construction is both on schedule and remarkable. Additionally, we are hopeful that a site visit will demonstrate the value of our operating assets and advantage reserve base.

As those on this call know, we continue to experience a large number of firsts in our organization. I think that it is important to highlight that we have alongside mining our first coal production from a company mine also implemented our environmental management system as well as our company-wide safety program. In each case, we have taken best industry practices and are integrating them into our best daily practices.

I can assure each of our shareholders that we will actively manage the health, safety and environmental issues that we face in the company in the coal mining business. This will include actively measuring key metrics such as our non-fatal days lost or NFDL rate, which is a common industry measure of safety performance. I am also pleased to report a zero in FDL rate to date at our company operations as well as our contract mine.

From an employee standpoint, excluding our contract mining operation, we have 52 current or committed company employees as of today. We anticipate having that increase to over 100 employees by the end of June. To date, the quality of people that we have been able to attract has been outstanding. We have hired not only experienced coal miners and supervisors, but more importantly employees who are excited to be a part of our company for the remainder of their careers. It is clear that what we are offering is more powerful than an additional dollar or two in hourly wages.

As we continue to advance our employment numbers, I will suggest that there is no better barometer of future potential at how well we recruit our hourly and salaried workforce. Indeed, success in this arena is another validation of our advantaged projects. Who better to judge our potential than coalminers themselves?

Our active deep Alma Mine at Elk Creek continues to operate at the 20,000 clean ton per month level. In our next 45 to 60 days as the mine migrates northward, we expect the production and productivities to increase. To enhance new term production, we're in the process of initiating production at a second section in the Alma mine this month. We expect production from this company staff mining section to operate at the 10,000 clean ton per month level for approximately four to five months.

This additional production will allow us to bridge the gap per tonnage targeted for test shipments during the second and third quarters of 2017. The ability to cite a temporary section is a testament to the flexibility we have built into our plans. We currently view this additional production at the Alma mine as temporary, and we expect it to be replaced by tonnage from other Elk Creek mines coming online as the year progresses.

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The second deep mine at Elk Creek, the Eagle Mine became operational during the week of April 10th, ahead of schedule and is producing development coal while establishing support infrastructure. The mining conditions are excellent and the productivities have exceeded our expectations. Mining will advance in the Eagle Seam until the Number 2 Gas Seam becomes close enough for dual-seam mining likely sometime in August.

The combination of improved mining conditions in the Alma seam and dual-seam mining in our Eagle mine is projected to coincide with the completion of our Elk Creek preparation plant in mid-August. We also expect our third mine, which will be a surface and highwall mine operation to become active during the same timeframe.

Production in the second quarter is projected to be 110,000 tons escalating the 300,000 tons in the third quarter and 430,000 tons in the fourth quarter.

Moving to our Berwind development, we continue to expect issuance of our mining permit in the next couple of weeks. We will break ground immediately upon issuance of the permit. The permit delays did not reflect technical, environmental or problematic issues that cannot be resolved. Instead, the remaining issue is the coordination and insertion of language that documents that our permit will comply with federal fish and wildlife standards, which it does.

The state of West Virginia has already issued the water-related NPDS permit and anticipates issuing the mining permit as soon as the required language is inserted. I might add that the West Virginia DEP has been actively advocating the finalization of the issue with our counterparts at Fish and Wildlife.

On a different front, our guidance relative to capital expenditures in 2017 will likely be between $55 million and $65 million. The significant spending range relates to whether we are able to move some development work forward from 2018 into the current year. I would like to confirm that we continue to migrate our way through our major infrastructure build-out without any major changes, overruns or amendments to our infrastructure-related contracts.

Turning to production, our guidance of 910,000 tons for 2017 remains unchanged from our last call. At this point, we are leaving our outlook for third party purchased coal for all of 2017 at 100,000 tons. We shipped 35,000 purchased tons in the first quarter and generated a net margin of more than $17 per ton. Currently, most of the revenues generated from high-quality low-volatile coal that we are purchasing for resale to third parties. I will also say that we are working on several relationships and sources, which could cause this to increase.

Our efforts in this area are also enabled by our decision to terminate our third party washing agreement at Knox Creek, providing more flexibility for purchasing, stockpiling and washing coal for our own account. We believe that our back-to-back trading activities are scalable, and we anticipate providing additional guidance as the year progresses regarding what has the potential to be a substantial contributor to our bottom line.

We expect net revenue from these activities for the remainder of the year to be quite variable but profitable. Boosting these activities also allows us to effectively utilize cash on our balance sheet as working capital.

Our recent Jewell Ridge transaction announced a day after our last conference call in March should also complement this effort. We are currently permitting two mines as well as reviewing a potential new sub-lease with an existing operator who is currently selling coal to Ramaco. In most cases, this production is expected to be high-quality low-volatile coal with CSRs in the 60's. Indeed, historically, the majority of the production from this acquired area was consumed at SunCoke's Jewell Coke Plant.

While we expect to receive royalty income from both our existing and new sub-leases, the compelling reason for the transaction is the control of high-quality reserves that can be sold for our own account. This transaction from a minimum cash investment was enabled by our strong and encumbered balance sheet as well as the ability to wash and ship coal through our Knox Creek preparation plant.

From a growth standpoint through the small acquisition from Brink's, we have illustrated our strategy to do creative bolt-on type transactions to leverage our existing infrastructure and financial strength.

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We have now entered in the coal sales arrangements for the remainder of the year of approximately 390,000 tons. These tons will be sold in North America and this number also contains the tons sold to a nearby producer, which was primarily entered into in order to enable us to wash and ship coal for our own account. We currently have a train scheduled for a test shipment out of this nearby facility in late May.

Note that our current sales agreements provide for a fairly wide band of delivered quality, which gives us important sourcing flexibility for our plant production especially from our surface mine. We expect net revenue from these contracts to remain at levels experienced during the first quarter to continue into the second quarter. Revenue from committed sales should increase by approximately $10 per ton on average for the remainder of the year. This committed tonnage, which was assembled outside of the normal window for North American sales provides a reasonable foundation and safety [val] for uncommitted production that will be marketed in the back half of the year.

We remain quite optimistic that the remaining uncommitted tons then placed at a margin that is substantially greater than our base load tons. Indeed, we have been included on customer visits that have typically been limited to active producers. We are also actively engaged in sales discussions that could allow us to sell both North American and export tons, some of which would include a term component. This ongoing activity reinforces the viability of our multiple coal qualities in the marketplace.

In support of our marketing efforts, we believe that we are close to entering into an arrangement that will provide export throughput and stockpile capacity at Newport News. I will note that we are one of the only producers with the confidence in our production and associated costs to enter into a term agreement. Obviously, agreeing to the term deal is projected to in term yield an advantaged throughput cost.

In closing, you should take away from the quarter that we continue to lay the foundation for 2018, which has always been our primary focus.

Our successful migration to 2018, and projected costs and production levels will obviously be the first real test for our Ramaco Resources valuation. We continue to derisk any factors that could derail our projected production increase. Our continuing execution on the ground has allowed us to add a temporary production increase when it was most critical. We are also constantly reviewing our platform to maximize long-term shareholder value.

The migration from washing coal for others to purchasing third party coal removes the safety net, but provides potential upside to increased margins. Management remains focused on the successful migration of our development plans into a more normalized operational status.

Thank you for your interest in Ramaco Resources. And I will now ask Marc Solochek to provide some comments relative to our first quarter financial results.

Marc Solochek - *Ramaco Resources, Inc. - CFO*

Thank you, Mike.

First, I want to refer everyone to our current release of earnings into our recently filed Form 10-Q for more detail about the quarter-ended March 31, 2017.

As Randy mentioned, we don't have a whole lot of meaningful financial information to share with you today beyond what is in the earnings release, but I would like to highlight a few points. We continue to have a very strong balance sheet and excellent liquidity. During the quarter, this was bolstered by our initial public offering that closed in February. Ramaco Resources sold 3.8 million of the 6 million shares offered in the IPO generating $43.7 million in net proceeds.

At March 31, 2017, we had approximately $79 million in cash and investments, which is more than we know to complete our planned production ramp-up and capital build-out.

Ramaco Resources reported a net loss of $3.1 million or $0.10 per share for the quarter ended March 31, 2017. This compares with a net loss of $3.8 million or $0.17 per share for the quarter ended March 31, 2016. Both quarters had a significant unusual item.

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In 2017, we had a one-time charge of $2.1 million for equity-based compensation, which arose from the accelerated vesting of executive stock options as a result of our IPO. This had a $0.07 per share adverse impact. And in 2016, we wrote-off deferred operating expenses of $3.1 million in connection with a proposed financing that was not consummated. This had a $0.14 per share adverse impact.

During the first quarter of 2017, we sold 91,050 tons in an average realization of $108.20. The 55,770 tons of company production was delivered under a relatively low price contract that provided us with washing capacity for our Alma coal until the Elk Creek preparation plant is operational.

As Randy and Mike have pointed out, we are still in the development ramp-up. As such, we are incurring many costs at the Elk Creek complex that relayed to the whole complex, but which are being borne by the Alma mine for accounting purposes. Thus, our cost of mine coal sold per ton was approximately $83 in the first quarter of 2017, but if you exclude the trucking cost to the third party preparation plant, which were about $17 per ton, and if you exclude the general expenses that normally would be spread over a much larger base of production, and this was about $21 per ton, our direct cost per ton of coal mine was only about $45. As they say in the rising commercial, that is $45.

Of course, when the Elk Creek preparation plant is operational, our mine cost per ton would include preparation cost as well as trucking cost, albeit significantly less than what it cost to move coal to the third party preparation plant. Ultimately, the mine will utilize additional production equipment as well that will increase production in lower cost further. When all is said and done, the direct mine cost we incurred in the first quarter is very much in line with the $50 plus cost that we have been projecting for the Elk Creek mines.

In the first quarter of 2017, we invested $17.2 million in our planned mining operations and supported infrastructure. This includes $10 million in the new Elk Creek preparation plant and we are load up. When completed in the third quarter, our total investment in this facility will be around $32 million. That pretty much covers all the financial highlights for the quarter.

And with that, I'll turn the call back over to Randy Atkins.

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

Thanks, Marc.

Well, at this point, that concludes the formal remarks for our for the quarter, and we would be happy to turn it over to questions from either the analysts or investment parties on the line.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question comes from Jeremy Sussman with Clarkson. Your line is open.

Jeremy Sussman - *Clarksons - Analyst*

Hi, guys. How are you?

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

Very good, Jeremy.

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Jeremy Sussman - *Clarksons - Analyst*

Thanks for taking my question. I guess, first of all, good to see that the prep plant is on schedule for mid-August. I guess, maybe a little bit of a bigger picture question. Let's say going back to the ending of the year to what you know now, any sort of positive or negative surprises that you see from really anything? Let's stick with Elk Creek on that question.

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

Yes, good question. I think the availability of labor has been a very positive surprise for us. We continue to read things from other parties that talk about having job fairs in different states and things, we're in the heart of [Coke Country] there, but it surprised us, the talent that we've been able to recruit. And the first tier of talents you recruit normally leads to another layer of good talent, so I think that's been a very good surprise.

I think we continue to be surprised by how difficult it's been to acquire some deep mining equipment and how easy it's been to acquire surface equipment, in particular, kind of medium-sized deep mining equipment is pretty tight and kept. The good thing is we got out well in front of that, and I'm definitely glad we're not trying to acquire a bunch of that equipment now. And I might add to that equipment that has allowed us to be flexible enough to bring on additional production when we needed it because we have it on-hand rebuilt and ready-to-use.

Jeremy Sussman - *Clarksons - Analyst*

That's very helpful. And maybe just switching gears to the pricing side, I think, Randy, you and Mike both mentioned sort of test shipments was the term, I think, you used this year. So it sounds like to get into the market that perhaps maybe we shouldn't look at 2017 pricing and sort of use that as a cost of going forward at least for some of the stuff earlier in the year. Is that how we should kind of think about things?

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

I think that's right, Jeremy. I mean, I think one thing that I try to express is there has been obviously tremendous volatility in the first quarter. And I think we're lucky that we didn't have to be out there trying to figure out whether to pull the trigger one way or the other in this kind of a market, which is that slowly. Obviously, we hope that the general market settled down a little bit later in Q3 and Q4 when we're actually going to be out there trying to tie down some domestic business. We're certainly following the spot market out there for some of our shipments, particularly those that we're doing right now for third party coal.

But you were absolutely correct. We said it from day 1 when we started our IPO road show, this is a 2017 startup and a 2018 show, and we're just about to get the show on the road so that's a fair statement that you made.

Michael Bauersachs - *Ramaco Resources, Inc. - President and CEO*

I think also what you're seeing as management discontinue to look at where our production levels are expected to be, and the most important thing, I think, is test shipments, but secondarily, we will need to move these tons in 2017. And frankly, most people are already contracted for 2017, so we continue to see opportunities to do that and are currently following those, and also keeping some tons open for what could be a much better realization. So we can see the back-ended nature of our production, and we're constantly trying to manage that with our focus being on 2018.

Jeremy Sussman - *Clarksons - Analyst*

Right, that makes sense. Well, appreciate the call and I'll pass it along. Thanks, guys.

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Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

Thanks. I'd make one other comment to your point, Jeremy, which is, I think, in hindsight, it's somewhat of a blessing. We can have the shakedown period here in this period of volatility in the market, so we can get our operational situation well-founded and footed. And that's what we're doing whereas I said, we're out there block and tackling.

Jeremy Sussman - *Clarksons - Analyst*

That's great. Thanks, guys.

Operator

Your next question comes from Mark Levin with Seaport Global. Your line is open.

Mark Levin - *Seaport Global - Analyst*

Hey, guys, appreciate the sudden call and the update, and congratulations on all of the progress.

Randy, I want to follow-up on a comment that I think you made at the beginning of the call, and I just kind of want to make sure I understood it correctly. So I think you said in a 145 to 150 type environment, and correct me if I'm wrong that you guys would realize 85 to 90. Is that right?

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

That's correct.

Mark Levin - *Seaport Global - Analyst*

Okay.

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

That's on export, Mark.

Mark Levin - *Seaport Global - Analyst*

On export, right. So on that 145 to 150, can you kind of just back us into like how you would get to that 85 to 90 because if I were assuming transport cost of let's say like $25 or so, I would be at that level coming closer to maybe like a 20% discount to the benchmark. Is that math wrong?

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

That's not wrong. I think when I did it, I frankly probably used about a $30 transportation cost. I think that may be going to be a little high, but again we're sitting in a situation where we're not actually doing a lot of that export business right now. But if you basically want to do a net back, you would deduct, of course, the conversion from metric tons. You would take out the transportation. And then as we've said all along, our quality differential was sort of a high-vol A/B product we anticipate being in sort of the 12%, 12.5% range plus or minus.

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Mark Levin - *Seaport Global - Analyst*

Got it. Got it. Okay, fair enough. I hate to focus on '17 because it really isn't the critical year, but just for modeling purposes, on the 900,000 tons or so of production that you anticipate this year, just high-level, how much of that today is priced and at what price level?

Marc Solochek - *Ramaco Resources, Inc. - CFO*

Yes, Mark, what we've done basically of the remaining tons that we have to ship the rest of the year, approximately half of that or so is priced. And if you look at, with some variability, of course, from trucking costs and recoveries and those kinds of things, we're seeing some of those tons placed at numbers closer to $60 and some of those numbers closer to $80. You're seeing those numbers kind of shake out more or less in that $70 range.

And I might add that these tons were purposefully entered into. They have a great deal of flexibility and quality. They also did not require cash shipment qualifications and those kinds of things. And again we're also entered into at a time when everybody else is pretty much already entered in the contracts with other parties. So...

Mark Levin - *Seaport Global - Analyst*

Right, right.

Marc Solochek - *Ramaco Resources, Inc. - CFO*

...it shows the desirability of the coal. And we believe that we have to have some base load to help guide us through the remainder of the year, and we'll continue looking at that and we'll continue to keep tons available for opportunities that are much higher than that.

We'll continue to generate a margin at those levels. As we get in the third and fourth quarter, as I mentioned, our margin will increase by about $10 over what we'll experience in the first and second quarter because more of the tons that were entered into post the contract to help us wash coal will kick in.

And also I had again that it's never been a part of our plans to do some of this back-to-back kind of trading, but the margins we've been able to realize really for just the use of working capital have been pretty handsome to tell you the truth. And I think you'll see us provide additional guidance on escalating those activities in the next few year or so.

Mark Levin - *Seaport Global - Analyst*

Interesting, interesting. You gave some good color like on Berwind and what's going on there with regard to the permit. Obviously, it slipped a little bit, but what's your degree of confidence in the next month? I mean, is it 100%? Is it 90%? I mean, obviously, it's out of your hands to some degree but you seemed exceedingly confident about it. Maybe you can give us some more color around what's going on there in terms of timing and degree of confidence.

Michael Bauersachs - *Ramaco Resources, Inc. - President and CEO*

Yes, we are getting engagement especially in the last week or so from all parties. I can tell you that the West Virginia DEP is very engaged on our behalf. They basically completed everything except this. And we remain very confident, first of all, that we comply with what will be inserted into our permits. And we're dealing with bureaucracy here so it's more of the timing that's the issue, but I am extremely confident, 95% confident that it will be issued within the next month.

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I think it will be quicker, so I'm pretty happy with the recent engagement, and we're very happy with the support from West Virginia DEP, by the way, who is dissatisfied with some of the timeframes that we faced in dealing with this issue as we are so. And the fact that they've issued the NPDS permit, by the way, which relates to the issue shows the sign that the DEP is also confident.

Mark Levin - *Seaport Global - Analyst*

Yes, got it. Thank you guys. Appreciate it.

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

Mark, one other point just to clarify one remark that Mike made, on some of the lower priced tons that we moved early in the year, it's almost more of a washed arrangement that we made with a competitor that was nearby that saved us a tremendous amount of trucking expense that we would have had to incur to take those tons to be washed much further away. So admittedly, we had the low price coal to a competitor, but it's more of a wash agreement. It's a temporary situation that obviously goes away as soon as we've gone out quick operation that will be in a few months. So I just want to make sure that that is clarified.

Mark Levin - *Seaport Global - Analyst*

Got it. Appreciate it. Thank you, gentlemen.

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

You bet.

Operator

Your next question comes from Michael Dudas with Vertical Research. Your line is open.

Michael Dudas - *Vertical Research Partners - Analyst*

Good morning, gentlemen.

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

Hey, Mike.

Michael Bauersachs - *Ramaco Resources, Inc. - President and CEO*

Hey, Mike.

Michael Dudas - *Vertical Research Partners - Analyst*

For Mike, give a little more on the Jewell Ridge transaction. It sounds quite interesting in how you're playing off the company that you're buying and washing coal for. How do we think about that from a timing standpoint? Can there be some relatively near-term, about next year, year and a

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half opportunities there? And are there other opportunities like that in the next -- I know you're building up the CapEx program over the next six to nine months that we might be seeing from here.

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

Yes, Mike, a really good question. I mean, the -- you know, the benefits from the Jewell Ridge transaction are probably more 12 months out than they are more near-term just because we're permitting and we're providing ground work to have coal that can be produced for our own margin. That can be through coal purchase agreements. It can be through sub-leases where we lease coal to other parties, and it could be mines that we operate ourselves. What we're very pleased about is having a position in this high CSR tons that are very close to the SunCoke Coke Plant, which can allow us to do more business locally with them as well as have a different coal in our portfolio.

As far as sort of general M&A, we're constantly looking at things. I can tell you that as we speak we're looking at two opportunities that could, in the relatively near-term, impact both our costs as well as impact additional production that we could bring online. So each of them are on our borders and they're pretty interesting. And we're going to continue to look at opportunities that create long-term shareholder value. And, of course, we always try not to overpay for them, Mike, as you know so.

Michael Dudas - *Vertical Research Partners - Analyst*

I'm aware of that. The IRRs on those opportunities, I'm sure, they're quite favorable given relative to the market today.

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

Absolutely. Your bunny has a good nose, absolutely.

Michael Dudas - *Vertical Research Partners - Analyst*

The second question, thinking about some of the test shipments you've entered into agreements and can you maybe shed some thoughts on the customer base that's looking at the coals right now and the quality? What's bringing them to you? What are some of the things that you can show more damage for your coal and your infrastructure, your logistic relative to others in the marketplace that you may have to displace as we look into, say, the 2018 contract season in the U.S.? And, of course, some of the international folks that are looking at your coals.

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

Yes, I think some of the advantages continue to be not necessarily the fact that our coal is that much different from our competition. It's the fact especially through some of the customer visits that we have experienced. They've been quite impressed by the resources that we have ability to ship them long-term with the same qualities with slightly advantaged transportation due to 150-car load-out and basically brand new infrastructure. So our ability to wash coal and do it with high recovery and those sort of things at a low cost is something that resonates with our customers.

And I think we've really been out there a lot, spending a great deal of time both domestically and internationally with people who are very interested in the coal. So from a differentiation standpoint, it's not so much that mine, it's the fact that they realize what we have is something that it's pretty unique and can be there a long time. It can be very cost competitive. And we've been putting on a lot of lists because both of the fact that we've been out there with a very good sales agent Joe Czul, but also the fact that we've been very visible with these guys, invited them to the property and they see what's going on.

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Michael Bauersachs - *Ramaco Resources, Inc. - President and CEO*

And I would add to that, Mike, as we sort of also said during the road show, one of the key components that we're hearing from a number of potential buyers is despite a number of our peers emerging from bankruptcy, there is still somewhat of a lingering issue about reliability and we are certainly the new kid on the block and we have sort of a fortress balance sheet. So they view us as someone that they feel moving forward would be a reliable partner, and we hope to be one.

Michael Dudas - *Vertical Research Partners - Analyst*

That's interesting. My final question maybe for Randy is -- for you, Randy, is -- and I might not have seen this from the road show; I have to get involved. Can you talk a little bit about executive compensation and share ownership and how deep you have a plan to allow that? And are there any restrictions for anybody internally to want to be into the market's purchasers since obviously you just came through the IPO a few months ago? But are there any other than just normal course of business restrictions?

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

We going to our compensation plans in general for the entire executive ranks. They're going to be discussed probably on our next board meeting. We've had a number of comp consultants dealing with us.

Mike and I, I think owned collectively about 5% a piece so we've got certainly a large stakeholding. We continue to feel that the value of the underlying company is not necessarily reflected in the stock price today. We are getting up each morning trying to improve shareholder value, which we can work on the value. We can't work very well on the price. But in terms of the way we view things because we're in a blackout period right now from buying stock, that may change shortly. And we certainly, from an investment standpoint, continue to see our shares as perhaps undervalued in the market.

Michael Dudas - *Vertical Research Partners - Analyst*

I appreciate those thoughts. Thanks, gentlemen.

Operator

And I'm showing no further questions at this time. I would now like to turn the call back to Randy Atkins for any further remarks.

Randall Atkins - *Ramaco Resources, Inc. - Executive Chairman*

I think that sort of concludes our remarks for this quarter. We're delighted at the progress we're making. We continue to execute according to our plan and we look forward to our next call with you and perhaps some intermittent news in between. We appreciate everyone being on the call today, and thank you very much.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes the program and you can all disconnect.

Everyone, have a great day.

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