Q4 2016 Ramaco Resources Inc Earnings Call

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C: Mike Windisch; Ramaco Resources; CAO
C: Randy Atkins; Ramaco Resources; CEO
C: Mike Bauersachs; Ramaco Resources; President
C: Marc Solochek; Ramaco Resources; CFO

P: Jeremy Sussman; Clarksons; Analyst
P: Mark Levin; Seaport Global; Analyst
P: David Gagliano; BMO Capital Markets; Analyst
P: Michael Dudas; Vertical Research Partners; Analyst
P: Curt Woodworth; Credit Suisse; Analyst
P: Jon Redmond; Discovery Capital Management; Analyst

Operator - Welcome to the Ramaco Resources fourth quarter and full year 2016 results conference call.

(Operator Instructions)

I would now like to turn the conference over to Mr. Mike Windisch, Chief Accounting Officer of Ramaco Resources. Sir, you may begin.

Mike Windisch - Thank you very much. On behalf of Ramaco Resources, I would like to welcome all of you to this, our first earnings call since we went public in early February. 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 look 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 Resources'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 Resources's control, which could cause actual results to differ materially from the results discussed in the forward looking statements.

Any forward looking statement speaks only as of the date on which it is made; and except as required by law, Ramaco Resources does not undertake any obligation to update or revise any forward looking statement, whether as a result of new information, future events, or other wise. New factors emerge from time to time, and it is not possible for Ramaco Resources to predict all such factors.

When considering these forward looking statements, you should keep in mind the risk factors and other cautionary statements found in the Company's files with the Securities and Exchange Commission, including its annual report on Form 10-K. The risk factors and other factors noted in the Company's SEC filings could cause its actual result to differ materially from those contained in any forward looking statement. With that said, let me introduce our chairman, Randy Atkins.

Randy Atkins - Thanks, Mike. Again, on behalf of all of us at Ramaco Resources, I want to reiterate how delighted we are to be here with you on our first earnings call as a newly minted public Company. We're not quite two months from IPO launch, and as we've all explained, we continue to be on track to initiate our full scale mining activities in what we believe is a fundamentally solid metallurgic coal market.

We're executing substantially according to our plans as outlined in the offerings prospectus last month. My partner, Mike Bauersachs, is going to do a deep dive regarding operations, but I want to start with outlining a few brief highlights.

First, our Elk Creek prep plant is well under construction. We put some recent pictures of activity on our web site, which I hope some people will look at; and I'd also like to say that we intend to organize an analyst trip later this spring down to Elk Creek so everyone can see the progress firsthand. Operationally, we began production from our Alma mine in late December, and production from the other Elk Creek mine is expected to come online and ramp up in time to sync with the completion of our prep plant.

Our permit activities at Berwind are progressing; and as Mike will tell you, we have a good deal of uncommitted tons to place in what we hope will be a good market in the second half of the year.

Financially, since we've only been mostly in development mode, we have limited results to date, which were released last night; and Marc Solochek, our CFO, will follow Mike with some remarks on our fourth quarter and full year 2016 financials. Lastly, I'd like to make some brief remarks on the state of the overall met markets. I think, at least until this week with Cyclone Debbie, there was a consensus view forming around the second quarter of '17 benchmark in somewhat of the 150 to 160 range. I think that perhaps may be subject to a cyclone adjustment, but we shall see.

We do, however, see that that level is a healthy pricing environment where we are very comfortable to operate. As I said during a road show, how quickly we forget that last year at this time, the met prices were at $75 a metric ton. Last week, again, subject to our cyclone, we were in forward contango with spot prices at about $150 and 2018 futures at $155. That has been adjusted. I guess I saw this morning that Q2 futures were at about $185.

We don't have any greater insight beyond anyone else into what is going on with various Chinese state actions that might impact markets, but we would note some positive signs out of China, and I'll list a few of them. There has been a reported tripling of mine capacity closures in '17, from 50 million to 150 million tons. Currently, there are very low met coal inventories in Chinese steel mills, and they are reportedly down to only 12 days' inventory.

That's roughly about 25% below normal, and it implies that there's a need to restock. Thirdly, about 40 million tons of induction furnace steel mills were reportedly slated for closure by mid year '17. If these get replaced with blast furnace production, that could translate into roughly 15 million tons additional world demand. And lastly, which many of you know, world steel production is reportedly up about 6% this year in January and February.

All this indicates that we will hopefully not see wild swings, again subject to our cyclone issue, and we also expect to see some forward stabilization. That's the kind of environment we like, and the kind of environment we also do not think you're going to see much of a supply response or new deployment of capital. Because we've got a very low cost production, we are very content in this type of market and expect to generate healthy margins at these levels. Now, at this time, I'd like to turn it over to Mike Bauersachs to do an operational deep dive.

Mike Bauersachs - Thanks, Randy. Overall, we are pleased with the execution of our plans to date. I will start with some comments relative to the continued build out of our management team and employees. We have recently added an experienced coal industry human resource executive to our team, as well as enhanced our coal sales logistics capability by hiring an experienced transportation executive.

Both positions are critical and well timed. We are in the process of hiring approximately 40 miners next month to staff our first Company operated deep mine, which is projected to begin production next month. Initial production in the Eagle Mine will be development mining, and the mine is not expected to reach commercial production until May 2017. We plan to add additional miners in June to staff a third shift at the Eagle Mine. This mine will not encounter the thicker dual bench mining area until August.

We project to add staff for our Elk Creek preparation plant and surface mine in June and July of this year. We held a tremendously successful job fair last weekend, with over 850 attendees and we conducted approximately 350 interviews.

This confirms our prior thoughts that the location and prolific nature of our Elk Creek development will allow us to staff our operations with experienced and talented operators. As noted, the addition of a logistics professional is also critical. We are engaged in many discussions in support of our coal sale unit. These discussions include securing port space on the CSX rail, seeking various rail rates for both domestic and export locations on both the Norfolk Southern and CSX railroads, as well as the day to day management of our existing coal sales and quality compliance.

In addition to staying on plan relative to the development of our first Company operated deep mine at Elk Creek, we remain on schedule with respect to our first surface mine. At each of these mines, we've procured virtually all of the equipment necessary to produce coal at our projected levels. We currently project capital spending of $64.2 million in 2017. Our preparation plant construction at Elk Creek also remains on track, materially as planned.

There have been no events that have resulted in scope changes or extra work orders. The plant continues to be on budget and on time for a mid August opening. As it relates to our capital build out, we would like to point out, as Randy has mentioned, that we've been updating pictures on our web site that depict the dramatic physical changes that are occurring at our Elk Creek complex. I, too, would like to encourage you to view the site weekly to see the progress.

Our contract mine at Elk Creek is Stone Coal Alma Mine, which utilizes a single continuous miner for production, has been running at a rate of approximately 20,000 clean tons per month, rather than our projected 30,000 tons per month run rate. We attribute most of the deficit to challenging mining conditions while operating close to the outcrop, as well as our contractor's inability to take possession of its fully rebuilt continuous miner until approximately two weeks ago.

We have seen a dramatic and positive shift in productivities as our active mining section has since moved away from the outcrop into improved mining conditions. Our contractor has averaged 418 feet of advance during the last ten operating days. On a positive note, our direct mine costs per ton delivered to the customer, which excludes rail costs incurred by the coal purchaser and washing costs, was in the mid $40 per ton range during the first two months of the year.

With everything considered, especially the recent productivity improvement, we believe that the Alma Mine will meet both our near and long term expectations. Our Elk Creek projections indicate that we will build sufficient inventory in April and May of this year to send our first test shipment, which is now scheduled for May 2017. Our first test shipment is likely to be shipped to a potential coke and coal customer in North America.

We were in late stage discussions to sell approximately 200,000 tons during the period May through December 2017, delivered to the Great Lakes market. Our exclusive sales agent, Joe Czul, and our international sales agent, have spent a great deal of time canvassing opportunities for near term and intermediate term sales.

I will add that the North American domestic pricing has always been discounted from international benchmark pricing. For smaller test shipments in 2017 and current available North American business, we expect to place coal at a discount to world benchmark in line with our road show discussions.

We remain optimistic that we will be able to market our projected production in 2017 of 910,000 total tons, down from our originally projected 1,087,000 tons. Assuming that we finalize the above referenced transaction, we will have approximately one half of our production unpriced and unsold for 2017. Moving on to our other properties, we also remain focused on beginning construction of our first mine on our Berwind property.

We have selected contractors to construct the base up in the Pocahontas III seam, and are prepared to initiate work immediately after we receive our mining permit. Our most recent projection assumed having our permit in hand in the first quarter of 2017. We now expect the permit to be issued in April or May.

Due to this slight permit delay, we project that we will not initiate mining at Berwind until sometime in the third quarter. At the outset, this mine will be more focused on development mining than actual commercial production. Since we have projected limited production for 2017, this delay is expected to have only a minimal impact on our 2017 financial results. As you can see from our earnings release, we continue to purchase coal for resale, which is processed at our Knox Creek preparation plant.

These purchases have helped us stay in touch with the marketplace, while also generating some attractive margins. We plan to continue to build out these capabilities, which were not part of our original business plan. Our liquidity and lack of debt should also assist us in this effort. We currently project sales of purchased coal of approximately 100,000 tons for 2017, with some upside to that number.

From an acquisition perspective, we continue to see the best opportunities in close proximity to our existing operations, or in the form of cost saving impacts. We can confirm that we are reviewing several opportunities that fit this description. We are also continuing to evaluate our Jawbone reserves at Knox Creek for potential development during 2017. My final comment relates to scheduling an analyst and key investor mine tour of our Elk Creek complex.

We believe that the best way to gain comfort relative to our execution is to make an actual visit to Elk Creek. We will be in touch with analysts and substantial investors after this call to schedule a time to accommodate the largest number of guests. In summary, when considering the myriad of things that can impact planning and the execution of plans in the coal space, we're extremely pleased with our progress.

We remain confident in our ability to create shareholder value that well exceeds our ideal evaluation. I would now like to turn our remarks over to Marc Solochek to comment on our financial results.

Marc Solochek - Thank you, Mike. First, I would like to refer everyone to our current release of earnings and re-emphasize that we did not begin mining until the last few days of calendar 2016. 2016 was a building year, and the results reflect that. It's not a surprise. With that as background, we reported a net loss for the first - for the quarter ending December 31st of $1.5 million and a net loss for the year of $7.5 million.

We reported revenue for all of 2016 of $5.2 million, almost all of which was in the fourth quarter. $2.2 million was from the processing and sale of purchased coal, and $3 million was from processing third party coal to our Knox Creek preparation plant, which we purchased in June of 2016.

Our strategic purchase of the Knox Creek preparation plant provided us the ability to process third party coal, and to participate in the upsurge in the export met market during the latter half of the year. In 2016, our total expenses, excluding the cost of sales, was $8.3 million, - $6.2 million greater than in 2015. This was due to significant increases in professional fees and general administrative expenses.

Our professional fees of $4.3 million included the write off of $3.1 million of deferred offering costs related to a post financing in 2015, which was not completed. The increase in our GNA expenses reflected our continued build up of our organization as we began opening mines and making the coal sales. In 2016, the most important point, we had total capital expenditures of $25 million.

Nine-point-eight million was in relation to the construction of the Elk Creek preparation plant and rail line; $10.5 million for mining equipment; and $4.6 million for continued mine development costs. In terms of our financing activities last year, at the end of August we completed the private placement of $90 million of preferred units to Yorktown Energy and Energy Capital Partners.

This provided net proceeds after expenses and repayments of two related party notes of about $84 million. These funds were partially used to finance our capital expenditures and operations for the year. The preferred units were converted to common stock upon the closing of our IPO in February of this year. At year end, we had cash and short term investments of $60 million, and long term investments in U.S. agencies of $5 million. This provides us the funding to complete our mine and infrastructure development through 2017.

Randy Atkins - Okay, thanks, Marc. This is Randy Atkins again. So, at this point we've sort of concluded the main portion of our call, and we're certainly ready to take questions from anybody out there that would like to address us. I think the first question, let's see.

Q&A

Operator - And our first question comes from the line of Jeremy Sussman from Clarksons. Sir, your line is now open.

Jeremy Sussman - Mike, you mentioned, I think, you may purchase up to 100,000 tons of coal up for sale this year. Can you kind of talk about the market opportunity that you're seeing, maybe, and elaborate how Knox Creek kind of fits into the overall sales and marketing effort? Maybe we'll start with that.

Mike Bauersachs - Yes, sure. What we have found in the Knox Creek area are some smaller mines that have availability. Primarily, Jeremy, they're really high quality, low volatile coals; and we've had a really good success during the first quarter of being able to acquire those coals and then sell those into what has been the international marketplace.

I think we'll continue to see that. We're seeing a little bit of downward pressure on pricing, obviously, with where the benchmark has moved, but continue to see healthy margins and the ability to process those coals and gain access to market. It's been good for us because it's kind of allowed us to kind of build out our infrastructure with regard to both rail and port access and all those kinds of things. So, healthy margins in the first quarter, we continue to believe that we'll continue to ship those coals for the rest of the year.

Jeremy Sussman - Thanks, Mike, and just maybe a quick follow up. I think you also said 50% of your planned 2017 production is unsold and unpriced. I guess, is that - do you think most of that ends up getting exported if the market stays strong, and obviously I get that the markets are in flux right now with Cyclone Debbie, but I think Randy mentioned the futures were moving quite a bit the last couple of days. Clearly, it seems like maybe that's an area of opportunity in the back half of the year for you guys?

Mike Bauersachs - Yes, Jeremy, I think that's absolutely what we believe will happen, especially with what we've seen lately. What you will continue to see is to have a two pronged approach that we think gives us a little more intermediate to long term perspective.

We think it is important to have some North American tons placed, and indeed we think we're very close to a couple of those things happening; but I do believe the remaining tons, assuming one of the transactions we're working on closes, will be focused on the international marketplace.

Jeremy Sussman - Understood. Well, thanks very much, and good luck.

Mike Bauersachs - Thank you, Jeremy.

Operator - And our next question comes from the line of Mark Levin from Seaport Global. Sir, your line is now open.

Mark Levin - Thanks, and congratulations on your first quarterly earnings call, gentlemen. My question is around production and how you expect it to ramp over the course of this year. So, as we kind of build out our models on a quarterly basis, maybe talk about what you expect production to look like in the first quarter, second quarter, third quarter, fourth quarter.

Mike Bauersachs - Sure, Mark, glad to give you some feedback on that. As you kind of heard during the prepared remarks, you can sign of see the continued build out of production. What you'll see is production more or less in the - for the first quarter, maybe dipping into the second quarter, more around 25,000 tons or so a month. That quickly ramps for about the next three months to what is more like 45,000 tons a month, hitting approximately 94,000 tons in August.

The big jump occurs in September, where we make a jump to more like 150,000 tons, staying generally in that area for the remainder of the year, with a little bit of fluctuation depending on mine plans and clean ton per foot and those kinds of things. Hitting that 910,000 tons, I will note that Berwind really only contributes, at least as we plan it today, about 50,000 of those tons, spread over about the last three or four - or about the last five months or so of the year.

So, there's a little bit of upside there if that permit is released quicker, but that's kind of what we have in our projections. I will also say that the Jawbone that we've talked to people about is not included in the projections. We're actively placing core holes to try to evaluate the corridor to the main coal block. As we get more vision in that, you could see us actually start that coal mine quicker. So, we've still not decided what we're going to do with the Jawbone which, once you get to the large mining block, it will be a highball A coal. So, we'll see how things go.

Mark Levin - That's great. And just back to Berwind for a second, I know it's only a brief delay, was it nothing - I assume, nothing to be concerned about if you have - if you just think it will come in April, May, but maybe what was the genesis of the delay?

Mike Bauersachs - Yes, sure. It was really something that surprised us a bit. It was a Fish and Wildlife issue, actually, that the DEP is kind of struggling to figure out how to incorporate some of the issues that were raised by Fish and Wildlife into our permit. I can tell you that DEP is basically ready to issue that permit; they're just working through some things with that federal entity to try to deal with an issue.

Actually, in particular, Mark, it's a crayfish issue and how you handle your sediment control as it relates to waterways, which is absolutely not an issue. It's more of an issue of how you include dealing with that impact in your permit. So, a pretty minor thing, but it's taking time to solve it.

Mark Levin - Got it. No, that makes sense. And then, final question from me - I think, Mike, you referenced cost in the mid 40s the first two months of the year, and I know you'll be opening up new mines and you're in different seams and there's a lot of different moving pieces; but just kind of based on what you're seeing so far, it is way too early to get excited about potentially even bettering some of the cost estimates that you guys have talked about?

Mike Bauersachs - Yes, I think what we're encouraged about is the cost structure has been good, even though production has not been what we would like it to be, but I'll point out that it really is a big deal to see the improvement in productivities. The productivities we're seeing now in that particular mine will prove out our cost structure.

Note that in the numbers I referenced, we don't include preparation costs in that number, because obviously we're not guilty washing the coal, we're just delivering it to a third party wash plant, but we are encouraged in that particular mine.

And everything else is going according to plan. Our up front cost structure at our Eagle Mine, as I referenced, since it won't encounter the dual bench, will be slightly higher up front, but should be compensated in the back half of the year with lower costs, which we think will meet our expectations. So, at this point I can say I feel really good about things, much better in the last ten days or so as we have seen the productivities improve.

Mark Levin - That's great. Thanks, guys. Congratulations.

Mike Bauersachs - Appreciate it.

Operator - Our next question comes from the line of David Gagliano from BMO Capital Markets. Sir, your line is now open.

David Gagliano - Okay, great. Thank you very much for doing this call. I really appreciate the additional color, especially this early stage of the ramp. So, first of all, I want to take a stab at summarizing some of the numbers that were provided, just to make sure that I have it correctly.

What I heard was 900,000 tons of production for 2017, most of which hits in the fourth quarter; purchased coal sales of about 100,000 tons; test burning Elk Creek starting in late May; cap ex of 64 million bucks. Those are the data points that I heard. First of all, are those correct?

Mike Bauersachs - That's correct.

David Gagliano - Okay, great. Tying back to what Mark asked a minute ago, in terms of overall cash costs given the ramp on a quarterly basis, how should we be thinking about the overall cash costs for the - really for the second half of each quarter, say, Q3 and Q4?

Mike Bauersachs - Yes, I think we feel like Q3 and Q4, which will include really three active coal mines, our surface mine and our first two deep mines at Elk Creek, especially as the Eagle Mine migrates into the dual bench area, we continue to believe that our cash costs will be in the 50s. We should have been ramped up in that Eagle Mine.

That Eagle Mine will not be in the 50s up front, but by the time we hit the third quarter, we anticipate being in that lower cost area. So, that's really the key variable, is do we advance quick enough through the single bench to the dual bench; but we continue to believe that our costs should be in the 50s.

David Gagliano - Okay, that sounds cool. And then, just another minutia question, really: any reason to expect any difference in quarterly production versus quarterly sales volumes as we go through Q3 and Q4?

Mike Bauersachs - Yes, good question. There can be some leads and lags there, but for the most part I think that we should be on track pretty close to what we've indicated, especially with the domestic production. Obviously with the variable of having approximately half of our tons unsold, we could see some differences there, David, but at this point, I don't anticipate it.

And, David, there's always, as you know, a disconnect between the domestic and international markets, particularly on swing. If it gets dramatic because of a cyclone or something else, we'll certainly try and see if we can take some advantage of it in the exports markets, but this thing may settle down. We'll have to see.

David Gagliano - Okay, that's helpful. And then my very last question - Any changes - it's early, I realize, but any reasons to be thinking about any changes to the targets beyond 2017?

Mike Bauersachs - No. I mean, I think we - the biggest variable in 2018 is do we initiate a second surface mine, and at this point, especially the vision we have with pricing, is that we will. I think that's the biggest variable that you could look at in your numbers, as to whether that happens sort of mid year next year or not, but at this point we anticipate that happening, and we've got a couple of other things we're working on that, from an acquisition standpoint, that beginning to end, say, 2018 and 2019, could have an impact. But at this point, there's nothing to announce there.

David Gagliano - All right, that's perfect. That's all I needed. Thank you very much.

Mike Bauersachs - Thank you, David.

Operator - And our next question comes from the line of Michael Dudas from Vertical. Sir, your line is now open.

Michael Dudas - Good morning, everybody.

Mike Bauersachs - Good morning, Mike.

Marc Solochek - Morning.

Michael Dudas - Mike, my first question is, I want to come back to your remarks about labor and the job fairs that you had. How do you see the labor pool relative to your expectation? Obviously, there is a lot of interest, you had a lot of interviews, but is it coming from other companies in the area?

Are the miners who lost their jobs in the last couple of years still around looking to come back? And certainly, the issue of the quality and type of superintendents and electricians and mechanics that you need for these ramp ups, are you - are those types of expectations being met in whom you are looking at?

Mike Bauersachs - Mike, we were just extremely pleased by the turnout to the job fair, and we've always believed that that general area is a hot spot for really experienced miners; and indeed, we found that there was a good mixture of people, by the way, that were both employed and not employed. And what we see, and this happens, of course, when you have a downturn, a lot of really good coal miners are working an hour and a half or so from their home.

And we believe, especially after completing the 350 or so interviews, that we'll be able to build out our staff with some of the best guys that are available. And a lot of it, really, is just proximity to the historical mining population with the Elk Creek property, and the fact, of course, with a lot of the pictures and things that we showed people, we've created a great deal of excitement around our development and the long term prospects for employment.

So, we feel really good about it at this point, and that includes all of the key positions, whether it's superintendents or electricians, etc. We've had a good population in each of those key positions that we interviewed.

Michael Dudas - I appreciate that. My second follow up is, thinking of Alma and the contract mining there, is the plan to go to owner mining as you move forward and you kind of ramp up and get through some of the other investment cycles that you're doing within the Company?

Mike Bauersachs - The plan right now, and it's one of the reasons that I made the comment about a single miner, our Company mining units will be super sections that will have two continuous miners per section. That mine, and we tried to, in essence, build it out where we thought the production would fit this build up, what our plans assume is that it will migrate to a super section, that it will have a deep cut, and that the productivities will continue to improve as we add additional capital to it.

We have not, at this point, made a decision whether we will continue to do that with the contract operator or do that ourselves, but what I will say is that you will see the production increase over what we're seeing today because of the additional capital that will be deployed in the mine, one way or the other.

Michael Dudas - And my final question is, maybe for Mike or for Randy or anybody, obviously a lot of news in the last couple of days on the Trump administration, what he's trying to help out the energy industry and coal, etc. Maybe share observations on how - what this administration and some of the rollback and what the new EPA roles might be or the administration is thinking about, how you think it could be helpful to running your ramp up and your business and for the industry in Appalachia going forward.

Mike Bauersachs - Sure. We obviously view some of the things that he's done recently as positive for the coal industry. It mostly will impact at the macro side, of course, steam coal. What we really are focused on, Mike, are the more fundamental changes in the heads of many of the regulatory groups that we deal with every day.

That would include MSHA, that would include the Army Corps of Engineers, that would include EPA; and we think that the changes at those positions will create a different atmosphere for us as we think about just fundamental things like getting a deep cut. And I know we talked about that a little bit on our road show.

We believe that we will have just fundamental productivity opportunities with a change of administration and a change of mind relative to how to manage the regulatory setting. As you know, the Army Corps of Engineers and EPA have had a tremendous impact on the ability to permit, not only surface mines, but in some cases due to impacts with waterways, deep mines and other things.

And a change there, to merely go back to the way we were doing things before with mitigating some of these minor impacts to intermittent streams and those kinds of things could have a big impact in the next four years or so on our productivities and our ability to permit mines.

Operator - And our final question comes from the line of Curt Woodworth from Credit Suisse. Sir, your line is now open.

Curt Woodworth - In terms of the committed volumes for this year, roughly 50% of the 900,000, does that include the 200,000 tons you mentioned for the test shipment?

Mike Bauersachs - Yes, it would. We have talked to an entity about a term deal that would be basically shipped May through December, the bulk of it in the last half of the year, and we have not finalized that transaction, so I can't absolutely announce that that is complete at this point, but we feel like we're very close to that happening; and, in essence, what that does is commit approximately one half of our production, or 450,000 tons.

Curt Woodworth - Okay. And then for the committed volume you have, I guess maybe even excluding that component, can you talk about the price realizations you expect to see for the tons you do have locked down?

Mike Bauersachs - Yes. I think what we hope to - of course, we've already committed 240,000 tons under a transaction that we did, of course, late last year, which is the subject of my comments earlier today on the contract mine tonnage, those tons are basically committed for price in the mid 70s that also then is reduced by trucking costs to a number in the 60s, actually, that we realize.

Our new tons that we're looking at placing this year, that would be domestic, it would be in North America, will be likely plus/minus $20 or so better than that as we look at that opportunity. And we think it's important when we look at managing inventories and having a portion of our production domestic versus what we believe, of course, at a higher price internationally, having a mix, I think, in the atmosphere that we're seeing is pretty important, but plus/minus, those are the numbers that I think you'll see on our domestic side.

Internationally, I think now, especially after today, I think there's a great deal of upside to what we thought we might have done, but we continue to work hard on the international side. Is that reasonably helpful there, Curt Woodworth?

Curt Woodworth - Yes, very. And then, can you just talk about the strategy for the remaining qualification process for Elk Creek? I assume a lot more steel companies need to qualify for to be in a position to get this domestic kind of annual sale potential entering next year. So, are there other sizable test shipment opportunities you see out there, or what's the strategy for qualification going forward?

Mike Bauersachs - Yes, we're kind of focused on probably four trains or so, four trains to really key domestic customers that we think will qualify us for business in 2018. I will say, on the international side, it becomes more an issue of providing barrel samples and those kinds of things to potential customers, just due to the logistical issues of trying to get small lots to some of the potential customers overseas.

What we've really been focusing on overseas is getting representative barrel samples to about three or four customers that we've been focused on over there. So, you'll see us ship to some key customers from a test shipment standpoint here domestically, but more importantly, I think, is the fact that we're focused on getting representative samples to international customers, since this will be a new product that they'll be testing.

Curt Woodworth - Okay, makes sense. And then, just lastly, on the Jawbone Reserve, can you just remind us kind of what the capital requirement would be to get that up, and the size of that reserve base?

Mike Bauersachs - Yes, the reserve base is fairly substantial, approximately 15 million tons or so. The capital is plus/minus $10 million, depending on what we assume when we're mining through this corridor that I talk about.

The mining through the corridor could create some operating losses, or capitalized losses depending on how we end up treating that from an accounting standpoint, because we'll be mining through some thin areas through coal, but thinner areas. It will take probably 12 months to 18 months to reach the key pot of coal, in the meantime still generating production.

So, from a near term impact, those tons will be more minor, ultimately reaching approximately 250,000 tons a year in projected production, assuming one section. The advantage, of course, of that reserve is the fact that it's directly accessible to existing infrastructure. Likely the Jawbone would not be mined without having all the deployed capital around it in an existing slope that we can actually utilize to access the reserves.

So, we continue to put core holes down and look closely at that. The ultimate impact will be 250,000 tons. A more shorter term impact would be more like 100,000 tons on an annualized basis, due to the area that we'll be mining through to get to the larger pot.

Operator - And our final question comes from the line of Jon Redmond from Discovery. Sir, your line is now open.

Jon Redmond - Hey, guys, thanks for doing this call. Just wanted to ask one question. I know we talked about President Trump potentially coming out to one of your facilities this spring. Has there been a date set up for that yet?

Mike Bauersachs - We haven't got a date. He has indicated he wants to come, and once that's announced, we'll make sure that everybody involved gets at least a chance for an invite.

Jon Redmond - Yes, that would be great. We'd love to come to that. Thank you very much.

Mike Bauersachs - Thank you. Well, we appreciate everybody being on the call. I can't say that every earnings call we'll try to tie in with a cyclone and a president order, but again, we appreciate everybody's time.

Operator - Ladies and gentlemen, thank you for participating in today's conference. This concludes this program; you may now disconnect. Everyone, have a great day.