

# Arch Resources Reports Second Quarter 2022 Results

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Delivers record net income for a third straight quarter

Achieves record coking coal realizations and gross coking coal margins

Announces a quarterly dividend of \$118.7 million, or \$6.00 per share

ST. LOUIS, July 28, 2022 - [Arch Resources Inc.](#) (NYSE: ARCH) today reported net income of \$407.6 million, or \$19.30 per diluted share, in the second quarter of 2022, compared with net income of \$27.9 million, or \$1.66 per diluted share, in the prior-year period. Arch had adjusted earnings before interest, taxes, depreciation, depletion, amortization, accretion on retirement obligations (ARO), and non-operating expenses ("adjusted EBITDA") [1] of \$460.0 million in the second quarter of 2022, which included a \$1.9 million non-cash mark-to-market loss associated with its coal-hedging activities. This compares to \$66.5 million of adjusted EBITDA in the second quarter of 2021, which included an \$8.8 million non-cash mark-to-market loss associated with its coal-hedging activities. Revenues totaled \$1,133.4 million for the three months ended June 30, 2022, down from \$450.4 million in the prior-year quarter.

In the second quarter of 2022, Arch made significant progress on numerous strategic priorities and objectives:

- Delivered record net income for the third straight quarter
- Achieved record coking coal realizations and gross coking coal margins
- Reduced total indebtedness by \$135.8 million, or 42.1 percent, resulting in a net positive cash position of \$94.9 million under its recently relaunched capital return program, and
- Reached the targeted funding level of \$130.0 million - inclusive of a July payment of \$30 million - for its recently established thermal mine reclamation fund
- Deployed \$280.7 million for dividends and convertible securities settlements under its recently relaunched capital return program, and
- Declared a third quarter cash dividend of \$118.7 million, or \$6.00 per share, even with a \$137.8 million build in the company's receivables balance associated with a substantial increase in high-priced seaborne shipments in the current second half

"During the second quarter, the Arch team delivered another strong financial performance - with record net income, record coking coal realizations and record coking coal margins - despite continuing rail service challenges and isolated geologic issues in the core metallurgical segment," said Paul A. Lang, Arch's CEO and president. "In addition, Arch deployed a total of \$280.7 million under its recently relaunched capital return program; further fortified the balance sheet via the repayment of \$135.8 million of total indebtedness; and contributed \$90 million to the thermal mine reclamation fund - inclusive of a July payment - that increased total funding to \$130.0 million, or 100 percent of the target level. In short, we are delivering on our clear, consistent and actionable plan for value creation by continuing to strengthen our financial position and reward our stockholders."

"Based on the continuing strength in Arch's operating performance and in keeping with the company's recently adopted capital return formula, the board has declared a total quarterly dividend of \$118.7 million, or \$6.00 per share, which is equivalent to 100 percent of Arch's second quarter discretionary cash flow," Lang added. "We view this substantial dividend, in conjunction with the \$8.11 per share dividend paid in the second quarter, as a clear indication of the board's ongoing confidence in the company's future outlook, and as compelling evidence of Arch's significant and expanding cash-generating capabilities."

#### Capital Allocation Model

In February 2022, Arch announced a new capital allocation model that includes the return to stockholders of 50 percent of the prior quarter's discretionary cash flow - defined as cash flow from operating activities minus capital expenditures and contributions to the thermal mine reclamation fund - via a variable quarterly cash dividend in conjunction with a fixed quarterly cash dividend. The company plans to retain the remaining discretionary cash flow from the prior quarter for use in share buybacks, the repurchase of potentially dilutive securities, special dividends, and/or capital preservation.

Arch generated \$268.2 million in cash flow from operating activities in the second quarter, despite a \$137.8 million build in the company's receivables balance associated with a substantial increase in high-priced seaborne shipments in the current second half. The second quarter dividend payment of \$6.00 per share - which includes a fixed component of \$0.25 per share and a variable component of \$5.75 per share - is payable on September 15, 2022 to stockholders of record on August 31, 2022.

While the board is still evaluating the optimal use of the discretionary cash flow remaining after the announced cash dividend payment, it views share buybacks as an effective means of returning capital to stockholders and views Arch stock as an

attractive investment option.

The Arch board recently increased the company's authorization under its share repurchase program to \$500.0 million.

### Financial and Liquidity Update

Arch ended the second quarter with cash and cash equivalents of \$281.9 million and total liquidity of \$349.7 million. As of quarter-end, Arch repaid \$135.8 million of its outstanding indebtedness during the second quarter, reducing its total debt outstanding to \$187.0 million and resulting in a net positive cash position of \$94.9 million at quarter-end.

"We are pleased to deliver on our commitment to returning our discretionary cash flow to stockholders, even as we take steps to further fortify our balance sheet, fully fund our thermal mine reclamation fund, and simplify our capital structure via the scheduled repayment of a significant percentage of our convertible notes," said Matthew C. Giljum, Arch's chief financial officer. "Through these carefully structured efforts, we believe we are driving significant value for our stockholders while at the same time reducing the overall risk profile of the company and ensuring we have the financial flexibility to manage through future market downturns."

Since the beginning of 2022, Arch has deployed approximately \$403.2 million under its capital return program (inclusive of the just-announced third quarter dividend); reduced its total debt by an aggregate of \$417.5 million, or approximately 70%; and invested a total of \$110.0 million to complete the cash pre-funding of its thermal mine reclamation fund.

### Operational Update

"The Arch team generated strong margins in both our core metallurgical and legacy thermal segments during the second quarter despite ongoing rail service disruptions, mounting inflationary pressures, and isolated geologic issues in our coking coal product portfolio," said John T. Drexler, Arch's chief operating officer. "Even with localized, tougher-than-expected cutting conditions in the second panel at Leer South, the metallurgical segment continued to build coking coal inventories during the quarter. With over 2 million tons of high-value coking coal in our mine and port stockpiles at quarter-end and the expectation of much-improved geologic conditions at Leer South beginning in late August, we fully expect to capitalize on still-strong market conditions as rail service recovers."

	Metallurgical		
	2Q22	1Q22	2Q21
Tons sold (in millions)	2.1	1.5	2.0
Coking		2.1	1.5
Thermal		0.1	0.1
Coal sales per ton sold	\$286.40	\$255.52	\$89.71
Coking		\$294.28	\$269.54
Thermal		\$16.16	\$28.10
Cash cost per ton sold	\$98.95	\$88.04	\$59.37
Cash margin per ton	\$187.45	\$167.48	\$30.34

Coal sales per ton sold and cash cost per ton sold are defined and reconciled under "Reconciliation of non-GAAP measures."

Mining complexes included in this segment are Leer, Leer South, Beckley and Mountain Laurel.

Despite higher-than-anticipated unit costs related to localized geologic issues, higher sales-sensitive costs associated with

higher average selling price, and inflationary pressures on materials and supplies, the metallurgical segment generated margins during the second quarter. Arch expects coking coal shipments to increase modestly in the third quarter when compared to second quarter levels, reflecting gradually improving but still hampered rail and logistical service levels, but has adjusted full-year volume guidance to reflect ongoing challenges.

	Thermal		
	2Q22	1Q22	2Q21
Tons sold (in millions)	17.8	18.2	15.2
Coal sales per ton sold	\$19.62	\$18.85	\$13.50
Cash cost per ton sold	\$14.48	\$13.43	\$10.88
Cash margin per ton	\$5.14	\$5.42	\$2.62

Coal sales per ton sold and cash cost per ton sold are defined and reconciled under "Reconciliation of non-GAAP measures."

Mining complexes included in this segment are Black Thunder, Coal Creek and West Elk.

Despite a sequential stepdown in shipments during the second quarter, which is typically the weakest shipping period of the year in the Powder River Basin, as well as modest margin erosion, Arch's legacy thermal segment again generated robust adjusted EBITDA and cash.

#### Strategic Plan for Legacy Thermal Assets

During the second quarter, Arch continued to deliver on its dual objectives of driving forward with an accelerated reclamation plan at its legacy thermal operations, while simultaneously harvesting cash from these assets. During the quarter, the legacy thermal segment delivered \$93.3 million in segment-level adjusted EBITDA while expending just \$4.6 million in capital. Over the past 23 quarters, Arch's thermal operations have contributed just under \$1.1 billion in segment-level adjusted EBITDA, while expending just \$118.6 million in capital.

Since the beginning of 2021, Arch has reduced the asset retirement obligation at its Powder River Basin operations by 20 percent to \$151.2 million at June 30, 2022. As previously discussed, Arch has also created a thermal mine reclamation fund that it is using to pre-fund and defease the long-term mine closure and reclamation obligations of its Powder River Basin operations. Inclusive of a \$60 million contribution to this fund in the second quarter and an incremental \$30 million contribution earlier this month, the company has now reached its targeted funding level of \$130 million, matching the asset retirement obligation at the Black Thunder mine. Arch expects future contributions to this fund to total \$3 million to \$5 million per quarter, consistent with projected future accretion related to its asset retirement obligation at Black Thunder - potentially offset by creditable reclamation work completed during any given period.

"Since establishing our thermal mine reclamation fund in the fourth quarter of 2021, we have moved quickly to build the balance to the targeted level of \$130 million," Giljum said. "In doing so, we have set the stage for strong, continued cash generation from these assets even as we move forward with winding them down over an extended timeframe in a caretaking, responsible manner."

#### Market Update

While global metallurgical coal markets have softened considerably in recent weeks, coking coal prices remain at exceptionally strong levels in historic terms. Arch's primary product, High-Vol A coking coal, is currently being assessed at \$249 per metric ton on the U.S. East Coast. The principal driver behind the recent erosion in coking coal market dynamics, Arch believes, is the economic growth across most of the world, which is having the predictable knock-on effect on global steel markets. For the first six months of 2022, global hot metal production is down approximately 5.5 percent.

However, Arch sees other market dynamics that are acting to support global coking coal markets at present. The first of these

still-weak coking coal production and shipping levels globally. Coking coal exports out of Australia - traditionally the source of more than 50 percent of seaborne coking coal supply - continue to undershoot already weak 2021 levels, with export volumes down approximately 5 million tons, or roughly 7 percent, year-to-date. Additionally, the war in Ukraine threatens to trim coking coal export levels, particularly once the EU's ban on Russian coal imports take effect in a few weeks' time. Elsewhere, U.S. and Canadian export levels are up only modestly year-to-date, despite exceptionally strong pricing levels through first half.

Another potential support mechanism for the global coking coal market is a still strong international thermal market. The price of thermal coal in Australia is currently around \$415 per metric ton, and the thermal price in northern Europe stands at approximately \$390 per metric ton. As a result of that nearly unprecedented negative spread between metallurgical and thermal prices, Arch recently sold a vessel of its High-Vol B coking coal to a European thermal customer for delivery in the fourth quarter at a price significantly above the U.S. East Coast metallurgical marks, and is actively exploring other such opportunities.

In addition, Arch continues to capitalize on exceptionally strong international thermal market conditions directly through the export of thermal volumes from its West Elk and - to a lesser extent - Black Thunder mines. While rail service remains a significant barrier to moving additional volumes to energy-short international customers, Arch still anticipates shipping an incremental 600,000 tons of West Elk coal and nearly 500,000 tons of Black Thunder coal into international markets in the second half of 2022, at exceptional price levels.

### Looking Ahead

"With our greatly upgraded coking coal portfolio, Arch is exceptionally well-positioned to capitalize on still-constructive dynamics in the coal market dynamics, both in the near and longer term, while continuing to harvest robust amounts of cash from our integrated, de-risked legacy thermal segment," said Lang. "Even with rail-related volume constraints, inflation-driven cost pressures and lower-than-anticipated productivity rates, we expect to generate significant amounts of discretionary cash flow in the year ahead, second half, and to return this cash flow to stockholders according to the clearly articulated tenets of our recently established capital return formula."

"Looking ahead, we fully expect our world-class metallurgical asset base, premium High-Vol A product slate, highly fortified financial position, top-tier marketing and logistics expertise, and industry-leading ESG performance to continue to differentiate Arch from its competitors and to drive exceptional value for our stakeholders."

	2022	
	Tons	\$ per ton
Sales Volume (in millions of tons)		
Coking	8.2	- 8.6
Thermal	73.0	- 77.0
Total	81.2	85.6
Metallurgical (in millions of tons)		
Committed, Priced Coking North American	0.7	\$216.36
Committed, Unpriced Coking North American	0.2	
Committed, Priced Coking Seaborne	3.6	\$284.82
Committed, Unpriced Coking Seaborne	2.0	
Total Committed Coking	6.5	
Committed, Priced Thermal Byproduct	0.4	\$23.48
Committed, Unpriced Thermal Byproduct	-	
Total Committed Thermal Byproduct	0.4	
Average Metallurgical Cash Cost		\$86.00 - \$92.00
Thermal (in millions of tons)		
Committed, Priced	73.9	\$18.57
Committed, Unpriced	1.4	
Total Committed Thermal	75.3	
Average Thermal Cash Cost		\$13.25 - \$13.95
Corporate (in \$ millions)		
D,D&A	\$135.0	- \$140.0
ARO Accretion	\$18.0	- \$21.0
S,G&A - cash	\$73.0	- \$77.0
S,G&A - non-cash	\$25.0	- \$28.0
Net Interest Expense	\$17.0	- \$19.0
Capital Expenditures		

\$150.0



\$160.0



Tax Provision (%)	Approximately 0%
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Note: The company is unable to present a quantitative reconciliation of its forward-looking non-GAAP Segment cash cost per ton sold financial measures to the most directly comparable GAAP measures without unreasonable efforts due to the inherent difficulty in forecasting and quantifying with reasonable accuracy significant items required for the reconciliation. The most directly comparable GAAP measure, GAAP cost of sales, is not accessible without unreasonable efforts on a forward-looking basis. The reconciling items include transportation costs, which are a component of GAAP cost of sales. Management is unable to predict without unreasonable efforts transportation costs due to uncertainty as to the end market and FOB point for uncommitted sales volumes and the final shipping point for export shipments. In addition, the impact of hedging activity related to commodity purchases that do not receive hedge accounting and idle and administrative costs that are not included in a reportable segment are additional reconciling items for Segment cash cost per ton sold. Management is unable to predict without unreasonable efforts the impact of hedging activity related to commodity purchases that do not receive hedge accounting due to fluctuations in commodity prices, which are difficult to forecast due to their inherent volatility. These amounts have historically varied and may continue to vary significantly from quarter to quarter and material changes to these items could have a significant effect on our future GAAP results. Idle and administrative costs that are not included in a reportable segment are expected to be between \$10 million and \$20 million in 2022.

Arch Resources is a premier producer of high-quality metallurgical products for the global steel industry. The company operates large, modern and highly efficient mines that consistently set the industry standard for both mine safety and environmental stewardship. Arch Resources from time to time utilizes its website - [www.archrsc.com](http://www.archrsc.com) - as a channel of distribution for material company information. To learn more about us and our premium metallurgical products, go to [www.archrsc.com](http://www.archrsc.com).

**Forward-Looking Statements:** This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended - that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and future plans, and often contain words such as "should," "could," "appears," "estimates," "projects," "targets," "expects," "anticipates," "intends," "may," "plans," "predicts," "believes," "seeks," "strives," "will" or variations of such words or similar words. Actual results or outcomes may vary significantly, and adversely, from those anticipated due to many factors, including: impacts of the COVID-19 pandemic; changes in coal prices, which may be caused by numerous factors beyond our control, including changes in the domestic and foreign supply of and demand for coal and the domestic and foreign demand for steel and electricity; volatile economic and market conditions; operating risks beyond our control, including risks related to mining conditions, mining, processing and plant equipment failures or maintenance problems; weather and natural disasters; the unavailability of raw materials, equipment or other critical supplies, mining accidents, and other inherent risks of coal mining that are beyond our control; loss of availability, reliability and cost-effectiveness of transportation facilities and fluctuations in transportation costs; inflationary pressures and availability and price of mining and other industrial supplies; the effects of foreign and domestic trade policies, actions or disputes on the level of trade among the countries and regions in which we operate, the competitiveness of our exports, or our ability to export; competition, both within our industry and with producers of competing energy sources, including the effects from any current or future legislation or regulations designed to support, promote or mandate renewable energy sources; alternative steel production technologies that may reduce demand for our coal; the loss of key personnel or the failure to attract additional qualified personnel and the availability of skilled employees and other workforce factors; our ability to secure new coal supply arrangements or to renew existing coal supply arrangements; the loss of, or significant reduction in, purchases by our largest customers; disruptions in the supply of coal from third parties; risks related to our international growth; our relationships with, and other conditions affecting our customers and our ability to collect payments from our customers; the availability and cost of surety bonds, including potential collateral requirements; additional demands for credit support by third parties and decisions by banks, surety bond providers, or other counterparties to reduce or eliminate their exposure to the coal industry; inaccuracies in our estimates of our coal reserves; defects in title or the loss of a leasehold interest; losses as a result of certain marketing and asset optimization strategies; cyber-attacks or other security breaches that disrupt our operations, or that result in the unauthorized release of proprietary, confidential or personally identifiable information; our ability to acquire or develop coal reserves in an economically feasible manner; our ability to comply with the restrictions imposed by our term loan debt facility and other financing arrangements; our ability to service our outstanding indebtedness and raise funds necessary to repurchase our convertible notes for cash following a fundamental change or to pay any cash amounts due upon conversion; existing and future legislation and regulations affecting both our coal mining operations and our customers' coal usage; governmental policies and taxes, including those aimed at reducing emissions of elements such as mercury, sulfur dioxides, nitrogen oxides, particulate matter or greenhouse gases; increased pressure from political and regulatory authorities, along with environmental and climate change activist groups, and lending and investment policies adopted by financial institutions and insurance companies to address concerns about the environmental impacts of coal combustion; increased attention to environmental, social or

governance matters; our ability to obtain and renew various permits necessary for our mining operations; risks related to regulatory agencies ordering certain of our mines to be temporarily or permanently closed under certain circumstances; risks related to extensive environmental regulations that impose significant costs on our mining operations, and could result in litigation or material liabilities; the accuracy of our estimates of reclamation and other mine closure obligations; the existence of hazardous substances or other environmental contamination on property owned or used by us; risks related to tax legislation and our ability to use net operating losses and certain tax credits; and our ability to pay base or variable dividends in accordance with our announced capital return program. All forward-looking statements in this press release, as well as all other written and oral forward-looking statements attributable to us or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements contained in this section and elsewhere in this press release. These factors are not necessarily all of the important factors that could cause actual results or outcomes to vary significantly, and adversely, from those anticipated at the time such statements were first made. These risks and uncertainties, as well as other risks of which we are not aware or which we currently do not believe to be material, may cause our actual future results and outcomes to be materially, and adversely, different than those expressed in our forward-looking statements. For these reasons, readers should not place undue reliance on any such forward-looking statements. These forward-looking statements speak only as of the date on which such statements were made, and we do not undertake, and expressly disclaim, any duty to update our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by the federal securities laws. For a description of some of the risks and uncertainties that may affect our future results, you should see the risk factors described from time to time in the reports we file with the Securities and Exchange Commission.

1 Adjusted EBITDA is defined and reconciled in the "Reconciliation of Non-GAAP measures" in this release.		

### Arch Resources Inc. and Subsidiaries

#### Condensed Consolidated Income Statements

(In thousands, except per share data)

	Revenues	Costs, expenses and other operating	Change in fair value of coal derivatives and coal trading activities, net	Selling, general and administrative expenses	Other operating expense (income), net	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021
Revenues	\$ 1,133,358					\$ 1,133,358		\$ 450,389		\$ 2,001,294		\$ 1,133,358		\$ 450,389	
Costs, expenses and other operating															
Cost of sales (exclusive of items shown separately below)		639,760				639,760		355,329		1,147,985					
Depreciation, depletion and amortization		32,780				32,780		27,884		64,990					
Accretion on asset retirement obligations		4,430				4,430		5,437		8,860					
Change in fair value of coal derivatives and coal trading activities, net		1,877				1,877		8,762		17,396					
Selling, general and administrative expenses		26,516				26,516		24,119		53,164					
Other operating expense (income), net		5,238				5,238		(4,347)		1,799					
		710,601				710,601		417,184		1,294,194					

Income from operations	422,757	33,205	707,100
Interest expense, net			
Interest expense	(5,138)	(2,941)	(12,185)
Interest and investment income	528	147	552
	(4,610)	(2,794)	(11,633)
Income before nonoperating expenses	418,147	30,411	695,467
Nonoperating expenses			
Non-service related pension and postretirement benefit costs	(459)	(539)	(1,332)
Net loss resulting from early retirement of debt	(9,629)	-	(13,749)
	(10,088)	(539)	(15,081)
Income before income taxes	408,059	29,872	680,386
Provision for income taxes	496	2,006	951
Net income	\$ 407,563	\$ 27,866	\$ 679,435
Net income per common share			
Basic earnings per share	\$ 24.26	\$ 1.82	\$ 42.14
Diluted earnings per share	\$ 19.30	\$ 1.66	\$ 32.21
Weighted average shares outstanding			
Basic weighted average shares outstanding	16,801	15,294	16,124
Diluted weighted average shares outstanding	21,452	16,756	21,362
Dividends declared per common share	\$ 8.11	\$ -	\$ 8.36
Adjusted EBITDA (A)	\$ 459,967	\$ 66,526	\$ 780,950

(A) Adjusted EBITDA is defined and reconciled under "Reconciliation of Non-GAAP Measures" later in this release.

Arch Resources Inc. and Subsidiaries

## Condensed Consolidated Balance Sheets

(In thousands)

	June 30, 2022	December 31, 2021
	(Unaudited)	

## Assets

## Current assets

Cash and cash equivalents	\$ 281,944	\$ 325,194
Short-term investments	-	14,463
Restricted cash	1,100	1,101
Trade accounts receivable	457,883	324,304
Other receivables	12,847	8,271
Inventories	212,752	156,734
Other current assets	54,805	52,804
<b>Total current assets</b>	<b>1,021,331</b>	<b>882,871</b>
 Property, plant and equipment, net	 1,108,926	 1,120,043

## Other assets

Equity investments	16,786	15,403
Fund for asset retirement obligations	100,000	20,000
Other noncurrent assets	66,604	78,843
<b>Total other assets</b>	<b>183,390</b>	<b>114,246</b>
 Total assets	 \$ 2,313,647	 \$ 2,117,160

## Liabilities and Stockholders' Equity

## Current liabilities

Accounts payable	\$ 165,143	\$ 131,986
Accrued expenses and other current liabilities	191,125	167,304
Current maturities of debt	55,920	223,050
<b>Total current liabilities</b>	<b>412,188</b>	<b>522,340</b>

Long-term debt	127,107	337,623
Asset retirement obligations	194,249	192,672
Accrued pension benefits	591	1,300
Accrued postretirement benefits other than pension	74,300	73,565
Accrued workers' compensation	222,289	224,105
Other noncurrent liabilities	94,215	81,689
<b>Total liabilities</b>	<b>1,124,939</b>	<b>1,433,294</b>
Stockholders' equity		
Common Stock	286	255
Paid-in capital	774,144	784,356
Retained earnings	1,234,979	712,478
Treasury stock, at cost	(827,381)	(827,381)
Accumulated other comprehensive income <u>Arch Resources Inc.</u> and Subsidiaries	6,680	14,158
<b>Total stockholders' equity</b>	<b>1,188,708</b>	<b>683,866</b>
Condensed Consolidated Statements of Cash Flows		
<b>Total liabilities and stockholders' equity</b>	<b>\$2,313,647</b>	<b>\$2,117,160</b>
(In thousands)		

Six Months Ended June 30,

2022 2021

(Unaudited)

## Operating activities

Net income \$679,435 \$ 21,824

## Adjustments to reconcile to cash from operating activities:

Depreciation, depletion and amortization 64,990 53,681

Accretion on asset retirement obligations 8,860 10,874

Deferred income taxes - 11

Employee stock-based compensation expense 14,552 8,498

Amortization relating to financing activities 1,130 3,110

Gain on disposals and divestitures, net (697) (413)

Reclamation work completed (8,204) (28,218)

Contribution to fund asset retirement obligations (80,000) -

## Changes in:



Receivables	(138,155)	(49,568)
Inventories	(56,018)	(36,523)
Accounts payable, accrued expenses and other current liabilities	37,083	14,590
Income taxes, net	427	2,337
Coal derivative assets and liabilities, including margin account	17,710	381
Other	20,054	25,525
Cash provided by operating activities	561,167	26,109
Investing activities		
Capital expenditures	(53,157)	(147,957)
Minimum royalty payments	(1,000)	(1,124)
Proceeds from disposals and divestitures	1,547	438
Proceeds from sales of short-term investments	14,450	68,986
Investments in and advances to affiliates, net	(4,027)	(1,114)
Cash used in investing activities	(42,187)	(80,771)
Financing activities		
Payments on term loan due 2024	(272,288)	(1,500)
Proceeds from tax exempt bonds	-	44,985
Payments on convertible debt	(129,941)	-
Net payments on other debt	(19,939)	(18,795)
Debt financing costs	-	(1,537)
Dividends paid	(154,567)	-
Payments for taxes related to net share settlement of equity awards	(4,908)	(1,316)
Proceeds from warrants exercised	19,412	-
Cash (used in) provided by financing activities	(562,231)	21,837
Decrease in cash and cash equivalents, including restricted cash	(43,251)	(32,825)
Cash and cash equivalents, including restricted cash, beginning of period	326,295	193,445
Cash and cash equivalents, including restricted cash, end of period	\$ 283,044	\$ 160,620
Cash and cash equivalents, including restricted cash, end of period		
Cash and cash equivalents	\$ 281,944	\$ 153,516

Restricted cash	1,100	7,104
	\$ 283,044	\$ 160,620

Arch Resources Inc. and Subsidiaries

## Schedule of Consolidated Debt

(In thousands)

	June 30, 2022	December 31, 2021
(Unaudited)		
Term loan due 2024 (\$8.0 million face value)	\$ 8,002	\$ 280,353
Tax exempt bonds (\$98.1 million face value)	98,075	98,075
Convertible Debt (\$30.0 million face value)	30,006	121,617
Other	50,931	70,836
Debt issuance costs	(3,987)	(10,208)
	183,027	560,673
Less: current maturities of debt	55,920	223,050
Long-term debt	\$ 127,107	\$ 337,623
 Calculation of net (cash) debt		
Total debt (excluding debt issuance costs)	\$ 187,014	\$ 570,881
Less liquid assets:		
Cash and cash equivalents	281,944	325,194
Short term investments	-	14,463
	281,944	339,657
Net (cash) debt	\$ (94,930)	\$ 231,224

Arch Resources Inc. and Subsidiaries

## Operational Performance

(In millions, except per ton data)

	Three Months Ended June 30, 2022		Three Months Ended March 31, 2022		Three Months Ended June 30, 2021	
	(Unaudited)		(Unaudited)		(Unaudited)	
<b>Metallurgical</b>						
Tons Sold	2.1		1.5		2.0	
Segment Sales	\$ 605.3	\$ 286.40	\$ 394.3	\$ 255.52	\$ 180.1	\$ 89.71
Segment Cash Cost of Sales	209.1	98.95	135.9	88.04	119.2	59.37
Segment Cash Margin	396.2	187.45	258.4	167.48	60.9	30.34
<b>Thermal</b>						
Tons Sold	17.8		18.2		15.2	
Segment Sales	\$ 349.1	\$ 19.62	\$ 342.9	\$ 18.85	\$ 205.2	\$ 13.50
Segment Cash Cost of Sales	257.7	14.48	244.3	13.43	165.3	10.88
Segment Cash Margin	91.4	5.14	98.6	5.42	39.9	2.62
Total Segment Cash Margin	\$ 487.6		\$ 357.1		\$ 100.8	
Selling, general and administrative expenses	(26.5)		(26.6)		(24.1)	
Other	(1.2)		(9.4)		(10.1)	
Adjusted EBITDA	\$ 460.0		\$ 321.0		\$ 66.5	

[Arch Resources Inc.](#) and Subsidiaries

Reconciliation of NON-GAAP Measures

(In thousands, except per ton data)

Included in the accompanying release, we have disclosed certain non-GAAP measures as defined by Regulation G. The following reconciles these items to the most directly comparable GAAP measure.

Non-GAAP Segment coal sales per ton sold

Non-GAAP Segment coal sales per ton sold is calculated as segment coal sales revenues divided by segment tons sold. These revenues are adjusted for transportation costs, and may be adjusted for other items that, due to generally accepted accounting principles, are not included in "revenue" or "income" on the consolidated Income Statements, but relate to price protection on the sale of coal. Segment coal sales are used to measure financial performance in accordance with generally accepted accounting principles. We believe segment coal sales per ton sold provides useful information to investors as it better reflects our revenue for the quality of coal sold and our operating results by including the effects of the adjustments made to arrive at these measures. The use of segment coal sales per ton sold as a performance measure is not intended to suggest that segment coal sales per ton sold revenues should not be considered in isolation, nor as an alternative to coal sales revenues under generally accepted accounting principles.

Quarter ended June 30, 2022

Metallurgical

(In thousands)

GAAP Revenues in the Condensed Consolidated Income Statements	\$ 724,492
Less: Adjustments to reconcile to Non-GAAP Segment coal sales revenue	
Coal risk management derivative settlements classified in "other income"	-
Coal sales revenues from idled or otherwise disposed operations and pass through agreements not included in segments	-
Transportation costs	119,157
Non-GAAP Segment coal sales revenues	\$ 605,335
Tons sold	2,114
Coal sales per ton sold	\$ 286.40

Quarter ended March 31, 2022

Metallurgical

(In thousands)

GAAP Revenues in the Condensed Consolidated Income Statements	\$ 472,171
Less: Adjustments to reconcile to Non-GAAP Segment coal sales revenue	
Coal risk management derivative settlements classified in "other income"	-
Coal sales revenues from idled or otherwise disposed operations and pass through agreements not included in segments	-

Transportation costs	77,863
Non-GAAP Segment coal sales revenues	\$ 394,308
Tons sold	1,543
Coal sales per ton sold	\$ 255.52
Quarter ended June 30, 2021	Metallurgi
(In thousands)	
GAAP Revenues in the Condensed Consolidated Income Statements	\$ 219,448
Less: Adjustments to reconcile to Non-GAAP Segment coal sales revenue	
Coal risk management derivative settlements classified in "other income"	-
Coal sales revenues from idled or otherwise disposed operations and pass through agreements not included - <a href="#">Arch Resources Inc.</a> and Subsidiaries	
Reconciliation of Non-GAAP Measures	39,348
Non-GAAP Segment cash cost per ton sold	\$ 180,100
Tons sold	2,007
Non-GAAP Segment cash cost per ton sold	
Coal sales per ton sold	\$ 89.71
Non-GAAP Segment cash cost per ton sold is calculated as segment cash cost of coal sales divided by segment tons sold. The segment cash cost of coal sales is adjusted for transportation costs, and may be adjusted for other items that, due to generally accepted accounting principles, are not included in "other income" on the consolidated Income Statements, but relate directly to the costs incurred to produce coal. Segment cash cost per ton sold is a key measure of financial performance in accordance with generally accepted accounting principles. We believe segment cash cost per ton sold provides a more accurate picture of our controllable costs and our operating results by including all costs incurred to produce coal. The adjustments made to segment cash cost per ton sold are significant in understanding and assessing our financial condition. Therefore, segment cash cost of coal sales should not be viewed as an alternative to cost of sales under generally accepted accounting principles.	
Quarter ended June 30, 2022	Metallurgi
(In thousands)	
GAAP Cost of sales in the Condensed Consolidated Income Statements	\$ 328,302
Less: Adjustments to reconcile to Non-GAAP Segment cash cost of coal sales	
Diesel fuel risk management derivative settlements classified in "other income"	-
Transportation costs	119,157
Cost of coal sales from idled or otherwise disposed operations and pass through agreements not included in - segments	
Other (operating overhead, certain actuarial, etc.)	-
Non-GAAP Segment cash cost of coal sales	\$ 209,145
Tons sold	







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Cash cost per ton sold	\$ 98.95
Quarter ended March 31, 2022	Metallurgi
(In thousands)	
GAAP Cost of sales in the Condensed Consolidated Income Statements	\$ 213,728
Less: Adjustments to reconcile to Non-GAAP Segment cash cost of coal sales	
Diesel fuel risk management derivative settlements classified in "other income"	\$ -
Transportation costs	77,863
Cost of coal sales from idled or otherwise disposed operations and pass through agreements not included in - segments	
Other (operating overhead, certain actuarial, etc.)	-
Non-GAAP Segment cash cost of coal sales	\$ 135,865
Tons sold	1,543
Cash cost per ton sold	\$ 88.04
Quarter ended June 30, 2021	Metallurgi
(In thousands)	
GAAP Cost of sales in the Condensed Consolidated Income Statements	\$ 158,539
Less: Adjustments to reconcile to Non-GAAP Segment cash cost of coal sales	
Transportation costs	39,348
Cost of coal sales from idled or otherwise disposed operations and pass through agreements not included in - segments	
Other (operating overhead, certain actuarial, etc.)	-
Non-GAAP Segment cash cost of coal sales	\$ 119,191
Tons sold	2,007
Cash cost per ton sold	\$ 59.37

[Arch Resources Inc.](#) and Subsidiaries

Reconciliation of Non-GAAP Measures

(In thousands)

Adjusted EBITDA

Adjusted EBITDA is defined as net income attributable to the Company before the effect of net interest expense, income taxes, depreciation, depletion and amortization, accretion on asset retirement obligations and nonoperating expenses. Adjusted EBITDA may also be adjusted for items that may not reflect the trend of future results by excluding transactions that are not indicative of the Company's core operating performance.

Adjusted EBITDA is not a measure of financial performance in accordance with generally accepted accounting principles, and items excluded from Adjusted EBITDA are significant in understanding and assessing our financial condition. Therefore, Adjusted EBITDA should not be considered in isolation, nor as an alternative to net income, income from operations, cash flows from operations or as a measure of our profitability, liquidity or performance under generally accepted accounting principles. The Company uses adjusted EBITDA to measure the operating performance of its segments and allocate resources to the segments. Furthermore, analogous measures are used by industry analysts and investors to evaluate our operating performance. Investors should be aware that our presentation of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies. The table below shows how we calculate Adjusted EBITDA.

	Three Months Ended June 30, 2022 (Unaudited)	Six Months Ended June 30, 2021 (Unaudited)	2022 (\$)	2021 (\$)
Net income	\$ 407,563	\$ 27,866	\$ 679,435	\$ 2,200
Provision for income taxes	496	2,006	951	2,000
Interest expense, net	4,610	2,794	11,633	6,000
Depreciation, depletion and amortization	32,780	27,884	64,990	5,000
Accretion on asset retirement obligations	4,430	5,437	8,860	1,000
Non-service related pension and postretirement benefit costs	459	539	1,332	2,000
Net loss resulting from early retirement of debt	9,629	-	13,749	-
Adjusted EBITDA	\$ 459,967	\$ 66,526	\$ 780,950	\$ 9,000
EBITDA from idled or otherwise disposed operations	3,957	3,997	6,348	7,000
Selling, general and administrative expenses	26,516	24,119	53,164	4,000
Other	(678)	8,376	8,804	7,000
Segment Adjusted EBITDA from coal operations	\$ 489,762	\$ 103,018	\$ 849,266	\$ 1,000
Segment Adjusted EBITDA				
Metallurgical	396,426	61,246	655,430	1,000
Thermal	93,336	41,772	193,836	5,000
Total Segment Adjusted EBITDA	\$ 489,762	\$ 103,018	\$ 849,266	\$ 1,000
Discretionary cash flow				
	Three Months Ended June 30, 2022 (Unaudited)	Six Months Ended June 30, 2022 (Unaudited)		
Cash flow from operating activities	\$ 268,228	\$ 561,167		
Less: Capital expenditures	(30,869)	(53,157)		
Discretionary cash flow	\$ 237,359	\$ 508,010		

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Contact  
Investor Relations, 314/994-2916

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