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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Ramaco Resources, Inc. Fourth Quarter 2017 Earnings Conference Call. (Operator Instructions) As a reminder, this conference call may be recorded.

I would now like to introduce your host for today's conference, Chief Accounting Officer, Mr. Michael Windisch. Mr. Windisch, you may begin.

Michael P. Windisch *Ramaco Resources, Inc. - CAO*

Thank you, Dan. Good morning, and thank you all for joining us for the Ramaco Resources fourth quarter earnings call. To start off, I would like to read our cautionary statement regarding forward-looking statements. Certain statements contained in this presentation constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent Ramaco Resources expectations or beliefs concerning future events, and it is possible that the results described in this presentation will not be achieved. These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of Ramaco Resources control, which could cause actual results to differ materially from the results discussed in the forward-looking statements.

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Now I'd like to turn the call over to Randy Atkins, our Chairman.

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

Thanks, Mike. First I want to thank everyone for joining us today on the call to discuss, as Mike said, our fourth quarter and full year 2017 results. As you're also probably aware, last month, we reported some preliminary results and also some initial 2018 guidance. We also prepared and distributed an investor presentation, which is now on the web, which I would encourage you to review.

Since today's call is about our '17 results, it's probably worth stepping back to take a look at where we are and where we have come over the past year. As a relevantly new development stage company, we spent each call last year telling you about our "milestones". I think the biggest milestone today is that we are no longer a development company. We now have 5 mines in production. We have validated that we possess some of the lowest cost and most productive met coal mines in the country. We've also shown that we can profitably place coal into both the domestic and export markets, and we have been privileged to hire almost 300 highly qualified employees, we intend to keep safe, employed and well compensated.



Last year, when we embarked on the IPO, we tried to differentiate Ramaco from the pack with some relatively straightforward objectives. As we embark on '18, it is probably worth revisiting those again to see where we stand.

First, we wanted to be able to translate our geological reserve advantages into operating mine cost advantages. We have now done that. Our Eagle and Alma Mines at Elk Creek are now 2 of the top 3 most productive met coal mines in the country last quarter, and those include longwalls. We estimate that our mine cost, which continued to drop each quarter last year will average in the mid-to-upper 50s return for 2018. That will help us create some very strong margins.

Next, we wanted to use our cost advantages to break into both the domestic and export markets, as a new first-entry supplier. We have done that, and I will discuss that in some more detail in a moment.

Then we wanted to ramp up production at our mines to be in a position to have a strong presence in the U.S. met coal space. We have also done that. We will advance from producing about 500,000 tons last year to over 2 million tons in '18, and we are on track to double that number again over the next few years.

Lastly, we wanted to strategically operate the business for free cash flow. We wanted to stay away from debt-for-growth and hopefully be in a position to start returning cash to shareholders through either dividends or share buybacks. There are not a lot of newly minted public coal companies that are in a position to start exploring a dividend this early. And as we have said before on other calls, we hope to begin that discussion with our board later this year.

Now as we have done in prior calls, after me, Mike Bauersachs is going to provide some more detail on our operating performance; Mike Windisch, again, will be providing a report on year-end financial metrics; and Marc Solochek will address the impact of tax reform on our effective tax rates.

At this point, I would like to briefly touch on 3 areas. First is our current sales and marketing efforts. Second is some forward-macro views on the industry. And lastly, some thoughts on the recent proposed deal tariffs.

So on sales, thus far for 2018, we have committed sales of over 1.5 million tons of our own production and about 440,000 tons of purchased coal for a total of just about 2 million tons. This is almost 75% of our 2018 overall sales guidance. Domestically, we have committed about \$1.6 million of these combined tons at an average price of \$83 a ton. Recall that last fall, when domestic sales were getting contracted, Ramaco did not even have a prep plant, and we had very limited ability to make test shipments. Given that situation, we were lucky to have contracted and priced even at those levels.

But I think everyone needs to remember that our costs are also quite a bit lower than many of our peers. Assuming we can hold our mine cost to the projected mid-to-upper 50s per ton level, we are looking at strong margins on domestic sales. Another positive on domestic placement is that we're now in the blends of a substantial number of the North American coking customers. We believe this will, of course, bode well for our 2019 domestic sales.

On export, we are seeing even stronger pricing against these same basic costs. To date, we have committed roughly 375,000 tons to export, 210,000 of these tons are at an average fixed price of roughly \$110 FOB mine and 165,000 are priced against index, which at current levels would price at a level that would equate above our fixed-price sales. We hope in the near future to basically place our remaining uncommitted 600,000 tons of company production into the export markets, which again would be priced at index. At mine cost levels in the mid-50s, the export sales where we believe generate even stronger margin than our domestic business.

We've also been able to use our Knox Creek prep plan to create a merchant sales business, where we buy, wash and then resell local met coal for both domestic and export sales. Thus far for '18, we have sold a total of 440,000 tons, of which about 90% or 420,000 tons has been placed domestically and about 20,000 tons for exports. These tons are projected to average about \$750 per ton margin, which we think has further upside depending, of course, on both volumes and export pricing.



Now on a macro basis, we do not, of course, have a crystal ball on markets. But 2018 continues to show what we believe are very positive signals for met coal. On the demand side simplistically, the demand for met coal is a proxy for steel, which is a proxy for GDP.

As we look both domestically and internationally, we believe the state of the domestic and international coal industry as well as the state of most developed world economies are strong. There are always going to be headwinds, but we don't fundamentally see anything that would materially change that view today. And on the supply side, we expect very modest domestic met coal supply additions this year. The culprit is basically capital availability or rather a lack thereof.

Domestically, a review of the announced plans of the major coal groups shows that they are focused on returning capital to their legacy bankruptcy shareholders through a combination of dividends from cash flow and our borrowings. They have not announced any significant new production.

Similarly, the major private coal groups are being constrained by lack of access to capital. Internationally, we see most of the Australian activity is currently asset trading and not new production. And indeed on Australian supply, there are rail-related issues, which might significantly negatively impact 2018 production levels.

Now to shift to tariffs. On tariffs, like any form of government intervention in the private markets, we suspect that the tariffs on imported steel may turn out to be a mixed bag. We believe the tariffs could possibly create, however, about 2 million tons to 4 million tons of additional domestic met demand. And as evidenced, we understand that a portion of U.S. Steel's, Granite City and possibly AK Steel's Ashland blast furnaces are slated to restart shortly.

We're also aware that domestic coke producers are already pinging the market today for new met coal supply, and that's ahead of the traditional domestic sale season for 2019, which is you all know starts really -- usually in the fall. As a result, we anticipate that the tariffs may actually strengthen the domestic pricing environment for the 2019 sales. We are, of course, aware of the potential negative implications like a rumored retaliation by foreign governments, but we have yet to see anything of that nature materialize. We also suspect that any reaction may not turn out to be quite as dire as projected.

So in summary, at Ramaco, we are very comfortable with our initial 2018 production guidance of 2 million tons to 2.2 million tons. That production is fully financed, fully permitted and expected to be fully sold in the near future.

So with that, I think this is a good segue to let Mike Bauersachs to provide some additional details.

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

Thank you, Randy. For Ramaco Resources the fourth quarter of 2017 will forever be known as the quarter when we transitioned to a full-scale operating company. 2017 as a whole was filled with a long list of milestones and firsts for Ramaco. The most important of which was bringing our Elk Creek, washing and handling infrastructure to operational status.

Today's comments will be much more focused on our operating performance, production trends, profitability and sales expectations than my comments in previous calls. Additionally, we have prepared a slide presentation to coincide with our comments, which is accessible on the web link for this call. We'll also post the presentation on our website.

I encourage you to review the slides alongside my comments, and I will point out a few key slides as we proceed. Before a more detailed review of the fourth quarter, I thought it might be good to point out that our Eagle and Alma deep mines operated favorably in the fourth quarter versus our competition. After reviewing the fourth quarter MSHA data for tons and employee hours, our mines had tons per employee hour ratings on par or in some cases, better than metallurgical long-haul operations. Since MSHA data is public, I would encourage analysts and investors to make their own assessment of how we compare with others.

While there are many factors influencing cost structures, ton per employee hour is almost always directly correlated with costs. And in our case, low costs. The geologic fundamentals of these 2 mines, which drives this productivity should not change for years.

One of our challenges in the fourth quarter was continuing to ramp up our Elk Creek mines to their desired run rate, especially before we had an operational preparation plant. If we did not continue to ramp up, it would have been virtually impossible to meet our 2018 production goals.

Idling mines would have severely hurt our reputation as a reliable employer and supplier. While we were able to sell coal to the competitor for most of the quarter and ship a nominal number of tons for our own account out of their facility, we lost ground on inventories. This forced us to transfer a large amounts of coal to various stockpiles, which required us to rehandle coal prior to washing. We ended 2017 with 215,000 raw tons in inventory. Obviously, these inefficiencies negatively impacted our profitability.

While the first half of the quarter was adversely impacted, the second half improved greatly after we began to wash and ship our first tons from the Elk Creek property to our customers. While the preparation plant was not fully operational until February of 2018, we were able to operate the preparation plant in the fourth quarter at reduced feed rates and with more downtime than expected for a fully functional plant. To illustrate the transaction, raw coal feed rates into the plant were 117,000 raw tons in November. These reached 281,000 tons in February. We are currently on track to reach a normalized level of 380,000 raw tons per month in the second quarter.

We should ship 12 trains in March putting us very close to a normalized level. We have provided some slides illustrating the ramp up over the past few months. Fortunately, we have made it through this difficult time, and our infrastructure is on track to hit our desired run rate at Elk Creek 2018. A picture of the fully operational Elk Creek processing and loading facility is included in the presentation.

During the fourth quarter, we saw our 2 fully operational deep mines at Elk Creek migrate into the range of the productivities that we expect. Included in the accompanying presentation are slides that illustrate the growth in deep mine productivity from a feet per shift standpoint as well as the continued increase in produced tons throughout 2017.

On a clean equivalent ton basis, we increased production from approximately 36,000 tons in July of 2017 to 105,000 in December. These increases in production are continuing into the first quarter of 2018. We saw the same transition in cash costs, reducing cost to approximately \$58 per ton in the fourth quarter. We have guided that our cash cost will be in the upper 50s or so in 2018. During the quarter, we also advanced the development of our third deep mine at Elk Creek, our #2 gas mine. We expect the quality of this coal to be closer to our Eagle mine quality, which is expected to sell as a highwall A product. Cutting conditions in the mine and early productivities prior to activating the belts and stacker have exceeded our expectations.

Our Elk Creek surface mine is also transitioning to fully operational status. To date, this mine has not hit the production levels that we expect, but we anticipate constant improvement through the first and second quarters. Our Berlin mine made great strides during the fourth quarter as it commenced development production. The current photograph of the mine site is included in our slide presentation.

We are close to full staffing at this mine as well as completing our operating equipment deployment. We plan to ramp up into the more prolific Pocahontas #4 seam by mid-year 2019. In the meantime, we expect development production to be approximately 200,000 tons annually of low-vol coal. This coal is being trucked to our Knox Creek preparation plant for washing and loading.

We currently have 268 employees. We have focused on a number of employee programs, which will be beneficial in the long term. Within operations, we have implemented a new quarterly safety incentive plan. This plan encourages our employees to work together for a safe work environment. Additionally, we have broadened our long-term incentive plan with 20 participants receiving restricted shares in METC. We believe that stock ownership is the best way to retain key personnel and align with shareholder interests.

Breaking into the sales arena was a tremendous challenge during 2017, primarily due to not having a fully functional plant from which to source controllable samples and test shipments.

With that being said, we have largely executed on our plan to provide a firm foundation through marketing to a large and diverse number of North American customers. We currently have 6 domestic customers, including one specialty steam customer. We've also placed a large number of tons with 6 international customers. We expect to broaden our export customer base to 8 or 9 customers this year. Indeed, 2 pending and likely sales totaling 264,000 tons are included in the pie chart of projected exports.

As we have more fully developed our marketing strategy, we've become focused on segregating our Elk Creek highwall A variety of coal from our normal highwall AB coal. Note that some of our early sales were priced closer to the value of highwall B coal due to our status as a start-up producer. To clear up any misconception relative to quality, we can now advise investors that the quality of the coals that we are encountering track closely with what we expected.

Once our customers become more familiar with our core AB product, we believe that they will value it much closer to an A coal than a B coal. Our highwall A coal is currently pricing in a range of around 5% to 10% discount to the applicable A coal index. Another focus for 2018 is to increase our exposure to the metallurgical margins by expanding our coal purchase program, where we purchased coal from other producers, wash it and ship it for our account. We expect a substantial portion of these tons to be mined from coal properties that we control and lease to third parties. These tons are and will be washed at our Knox Creek preparation plant and resold for our own account. Sourcing these tons also helps us reduce per unit costs at our Knox Creek plant.

We're projecting to spend \$20 million to \$25 million on capital expenditures in 2018. One of our priorities is focused on improvement through our logistics capabilities, which includes a third clean coal pile at Elk Creek. Additional handling capabilities will provide us with more flexibility to segregate or create more precise coal plants. In turn, our margins should be positively impacted.

From an equipment perspective, we will be finishing the deployment of mining equipment at our new No. 2 gas deep mine as well as deploying mobile roof support equipment at our Eagle Mine. This particular equipment will enable us to recover pillars and portions of that mine. From a cost perspective, we expect that tons associated with pulling pillars will be some of the lowest cost tons in our portfolio.

We will also deploy capital in our New Berlin mine as it continues to operate in development mode during 2018. Additionally, a significant amount of capital is dedicated to maintenance CapEx. Also noteworthy is the increase in our reserve base of approximately 20 million tons, most of which was associated with our Brink's acquisition in 2017. This area is referred to as Jewell on the map included in the presentation. Many of these tons will generate royalty income going forward, but also provide more opportunities for purchasing coal from third parties. This will allow us to gain access to coal margins without having to deploy substantial amounts of capital.

In summary, with the Elk Creek plant fully operational and our mines migrating to full production, we remain confident that we can meet our projected cost structures at Elk Creek. In this market, we expect that even our development mining at Berwind should be largely profitable.

Having placed a large portion of our sales to a large population of customers, we have successfully overcome the risk associated but not having an operational preparation plant at the time sales opportunities presented themselves. Indeed, Ramaco is now a force to be reckoned with in the metallurgical coal space.

Thank you for your attention, and I will now turn the microphone over to Mike Windisch for a summary of the key financial metrics for the fourth quarter and year-end 2017.

Michael P. Windisch *Ramaco Resources, Inc.* - CAO

Thank you, Mike. As Mike and Randy both discussed, our 2017 financial results reflect Ramaco Resources development phase before our transition to a fully operational company in 2018. For the fourth quarter of 2017, we reported a net loss of \$2.6 million or \$0.07 per share on revenue of approximately \$24 million. Our adjusted EBITDA for the fourth quarter was a loss of \$328,000, a significant improvement over previous quarters.

The average realizations on company mined sales was approximately \$70 FOB mine. These prices were indicative of the need to introduce our products as a new entrant into the market. In 2018, we are seeing better pricing on recent commitments, particularly in the export market. The average realization on our third-party purchase coal was approximately \$94 per ton FOB mine in the quarter.

As Mike has already pointed out, the cost structure of our company operations in the fourth quarter benefited significantly from the

continuing ramp up of our Alma and Eagle mines towards their optimal run rate.

On the other hand, our cost suffered in the first part of the quarter due to higher trucking and third-party processing expenses in addition to extra handling of raw coal at our Elk Creek complex. Even with these higher expenses, the average cash cost of coal sold through our company mines was approximately \$58 in the fourth quarter. We realized a cash margin on company coal sales of \$11.72 per ton.

Given our outlook for both better prices and our low-cost mining advantage, we will experience improved margin in 2018. Our margin on third-party purchase coal sales were \$7.15 in the fourth quarter. For the full year of 2017, Ramaco Resources reported a net loss of \$15.4 million or \$0.41 per share on revenue of \$61 million.

Adjusted EBITDA for 2017 was a loss of \$9.3 million. Key points when considering our 2017 results, include our production ramped up over the year as we opened new mines. We incurred higher trucking and third-party processing expenses until our Elk Creek prep plant was completed. And our 2017 sales volumes and pricing realizations were constrained as a result.

Capital expenditures were just under \$22 million in the fourth quarter and totaled \$75 million for the year. Our projected 2018 capital budget is \$20 million to \$25 million. The company had \$11.1 million in cash and investments at year-end. In the first quarter of 2018, we added a \$6 million short-term borrowing to manage our growing accounts receivable balances. Company is on track to generate significant cash flow from operations in 2018. We're exploring a larger working capital facility to ensure greater cash management flexibility in the future.

With that, I would now like to turn the call back over to Randy Atkins.

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

Thanks, Mike. So what I'd also like to do is to have Marc Solochek give us a little bit of an update on the impact of the tax legislation on our effective rates going forward, which I think is fairly interesting.

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

Thank you, Randy. I know many of you have questions about the impact that the 2017 Tax Cuts and Jobs Act will have on Ramaco Resources, Inc. Unquestionably the cutting of the basic corporate tax rate to 21% coupled with the expansion of the accelerated write-off of capital investments under Section 168 of the code and the repeal of the of alternative minimum tax will significantly reduce the income taxes that we will pay in the future.

Looking to the near future, we entered 2018 with about a \$50 million net operating loss. The use of the net operating loss is limited under the new law to 80% of taxable income in any given year. Even with this limitation, we believe that the tax -- that with the tax shelter provided by percentage depletion and accelerated depreciation and the carryover of the net operating loss carryover, we will virtually wipe out our income tax liabilities through 2019, and we'll significantly reduce our tax bills through 2022.

Over the next 5 years, the income taxes we pay as a percentage of our income that is our effective tax rate will range between 0 and 12%. This is a very meaningful benefit to our reported free cash flow during the period.

With that, I will turn it back to Randy.

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

Right. Thanks, Mike. So at this point, that completes the formal portion of our presentation, and we would certainly welcome any questions that investors or analysts might have at this point.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from Jeremy Sussman, Clarksons Platou.



Jeremy Ryan Sussman *Clarksons Platou Securities, Inc., Research Division - Analyst*

Randy and Mike, I guess, maybe first on the margin side. If I think about the new contracts, I guess, I get about \$142 short ton figure on the pricing side that you signed this quarter. And as you said, fourth quarter costs were about \$58 a ton. So I get to sort of on a go-forward basis over about \$80 ton a margin, is there anything I'm missing or I need to calculate differently on that front?

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

I think your analysis is pretty spot on. I mean, I think what we're -- we have done and we priced, obviously, half our tons domestically at a price that we've already announced. The export tonnage, we've got about 600,000, that's left. We hope to get that pretty darn close to index pricing, which you all can certainly calculate based on against Platts, and the stuff that we have placed already on our fixed prices is very attractive \$110 FOB mine. So I think your margin analysis, I think, is pretty consistent.

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

Just to add a quick (inaudible), Jeremy, I think you can think in terms of what we have sort of unpriced but index based, probably about 40% of that will sort of be kind of a highwall A coal and the rest of it will be kind of a combination of B and AB coal. So there'll be a little bit different margins on those.

Jeremy Ryan Sussman *Clarksons Platou Securities, Inc., Research Division - Analyst*

Appreciate that. That's very helpful. And maybe just a follow up, I guess, sort of a cost question. But if I look at, you kind of referenced the productivity, if I look at MSHA data kind of come up with over 5.5 tons per man hour at Eagle and probably a little over 3.5 at Alma, which certainly would put it above actually -- probably, most of the longwalls. Again am I in the ballpark, kind of the way I'm looking at it, and if so kind of what should we think about as a go-forward basis?

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

Yes. I think you're spot on, obviously, the data speaks for itself. And I think on a go-forward basis, I think, I would probably temper the plus 5 number as just being perfect operating conditions. Actually, the seam height in that coal mine has gotten higher as we progressed on into the year, which is a great thing, of course, for the denominator, but a little more challenging when you have that much seam height to operate in. But I think you should continue to think about us in the 3.5 to plus 4 range as we go forward, which as you can tell from the rest of the data compares very favorably with everything else in the sector that's metallurgical.

Operator

And our next question comes from Lucas Pipes with B. Riley FBR.

Lucas Nathaniel Pipes *B. Riley FBR, Inc., Research Division - Senior VP & Equity Analyst*

Congrats on all the progress and very good cost performance in the fourth quarter. So I wanted to follow up a little bit on your contracting strategy and obviously, like you've been pretty balanced between exports and domestic markets. And I know it's early, but as you think, about 2019 and longer-term, where do you see the natural fit? Do you want to shift more towards the international market? Do you want to kind of keep the current mix? How do you think about your exposure from a geographic perspective?

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

Well, I think -- and I'll let Mike speak to this as well. I think, obviously, for '18, we wanted to really get ourselves into the mix both places domestically and internationally. And I think that then gives us the ability to be a little bit more opportunistic in '19. As I referenced, we are starting to see some indications, which would perhaps preliminarily indicate that we might see some strength in the domestic pricing for '19 for a variety of factors. There is pros and cons to both of them. We've had about a 50-50 balance. I think we'll probably get somewhere into the summer and then start to really figure strategically what kind of a finger in the air percentage we might allocate to both markets. But I think as we've shown, we are comfortable being able to place tonnage into both markets. Most of our remaining tons for '18, of course, were slated to put into export, which of course is, at the moment, a very strong market. But I said, basically, I think it's a bit of wait and see as to how we allocate for '19.

Michael P. Windisch *Ramaco Resources, Inc. - CAO*

Just a couple of additional comments, Lucas. I think that we like the cycle times as we control our stockpile space domestically, they are more predictable. I think we would have a hard time going below plus/minus 40%-or-so domestic. It's interesting that we have had some calls about production we alluded to earlier. It's also interesting that some of the inquiries been about our low-vol coal. So we are excited about the opportunity to maybe place some of those tons domestically as we look to the remainder of the year here. But as you know, the price is extremely volatile, and we believe we need to have a good mix and we'll see how it plays out.

Lucas Nathaniel Pipes *B. Riley FBR, Inc., Research Division - Senior VP & Equity Analyst*

That makes sense to me. And then turning to your production profile, obviously, you've done great progress at Elk and ramped up very nicely. As you look out over the next couple of years, and I know Berwind was referenced in your prepared remarks and in the slide deck, but how quickly should we think about more tons? And if you could help me understand the time line and capital requirements for that? But most importantly, kind of what volumes you're targeting by what time? That would be very, very helpful?

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

Yes. I think, first of all, just to kind of talk about 2018, I think you will see our ramp-up kind of continuing through Q1 but be fairly balanced at slightly over 0.5 million tons for the remainder of the year, with the fourth quarter being the strongest to get us in the range where we've guided. As we look forward to 2019, and this actually might speed up, we've currently projected that somewhere in the third quarter, we will ramp up to the more prolific Pocahontas #4 seam, which will, in essence, take us from about 200,000 tons on an annualized basis to more like 800,000 tons on an annualized basis. We also believe that with the market, where it's at that we might add some additional production in 2019 and remain in the Pocahontas #3 seam with an additional section. So I think you'll see us ramp up by at least a couple of hundred thousand tons likely more next year. As we keep looking forward, I think we'll increase production at Elk Creek through that 2019-2020 time period. We are hopeful to add an additional load out in that time period and also some handling facilities to make us a little bit more productive. As we look out over the next 3 years-or-so, very good chance we get in that 3 million ton a year range ultimately through a 5-year plan ramping up to about 4 million tons.

Operator

(Operator Instructions) Our next question comes from Nathan Martin with Seaport Global.

Nathan Pearson Martin *Seaport Global Securities LLC, Research Division - Associate Analyst*

Really appreciate the enhanced disclosure in the slide deck just to go around. Just have a couple of modeling questions. I guess, if you're looking at the export side of your business, what are you guys are seeing right now? What kind of rail rates are you seeing out there? What would be a good thing to assume for those tons in 2018?

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

Yes. With these -- with the pricing where it's at, we've seen rail rates move plus/minus \$10-or-so upward as pricing continued to remain strong. So I would use something in the \$35 range-or-so at these elevated realizations.

Nathan Pearson Martin *Seaport Global Securities LLC, Research Division - Associate Analyst*

All right. And then looking at your repurchase business, you guys gave guidance in your preliminary results last month and then Randy just reiterated, I think, earlier an average margin of about \$7.50 a ton there. I know that can flex a little bit. Can you kind of give us an idea maybe what price and cost assumptions you used to kind of arrive at that average number?

Michael P. Windisch *Ramaco Resources, Inc. - CAO*

Yes. It's -- the number that we've kind of indicated from a range perspective is between 400,000 tons and I guess, approximately 700,000 tons. The 400,000 tons is more or less committed to a domestic customer. The remainder will likely be export stuff, which is much more, I think, much more fungible when we think about what that pricing is. I think we've been pretty conservative when you think about the volumes and what those margins will ultimately be. But at least for now, we're trying to keep that guidance at about 750 -- \$7.50 a ton, like there is lots of upside. The cost should be somewhere around \$90 with our margins on top of that. Again, I think as we look at some of these small producers we are talking to, I think there is upside in that entire arena. So look to us to probably do a little bit better than what we're guiding to. But at this point, that's where we're at. So a lot of these things are spot business, which is why we are a

little bit cautious and given you higher numbers in that area. So -- and a lot of these guys have a little higher cost structures too. So anyway, hopefully, that helps a little bit.

Nathan Pearson Martin *Seaport Global Securities LLC, Research Division - Associate Analyst*

That's great, Mike. I appreciate the color there. And then finally, just looking at SG&A maybe for this year, 2017 total looks like there is a little over \$11 million. Is that kind of a good run rate to look at? Or do you think it might flex up, down somewhere from there?

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

Yes, no, I think that's a pretty good number. What we have done, I think, is fully build out our management team. I think that number on a per ton basis, obviously, will go down. But I think from a steady-state standpoint, a pretty good number going forward.

Operator

And our next question comes from Satyadeep Jain with Vertical Research Partners.

Satyadeep Jain

This is Satya with Mike Dudas at Vertical Research Partners. Mike and Randy, you guys mentioned additional loadout facility at some point in time, you could also pull the trigger on the second surface mine. Just wanted to get an idea about what kind of capital expectations -- capital spend expectations on the loadout in surface mine should we have in mind as we model out?

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

Yes. I think if you think about a second loadout, this will be kind of a raw coal loadout. It won't have any preparation plant kind of capabilities. It will have some handling facilities. But I would assume that, that number is somewhere around \$7.5 million-or-so. I think when you think about a second surface mine, which is something, again, that we believe is possible, but we've yet to commit to it. You're probably talking about \$15 million to \$20 million-or-so. Probably more or like \$15 million equipment-wise. Surface equipment, by the way, has been much more easy to obtain than deep mine equipment as we've seen a bit of recovery in the sector, a lot less surface mining going on.

Michael Stephan Dudas *Vertical Research Partners, LLC - Partner*

And the \$7.5 million would be included in the \$86 million that you intend to spend on the entire development through 2022? Or is that excluded in the \$86 million?

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

I'm sorry, could you say that just one more time.

Unidentified Company Representative

Whether we included in our budget?

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

Yes. We've actually included it in our budget.

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

And these would be '19 spend. These would not be '18 spend.

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

Yes.

Operator

Thank you. And I'm not showing any further questions at this time. I would like to turn the call back over to Randy Atkins for any further remarks.

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

Right. We certainly appreciate everybody being on the line today and look forward to reporting to you, frankly, here in another less than 2 months on our Q1 results at that time we hope to be able to give a little bit more forward guidance on where we are for '18 in terms of our remaining uncommitted sales. So again, thanks everybody. Appreciate it.

Operator

Ladies and gentleman, thank you for participating in today's conference. This does conclude today's program, and you may all disconnect. Everyone have a wonderful day.

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