Final Transcript

Q1 2020 Ramaco Resources, Inc. Earnings Call

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Corporate Participants

Randall Atkins *Ramaco Resources, Inc. - Founder, Executive Chairman, and Director*

Michael Bauersachs *Ramaco Resources, Inc. – Founder, President, Chief Executive Officer and Director*

Chris Blanchard *Ramaco Resources, Inc. – Chief Operating Officer*

Jeremy Sussman *Ramaco Resources, Inc. – Chief Financial Officer*

Conference Call Participants

Mark Levin *Seaport Global — Analyst*

David Gagliano *BMO Capital Markets — Analyst*

Scott Schier *Clarksons — Analyst*

Presentation

Operator

Ladies and gentlemen, thank you for standing by and welcome to Ramaco Resources Inc., First Quarter 2020 Earnings Conference Call. At this time all participants are in a listen-only mode.

[Operator instructions]

I would now like to hand the conference over to your speaker today, Jeremy Sussman, Chief Financial Officer. Thank you, please go ahead sir.

Jeremy R. Sussman — Chief Financial Officer

Thank you. On behalf of Ramaco Resources, I'd like to welcome all of you to our first quarter 2020 earnings conference call. With me this morning is Randy Atkins, our Executive Chairman; Mike Bauersachs, our President and CEO; and Chris Blanchard, our Chief Operating Officer.

Before we start, I'd like to share our normal cautionary statement. Certain items 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 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.

Any forward-looking statement speaks only as of the date on which it is made and except as required by law, Ramaco does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Lastly, I'd encourage everyone on this call to go on to our website, ramacoresources.com, and download today's Investor Presentation under the Events Calendar.

With that said, let me introduce our Executive Chairman, Randy Atkins.

Randall W. Atkins — Founder, Executive Chairman, and Director

Thank you, Jeremy. As always, I want to thank everyone for joining us today to discuss our first quarter results. There is an old Chinese curse that goes: "Yours shall be a life lived in interesting times." We're all indeed operating under such a curse at the moment, I'm afraid.

Before I turn our results, let me comment on essentially what is the thesis of our "three legs of the stool" strategy for at least the next six months and probably longer.

First, we will do all that we can to keep our people safe. This is a rapidly changing landscape, but we will attempt to do all that we can to balance health, safety and continuing operations. Secondly, we already have the cleanest balance sheet in the business on the liability side, as well as some of the lowest cost structure. We're going to work to preserve this balance sheet, but at the same time create as much liquidity as we can prudently, to enable us to take what we're calling a "shield and sword" approach to the market.

We know Ramaco and indeed the whole industry will be tested over the next few months. So we have taken steps to add new liquidity. This is being done through a combination of operational and payroll cuts, new changes in our revolver, and some recent borrowing, all of which we will speak about later.

We think that the market may deteriorate for at least the next one or two quarters. By how much and for how long are certainly unclear. That market deterioration will no doubt create pitfalls, some for us, but plenty for others who are disadvantaged by higher mining costs and debt. We feel that added liquidity, plus the fact that we've already sold forward about 80% or 1.5 million tons of our 2020 production, should provide Ramaco a shield to weather this storm, which brings me to the third leg of the stool, the so-called "sword behind the shield."

Notwithstanding taking defensive measures, we've also been active doing future planning in our development front. Due to the market upheaval, we stopped construction on the Berwind development slope in March, but once that project is reinitiated, we are roughly five to six months away from reaching the low-vol Pocahontas #4 Seam and initiating long-term, low-cost production in that reserve.

We have also added two new low-vol and mid-vol mining projects, which we refer to as the Triad and the Big Creek mines. For relatively little CapEx we could bring on these two new mines within four months from breaking ground. When we combine them with Berwind, then within six months of a clear market landscape and of course a green light from our Board, we could add roughly 1.2 million tons of additional low and mid-vol coal at peak production. This would normalize to about 900,000 tons of annual production on an ongoing basis and compares to our current low-vol run rate of about 200,000 tons.

We estimate these new mines will produce with an average mine cost in the low $60 per ton and require additional development CapEx of approximately $11 million. This could poise us to potentially increase our production level to as much as 3 million tons next year. That is about 66% above 2020 production levels, and would break down as roughly 2.1 million tons of high-vol from Elk Creek and 900,000 tons of low-vol from Berwind and Knox Creek.

Again, we will not green light these projects until we see better market clarity, but we obviously like the relatively low CapEx, low-mine cost and short lead time to add some meaningful production.

Now let me turn to some of the financial results for Q1, which Jeremy is going to fill in more detail in a moment. At the start of 2020, we faced the pricing environment which of course was markedly lower than last year. In 2019 we had locked-in our domestic met coal sales with an average price of $113 a ton. Thus far in 2020, our average price is almost 20% lower at about $93.50 per ton.

In Q1 we realized $8.4 million in EBITDA on coal sales of roughly $42 million or 416,000 tons, priced at an average of about $93 a ton. This worked out to diluted earnings of $0.05 a share. We are pleased that we maintain strong cost discipline, with our main operating Elk Creek complex averaging mine-costs of about $61 a ton and CapEx falling by 25% from the prior quarter to just under $9 million.

Turning to the sales and marketing landscape, it still looks difficult at best, with no meaningful pulse right now in the export markets. The Atlantic seaborne prices have dropped this quarter by over $20 a ton and U.S. low-vol benchmark is now hovering at about $107. Although there has been some recent bounce from China, it is probably prudent to expect more domestic weakness before we see truly encouraging news. As we said last quarter, we do not expect any real market resilience until the second half of 2020 and perhaps not beginning until actually Q4.

As such, we are not really providing any further production guidance for the balance of the year. But even in these challenging times, we continue to maintain our long-term production guidance of 4 to 4.5 million tons.

For those of you who like to keep track of our production ramp, I would encourage you to take a look at the slides in our earnings deck, which outlines these projects. Our fundamental long-term strategy remains the same, which is to maintain a low-debt, low ARO liability capital structure. Because none of us knows what the next several months will unfold like, we have recently taken some structural steps to strengthen the shield by improving liquidity.

In Q1, we added about $11 million of the functional new capacity to our revolver. In Q2, we drew down a new $5 million equipment line and also received a paycheck protection loan of over $8 million, which enables us to bring back the almost 200 miners we had furloughed in the early weeks of April. We idled further development construction at Berwind and also took some strong G&A cuts. All of these steps combined, plus some additional ones we're prepared to initiate in Q2 and Q3, could add as much as $40 million in new liquidity if there is further market deterioration.

We continue to assume that we are going to see supply reduction in Cap in 2020 at some point. To date we have seen some contraction, but expect more. Our sense is that the ability to defy gravity exists in this business for only so long, and particularly now with current benchmarks equating to about mid-70s per ton at the mine, with average mine cost in the mid-80s.

We suspect many of our peers who are still operating these higher cost mines are potentially over-levered or both, and as the old saying goes, “The markets can often stay irrational longer than you can stay liquid.”

So time will tell. Now with that overview, I would like to turn it over to Jeremy to give a more granular discussion on finances.

Jeremy R. Sussman — Chief Financial Officer

Thank you, Randy. In terms of first quarter 2020 financial highlights, adjusted EBITDA was $8.4 million, which was a 6% decrease from the fourth quarter of 2019.

Frankly, given the fact that our sales price declined to $93 per ton in the first quarter compared to $104 per ton in the fourth quarter, a 6% quarter-over-quarter decline was better than we had anticipated.

Chris's operating team had an excellent quarter with cash costs at Elk Creek of $61 per ton, which compares to $66 per ton in the fourth quarter and $63 per ton in the same period of 2019. Overall company costs, which include our Berwind development mine, came in at $67 per ton in the first quarter, which was also down both year-on-year and quarter-over-quarter.

Rounding out first quarter financial metrics, revenue was $42 million, down 8% from the fourth quarter and down 27% from the same period 2019. First quarter earnings per share $0.05 was in line with fourth quarter 2019 results and compared to $0.17 a year ago.

As we noted in our press release, COVID-19 has brought on an unprecedented amount of uncertainty. As such, like most of our peers, we are suspending our forward sales guidance for 2020, with the exception of giving our current annual sales commitment of 1.5 million tons at $93 per ton. However, I do want to touch upon three areas on the financial front where I see differentiation between Ramaco and many of our peers.

First, everyone on this call is aware that Ramaco has been in growth mode as a relatively new met coal producer. We are extremely proud of the fact that production has grown over 235% from 2017 to 2019 and that we have added roughly 400 good paying jobs over the past few years.

As Randy noted, when there is more clarity in the market Ramaco will continue to add new low-cost production, as we ramp to a 4 to 4.5 million tons production plateau. However, I want to be very clear that given current market uncertainty, we have stopped virtually all of our growth CapEx.

As you will see in our press release, $6.7 million of the $8.9 million first quarter CapEx was related to grow, mostly at Berwind. While there will be some growth CapEx payments that lead into the second quarter, as well as modest capitalized losses expected at Berwind to fulfill existing contracts, we expect first quarter to be by far our high watermark for 2020 CapEx.

Second, as Randy noted, because we live in a world of uncertainty right now, we have plans in place which could add roughly $40 million in liquidity from the beginning of this year through the third quarter to ensure that we can ride out of protracted downturn, if indeed that turns out to be necessary.

While keeping our workers safe is always our number one goal, protecting our balance sheet and liquidity is a very close second right now. To date, the additional liquidity has come in the form of adding new debt, modifying our existing revolver and making G&A, operational, and CapEx cuts.

Specifically, we have taken on $13 million in new debt, consisting of $4.75 million of new equipment debt and $8.4 million from the payment protection program, which we used to recall all previously furloughed workers. We have also modified our existing revolver to, among other things, increase availability. Specifically, we amended our $30 million revolver in February and extended the maturity date to year-end 2023. We also worked with our partner KeyBank to modify the definitions of both inventory and receivables under the borrowing base. On average, this should increase our true borrowing base availability by $11 million compared to our previous internal estimates over the course of the year. Lastly, the balance of existing and future increases and liquidity come from G&A, operational, and CapEx cuts.

Third, I want to remind everyone of the key competitive advantages for Ramaco. As we show on slide 12, our net debt to EBITDA metrics are the best in the industry. I'd remind everyone that as of March 31 our net debt stood at just $10 million. We have an industry leading net debt to EBITDA position of 0.2x based on 2019 adjusted EBITDA. Given our lack of meaningful interest expense, cash taxes, and other below the line cash items, I'd remind everyone that when stress testing for Ramaco may hold us in a protracted downturn, EBITDA minus maintenance CapEx should get you almost all of the way there.

Furthermore, at just $15 million, Ramaco's legacy liabilities are 98% below our direct peer group average and by far the lowest among that group. I'd remind investors that at its core, Ramaco is a low cost, opportunistic producer with very little net debt or legacy liabilities. We have designed our operation to be resilient in turbulent times and of course take advantage of the strength in the markets in good times.

With that, I would now like to turn the call over to our President and CEO, Mike Bauersachs. Mike?

Michael D. Bauersachs — Founder, President, Chief Executive Officer and Director

Thank you, Jeremy. Operationally all Ramaco mines ran well in Q1. Cost containment on less-than-ideal sales volume was exceptional at our Elk Creek mining complex.

As we sit today, the impacts from COVID-19 continue to take their toll on what was an already weak market place. At all levels Ramaco has gone to great lengths to address health and safety concerns relative to the COVID-19 in our mines and related infrastructure. Chris Blanchard will provide additional details relative to the on-the-ground efforts that we have implemented.

I would like to focus the first part of my remarks on the current coal markets and how Ramaco is positioned to respond.

During much of Q1, coking coal market fundamentals performed relatively well as the effects of COVID-19 were yet to be felt in the Atlantic Basin. During this period, China's early virus-related lockdowns created labor and logistics issues, causing a spike in Pacific Basin demand. China's first quarter coking coal imports were up nearly 30% year-over-year. Seaborne pricing followed suit, rising to levels in mid-March nearly 20% above end of year 2019 prices, only to give back most of these gains as Q1 came to a close.

With the major impacts of the virus seemingly behind them, and encouraged by stimulus spending, China was able to post year-over-year crude steel and pig iron production gains of 1.2% and 2.4% respectively for the first quarter, while global steel crude and pig iron production, excluding China, fell 4.1% and 5.4% respectively during the same period year-over-year.

Different regions and countries around the world are now in various stages of dealing with the continued impacts of the COVID-19 pandemic. These impacts have materialized in the downstream auto, manufacturing and construction sectors and have affected consumer confidence and spending habits.

The pandemic's effect on the coking coal market has been swift and severe, with major integrated steel producers around the world idling blast furnaces and curtailing production, which has in turn reduced coking coal demand and pricing.

Many U.S. and Canadian met-coal producers responded by temporarily curbing production, although a significant supply response from Australia is yet to occur. Until we see major steel producing countries implement government backed economic stimulus measures, it is likely that demand destruction will continue to outweigh the overall seaborne supply response. We expect indices to remain subdued due to lack of demand and uncertainty around the timing of an eventual recovery.

During the first quarter and through April, we were able to maintain our originally planned shipment schedules with all existing customers. Our domestic sales position for 2020 has made Ramaco less vulnerable to the steep decline in demand and pricing currently seen in the seaborne market and has provided stability and shipment schedules of revenues.

As we navigate the remainder of the second quarter, we continue to work closely with our customers to maintain planned shipments and minimize potential delays and off take. We are also working closely with our key transportation partners. They are experiencing the downturn as well, and are reacting by implementing cost-cutting measures. While likely necessary, we need to ensure that their cuts do not hurt our ability to ship our committed volumes.

Ramaco is prepared to produce and ship all of its committed tonnage; however, we can confirm receipt of force majeure notices from the majority of our customers. Lack of market clarity continues to reduce certainty around forward shipping schedules for remaining 2020 committed tons. This lack of clarity has caused us to cancel providing forward-looking volume guidance.

As the first quarter advanced, an already weak global economy did not present material sales opportunities for us to add international term business to our sales portfolio to bridge the gap between committed and uncommitted production. In many cases, existing export term business was simply rolled over with current suppliers at prices that were likely much lower year-over-year in order for those incumbent suppliers to maintain market share or any new entrants from gaining business.

Ramaco is now focused on international stock tenders to bridge the gap between our highly efficient production sources and our coal sales, as well as making trial shipments to new customers. With that said, our uncommitted volume position is smaller than most of our competitors, and allows us to be more discriminating with regard to current opportunities and pricing levels, while at the same time staying ready for a potential market rebound.

We also remain focused on placing unsold volumes into those markets which provide the best return for our high-quality products and make the most long-term strategic sense. Despite the current market downturn, during the first quarter and April, Ramaco has renewed relationships with a couple of customers in Europe. We also shipped our first tons to Asia and we have made significant inroads in South America, having our products now approved for use by all major integrated mills.

We're extremely pleased to welcome Jason Fannin, our new Chief Marketing Officer to our team. Jason brings a wealth of experience to our senior management levels and alongside Kevin Karazsia will provide a two-pronged approach to growing our international book of business, as well as maintaining and growing our domestic relationships.

All of the Ramaco mine that were previously idle due to COVID-19 related furlough are currently operating. The decision to restart the mines was substantially impacted by the receipt of $8.44 million in PPP loan funds from the SBA through our primary bank KeyBank.

Ramaco’s profile and the obvious uncertainty in the coal industry prompted us to apply for the loan. We also believe that the SBA properly granted the loan and that we met all appropriate guidance issues by the U.S. Treasury. We have received substantial independent advice on the subject and are confident we have met all eligibility criteria to both receive and retain the loan.

Market uncertainty has caused us to delay a substantial amount of capital projects. With capital markets for coal at a virtual standstill, the best way to retain liquidity is control spending and match production with sales, while also controlling our stockpiles.

From a guidance standpoint on capital, it is difficult at this time to provide clarity. What we can do is provide feedback that we remain firmly committed to driving the slope from the Pocahontas 3 Seam to the Pocahontas 4 Seam at our Berwind mine.

We reached the slope bottom at our Berwind mine in the first quarter and began working on the slope. We subsequently idled this work until we could get comfortable with our sales prospects and build a comfortable level of liquidity. Most of the competing growth projects that we are seeing domestically are high volatile coal projects. We believe that our Berwind mine expansion is the only substantial high quality, low volatile project currently being pursued. Other competing developments from a quality standpoint will likely be forced to compete primarily in international markets versus seeking what should be more attractive markets domestically.

Management is switching its near-term development focus to being able to react quickly with new production to a recovering market. We're advancing the ball on several quick-to-implement, high impact projects that require relatively modest amounts of capital. I will let Chris Blanchard discuss some of these opportunities in more detail and their potential impact. I might add that these types of projects are a result of our relentless focus on geology and our willingness to go take projects from scratch to production, as well as opportunistically and decisively acquire assets that are synergistic with existing assets.

While the challenges and uncertainty that we faced are formidable, we believe that they are manageable. We've continued to regulate and deploy maintenance CapEx in our coal mines, while many competitors have not. We've avoided tying up large amounts of cash by not stranding large amounts of inventory at docks, piers and rail cars.

While the furlough at Elk Creek in April allowed us to prepare for and address COVID-19 related issues, it also allowed us to better align our stockpiles with our coal sales. We continue to focus our available liquidity and cash generation on stability and continuity versus elevated debt, debt retirements and maintenance of non-value creating liabilities.

The realities of the current market continue to discourage investment, and it looks more and more like there will be failures and potentially more bankruptcies among our competitors. Many have already implemented production cutbacks, reduced shifts and reduced wages and benefits. Cost structures are elevated and it's clear that many are selling coal below their cost to generate cash from elevated inventory levels. All of this is being done with the backdrop of capital markets for coal basically being closed. In our experience, bankruptcies in this type of setting look more like chapter 7 liquidations than chapter 11 reorganizations.

In summary, Ramaco is not immune to the difficulties that it faces as we migrate through what is looking like a difficult recovery. We're doing everything possible and prudent to weather the storm that we are in. We remain confident that the way our company is structured will prove to be one of the winning strategies that ultimately benefits from this downturn.

I would now like to turn things over to Chris Blanchard.

Christopher L. Blanchard — Chief Operating Officer

Thank you, Mike. I think Randy said it best at the beginning. We are living through interesting times. As Ramaco continues to navigate through all the uncertainty, our primary focus is on protecting the health and safety of our entire workforce, with a particular emphasis on safeguarding our essential coal miners who continue to work and produce coal that will fuel and supply the eventual economic recovery.

In this time of COVID-19, Ramaco continues to be proactive and quickly responsive to adapt to the virus to best protect our employees. Early in March we began workplace modifications to adapt to the coronavirus. We staggered shift times to eliminate or minimize congregations of our troops of miners, we implemented extensive cleaning and sanitation of all common areas and mining equipment, and we enhanced our sick and our leave policy to provide more flexibility for our employees and their families. As guidelines have changed over the past two months, our policies have evolved to incorporate all of the best practices at the federal, state, and local levels. We have adopted best practices in the industry and solicited suggestions from our frontline employees.

As we recall miners from the April furlough period, we have also implemented temperature checks for all employees, visitors and vendors on a pre-shift basis every day. We've issued reusable face masks to all of our employees for their use, both at home and at work. We're continuing to monitor events and guidance and will continue to take all steps necessary to protect our miners.

Looking back at operational results of the first quarter of 2020, we had one of our best quarters to date in most operational metrics. Our feet-per-shift at our underground mines is at its highest level for combined company since the Berwind development mine began production in 2017. Both Elk Creek and Berwind exceeded budgeted productivity levels. As a result, our cost per ton on a produced basis dropped well below our previous year guidance levels and showed improvement quarter-over-quarter and year-over-year.

From a geologic standpoint, all of our Elk Creek operations remain in favorable operating conditions and production has resumed at Q1 levels as we return from the furlough.

Turning to the furlough, we now have recalled all of our miners and each of our operating mines and section who’s back at full operation at both Elk Creek and Berwind. The furlough period was contained within April with most underground operations at Elk Creek idled through the majority of the month.

Because we continue to operate the Elk Creek preparation plant throughout the furlough to continue to service our existing orders, we were able to reduce our raw coal inventories to more manageable levels. Mine stockpiles were reduced by over 160,000 raw tons. However, the production curtailment also caused slightly more than 100,000 tons of clean coal not to be produced during the month.

As mentioned previously, we will continue to engage with our customers and plan to adjust and modify our operations as needed during the downturn, while remaining poised to take advantage of any recovery in the market or any additional customer needs.

At our Berwind development mine during the first quarter, mining progressed underground and reached the slope bottom area for the future access to the thicker Pocahontas 4 Seam above. We did mobilize on slope construction in the quarter and we started initial excavation. Unfortunately, as we begin to see the impacts to steel, coke and coal markets from the global COVID-19 response, we suspended construction and excavation on the slope in April.

Our construction subcontractor had demobilized from the site, but has left some of their equipment in place to allow for a rapid restart once we see some stabilization in the industry. As we sit today, we have slightly less than 90 vertical feet separating our slope excavation and the Pocahontas #4 Seam.

Once we restart construction, we project six months or less of excavation to reach the upper coal horizon. The geology in the Pocahontas #4 reserve at Berwind will allow this mine to produce at non-cash costs which will rival or be superior to even our Elk Creek high volatile mines. Nevertheless, our focus on liquidity in the near term during these extraordinary times makes this delay absolutely the correct decision.

Turning to some of our other near- term possibilities that Randy and Mike had mentioned, we have continued to permit mines in our controlled reserves and have made some strategic acquisitions of shovel-ready projects that logistically fit into our portfolio of existing properties. At our Berwind complex we had received the permit for an incremental Pocahontas #4 Seam Reserve, which has outcrop access and will be able to utilize the surface infrastructure of our existing Berwind mine. This mine will have similar favorable geology to the future Berwind mine Pocahontas #4 reserve, and is located in a small area between two legacy P4 mines.

Unfortunately, this reserve is not contiguous with our own Berwind number #4 reserves, but will give us an opportunity to mine low cost, low vol tons either as the bridge for our main Berwind mine or as an increase to our overall production profile.

Our second potential quick lead project is a permitted mid-volatile mine, located in near proximity to our Knox Creek plant. This permit and reserve sublease was acquired in the first quarter of 2020. This mine will be in the Jawbone seam of coal, which our low-volatile customers have purchased from us in previous years as a part of our former purchase coal program. This mine will require electric power and other mine infrastructure to be installed prior to production that site access had already been constructed by previous owners.This mine also has outcrop access, so development time is minimal.

Both of these mines could be brought online in less than six months after green lighting the projects. Obviously at this time neither of these growth projects has been started, and our current focus remains on employee safety, inventory management, and liquidity until we see some stability and visibility in the coal markets.

While lack of forward clarity, both near and medium term, is frustrating, Ramaco does continue to position its operations and assets to survive this downturn with its low-cost profile and be ready to expand our portfolio as the market recovers.

This now concludes management's prepared remarks. At this time I'd like to open the line up for any questions you might have on our first quarter 2020 results or outlook. Operator?

Questions and Answers

[Operator instructions]

Operator

And our first question comes from the line of Mark Levin with The Benchmark Company. Your line is now open.

Mark Levin — Analyst, Seaport Global

Great, thanks very much and congratulations on the good cash cost quarter. Related to that point, should we think of cash cost at Elk Creek in the first quarter as kind of being the high watermark or the best of the year? How should cash cost trend there? I guess demand looks like it's pretty uncertain, but I'm just trying to get an idea. I know you aren't giving guidance, but just kind of how to think about, you know Q2, I guess we're halfway through that, and then onward, if this demand environment persists for cash cost at Elk Creek. Thanks.

Christopher L. Blanchard — Chief Operating Officer

Mark, this is Chris. I think the cash cost that we saw at Elk Creek in the first quarter are indicative of what that complex can run when we are running at full capacity. So it's all volume related, if we're able to run near full utilization, we should see those rates and if the volume tapers off, then we'd expect those to rise slightly.

Jeremy R. Sussman — Chief Financial Officer

And Mark, it's Jeremy. I'd remind everyone that if you look at first quarter production, you know we annualized to about 2.1 million tons for companywide, which was at the high end of the previous guidance that we had given. So, as Chris noted, clearly the mines ran well on both volume and cost-wise in Q1.

Mark Levin — Analyst, Seaport Global

That's very helpful. And then you'd referenced maybe getting from 2 million to 3 million tons, but you know obviously the longer-term goal is 4 million tons. I think you're annualizing around 2 million in the first quarter. Can you maybe provide some update in terms of, like, you know the capital to get from 2 million to 3 million or the incremental capital from this point onward to get from let's say that 2 million ton annualized rate to 3 million tons and then what's the total amount of capital it would take for you to double your production by your estimates to get to 2 million to 4 million tons?

Randall W. Atkins — Founder, Executive Chairman, and Director

So, let me take the first part of your question Mark. This is Randy. So, as I said in the remarks and basically, you know, we are pleased that we can basically take it from two to three for the $11 million I mentioned. We got just a little bit more to spend obviously on the Berwind slope. As I said we're about five or six months away from that, and then the capital requirements of these two other mines that Chris mentioned, the Triad and the Big Creek, are pretty modest. So $11 million all-in gets us another, you know roughly 1 million tons, which we think is a pretty attractive proposition.

But we're not ready to pull that trigger yet, to do a development project until obviously we're going to get a sense of where the market is.

Mark Levin — Analyst, Seaport Global

And then Randy, to get to the incremental $4 million, so to double your production, you know, it sounds like to get from two to three is $11 million, and then to get from three to four?

Michael D. Bauersachs — Founder, President, Chief Executive Officer and Director

Chris, you want to pick up on the last million tons, so to speak?

Jeremy R. Sussman — Chief Financial Officer

And Chris, before you go, for those that are on the call, we added a new slide, slide 8 which kind of goes through what we're kind of calling these three phases of growth. So Randy talked about Phase 1 and Mark, basically what you're asking is sort of, the last incremental million tons, which is Phase 2 and 3, Jawbone and our Elk Creek expansion, which Chris, you want to give a little color on that?

Christopher L. Blanchard — Chief Operating Officer

So we've talked about both the Jawbone at our Knox Creek operation and expanding the Elk Creek preparation plant and each would provide about a half million tons annual production once we started these projects. Just rough numbers, you know, somewhere between $10 million and $12 million for the Elk Creek plant expansion and a little bit more than that, primarily related to mining equipment, for the Jawbone expansion when we green light these projects.

Mark Levin — Analyst, Seaport Global

Got it, very helpful. And then my last question just goes back to liquidity for a second, and Jeremy some of the comments that you had made. So where is liquidity? I guess you guys gave a cash and availability at the end of the first quarter. Where is it maybe today and then ultimately I think you referenced a 40-something number. Can you just provide a little bit of clarity as to how you would get there or when you might get there?

Jeremy R. Sussman — Chief Financial Officer

Yeah, it's a great question Mark. So as of March 31, you knowm we had $15.3 million of cash-on-hand and another sort of $13.5 million of availability under our revolver. Subsequent to that, in April we've taken on about, well over $13 million of new debt. So $4.75 million of that was equipment debt with KeyBank, and about $8.4 million of that is from the Payment Protection Program.

So that's subsequent to the number that we, of course, have as of March 31. We referenced a $40 million number in our prepared remarks. So clearly $13 million of that is coming from the additional debt that we are taking on. I also referenced, and Randy as well, about $10 to $11 million of additional availability under the revolver. So what we did in February was we amended and extended our revolver which functionally gave — it was a $30 million revolver beforehand and it's a $30 million revolver today, but it functionally gave us the full $30 million of capacity, so call it an additional $10 million.

Then the next phase is to grow the CapEx cuts, which lets call it about $6 million to $7 million and then the remaining $10 million is, you know, a couple of us referenced a combination of G&A cuts and also some cost cuts like the furloughs. So hopefully that gives you a bit of a flavor of how we come up with that.

Mark Levin — Analyst, Seaport Global

That's great. Thanks very much. I really appreciate it.

Jeremy R. Sussman — Chief Financial Officer

Sure.

Operator

Thank you. Our next question comes from a line of Scott Schier with Clarksons. Your line is now open.

Scott Schier — Analyst, Clarksons

Good morning everyone, thanks for taking my questions. I appreciate all the commentary around the new growth projects. I was hoping you can kind of walk us through what market conditions you'd be looking for before giving the green light to these investments.

Randall W. Atkins — Founder, Executive Chairman, and Director

Sure. I don’t think that there’s a magic number. Obviously we're looking for the general benchmark to get reasonably significantly above where we are right now. I would love to say that as soon as we start to see a 150 benchmark and above, that life begins to look a little bit rosier. But I think we are also going to have to take a look at not only the price, but also the demand equation, because as you see right now, there's a little bit of strength and pricing seems to be coming out of Asia. You know anecdotally there's maybe some demand in China. We obviously don't do too much business in China.

So it's really what business is going to be coming from, not only our traditional domestic customers, but the Atlantic seaborne markets, both of which are weak at the moment. So we're going to have to see some underlying strength in our own markets before I think we feel comfortable moving ahead.

Michael D. Bauersachs — Founder, President, Chief Executive Officer and Director

I guess it’s probably also likely that we will have seen domestic business for 2021 probably finished up before we would pull the trigger on some of the stuff just to provide more certainty and what's coming at us in the next year you know.

Randall W. Atkins — Founder, Executive Chairman, and Director

I will say through Scott, you know, the one thing we like is because these are pretty near term projects, I mean you know spreading it within a six month time span, you know, we could essentially ramp up north of 1 million tons of production, which gives us the optionality when we start looking at our book for 2021 to talk to some of our customers about a significantly larger low-vol component to the extent that we can be comfortable on pricing and demand.

Scott Schier — Analyst, Clarksons

That's very helpful. I appreciate that. Switching gears to I guess more of a broader market question, I think you have about half million tons committed and priced into the export market. It looks like you committed a little bit more over the quarter. Can you give us a little bit of color around where these tons are going and the demand picture that you're seeing from a seaborne market, as well as any kind of pushbacks from any customers that you're getting on some of these shipments?

Michael D. Bauersachs — Founder, President, Chief Executive Officer and Director

Sure. I spoke about some of the positive things that have occurred as you know reconnecting with some different types of coals with some customers that we've had in the past, and sending some high-vol coals to Europe has been, you know, the most a positive thing that happened in the last four months or so.

Shipping, a test shipment actually, to what could be a potentially large customer in South Korea was a very good, very good thing for us. It's also, I think, positive that we've gotten qualified into Brazil and the other mills that are in South America. So, you know, we've got a number of different things that I think could result in some term business and longer term relationships, but what I can tell you is that the demand right now has been fairly weak.

When we look at spot type deals that have been out there, it's been reduced volumes from what were normally in the past. And it makes sense with the shape that the, you know the economies are in and the Atlantic Basin which is our, you know, which is our primary focus. But we remain very optimistic that Asia can be a big component of what we do going forward, and I might add our sales guys are both very familiar with that marketplace and have had great successes there in the past. So pretty tough right now though, is really the bottom line to gain volume anywhere.

Randall W. Atkins — Founder, Executive Chairman, and Director

But I will say, Scott, one think that we did within the last few months, as Mike pointed out in his remarks, we've added another very senior guy on our marketing and sales team. So we, you know, for our size have got two pretty senior sales guys, because as we told the Board, we are going to from 2 million to 4 million or 5 million tons over the next few years. So we want to make sure we got as broad a base marketing efforts as we can put in place. So I'm comfortable that we're sort of positioning ourselves for the next phase of our growth, which again market permitting, we're in the position to execute on in a reasonably short period of time.

Scott Schier — Analyst, Clarksons

Great, I appreciate all that color. Congratulations again on the solid cost control over the quarter and good luck on the quarter. Thanks.

Michael D. Bauersachs — Founder, President, Chief Executive Officer and Director

Thanks Scott. I appreciate it.

Operator

Thank you. And our last question comes from a line of David Gagliano with BMO Capital Markets. Your line is now open.

David Gagliano — Analyst, BMO Capital Markets

Oh great, thanks for taking my questions. I just want to drill down a little bit further on the commentary regarding force majeure. So obviously you've got I think 1.5 million tons committed for the rest of 2020, but how much of that is actually, you know, kind of really firm and how much of the volume has been exposed to these force majeures and the customer's pushing back in deferrals and that kind of thing?

Michael D. Bauersachs — Founder, President, Chief Executive Officer and Director

What we can say Dave is that to-date we're ratable in that business. We, you know, in this sort of setting we can look sort of 30 days forward really, which is all of the sort of the guidance even we get from our customers, which is why we've basically taken guidance down. And it's difficult for our customers, it's difficult for us, it's all really contingent on what sort of recovery and what happens in the key segments that our customers serve.

So it's difficult to tell what's going to happen. But I can say looking 30 days out we also appear to be ratable. We think our coals go to some customers and their plants that seem to be sort of key plants. So we'll how everything develops.

Force majeure letters of course don't mean that people are canceling business. It means that the business is likely to be shuffled around and we expect to see some of that. You know, that being said, again we think the places where our coals go will be somewhat resilient.

David Gagliano — Analyst, BMO Capital Markets

Okay, and so just on a near term basis here, I understand guidance not for the year, but, you know, we are pretty much halfway through the second quarter — what are volumes, shipment volumes so far through the second quarter?

Jeremy R. Sussman — Chief Financial Officer

Dave, its Jeremy. I think we're just, we – there is a lot of uncertainty obviously. We wish we could give guidance, but like others we pulled guidance, so I think we'll just kind of leave it with Mike's comments on that front.

David Gagliano — Analyst, BMO Capital Markets

Okay, and then in terms of the CapEx cuts, as we look into 2021, excuse me, it sounds like again I know there's the visibility is zero here, but for the cuts that happened in 2020 as we are thinking about the 2021 volumes — roughly how much of an impact would that have on, if things you know kind of get back to normal and let's say in the fourth quarter, what sort of the delay if CapEx ramps up again in Pocahontas and how much volume comes out of 2021 given that situation?

Randall W. Atkins — Founder, Executive Chairman, and Director

Yeah, I think Dave if I understood your question correctly, it relates mostly to our Berwind slope and we've probably got another $5 million or $6 million to spent at Berwind to get to our Pocahontas #4 Seam. So we have stopped that spend, and when we turn it on we got another kind of a five to six months worth of work to get to that seam. So you know round it up, call it $1 million a month, round numbers, once we decide to green light that. And as I said, we are in pretty good shape there, it’s just a question that we decided, let's keep our liquidity options at the front of the queue here as opposed to our spend options and so we can turn that switch back on when we need to.

David Gagliano — Analyst, BMO Capital Markets
Okay, alright, I will leave with that then. Thank you very much. I appreciate it.

Michael D. Bauersachs — Founder, President, Chief Executive Officer and Director

Sure, thanks Dave.

Operator
Thank you. And this concludes today's question-and-answer session. I would now like to turn the call back to Randall Atkins, Executive Chairman for further remarks.

Randall W. Atkins — Founder, Executive Chairman, and Director

Okay. Once again, we appreciate everybody being on the call in these unusual times. Everybody please stay safe and we'll look forward to catching up with you again I guess in August. So take care and thanks again.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation, and you may now disconnect.