UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-38061

Warrior Met Coal, Inc.

(Exact name of registrant as specified in its charter)

Delaware — (State or other jurisdiction of incorporation or organization)

81-0706839 — (I.R.S. Employer Identification No.)

16243 Highway 216
Brookwood Alabama — (Address of Principal Executive Offices)

35444 — (Zip Code)

(205) 554-6150
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $.01 per share	HCC	New York Stock Exchange
Rights to Purchase Series A Junior Participating Preferred Stock, par value $0.01 per share	--	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐						

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of common stock outstanding as of October 29, 2021: 51,410,971

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Form 10-Q") includes statements of our expectations, intentions, plans and beliefs that constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and are intended to come within the safe harbor protection provided by those sections. These statements, which involve risks and uncertainties, relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable and may also relate to our future prospects, developments and business strategies, including any potential changes to our production and sales volumes as a result of our negotiations with our labor union. We have used the words “anticipate,” “approximately,” “assume,” “believe,” “could,” “contemplate,” “continue,” “estimate,” “expect,” “target,” “future,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should” and similar terms and phrases, including in references to assumptions, in this report to identify forward-looking statements. These forward-looking statements are made based on expectations and beliefs concerning future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed in or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to:

- the impact of global pandemics, such as the COVID-19 (as defined below) pandemic, including its impact on our business, employees, suppliers and customers, the metallurgical ("met") coal and steel industries, and global economic markets;
- our relationships with, and other conditions affecting, our customers;
- successful implementation of our business strategies;
- unavailability of, or price increases in, the transportation of our met coal;
- significant cost increases and fluctuations, and delay in the delivery of raw materials, mining equipment and purchased components;
- work stoppages, negotiation of labor contracts, employee relations and workforce availability;
- competition and foreign currency fluctuations;
- litigation, including claims not yet asserted;
- terrorist attacks or security threats, including cybersecurity threats;
- global steel demand and the downstream impact on met coal prices;
- impact of weather and natural disasters on demand and production;
- a substantial or extended decline in pricing or demand for met coal;
- inherent difficulties and challenges in the coal mining industry that are beyond our control;
- our ability to develop or acquire met coal reserves in an economically feasible manner;
- geologic, equipment, permitting, site access, operational risks and new technologies related to mining;
- inaccuracies in our estimates of our met coal reserves;
- costs associated with our workers’ compensation benefits;
- challenges to our licenses, permits and other authorizations;
- challenges associated with environmental, health and safety laws and regulations;

- regulatory requirements associated with federal, state and local regulatory agencies, and such agencies' authority to order temporary or permanent closure of our mines;
- climate change concerns and our operations' impact on the environment;
- failure to obtain or renew surety bonds on acceptable terms, which could affect our ability to secure reclamation and coal lease obligations;
- our obligations surrounding reclamation and mine closure;
- our substantial indebtedness and debt service requirements;
- our ability to comply with covenants in our asset-based revolving credit facility (as amended and restated, the "ABL Facility") and the Indenture (as defined below);
- adequate liquidity and the cost, availability and access to capital and financial markets;
- our expectations regarding our future cash tax rate as well as our ability to effectively utilize our net operating loss carry forwards ("NOLs");
- our ability to continue paying our quarterly dividend or pay any special dividend;
- the timing and amount of any stock repurchases we make under our Stock Repurchase Program (as defined below) or otherwise; and
- any consequences related to our transfer restrictions under our certificate of incorporation and our NOL rights agreement.

These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Forward-looking statements should, therefore, be considered in light of various factors, including those set forth under "Part II, Item 1A. Risk Factors," "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Form 10-Q, and those set forth from time to time in our other filings with the Securities and Exchange Commission (the "SEC"). These documents are available through our website or through the SEC's Electronic Data Gathering and Analysis Retrieval system at http://www.sec.gov. In light of such risks and uncertainties, we caution you not to place undue reliance on these forward-looking statements.

When considering forward-looking statements made by us in this Form 10-Q, or elsewhere, such statements speak only as of the date on which we make them. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this Form 10-Q after the date of this Form 10-Q, except as may be required by law. In light of these risks and uncertainties, you should keep in mind that any forward-looking statement made in this Form 10-Q or elsewhere might not occur.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WARRIOR MET COAL, INC.
CONDENSED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Revenues:				
Sales	$ 199,745	$ 175,229	$ 631,493	$ 555,610
Other revenues	2,722	4,835	12,178	14,875
Total revenues	202,467	180,064	643,671	570,485
Costs and expenses:				
Cost of sales (exclusive of items shown separately below)	91,973	151,370	399,088	433,661
Cost of other revenues (exclusive of items shown separately below)	6,654	7,064	22,792	22,267
Depreciation and depletion	28,967	27,965	102,021	78,813
Selling, general and administrative	7,430	8,192	26,182	25,105
Business interruption	6,872	—	13,892	—
Idle mine	9,327	—	20,203	—
Total costs and expenses	151,223	194,591	584,178	559,846
Operating income (loss)	51,244	(14,527)	59,493	10,639
Interest expense, net	(8,784)	(8,059)	(25,954)	(23,847)
Other income	1,400	—	1,291	1,822
Income (loss) before income tax expense (benefit)	43,860	(22,586)	34,830	(11,386)
Income tax expense (benefit)	5,433	(8,152)	22,439	(9,336)
Net income (loss)	38,427	$ (14,434)	$ 12,391	$ (2,050)
Basic and diluted net income (loss) per share:				
Net income (loss) per share—basic	$ 0.75	$ (0.28)	$ 0.24	$ (0.04)
Net income (loss) per share—diluted	$ 0.74	$ (0.28)	$ 0.24	$ (0.04)
Weighted average number of shares outstanding—basic	51,416	51,190	51,315	51,161
Weighted average number of shares outstanding—diluted	51,585	51,190	51,424	51,161
Dividends per share:	$ 0.05	$ 0.05	$ 0.15	$ 0.15

The accompanying notes are an integral part of these condensed financial statements.

WARRIOR MET COAL, INC.
CONDENSED BALANCE SHEETS
(in thousands)

	September 30, 2021 (Unaudited)	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 268,395	$ 211,916
Short-term investments	8,505	8,504
Trade accounts receivable	73,270	83,298
Inventories, net	94,026	118,713
Prepaid expenses and other receivables	35,034	45,052
Total current assets	479,230	467,483
Mineral interests, net	94,894	100,855
Property, plant and equipment, net	606,750	637,108
Deferred income taxes	151,934	174,372
Other long-term assets	11,799	14,118
Total assets	$ 1,344,607	$ 1,393,936
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 39,138	$ 59,110
Accrued expenses	58,114	86,108
Short term financing lease liabilities	22,421	14,385
Other current liabilities	14,721	10,715
Total current liabilities	134,394	170,318
Long-term debt	340,491	379,908
Asset retirement obligations	62,340	57,553
Long term financing lease liabilities	34,805	24,091
Other long-term liabilities	37,214	36,825
Total liabilities	609,244	668,695
Stockholders' Equity:		
Common stock, $0.01 par value per share (Authorized -140,000,000 shares as of September 30, 2021 and December 31, 2020, 53,632,812 issued and 51,410,971 outstanding as of September 30, 2021 and 53,408,040 issued and 51,186,199 outstanding as of December 31, 2020)	536	534
Preferred stock, $0.01 par value per share (10,000,000 shares authorized, no shares issued and outstanding)	—	—
Treasury stock, at cost (2,221,841 shares as of September 30, 2021 and December 31, 2020)	(50,576)	(50,576)
Additional paid in capital	255,317	249,746
Retained earnings	530,086	525,537
Total stockholders' equity	735,363	725,241
Total liabilities and stockholders' equity	$ 1,344,607	$ 1,393,936

The accompanying notes are an integral part of these condensed financial statements.

WARRIOR MET COAL, INC.
CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Common Stock				
Balance, beginning of period	$ 536	$ 533	$ 534	$ 533
Issuance of shares	—	—	2	—
Balance, end of period	536	533	536	533
Preferred Stock				
Balance, beginning of period	—	—	—	—
Balance, end of period	—	—	—	—
Treasury Stock				
Balance, beginning of period	(50,576)	(50,576)	(50,576)	(50,576)
Balance, end of period	(50,576)	(50,576)	(50,576)	(50,576)
Additional Paid in Capital				
Balance, beginning of period	253,922	246,126	249,746	243,932
Stock compensation	1,395	1,781	8,377	5,247
Other	—	—	(2,806)	(1,272)
Balance, end of period	255,317	247,907	255,317	247,907
Retained Earnings				
Balance, beginning of period	494,272	578,880	525,537	571,693
Net income (loss)	38,427	(14,434)	12,391	(2,050)
Dividends paid	(2,613)	(2,599)	(7,842)	(7,796)
Balance, end of period	530,086	561,847	530,086	561,847
Total Stockholders' Equity	$ 735,363	$ 759,711	$ 735,363	$ 759,711

The accompanying notes are an integral part of these condensed financial statements.

WARRIOR MET COAL, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	For the nine months ended September 30,	
	2021	2020
OPERATING ACTIVITIES		
Net income (loss)	$ 12,391	$ (2,050)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and depletion	102,021	78,813
Deferred income tax expense (benefit)	22,439	(9,268)
Stock based compensation expense	8,763	5,634
Amortization of debt issuance costs and debt discount/premium, net	1,289	1,125
Accretion of asset retirement obligations	2,416	2,198
Mark-to-market loss on gas hedges	8,661	—
Changes in operating assets and liabilities:		
Trade accounts receivable	10,028	18,054
Income tax receivable	—	24,274
Inventories	18,703	(43,887)
Prepaid expenses and other receivables	10,548	(5,906)
Accounts payable	(16,746)	11,169
Accrued expenses and other current liabilities	(10,100)	(4,699)
Other	6,417	6,696
Net cash provided by operating activities	176,830	82,153
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(34,149)	(72,059)
Deferred mine development costs	(13,462)	(13,257)
Proceeds from sale of property, plant and equipment	192	—
Sale of short-term investments	—	14,733
Purchases of short-term investments	—	(8,500)
Net cash used in investing activities	(47,419)	(79,083)
FINANCING ACTIVITIES		
Dividends paid	(7,842)	(7,796)
Borrowings under ABL Facility	—	70,000
Repayments under ABL Facility	(40,000)	(30,000)
Principal repayments of finance lease obligations	(22,284)	(10,972)
Other	(2,806)	(1,272)
Net cash (used in) provided by financing activities	(72,932)	19,960
Net increase in cash and cash equivalents	56,479	23,030
Cash and cash equivalents at beginning of period	211,916	193,383
Cash and cash equivalents at end of period	$ 268,395	$ 216,413

The accompanying notes are an integral part of these condensed financial statements.

Note 1—Business and Basis of Presentation

Description of the Business

Warrior Met Coal, Inc. (the "Company") is a U.S. based environmentally and socially minded supplier to the global steel industry. The Company is dedicated entirely to mining non-thermal met coal used as a critical component of steel production by metal manufacturers in Europe, South America and Asia. The Company also generates ancillary revenues from the sale of natural gas extracted as a byproduct from the underground coal mines and royalty revenues from leased properties.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In our opinion, the financial statements include all adjustments (consisting of normal recurring accruals) necessary in order to make the financial statements not misleading. For further information, refer to the financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 Annual Report"). Operating results for the three and nine months ended September 30, 2021 are not necessarily indicative of the final results that may be expected for the year ended December 31, 2021. The balance sheet at December 31, 2020 has been derived from the audited financial statements for the year ended December 31, 2020 included in the 2020 Annual Report.

Collective Bargaining Agreement

The Company's Collective Bargaining Agreement ("CBA") contract with the United Mine Workers of America ("UMWA") expired on April 1, 2021. While the Company continues to engage in good faith negotiations with the UMWA, the Company has not reached a new contract and the UMWA is engaging in a strike. As a result of the strike, the Company has idled Mine No. 4 and scaled back operations at Mine No. 7. In connection with the idling of Mine No. 4 and reduced operations at Mine No. 7, the Company incurred idle mine expenses of $9.3 million and $20.2 million for the three and nine months ended September 30, 2021, respectively. These expenses are reported separately in the Condensed Statements of Operations and represent expenses incurred, such as electricity, insurance and maintenance labor. The Company has also incurred approximately $6.9 million and $13.9 million of business interruption expenses for the three and nine months ended September 30, 2021, respectively, which represent non-recurring expenses that are directly attributable to the ongoing UMWA strike for incremental safety and security, labor negotiations and other expenses. These expenses are also presented separately in the Condensed Statements of Operations.

Note 2—Summary of Significant Accounting Policies

The Company's significant accounting policies are consistent with those disclosed in Note 2 to its audited financial statements included in the 2020 Annual Report, except for changes related to new accounting pronouncements described in "New Accounting Pronouncements."

Cash and Cash Equivalents

Cash and cash equivalents include short-term deposits and highly liquid investments that have original maturities of three months or less when purchased and are stated at cost, which approximates fair value.

Short-Term Investments

Instruments with maturities greater than three months, but less than twelve months, are included in short-term investments. The Company purchases United States Treasury bills with maturities ranging from six to twelve months which are classified as held to maturity and are carried at amortized cost, which approximates fair value. The Company also purchases fixed income securities and certificates of deposits with varying maturities that are classified as available for sale and are carried at fair value. Securities classified as held to maturity are those securities that management has the intent and ability to hold to maturity.

As of September 30, 2021 and December 31, 2020, short-term investments consisted of $8.5 million in cash and fixed income securities. The short-term investments are posted as collateral for the self-insured black lung related claims asserted by or on behalf of former employees of Walter Energy, Inc. ("Walter Energy") and its subsidiaries, which were assumed by the Company and relate to periods prior to March 31, 2016.

Revenue Recognition

Revenue is recognized when performance obligations under the terms of a contract with the Company's customers are satisfied; for all contracts this occurs when control of the promised goods have been transferred to its customers. For coal shipments to domestic customers via rail, control is transferred when the railcar is loaded. For coal shipments to international customers via ocean vessel, control is transferred when the vessel is loaded at the Port of Mobile, Alabama. For natural gas sales, control is transferred when the gas has been transferred to the pipeline. Revenue is disaggregated between coal sales within the Company's mining segment and natural gas sales which is included in all other revenues, as disclosed in Note 14.

Since February 2017, the Company has had an arrangement with XCoal Energy & Resources ("XCoal") to serve as XCoal's strategic partner for exports of low-volatility hard coking coal. Under this arrangement, XCoal takes title to and markets coal that the Company would historically have sold on the spot market, in an amount of the greater of (i) 10% of the Company's total production during the applicable term of the arrangement or (ii) 250,000 metric tons. During the three months ended September 30, 2021 and 2020, XCoal accounted for approximately $122.3 million, or 61.1% of total sales, and $38.7 million, or 22.1% of total sales, respectively. During the nine months ended September 30, 2021 and 2020, XCoal accounted for approximately $370.4 million, or 58.5% of total sales, and $82.3 million, or 14.8% of total sales, respectively. The increase in sales to XCoal in the current period is primarily driven by sales into China.

Trade Accounts Receivable and Allowance for Credit Losses

Trade accounts receivable represent customer obligations that are derived from revenue recognized from contracts with customers. Credit is extended based on an evaluation of the individual customer's financial condition. The Company maintains trade credit insurance on the majority of its customers and the geographic regions of coal shipments to these customers. In some instances, the Company requires letters of credit, cash collateral or prepayments from its customers on or before shipment to mitigate the risk of loss. These efforts have consistently resulted in the Company recognizing no historical credit losses. The Company also has never had to have a claim against its trade credit insurance policy.

In order to estimate the allowance for credit losses on trade accounts receivable, the Company utilizes an aging approach in which potential impairment is calculated based on how long a receivable has been outstanding (e.g., current, 1-31, 31-60, etc.). The Company calculates an expected credit loss rate based on the Company’s historical credit loss rate, the risk characteristics of our customers, and the current metallurgical coal and steel market environments. As of September 30, 2021 and December 31, 2020, the estimated allowance for credit losses was immaterial and did not have a material impact on the Company's financial statements.

New Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, “Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes,” which is intended to simplify various aspects related to accounting for income taxes. This ASU removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The ASU is effective for fiscal years beginning after December 15, 2020. The Company adopted the standard as of January 1, 2021 with no material impact to the Company's results of operations, financial condition, cash flows or financial statement presentation.

Note 3—Inventories, net

Inventories, net are summarized as follows (in thousands):

	September 30, 2021	December 31, 2020
Coal	$ 53,161	$ 86,272
Raw materials, parts, supplies and other, net	40,865	32,441
Total inventories, net	$ 94,026	$ 118,713

Note 4—Income Taxes

For the three and nine months ended September 30, 2021, the Company utilized a discrete period method to calculate taxes, as it does not believe that the annual effective tax rate method represents a reliable estimate given the current uncertainty surrounding the current CBA contract negotiations with the UMWA, the COVID-19 pandemic, the Chinese ban on Australian coal and other potentially disruptive factors and its impact on the Company's annual guidance. For the three and nine months ended September 30, 2021, the Company had an income tax expense of $5.4 million and $22.4 million, respectively.

The $22.4 million income tax expense for the nine months ended September 30, 2021 is primarily due to the establishment of a non-cash $47.8 million state deferred income tax asset valuation allowance, discussed below, offset partially by a net non-cash income tax benefit of $22.9 million due to the remeasurement of state deferred income tax assets and liabilities and $2.5 million of net income tax expense due to pre-tax operating income for the period, the Internal Revenue Code ("IRC") Section 45I Marginal Well Credit, depletion and other adjustments. The Marginal Well Credit is a production-based tax credit that provides a credit for qualified natural gas production. The credit is phased out when natural gas prices exceed certain levels. The Company had income tax benefit of $8.2 million and $9.3 million for the three and nine months ended September 30, 2020, respectively. The income tax benefit of $9.3 million was due to a $3.3 million income tax benefit from the Section 45I Marginal Well Credit and other discrete items, a $3.2 million income tax benefit from depletion expense and a $2.9 million income tax benefit from the loss recognized before income taxes.

On February 12, 2021, the Alabama Governor signed into law Alabama House Bill 170, now Act 2021-1 (the "Act"). The Act makes several changes to the state's business tax structure. Among the provisions of the Act, is the repeal of the so-called corporate income tax "throwback rule." That rule required all sales originating in Alabama and delivered to a jurisdiction where the seller was not subject to tax, to be included in the seller's Alabama income tax base. Thus, prior to repeal of the throwback rule, the Company had to rely on its Alabama NOL carryforwards to shelter taxes imposed under such throwback rule. As a result of the now repealed throwback rule, effective January 1, 2021, all such sales should now be excluded from Alabama taxable income without the need to utilize Alabama NOLs. As a result of the repeal of the throwback rule, in the first quarter of 2021, the Company remeasured its Alabama deferred income tax assets and liabilities and recorded the non-cash income tax benefit noted above of $22.9 million. Additionally, the Company determined that it is not more likely than not that the Company would have sufficient taxable income to utilize all of the Company's Alabama deferred income tax assets prior to expiration. Therefore, in the first quarter of 2021, the Company established a non-cash valuation allowance of $47.8 million against such deferred income tax assets.

The following table shows the balance of our state deferred income tax asset valuation allowance and the associated activity during the nine months ended September 30, 2021:

	September 30, 2021
Beginning balance	$ —
Addition - current tax expense	47,787
Ending balance	$ 47,787

Note 5—Debt

Debt consisted of the following (in thousands):

	September 30, 2021	December 31, 2020	Weighted Average Interest Rate at September 30, 2021	Final Maturity
Senior Secured Notes	$ 343,435	$ 343,435	8%	2024
ABL Borrowings	—	40,000	4%	2023
Debt discount/premium, net	(2,944)	(3,527)		
Total debt	340,491	379,908		
Less: current debt	—	—		
Total long-term debt	$ 340,491	$ 379,908		

Senior Secured Notes

On November 2, 2017, the Company issued $350.0 million aggregate principal amount of its 8.00% Senior Secured Notes due 2024 (the "Original Notes"). It then issued an additional $125.0 million in aggregate principal amount of its 8.00% Senior Secured Notes due 2024 (the “New Notes” and, together with the Original Notes, the "Notes") on March 1, 2018. The New Notes were issued as "Additional Notes" under the indenture dated as of November 2, 2017 (the "Original Indenture"), among the Company, the subsidiary guarantors party thereto and Wilmington Trust, National Association, as trustee and priority lien collateral trustee, as supplemented by the First Supplemental Indenture, dated as of March 1, 2018 (the "First Supplemental Indenture" and, the Original Indenture as supplemented thereby and by the Second Supplemental Indenture, dated as of March 2, 2018, the "Indenture"). The Notes mature on November 1, 2024 and interest is payable on May 1 and November 1 of each year.

ABL Facility

On March 24, 2020, the Company borrowed $70.0 million in a partial draw of the ABL Facility (the “ABL Draw”) as a precautionary measure in order to increase the Company’s cash position and preserve financial flexibility in light of the current uncertainty resulting from the COVID-19 outbreak. In June 2020, the Company reduced the outstanding principal amount of the ABL Draw by $30.0 million and during the three months ended September 30, 2021, the Company reduced the outstanding principal amount of the ABL Draw by $40.0 million. As of September 30, 2021, no loans were outstanding under the ABL Facility and there were $9.4 million of letters of credit issued and outstanding under the ABL Facility. At September 30, 2021, the Company had $87.3 million of availability under the ABL Facility (calculated net of $9.4 million of letters of credit outstanding at such time).

Note 6—Other Long-Term Liabilities

Other long-term liabilities are summarized as follows (in thousands):

	September 30, 2021	December 31, 2020
Black lung obligations	$ 34,229	$ 34,567
Other	2,985	2,258
Total other long-term liabilities	$ 37,214	$ 36,825

Note 7—Leases

The Company primarily enters into rental agreements for certain mining equipment that are for periods of 12 months or less, some of which include options to extend the leases. Leases that are for periods of 12 months or less are not recorded on the balance sheet. The Company recognizes lease expense on these agreements on a straight-line basis over the lease term. Additionally, the Company has certain finance leases for mining equipment that expire over various contractual periods. The leases have remaining lease terms of one to five years. These leases do not include an option to renew. Amortization expense for finance leases is included in depreciation and depletion expense.

Supplemental balance sheet information related to leases was as follows (in thousands):

	September 30, 2021	December 31, 2020
Finance lease right-of-use assets, net[1]	$ 77,837	$ 46,746
Finance lease liabilities		
Current	22,421	14,385
Noncurrent	34,805	24,091
Total finance lease liabilities	$ 57,226	$ 38,476
Weighted average remaining lease term - finance leases (in months)	38.0	42.9
Weighted average discount rate - finance leases[2]	5.89 %	5.77 %

[1] Finance lease right-of-use assets are recorded net of accumulated amortization of $15.6 million and $9.8 million and are included in property, plant and equipment, net in the Condensed Balance Sheet as of September 30, 2021 and the Balance Sheet as of December 31, 2020, respectively.
[2] When an implicit discount rate is not readily available in a lease, the Company uses its incremental borrowing rate based on information available at the commencement date when determining the present value of lease payments.

The components of lease expense were as follows (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Operating lease cost[1]:	$ 782	$ 801	$ 3,572	$ 1,594
Finance lease cost:				
Amortization of leased assets	3,389	2,943	10,222	8,859
Interest on lease liabilities	1,019	315	2,935	1,403
Net lease cost	$ 5,190	$ 4,059	$ 16,729	$ 11,856

(1) Includes leases that are for periods of 12 months or less.

Maturities of lease liabilities were as follows (in thousands):

	Finance Leases[1]
2021	$ 7,745
2022	27,885
2023	22,763
2024	3,195
2025	1,353
Thereafter	156
Total	63,097
Less: amount representing interest	(5,871)
Present value of lease liabilities	$ 57,226

(1) Finance lease payments include $3.9 million of future payments required under signed lease agreements that have not yet commenced.

Supplemental cash flow information related to leases was as follows (in thousands):

	For the nine months ended September 30,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ 2,935	$ 1,403
Financing cash flows from finance leases	$ 22,284	$ 10,972
Non-cash right-of-use assets obtained in exchange for lease obligations:		
Finance leases	$ 42,842	$ 12,036

As of September 30, 2021, the Company had additional commitments for finance leases, primarily for mining equipment, that have not yet commenced of $3.9 million. These finance leases will commence during fiscal years 2021 and 2022 with lease terms of one to two years.

Note 8—Net Income (Loss) per Share

Basic and diluted net income (loss) per share was calculated as follows (in thousands, except per share data):

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net income (loss)	$ 38,427	$ (14,434)	$ 12,391	$ (2,050)
Denominator:				
Weighted-average shares used to compute net income (loss) per share—basic	51,416	51,190	51,315	51,161
Dilutive restrictive stock awards (1)	169	—	109	—
Weighted-average shares used to compute net income (loss) per share—diluted	51,585	51,190	51,424	51,161
Net income (loss) per share—basic	$ 0.75	$ (0.28)	$ 0.24	$ (0.04)
Net income (loss) per share—diluted	$ 0.74	$ (0.28)	$ 0.24	$ (0.04)

(1) In periods of net loss, the number of shares used to calculate diluted earnings per share is the same as basic earnings per share; therefore, the effect of dilutive securities is zero for such periods.

On February 16, 2021, the Company awarded 398,945 restricted stock unit awards under the Company's 2017 Equity Incentive Plan (the "2017 Equity Plan"). These awards have certain service-based, performance-based and market-based vesting conditions, as applicable. The service-based awards vest over a period of three years and the performance-based and market-based awards are based on the Company's performance in each of the three years.

On April 27, 2021, the Company awarded 31,984 restricted stock unit awards under the Company's 2017 Equity Plan. These awards have service-based vesting conditions and vest over a period of three years.

As of September 30, 2021, there were 317,915 restricted stock unit awards for which the service-based vesting conditions for these awards were not met as of the measurement date. As such, these awards were excluded from basic earnings per share.

As of September 30, 2021, there were 521,916 restricted stock unit awards for which the performance-based and market-based vesting conditions were not met as of the measurement date and, as such, these awards were excluded from basic and diluted earnings per share. Based on the Company's closing share price on September 30, 2021, there were 87,209 restricted stock unit awards classified as a liability.

As of September 30, 2021, there were 6,219 restricted stock unit awards granted under the Company's 2016 Equity Incentive Plan (the "2016 Equity Plan") to certain directors and employees, for which the service-based vesting conditions for these awards were not met as of the measurement date. As such, these awards were excluded from basic earnings per share.

As of September 30, 2021, there were 13,157 shares of its common stock contingently issuable upon the settlement of a vested restricted stock unit award under the 2017 Equity Plan. The settlement date for these awards is the earlier of a change in control as described in the 2016 Equity Plan or 2017 Equity Plan, as applicable, or five years from the grant date. These awards are vested and, as such, have been included in the weighted average shares used to compute basic and diluted net income (loss) per share.

During the second quarter of 2021, certain employees and directors reached retirement eligibility, which resulted in incremental stock compensation expense of $4.1 million that is included in selling, general and administrative expenses within the Condensed Statements of Operations.

Note 9—Related Party Transactions

The Company owns a 50% interest in Black Warrior Methane (“BWM”) and Black Warrior Transmission (“BWT”), which are accounted for under the proportionate consolidation method and equity method, respectively. The Company has granted the rights to produce and sell methane gas from its coal mines to BWM and BWT. The Company’s net investments in, advances to/from and equity in earnings or loss of BWT are not material to the Company. The Company supplied labor to BWM and incurred costs, including property and liability insurance, to support the joint venture. The Company charged the joint venture for such costs on a monthly basis, which totaled $0.4 million and $1.7 million for the three and nine months ended September 30, 2021, respectively, and $0.6 million and $1.9 million for the three and nine months ended September 30, 2020, respectively.

Note 10—Commitments and Contingencies

Environmental Matters

The Company is subject to a wide variety of laws and regulations concerning the protection of the environment, both with respect to the construction and operation of its plants, mines and other facilities and with respect to remediating environmental conditions that may exist at its own and other properties.

The Company believes it is in compliance with federal, state and local environmental laws and regulations. The Company accrues for environmental expenses resulting from existing conditions that relate to past operations when the costs are probable and can be reasonably estimated. As of September 30, 2021 and December 31, 2020, there were no accruals for environmental matters other than asset retirement obligations for mine reclamation.

Miscellaneous Litigation

From time to time, the Company is party to lawsuits arising in the ordinary course of their businesses. The Company records costs relating to these matters when a loss is probable and the amount can be reasonably estimated. The effect of the outcome of these matters on the Company’s future results of operations cannot be predicted with certainty as any such effect depends on future results of operations and the amount and timing of the resolution of such matters. As of September 30, 2021 and December 31, 2020, there were no items accrued for miscellaneous litigation. For the three months ended September 30, 2021, the Company received $1.4 million upon the settlement of a lawsuit which is reflected as other income in the Condensed Statement of Operations.

Walter Canada Settlement Proceeds

On July 15, 2015, Walter Energy and certain of its wholly owned U.S. subsidiaries, including Jim Walter Resources, Inc. (“JWR”) filed voluntary petitions for relief under Chapter 11 of Title 11 of the U.S. Bankruptcy Code (the “Chapter 11 Cases”) in the Northern District of Alabama, Southern Division. On December 7, 2015, Walter Energy Canada Holdings, Inc., Walter Canadian Coal Partnership and their Canadian affiliates (collectively “Walter Canada”) applied for and were granted protection under the Companies’ Creditors Arrangement Act (the “CCAA”) pursuant to an Initial Order of the Supreme Court of British Columbia.

In connection with the Company’s acquisition of certain core operating assets of Walter Energy, the Company acquired a receivable owed to Walter Energy by Walter Canada for certain shared services provided by Walter Energy to Walter Canada (the “Shared Services Claim”) and a receivable for unpaid interest owed to Walter Energy from Walter Canada in respect of a promissory note (the “Hybrid Debt Claim”). Each of these claims were asserted by the Company in the Walter Canada CCAA proceedings. Walter Energy deemed these receivables to be impaired for the year ended December 31, 2015 and the Company did not assign any value to these receivables in acquisition accounting as collectability was deemed remote. In March 2020, the Company received approximately $1.8 million in settlement proceeds for the Shared Services Claim and Hybrid Debt Claim which is reflected as other income in the Condensed Statement of Operations. The collectability of additional amounts, if any, related to the Shared Services Claim and Hybrid Debt Claim depends on the outcome of, and the timing of any resolutions of, the Walter Canada CCAA proceedings and cannot be predicted with certainty.

Commitments and Contingencies—Other

The Company is party to various transportation and throughput agreements with rail and barge transportation providers and the Alabama State Port Authority. These agreements contain annual minimum tonnage guarantees with respect to coal transported from the mine sites to the Port of Mobile, Alabama, the unloading of rail cars or barges, and the loading of vessels. If the Company does not meet its minimum throughput obligations, which are based on annual minimum amounts, it is required to pay the transportation providers or the Alabama State Port Authority a contractually specified amount per metric ton for the difference between the actual throughput and the minimum throughput requirement. At September 30, 2021 and December 31, 2020, the Company had no liability recorded for minimum throughput requirements.

Royalty Obligations

A substantial amount of the coal that the Company mines is produced from mineral reserves leased from third-party land owners. These leases convey mining rights to the Company in exchange for royalties to be paid to the land owner as either a fixed amount per ton or as a percentage of the sales price. Although coal leases have varying renewal terms and conditions, they generally last for the economic life of the reserves. Coal royalty expense was $13.2 million and $41.6 million for the three and nine months ended September 30, 2021, respectively, and $12.0 million and $39.8 million for the three and nine months ended September 30, 2020, respectively.

Note 11—Stockholders' Equity

Stock Repurchase Program

On March 26, 2019, the Company's board of directors (the "Board") approved the Company's second stock repurchase program (the “Stock Repurchase Program”) that authorizes repurchases of up to an aggregate of $70.0 million of the Company's outstanding common stock. The Company fully exhausted its previous stock repurchase program of $40.0 million of its outstanding common stock. The Stock Repurchase Program does not require the Company to repurchase a specific number of shares or have an expiration date. The Stock Repurchase Program may be suspended or discontinued by the Board at any time without prior notice.

Under the Stock Repurchase Program, the Company may repurchase shares of its common stock from time to time, in amounts, at prices and at such times as the Company deems appropriate, subject to market and industry conditions, share price, regulatory requirements as determined from time to time by the Company and other considerations. The Company’s repurchases may be executed using open market purchases or privately negotiated transactions in accordance with applicable securities laws and regulations, including Rule 10b-18 of the Exchange Act and repurchases may be executed pursuant to Rule 10b5-1 under the Exchange Act. Repurchases will be subject to limitations in the ABL Facility and the Indenture. The Company intends to fund repurchases under the Stock Repurchase Program from cash on hand and/or other sources of liquidity.

As of September 30, 2021, the Company has repurchased 500,000 shares for approximately $10.6 million, leaving approximately $58.8 million of share repurchases authorized under the Stock Repurchase Program.

Due to the uncertainties resulting from COVID-19 and as a precautionary measure to preserve liquidity, the Company has temporarily suspended its share repurchase program. The Company will continue to monitor its liquidity in light of the

COVID-19 pandemic, the Chinese ban on Australian coal and the current CBA contract negotiations with the UMWA and will consider when to reinstate the program.

Regular Quarterly Dividend

On February 18, 2021, the Board declared a regular quarterly cash dividend of $0.05 per share, totaling $2.6 million, which was paid on March 8, 2021, to stockholders of record as of the close of business on March 1, 2021.

On April 27, 2021, the Board declared a regular quarterly cash dividend of $0.05 per share, totaling $2.6 million, which was paid on May 12, 2021 to stockholders of record as of the close of business on May 7, 2021.

On July 30, 2021, the Board declared a regular quarterly cash dividend of $0.05 per share, totaling $2.6 million, which was paid on August 16, 2021 to stockholders of record as of the close of business on August 9, 2021.

Note 12—Derivative Instruments

The Company enters into natural gas swap contracts from time to time to hedge the exposure to variability in expected future cash flows associated with the fluctuations in the price of natural gas related to the Company's forecasted sales. As of September 30, 2021, the Company had natural gas swap contracts outstanding with notional amounts totaling 2,500 million British thermal units maturing in the first quarter of 2022. As of December 31, 2020, the Company had no natural gas swap contracts outstanding.

The Company's natural gas swap contracts economically hedge certain risks but are not designated as hedges for financial reporting purposes. All changes in the fair value of these derivative instruments are recorded as other revenues in the Condensed Statements of Operations. The Company recognized a loss of $5.8 million and $8.7 million for the three and nine ended September 30, 2021, respectively. The Company records all derivative instruments at fair value and had a liability of $5.8 million as of September 30, 2021 in other current liabilities in the accompanying Condensed Balance Sheets and no asset or liability as of December 31, 2020.

Note 13—Fair Value of Financial Instruments

The following table presents information about the Company's financial liabilities measured at fair value on a recurring basis as of September 30, 2021 and indicates the level of the fair value hierarchy utilized to determine such fair value (in thousands):

	Fair Value Measurements as of September 30, 2021 Using:			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Natural gas swap contracts	$ —	$ 5,806	$ —	$ 5,806

The Company had no assets or any other liabilities measured at fair value on a recurring basis as of December 31, 2020. During the nine months ended September 30, 2021, there were no transfers between Level 1, Level 2 and Level 3. The Company uses quoted dealer prices for similar contracts in active over-the-counter markets for determining fair value of Level 2 liabilities. There were no changes to the valuation techniques used to measure liability fair values on a recurring basis during the nine months ended September 30, 2021.

The following methods and assumptions were used to estimate the fair value for which the fair value option was not elected:

Cash and cash equivalents, short-term investments, receivables and trade accounts payable—The carrying amounts reported in the Condensed Balance Sheets approximate fair value due to the short-term nature of these assets and liabilities.

Debt—The Company's outstanding debt is carried at cost. As of September 30, 2021, there were no borrowings outstanding under the ABL Facility, with $87.3 million available, net of outstanding letters of credit of $9.4 million. As of

December 31, 2020, the Company had $40.0 million outstanding under the ABL Facility and $9.4 million of letters of credit issued and outstanding under the ABL Facility. As of September 30, 2021 and December 31, 2020, the estimated fair value of the Notes based upon observable market data (Level 2) was approximately $349.9 million and $352.5 million, respectively.

Note 14—Segment Information

The Company identifies a business as an operating segment if: (i) it engages in business activities from which it may earn revenues and incur expenses; (ii) its operating results are regularly reviewed by the Chief Operating Decision Maker (“CODM”), who is the Company’s Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess its performance; and (iii) it has available discrete financial information. The Company has determined that its two underground mining operations are its operating segments. The CODM reviews financial information at the operating segment level to allocate resources and to assess the operating results and financial performance for each operating segment. Operating segments are aggregated into a reportable segment if the operating segments have similar quantitative economic characteristics and if the operating segments are similar in the following qualitative characteristics: (i) nature of products and services; (ii) nature of production processes; (iii) type or class of customer for their products and services; (iv) methods used to distribute the products or provide services; and (v) if applicable, the nature of the regulatory environment.

The Company has determined that the two operating segments are similar in both quantitative and qualitative characteristics and thus the two operating segments have been aggregated into one reportable segment. The Company has determined that its natural gas and royalty businesses did not meet the criteria in ASC 280 to be considered as operating or reportable segments. Therefore, the Company has included their results in an “all other” category as a reconciling item to consolidated amounts.

The Company does not allocate all of its assets, or its depreciation and depletion expense, selling, general and administrative expenses, transactions costs, interest expense, and income tax expense by segment.

The following tables include reconciliations of segment information to consolidated amounts (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Revenues				
Mining	$ 199,745	$ 175,229	$ 631,493	$ 555,610
All other	2,722	4,835	12,178	14,875
Total revenues	$ 202,467	$ 180,064	$ 643,671	$ 570,485

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Capital Expenditures				
Mining	$ 9,785	$ 20,660	$ 32,277	$ 65,687
All other	713	2,645	1,872	6,372
Total capital expenditures	$ 10,498	$ 23,305	$ 34,149	$ 72,059

The Company evaluates the performance of its segment based on Segment Adjusted EBITDA, which is defined as net income (loss) adjusted for other revenues, cost of other revenues, depreciation and depletion, selling, general and administrative, business interruption, idle mine, other income, net interest expense, income tax benefit (expense), and certain transactions or adjustments that the CODM does not consider for the purposes of making decisions to allocate resources among segments or assessing segment performance. Segment Adjusted EBITDA does not represent and should not be considered as an alternative to cost of sales under GAAP and may not be comparable to other similarly titled measures used by other companies. Below is a reconciliation of Segment Adjusted EBITDA to net income (loss), which is its most directly comparable financial measure calculated and presented in accordance with GAAP (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
Segment Adjusted EBITDA	$ 107,772	$ 23,859	$ 232,405	$ 121,949
Other revenues	2,722	4,835	12,178	14,875
Cost of other revenues	(6,654)	(7,064)	(22,792)	(22,267)
Depreciation and depletion	(28,967)	(27,965)	(102,021)	(78,813)
Selling, general and administrative	(7,430)	(8,192)	(26,182)	(25,105)
Business interruption	(6,872)	—	(13,892)	—
Idle mine	(9,327)	—	(20,203)	—
Other income	1,400	—	1,291	1,822
Interest expense, net	(8,784)	(8,059)	(25,954)	(23,847)
Income tax (expense) benefit	(5,433)	8,152	(22,439)	9,336
Net income (loss)	$ 38,427	$ (14,434)	$ 12,391	$ (2,050)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides a narrative of our results of operations and financial condition for the three and nine months ended September 30, 2021 and September 30, 2020. You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing in this Form 10-Q and the audited financial statements for the year ended December 31, 2020 included in our Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 Annual Report"). Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-Q, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, our actual results could differ materially from the results described in, or implied by, the forward-looking statements contained in the following discussion and analysis. Please see "*Forward-Looking Statements.*"

Overview

We are a U.S. based, environmentally and socially minded supplier to the global steel industry. We are dedicated entirely to mining non-thermal met coal used as a critical component of steel production by metal manufacturers in Europe, South America and Asia. We are a large-scale, low-cost producer and exporter of premium met coal, also known as hard coking coal ("HCC"), operating highly-efficient longwall operations in our underground mines based in Alabama, Mine No. 4 and Mine No. 7.

As of December 31, 2020, based on a reserve report prepared by Marshall Miller & Associates, Inc. ("Marshall Miller"), Mine No. 4 and Mine No. 7, our two operating mines, had approximately 97.5 million metric tons of recoverable reserves and based on a reserve report prepared by Stantec Consulting Services, Inc. ("Stantec") our undeveloped Blue Creek mine contained 103.0 million metric tons of recoverable reserves. As a result of our high quality coal, our realized price has historically been in line with, or at a slight discount to, the Platts Premium Low Volatility ("LV") Free On Board ("FOB") Australia Index Price ("Platts Index"). Our HCC, mined from the Southern Appalachian portion of the Blue Creek coal seam, is characterized by low sulfur, low-to-medium ash, and LV to mid-volatility ("MV"). These qualities make our coal ideally suited as a coking coal for the manufacture of steel.

We sell substantially all of our met coal production to steel producers. Met coal, which is converted to coke, is a critical input in the steel production process. Met coal is both consumed domestically in the countries where it is produced and exported by several of the largest producing countries, such as China, Australia, the United States, Canada and Russia. Therefore, demand for our coal will be highly correlated to conditions in the global steelmaking industry. The steelmaking industry's demand for met coal is affected by a number of factors, including the cyclical nature of that industry's business, technological developments in the steelmaking process and the availability of substitutes for steel such as aluminum, composites and plastics. A significant reduction in the demand for steel products would reduce the demand for met coal, which would have a material adverse effect upon our business. Similarly, if alternative ingredients are used in substitution for met coal in the integrated steel mill process, the demand for met coal would materially decrease, which could also materially adversely affect demand for our met coal.

The global steelmaking industry's demand for met coal is also affected by pandemics, epidemics or other public health emergencies, such as the outbreak of the novel coronavirus ("COVID-19"). As of the filing of this Form 10-Q, we have not had to idle or temporarily idle our mines as a result of COVID-19.

While the global economy has seen improvement due to the continued distribution of effective vaccines, COVID-19 and new COVID-19 variants may have further negative impacts on our two operating mines, supply chain, transportation networks and customers, which may compress our margins, and reduce demand for the met coal that we produce, including as a result of preventative and precautionary measures that we, other businesses and governments are taking.

In light of the uncertainties regarding COVID-19, the Chinese ban on Australian coal and the Collective Bargaining Agreement ("CBA") negotiations, discussed in further detail below, we are not providing full year 2021 guidance at this time. We continue to appropriately adjust our operational needs, including managing our expenses, capital expenditures, working capital, liquidity and cash flows. We also delayed spending the $25.0 million that we budgeted for the development of Blue Creek until there is clarity on these uncertainties and temporarily suspended our Stock Repurchase Program. Our financial approach continues to focus on cash flow management and protecting the balance sheet in order to strategically move through this period of uncertainty and mitigate potential long-term impacts to the business (see *Liquidity and Capital Resources* below).

Collective Bargaining Agreement

Our CBA contract with the United Mine Workers of America ("UMWA") expired on April 1, 2021, and the UMWA initiated a strike. We believe that we are well positioned to fulfill anticipated customer volume commitments for 2021 of approximately 4.4 to 5.0 million metric tons through a combination of existing coal inventory of 536 thousand metric tons and expected production during the rest of 2021. For now, we have idled Mine No. 4 and scaled back operations at Mine No. 7. We expect production to continue at Mine No. 7, although at lower than usual rates. In connection with the idling of Mine No. 4 and reduced operations at Mine No. 7, we incurred idle mine expenses of $9.3 million and $20.2 million for the three and nine months ended September 30, 2021, respectively, and represent expenses incurred, such as electricity, insurance and maintenance labor. Due to the strike, we have also incurred approximately $6.9 million and $13.9 million of business interruption expenses for the three and nine months ended September 30, 2021, respectively. These expenses represent incremental expenses incurred as a direct result of the strike. These expenses are also presented separately in the Condensed Statements of Operations. While we have business continuity plans in place, the strike may still cause disruption to production and shipping activities, and our plans may vary significantly from quarter to quarter in 2021.

In the current operating environment and without a new contract, we believe that our production and sales volume over a twelve-month period could be between 5.0 million and 6.0 million metric tons, which volumes could possibly include restarting Mine 4. Similarly, with a new contract, we believe that our production and sales volume over a twelve-month period could ramp up to a run rate of approximately 6.8 million metric tons within three to four months.

How We Evaluate Our Operations

Our primary business, the mining and exporting of met coal for the steel industry, is conducted in one business segment: mining. All other operations and results are reported under the “All Other” category as a reconciling item to consolidated amounts, which includes the business results from our sale of natural gas extracted as a byproduct from our underground coal mines and royalties from our leased properties. Our natural gas and royalty businesses do not meet the criteria in ASC 280, *Segment Reporting*, to be considered as operating or reportable segments.

Our management uses a variety of financial and operating metrics to analyze our performance. These metrics are significant factors in assessing our operating results and profitability and include: (i) Segment Adjusted EBITDA (as defined below), a non-GAAP financial measure; (ii) sales volumes and average selling price, which drive coal sales revenue; (iii) cash cost of sales, a non-GAAP financial measure; and (iv) Adjusted EBITDA, a non-GAAP financial measure.

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
(in thousands)				
Segment Adjusted EBITDA	$ 107,772	$ 23,859	$ 232,405	$ 121,949
Metric tons sold	961	1,753	4,385	4,734
Metric tons produced	1,024	1,712	4,079	5,536
Gross price realization[1]	81 %	90 %	94 %	92 %
Average selling price per metric ton	$ 207.85	$ 99.96	$ 144.01	$ 117.37
Cash cost of sales per metric ton	$ 94.68	$ 85.92	$ 90.37	$ 91.09
Adjusted EBITDA	$ 104,942	$ 16,801	$ 216,823	$ 99,126

[1] For the three and nine months ended September 30, 2021 and 2020, our gross price realization represents a volume weighted-average calculation of our daily realized price per ton based on gross sales, which excludes demurrage and other charges, as a percentage of the Platts Index price.

Segment Adjusted EBITDA

We define Segment Adjusted EBITDA as net income (loss) adjusted for other revenues, cost of other revenues, depreciation and depletion, selling, general and administrative, business interruption, idle mine, net interest expense, income tax benefit (expense), other income (expense) and certain transactions or adjustments that the Chief Executive Officer, our Chief Operating Decision Maker, does not consider for the purposes of making decisions to allocate resources among segments or assessing segment performance. Segment Adjusted EBITDA is used as a supplemental financial measure by management and by external users of our financial statements, such as investors, industry analysts, lenders and ratings agencies, to assess:

- our operating performance as compared to the operating performance of other companies in the coal industry, without regard to financing methods, historical cost basis or capital structure;

- the ability of our assets to generate sufficient cash flow to pay dividends;

- our ability to incur and service debt and fund capital expenditures; and

- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

Sales Volumes, Gross Price Realization and Average Net Selling Price

We evaluate our operations based on the volume of coal we can safely produce and sell in compliance with regulatory standards, and the prices we receive for our coal. Our sales volume and sales prices are largely dependent upon the terms of our annual coal sales contracts, for which prices generally are set on daily index averages. The volume of coal we sell is also a function of the pricing environment in the international met coal markets and the amounts of LV and MV coal that we sell. We evaluate the price we receive for our coal on two primary metrics: first, our gross price realization and second, our average net selling price per metric ton.

Our gross price realization represents a volume weighted-average calculation of our daily realized price per ton based on the blended gross sales of our LV and MV coal, excluding demurrage and quality specification adjustments, as a percentage of the Platts Index daily price. Our gross price realizations reflect the premiums and discounts we achieve on our LV and MV coal versus the Platts Index price because of the high quality premium products we sell into the export markets. In addition, the premiums and discounts in a quarter or year can be impacted by a rising or falling price environment.

On a quarterly basis, our blended gross selling price per metric ton may differ from the Platts Index price per metric ton, primarily due to our gross sales price per ton being based on a blended average of gross sales price on our LV and MV coals as compared to the Platts Index price due to the fact that many of our met coal supply agreements are based on a variety of indices such as the Platts Index and the Steel Index and due to the timing of shipments.

Our average net selling price per metric ton represents our coal net sales revenue divided by total metric tons of coal sold. In addition, our average net selling price per metric ton is net of the previously mentioned demurrage and quality specification adjustments.

Cash Cost of Sales

We evaluate our cash cost of sales on a cost per metric ton basis. Cash cost of sales is based on reported cost of sales and includes items such as freight, royalties, manpower, fuel and other similar production and sales cost items, and may be adjusted for other items that, pursuant to accounting principles generally accepted in the United States ("GAAP"), are classified in the Condensed Statements of Operations as costs other than cost of sales, but relate directly to the costs incurred to produce met coal and sell it FOB at the Port of Mobile, Alabama. Our cash cost of sales per metric ton is calculated as cash cost of sales divided by the metric tons sold. Cash cost of sales is used as a supplemental financial measure by management and by external users of our financial statements, such as investors, industry analysts, lenders and ratings agencies, to assess:

- our operating performance as compared to the operating performance of other companies in the coal industry, without regard to financing methods, historical cost basis or capital structure; and

- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

We believe that this non-GAAP financial measure provides additional insight into our operating performance, and reflects how management analyzes our operating performance and compares that performance against other companies for purposes of business decision making by excluding the impact of certain items that management does not believe are indicative of our core operating performance. We believe that cash cost of sales presents a useful measure of our controllable costs and our operational results by including all costs incurred to produce met coal and sell it FOB at the Port of Mobile, Alabama. Period-to-period comparisons of cash cost of sales are intended to help management identify and assess additional trends that potentially impact us and that may not be shown solely by period-to-period comparisons of cost of sales. Cash cost of sales should not be considered an alternative to cost of sales or any other measure of financial performance or liquidity presented in accordance with GAAP. Cash cost of sales excludes some, but not all, items that affect cost of sales, and our presentation may vary from the presentations of other companies. As a result, cash cost of sales as presented below may not be comparable to similarly titled measures of other companies.

The following table presents a reconciliation of cash cost of sales to total cost of sales, the most directly comparable GAAP financial measure, on a historical basis for each of the periods indicated.

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	2020
(in thousands)				
Cost of sales	$ 91,973	$ 151,370	$ 399,088	$ 433,661
Asset retirement obligation accretion	(432)	(368)	(1,297)	(1,106)
Stock compensation expense	(555)	(385)	(1,536)	(1,312)
Cash cost of sales	$ 90,986	$ 150,617	$ 396,255	$ 431,243

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) before interest expense, net, income tax expense (benefit), depreciation and depletion, non-cash stock compensation expense, non-cash asset retirement obligation accretion, other non-cash accretion, non-cash mark-to-market loss on gas hedges, business interruption, idle mine and other (income) expense. Adjusted EBITDA is used as a supplemental financial measure by management and by external users of our financial statements, such as investors, industry analysts, lenders and ratings agencies, to assess:

- our operating performance as compared to the operating performance of other companies in the coal industry, without regard to financing methods, historical cost basis or capital structure; and

- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities.

We believe that the presentation of Adjusted EBITDA in this report provides information useful to investors in assessing our financial condition and results of operations. The GAAP measure most directly comparable to Adjusted EBITDA is net income (loss). Adjusted EBITDA should not be considered an alternative to net income (loss) or any other measure of financial performance or liquidity presented in accordance with GAAP. Adjustments exclude some, but not all, items that affect net income (loss) and our presentation of Adjusted EBITDA may vary from that presented by other companies.

The following table presents a reconciliation of Adjusted EBITDA to net income (loss) , the most directly comparable GAAP financial measure, on a historical basis for each of the periods indicated.

	For the three months ended September 30,		For the nine months ended September 30,	
	2021	2020	2021	202
Net income (loss)	38,427	$ (14,434)	$ 12,391	$
Interest expense, net	8,784	8,059	25,954	
Income tax (benefit) expense	5,433	(8,152)	22,439	
Depreciation and depletion	28,967	27,965	102,021	
(1) Asset retirement obligation accretion	805	732	2,416	
Stock compensation expense (2)	1,524	1,910	8,763	
Other non-cash accretion (3)	360	353	1,081	
Non-cash mark-to-market loss on gas hedges (4)	5,843	—	8,661	
Business interruption (5)	6,872	—	13,892	
Idle mine costs (6)	9,327	—	20,203	
Other (income) expense (7)	(1,400)	368	(998)	
Adjusted EBITDA	$ 104,942	$ 16,801	$ 216,823	$

(1) Represents non-cash accretion expense associated with our asset retirement obligations.
(2) Represents non-cash stock compensation expense associated with equity awards.
(3) Represents non-cash accretion expense associated with our black lung obligations.
(4) Represents non-cash mark-to-market loss recognized on gas hedges.
(5) Represents business interruption expenses associated with the UMWA strike.
(6) Represents idle mine expenses incurred in connection with the idling of Mine No. 4 and reduced operations at Mine No. 7.
(7) Represents proceeds received upon settlement of a lawsuit, COVID-19 pandemic related expenses and settlement proceeds received for the Shared Services Claim and Hybrid Debt Claim associated with the Walter Canada CCAA (discussed below).

Results of Operations

Three Months Ended September 30, 2021 and 2020

The following table summarizes certain unaudited financial information for the three months ended September 30, 2021 and 2020.

(in thousands)	For the three months ended September 30, 2021	% of Total Revenues	2020	% of Total Revenues
Revenues:				
Sales	$ 199,745	98.7 %	$ 175,229	97.3 %
Other revenues	2,722	1.3 %	4,835	2.7 %
Total revenues	202,467	100.0 %	180,064	100.0 %
Costs and expenses:				
Cost of sales (exclusive of items shown separately below)	91,973	45.4 %	151,370	84.1 %
Cost of other revenues (exclusive of items shown separately below)	6,654	3.3 %	7,064	3.9 %
Depreciation and depletion	28,967	14.3 %	27,965	15.5 %
Selling, general and administrative	7,430	3.7 %	8,192	4.5 %
Business interruption	6,872	3.4 %	—	— %
Idle mine	9,327	4.6 %	—	— %
Total costs and expenses	151,223	74.7 %	194,591	108.1 %
Operating income (loss)	51,244	25.3 %	(14,527)	(8.1)%
Interest expense, net	(8,784)	(4.3)%	(8,059)	(4.5)%
Other income	1,400	0.7 %	—	— %
Income (loss) before income tax expense (benefit)	43,860	21.7 %	(22,586)	(12.5)%
Income tax expense (benefit)	5,433	2.7 %	(8,152)	(4.5)%
Net income (loss)	$ 38,427	19.0 %	$ (14,434)	(8.0)%

Sales and cost of sales components on a per unit basis for the three months ended September 30, 2021 and 2020 were as follows:

	For the three months ended September 30, 2021	2020
Met Coal (metric tons in thousands)		
Metric tons sold	961	1,753
Metric tons produced	1,024	1,712
Gross price realization[1]	81 %	90 %
Average selling price per metric ton	$ 207.85	$ 99.96
Cash cost of sales per metric ton	$ 94.68	$ 85.92

[1] For the three months ended September 30, 2021 and 2020, our gross price realization represents a volume weighted-average calculation of our daily realized price per ton based on gross sales, which excludes demurrage and other charges, as a percentage of the Platts Index price.

We produced 1.0 million metric tons of met coal for the three months ended September 30, 2021 compared to 1.7 million metric tons for the three months ended September 30, 2020. The tons produced in the third quarter of 2021 resulted from us running both longwalls and four continuous miner units at Mine No. 7. By running the four continuous miner units, our lead days or float time has not materially changed since the strike commenced in April 2021 and are still several months out into the future. Mine No. 4 remained idled during the three months ended September 30, 2021.

Sales for the three months ended September 30, 2021 were $199.7 million compared to $175.2 million for the three months ended September 30, 2020. The $24.5 million increase in sales was primarily driven by a $103.7 million increase in sales related to a $107.89 increase in the average selling price per metric ton of met coal offset partially by $79.2 million decrease in sales due to a 792 thousand metric ton decrease in met coal sales volume.

For the three months ended September 30, 2021, our geographic customer mix was 49% in Asia, 47% in Europe and 4% in South America. For the three months ended September 30, 2020, our geographic customer mix was 51% in Europe, 27% in South America and 22% in Asia. The higher mix of sales into Asia is the result of us taking advantage of opportunities with new Chinese customers due to the impact of the Chinese ban on Australian coal. Our geographic customer mix typically varies each period based on the timing of customer orders and shipments.

Other revenues for the three months ended September 30, 2021 were $2.7 million compared to $4.8 million for the three months ended September 30, 2020. Other revenues are comprised of revenue derived from our natural gas operations, gains on sales and disposals of property, plant and equipment and land, changes in the fair value of our natural gas swap contracts, as well as earned royalty revenue. The $2.1 million decrease in other revenues is primarily due to a $5.8 million loss recognized on the fair value adjustment related to our natural gas swap contracts due to an increase in natural gas futures offset partially by a $3.7 million increase in gas revenues due to a $2.05, or 106.6%, increase in average gas selling prices. Cost of other revenues for the period was consistent with the prior year period.

Cost of sales (exclusive of items shown separately below) was $91.9 million, or 45.4% of total revenues, for the three months ended September 30, 2021, compared to $151.4 million, or 84.1% of total revenues for the three months ended September 30, 2020. The $59.4 million decrease is primarily driven by a $68.0 million decrease due to a 792 thousand metric ton decrease in met coal sales volumes offset partially by an $8.5 million increase due to higher costs on price sensitive transportation and royalty costs.

Depreciation and depletion expenses were $29.0 million, or 14.3% of total revenues, for the three months ended September 30, 2021, compared to $28.0 million, or 15.5% for the three months ended September 30, 2020. The $1.0 million increase in depreciation and depletion is primarily driven by the immediate recognition of $7.8 million of depreciation expense that would normally be capitalized into coal inventory but was not due to the idled status of Mine No. 4 offset partially by a $6.8 million decrease due to a 792 thousand metric ton decrease in met coal sales volume as depreciation and depletion is first capitalized into coal inventory and relieved when the tons are sold.

Selling, general and administrative expenses were $7.4 million, or 3.7% of total revenues, for the three months ended September 30, 2021, compared to $8.2 million, or 4.5% of total revenues, for the three months ended September 30, 2020. The $0.8 million decrease in selling, general and administrative expenses for the period is primarily driven by a decrease in employee related costs and professional service fees.

Business interruption expenses were $6.9 million for the three months ended September 30, 2021. These expenses represent non-recurring expenses that are directly attributable to the ongoing UMWA strike for incremental safety and security, labor negotiations and other expenses.

Idle mine expenses were $9.3 million for the three months ended September 30, 2021. These expenses represent idle expenses incurred in connection with the idling of Mine No. 4 and reduced operations at Mine No. 7, such as electricity, insurance and maintenance labor.

Interest expense, net was $8.8 million, or 4.3% of total revenues, for the three months ended September 30, 2021, compared to $8.1 million, or 4.5% of total revenues, for the three months ended September 30, 2020. The $0.7 million increase is primarily driven by an increase in interest on new equipment financing leases.

Other income represents proceeds received of $1.4 million upon the settlement of a lawsuit.

For the three months ended September 30, 2021, we utilized a discrete period method to calculate income taxes, as we do not believe that the annual effective tax rate method represents a reliable estimate given the current uncertainty surrounding the current CBA contract negotiations with the UMWA, the COVID-19 pandemic, the Chinese ban on Australian coal and other potentially disruptive factors and their impact on the Company's annual guidance. We recognized income tax expense of $5.4 million for the three months ended September 30, 2021, primarily due to pre-tax operating income offset partially by depletion and the Internal Revenue Code ("IRC") Section 45I Marginal Well Credit. The Marginal Well Credit is a production-based credit that provides a credit for qualified natural gas production. For the three months ended September 30, 2020, we recognized income tax benefit of $8.2 million primarily due to a loss recognized before income taxes and a $3.3 million income tax effect from the IRC Section 451 Marginal Well Credit and other discrete items.

Nine Months Ended September 30, 2021 and 2020

The following table summarizes certain unaudited financial information for the nine months ended September 30, 2021 and 2020.

	For the nine months ended September 30,			
(in thousands)	2021	% of Total Revenues	2020	% of Total Revenues
Revenues:				
Sales	$ 631,493	98.1 %	$ 555,610	97.4 %
Other revenues	12,178	1.9 %	14,875	2.6 %
Total revenues	643,671	100.0 %	570,485	100.0 %
Costs and expenses:				
Cost of sales (exclusive of items shown separately below)	399,088	62.0 %	433,661	76.0 %
Cost of other revenues (exclusive of items shown separately below)	22,792	3.5 %	22,267	3.9 %
Depreciation and depletion	102,021	15.8 %	78,813	13.8 %
Selling, general and administrative	26,182	4.1 %	25,105	4.4 %
Business interruption	13,892	2.2 %	—	— %
Idle mine	20,203	3.1 %	—	— %
Total costs and expenses	584,178	100.8 %	559,846	103.3 %
Operating income	59,493	9.2 %	10,639	1.9 %
Interest expense, net	(25,954)	(4.0)%	(23,847)	(4.2)%
Other income	1,291	0.2 %	1,822	0.3 %
Income (loss) before income tax expense (benefit)	34,830	5.4 %	(11,386)	(2.0)%
Income tax expense (benefit)	22,439	3.5 %	(9,336)	(1.6)%
Net income (loss)	$ 12,391	1.9 %	$ (2,050)	(0.4)%

Sales and cost of sales components on a per unit basis for the nine months ended September 30, 2021 and 2020 were as follows:

	For the nine months ended September 30,	
	2021	2020
Met Coal (metric tons in thousands)		
Metric tons sold	4,385	4,734
Metric tons produced	4,079	5,536
Gross price realization[1]	94 %	92 %
Average selling price per metric ton	$ 144.01	$ 117.37
Cash cost of sales per metric ton	$ 90.37	$ 91.09

[1] For the nine months ended September 30, 2021 and 2020, our gross price realization represents a volume weighted-average calculation of our daily realized price per ton based on gross sales, which excludes demurrage and other charges, as a percentage of the Platts Index price.

We produced 4.1 metric tons of met coal for the nine months ended September 30, 2021 compared to 5.5 metric tons for the nine months ended September 30, 2020. The tons produced resulted from full operations at both mines in the first three months of the year plus both longwalls and four continuous miner units at Mine No. 7 for the period from April 2021 to September 2021, while Mine No 4. was idled during this period. By running the four continuous miner units, our lead days or float time has not materially changed since the strike commenced in April 2021 and are still several months out into the future.

Sales for the nine months ended September 30, 2021 were $631.5 million compared to $555.6 million for the nine months ended September 30, 2020. The $75.9 million increase in sales was primarily driven by a $116.8 million increase in sales related to a $26.64 increase in the average selling price per metric ton of met coal offset partially by a $41.0 million decrease in sales due to a 349 thousand metric ton decrease in met coal sales volume.

For the nine months ended September 30, 2021, our geographic customer mix was 56% in Asia, 36% in Europe and 8% in South America. For the nine months ended September 30, 2020, our geographic customer mix was 59% in Europe, 26% in South America and 15% in Asia. The higher mix of sales into Asia is the result of us taking advantage of opportunities with new Chinese customers during the COVID-19 pandemic and the impact of the Chinese ban on Australian coal. Our geographic customer mix typically varies each period based on the timing of customer orders and shipments.

Other revenues for the nine months ended September 30, 2021 were $12.2 million compared to $14.9 million for the nine months ended September 30, 2020. Other revenues are comprised of revenue derived from our natural gas operations, gains on sales and disposals of property, plant and equipment and land, changes in the fair value of our natural gas swap contracts, as well as earned royalty revenue. The $2.7 million decrease in other revenues is primarily due to an $8.7 million loss recognized on the fair value adjustment related to our natural gas swap contracts due to an increase in natural gas futures offset partially by a $6.0 million increase in gas revenues due to a $1.31, or 71.9%, increase in average gas selling prices. Cost of other revenues for the period was consistent with the prior year period.

Cost of sales (exclusive of items shown separately below) was $399.1 million, or 62.0% of total revenues, for the nine months ended September 30, 2021, compared to $433.7 million, or 76.0% of total revenues for the nine months ended September 30, 2020. The $34.6 million decrease is primarily driven by a $31.7 million decrease due to a 349 thousand metric ton decrease in met coal sales volumes combined with a $2.9 million decrease due to a concerted effort to reduce operating costs during the strike and also the impact of low met coal sales prices during the first half of 2021 on our variable cost structure.

Depreciation and depletion expenses were $102.0 million, or 15.8% of total revenues, for the nine months ended September 30, 2021, compared to $78.8 million, or 13.8% for the nine months ended September 30, 2020. The $23.2 million increase in depreciation and depletion is primarily driven by the immediate recognition of $12.9 million in depreciation expense that would normally be capitalized into coal inventory when produced but was not due to the idled status of Mine No. 4 with the remainder of the increase due to the recognition of depreciation expense on an increase in assets placed in service.

Selling, general and administrative expenses were $26.2 million, or 4.1% of total revenues, for the nine months ended September 30, 2021, compared to $25.1 million, or 4.4% of total revenues, for the nine months ended September 30, 2020. The $1.1 million increase in selling, general and administrative expenses for the period is primarily driven by an increase in stock compensation expense due to the accelerated vesting of awards for certain individuals who have reached retirement eligibility offset by a decrease in other professional services.

Business interruption expenses were $13.9 million for the nine months ended September 30, 2021. These expenses represent non-recurring expenses that are directly attributable to the ongoing UMWA strike for incremental safety and security, labor negotiations and other expenses.

Idle mine expenses were $20.2 million for the nine months ended September 30, 2021. These expenses represent idle expenses incurred in connection with the idling of Mine No. 4 and reduced operations at Mine No. 7, such as electricity, insurance and maintenance labor.

Interest expense, net was $26.0 million, or 4.0% of total revenues, for the nine months ended September 30, 2021, compared to $23.8 million, or 4.2% of total revenues, for the nine months ended September 30, 2020. The $2.2 million increase is primarily driven by an increase of $1.7 million due to interest on new equipment financing leases and a decrease in interest income of $0.5 million.

Other income for the nine months ended September 30, 2021 were $1.3 million, or 0.2% of total revenues, compared to $1.8 million, 0.3% of total revenues, for the nine months ended September 30, 2020. Other income for the nine months ended September 30, 2021, represents proceeds received in connection with the settlement of a lawsuit offset partially by COVID-19 pandemic related expenses.

In connection with the Company's acquisition of certain core operating assets of Walter Energy, the Company acquired a receivable owed to Walter Energy by Walter Canada for certain shared services provided by Walter Energy to Walter Canada (the "Shared Services Claim") and a receivable for unpaid interest owed to Walter Energy from Walter Canada in respect of a promissory note (the “Hybrid Debt Claim”). Each of these claims were asserted by the Company in the Walter Canada CCAA proceedings. Walter Energy deemed these receivables to be impaired for the year ended December 31, 2015 and the Company did not assign any value to these receivables in acquisition accounting as collectability was deemed remote. In March 2020, the Company received approximately $1.8 million in settlement proceeds for the Shared Services Claim and Hybrid Debt Claim which is reflected as other income in the Condensed Statement of Operations. The collectability of additional amounts, if any, related to the Shared Services Claim and Hybrid Debt Claim depends on the outcome of, and the timing of any resolutions of, the Walter Canada CCAA proceedings and cannot be predicted with certainty.

For the nine months ended September 30, 2021, we utilized a discrete period method to calculate taxes, as we do not believe that the annual effective tax rate method represents a reliable estimate given the current uncertainty surrounding the current CBA contract negotiations with the UMWA, the COVID-19 pandemic, the Chinese ban on Australian coal and other potentially disruptive factors and their impact on the Company's annual guidance. We recognized income tax expense of $22.4 million for such period. For the nine months ended September 30, 2020, we recognized income tax benefit of $9.3 million. The $22.4 million income tax expense for the nine months ended September 30, 2021 is primarily due to the establishment of a non-cash $47.8 million state deferred income tax asset valuation allowance, discussed above, offset partially by a net non-cash income tax benefit of $22.9 million due to the remeasurement of state deferred income tax assets and liabilities and $2.5 million of net income tax expense due to a pre-tax operating income, the IRC Section 45I Marginal Well Credit, depletion and other adjustments.

Liquidity and Capital Resources

Overview

Our sources of cash have been met coal and natural gas sales to customers, proceeds received from the issuance of the Notes (as defined below) and access to our ABL Facility. Historically, our primary uses of cash have been for funding the operations of our met coal and natural gas production operations, our capital expenditures, our reclamation obligations, payment of principal and interest on our Notes, professional fees and other non-recurring transaction expenses. In addition, we have used available cash on hand to repurchase shares of our common stock, pay quarterly dividends, and pay special dividends, each of which reduces cash and cash equivalents.

Going forward, we will use cash to fund debt service payments on our Notes, the ABL Facility and our other indebtedness, to fund operating activities, working capital, capital expenditures, and strategic investments, and, if declared, to pay our quarterly and/or special dividends. Our ability to fund our capital needs going forward will depend on our ongoing ability to generate cash from operations and borrowing availability under the ABL Facility, and, in the case of any future strategic investments, capital expenditures, or special dividends financed partially or wholly with debt financing, our ability to access the capital markets to raise additional capital.

Our ability to generate positive cash flow from operations in the future will be, at least in part, dependent on continued stable global economic conditions and a resolution of the CBA contract negotiations with the UMWA. There remains significant uncertainty as to the effects of new COVID-19 variants on the global economy, which in turn may, among other things, impact our ability to generate positive cash flows from operations, fund capital expenditure needs and successfully execute and fund key initiatives, such as the development of Blue Creek.

Our total liquidity as of September 30, 2021 was $355.7 million, consisting of cash and cash equivalents of $268.4 million and $87.3 million available under our ABL Facility. As of September 30, 2021, no loans were outstanding under the ABL Facility and there were $9.4 million of letters of credit issued and outstanding under the ABL Facility. On March 24, 2020, we borrowed $70.0 million in a partial draw of the ABL Facility (the “ABL Draw”) as a precautionary measure in order to increase our cash position and preserve financial flexibility in light of the current uncertainty resulting from the COVID-19 outbreak. In June 2020, we reduced the outstanding principal amount of the ABL Draw by $30.0 million and during the three months ended September 30, 2021, we reduced the remaining $40.0 million outstanding principal amount of the ABL Draw.

We believe that our future cash flows from operations, together with cash on our balance sheet and proceeds from the ABL Draw, will provide adequate resources to fund our debt service payments and planned operating and capital expenditure needs for at least the next twelve months. However, we will continue to assess our liquidity needs in light of the ongoing CBA contract negotiations with the UMWA and the ongoing impact of COVID-19.

If our cash flows from operations are less than we require, we may need to incur additional debt or issue additional equity. From time to time we may need to access the long-term and short-term capital markets to obtain financing. Our access to, and the availability of, financing on acceptable terms and conditions in the future will be affected by many factors, including: (i) our credit ratings, (ii) the liquidity of the overall capital markets, (iii) the current state of the global economy and (iv) restrictions in our ABL Facility, the Indenture (as defined below), and any other existing or future debt agreements. There can be no assurance that we will have or continue to have access to the capital markets on terms acceptable to us or at all.

Statements of Cash Flows

Cash balances were $268.4 million and $211.9 million at September 30, 2021 and December 31, 2020, respectively.

The following table sets forth, a summary of the net cash provided by (used in) operating, investing and financing activities for the period (in thousands):

	For the nine months ended September 30,	
	2021	2020
Net cash provided by operating activities	$ 176,830	$ 82,153
Net cash used in investing activities	(47,419)	(79,083)
Net cash (used in) provided by financing activities	(72,932)	19,960
Net increase in cash and cash equivalents	$ 56,479	$ 23,030

Operating Activities

Net cash flows from operating activities consist of net income (loss) adjusted for noncash items, such as depreciation and depletion of property, plant and equipment and mineral interests, deferred income tax expense, stock-based compensation, amortization of debt issuance costs and debt discount/premium, accretion of asset retirement obligations, mark-to-market losses on gas hedges and changes in net working capital.

Net cash provided by operating activities was $176.8 million for the nine months ended September 30, 2021, and was primarily attributed to net income of $12.4 million adjusted for depreciation and depletion expense of $102.0 million, deferred income tax expense of $22.4 million, stock based compensation expense of $8.8 million, accretion of asset retirement obligations of $2.4 million, amortization of debt issuance costs and debt discount/premium, net of $1.3 million, mark-to-market loss on gas hedges of $8.7 million and a decrease in our net working capital of $12.4 million since December 31, 2020. The decrease in our working capital was primarily driven by decreases in accounts receivable, inventory and prepaid expenses and other receivables offset partially by decreases to accounts payable and accrued expenses and other current liabilities. The decrease to inventory was due to greater sales than production volume for the current period. The decrease in trade accounts receivable and accounts payable is primarily driven by the timing of cash receipts and payments.

Net cash provided by operating activities was $82.2 million for the nine months ended September 30, 2020, and was primarily attributed to net loss of $2.0 million adjusted for depreciation and depletion expense of $78.8 million, deferred income tax benefit of $9.3 million, stock based compensation expense of $5.6 million, accretion of asset retirement obligations of $2.2 million and amortization of debt issuance costs and debt discount/premium, net of $1.1 million, coupled with a net increase in our working capital of $1.0 million since December 31, 2019. The increase in our working capital was primarily driven by an increase in inventory and prepaid expenses and other receivables offset partially by a decrease in income tax receivable and trade accounts receivable and an increase in accounts payable. The increase in inventory and decrease in trade accounts receivable was primarily due to a 1.0 million decrease in metric tons sold. The decrease in trade accounts receivable was also due to a decrease in the average selling price per metric ton sold. The decrease in income tax receivable was due to the alternative minimum tax ("AMT") credit refund of $24.3 million received during the third quarter of 2020. The increase in our accounts payable was primarily driven by the timing of payments.

Investing Activities

Net cash used in investing activities was $47.4 million and $79.1 million for the nine months ended September 30, 2021 and September 30, 2020, respectively, primarily due to purchases of property, plant and equipment and mine development. The prior year period also includes proceeds from a net sale of short-term investments.

Financing Activities

Net cash used by financing activities was $72.9 million for the nine months ended September 30, 2021, primarily due to repayment of the ABL Draw of $40.0 million, principal repayments of capital lease obligations of $22.3 million and the payment of dividends of $7.8 million.

Net cash provided by financing activities was $20.0 million for the nine months ended September 30, 2020, primarily due to the proceeds received from the ABL Draw of $70.0 million offset by the subsequent partial repayment of the ABL Draw in an amount equal to $30.0 million, principal repayments of capital lease obligations of $11.0 million and the payment of dividends of $7.8 million.

Stock Repurchase Program

On March 26, 2019, our board of directors (the "Board") approved our second stock repurchase program (the "Stock Repurchase Program") that authorizes repurchases of up to an aggregate of $70.0 million of our outstanding common stock. We fully exhausted our previous stock repurchase program of $40.0 million of our outstanding common stock. The Stock Repurchase Program does not require us to repurchase a specific number of shares or have an expiration date. The Stock Repurchase Program may be suspended or discontinued by the Board at any time without prior notice.

Under the Stock Repurchase Program, we may repurchase shares of our common stock from time to time, in amounts, at prices and at such times as we deem appropriate, subject to market and industry conditions, share price, regulatory requirements as determined from time to time by us and other considerations. Our repurchases may be executed using open market purchases or privately negotiated transactions in accordance with applicable securities laws and regulations, including Rule 10b-18 of the Exchange Act and repurchases may be executed pursuant to Rule 10b5-1 under the Exchange Act. Repurchases will be subject to limitations in the ABL Facility and the Indenture. We intend to fund repurchases under the Stock Repurchase Program from cash on hand and/or other sources of liquidity.

As of September 30, 2021, we have repurchased 500,000 shares for approximately $10.6 million, leaving approximately $58.8 million of share repurchases authorized under the Stock Repurchase Program.

In light of the uncertainties resulting from the COVID-19 pandemic and as a precautionary measure to preserve liquidity, the Company has temporarily suspended its Stock Repurchase Program. The Company will continue to monitor its liquidity in light of the pandemic, the Chinese ban on Australian coal and our CBA contract negotiations with the UMWA and will consider when to reinstate the program.

Dividend Policy

On May 17, 2017, the Board adopted a dividend policy (the "Dividend Policy") of paying a quarterly cash dividend of $0.05 per share. The Dividend Policy also states the following: In addition to the regular quarterly dividend and to the extent that we generate excess cash that is beyond the then current requirements of the business, the Board may consider returning all or a portion of such excess cash to stockholders through a special dividend or repurchase of common stock pursuant to a stock repurchase program. Any future dividends or stock repurchases will be at the discretion of the Board and subject to consideration of a number of factors, including business and market conditions, future financial performance and other strategic investment opportunities. We will also seek to optimize our capital structure to improve returns to stockholders while allowing flexibility for us to pursue very selective strategic growth opportunities that can provide compelling stockholder returns.

The Company has paid a regular quarterly cash dividend of $0.05 per share every quarter since the Board adopted the Dividend Policy. As of September 30, 2021, the Company has paid $44.7 million of regular quarterly cash dividends under the Dividend Policy.

On February 18, 2021, the Board declared a regular quarterly cash dividend of $0.05 per share, totaling $2.6 million, which was paid on March 8, 2021, to stockholders of record as of the close of business on March 1, 2021.

On April 27, 2021, the Board declared a regular quarterly cash dividend of $0.05 per share, totaling $2.6 million, which was paid on May 12, 2021 to stockholders of record as of the close of business on May 7, 2021.

On July 30, 2021, the Board declared a regular quarterly cash dividend of $0.05 per share, totaling approximately $2.6 million, which was paid on August 16, 2021 to stockholders of record as of the close of business on August 9, 2021.

On October 25, 2021, the board of directors declared a regular quarterly cash dividend of $0.05 per share, totaling approximately $2.6 million, which will be paid on November 12, 2021 to stockholders of record as of the close of business on November 5, 2021.

As the Company continues to monitor its liquidity in light of the COVID-19 pandemic, the Chinese ban on Australian coal and our CBA contract negotiations with the UMWA, the Company may decide to suspend its Dividend Policy in the future if the Board deems it to be necessary or appropriate.

ABL Facility

The ABL Facility will mature on October 15, 2023. As of September 30, 2021, no loans were outstanding under the ABL Facility and there were $9.4 million of letters of credit issued and outstanding under the ABL Facility. At September 30, 2021, we had $87.3 million of availability under the ABL Facility.

The revolving loan (and letter of credit) availability under the ABL Facility is subject to a borrowing base, which at any time is equal to the sum of certain eligible billed and unbilled accounts receivable, certain eligible inventory, certain eligible supplies inventory and qualified cash, in each case, subject to specified advance rates. The borrowing base availability is subject to certain reserves, which may be established by the agent in its reasonable credit discretion. The reserves may include rent reserves, lower of cost or market reserve, port charges reserves and any other reserves that the agent determines in its reasonable credit judgement to the extent such reserves relate to conditions that could reasonably be expected to have an adverse effect on the value of the collateral included in the borrowing base. On July 20, 2020, we entered into Amendment No. 3 to the Amended and Restated Asset-Based Revolving Credit Agreement (the "Amendment"). The purpose of the Amendment was to clarify certain definitions related to the borrowing base and to decrease the aggregate commitments available to be borrowed under the ABL Facility to $120.0 million on February 28, 2021.

The ABL Facility contains customary covenants for asset-based credit agreements of this type, including among other things: (i) requirements to deliver financial statements, other reports and notices; (ii) restrictions on the existence or incurrence of certain indebtedness; (iii) restrictions on the existence or incurrence of certain liens; (iv) restrictions on making certain restricted payments; (v) restrictions on making certain investments; (vi) restrictions on certain mergers, consolidations and asset dispositions; (vii) restrictions on certain transactions with affiliates; and (viii) restrictions on modifications to certain indebtedness. Additionally, the ABL Facility contains a springing fixed charge coverage ratio of not less than 1.00 to 1.00, which ratio is tested if availability under the ABL Facility is less than a certain amount. As of September 30, 2021, we were not subject to this covenant. Subject to customary grace periods and notice requirements, the ABL Facility also contains customary events of default.

We were in compliance with all applicable covenants under the ABL Facility as of September 30, 2021.

Senior Secured Notes

On November 2, 2017, we issued $350.0 million aggregate principal amount of our 8.00% Senior Secured Notes due 2024 (the "Original Notes"). We then issued an additional $125.0 million in aggregate principal amount of our 8.00% Senior Secured Notes due 2024 (the “New Notes” and, together with the Original Notes, the "Notes") on March 1, 2018. The New Notes were issued as "Additional Notes" under the indenture dated as of November 2, 2017 (the "Original Indenture"), among us, the subsidiary guarantors party thereto and Wilmington Trust, National Association, as trustee and priority lien collateral trustee, as supplemented by the First Supplemental Indenture, dated as of March 1, 2018 (the "First Supplemental Indenture" and, the Original Indenture as supplemented thereby and by the Second Supplemental Indenture, dated as of March 2, 2018, the "Indenture"). The Notes mature on November 1, 2024 and interest is payable on May 1 and November 1 of each year.

Capital Expenditures

Our mining operations require investments to maintain, expand, upgrade or enhance our operations and to comply with environmental regulations. Maintaining and expanding mines and related infrastructure is capital intensive. Specifically, the exploration, permitting and development of met coal reserves, mining costs, the maintenance of machinery and equipment and compliance with applicable laws and regulations require ongoing capital expenditures. While a significant amount of the capital expenditures required at our mines has been spent, we must continue to invest capital to maintain our production. In addition, any decisions to increase production at our mines or regarding the development of the high-quality met coal recoverable reserves at Blue Creek could also affect our capital needs or cause future capital expenditures to be higher than in the past and/or higher than our estimates.

To fund our capital expenditures, we may be required to use cash from our operations, incur debt or sell equity securities. Our ability to obtain bank financing or our ability to access the capital markets for future equity or debt offerings may be limited by our financial condition at the time of any such financing or offering and the covenants in our current or future debt agreements, as well as by general economic conditions, contingencies and uncertainties, including as a result of the COVID-19 pandemic, that are beyond our control.

Our capital expenditures were $34.1 million and $72.1 million for the nine months ended September 30, 2021 and September 30, 2020, respectively. Capital expenditures for these periods primarily related to investments required to maintain our property, plant and equipment. Our deferred mine development costs were $13.5 million and $13.3 million for the nine months ended September 30, 2021 and September 30, 2020, respectively, and relate to Mine No. 4. We evaluate our spending on an ongoing basis in connection with our mining plans and the prices of met coal taking into consideration the funding available to maintain our operations at optimal production levels.

Blue Creek

We believe that Blue Creek represents one of the few remaining untapped reserves of premium high volatility ("High Vol") A met coal in the United States and that it has the potential to provide us with meaningful growth. We believe that the combination of a low production cost and the high quality of the High Vol A met coal mined from Blue Creek, assuming we achieve our expected price realizations, will generate some of the highest met coal margins in the U.S., generate strong investment returns for us and achieve a rapid payback of our investment across a range of met coal price environments.

According to our third party reserve report, Blue Creek contains approximately 103.0 million metric tons of recoverable reserves and we have the ability to acquire adjacent reserves that would increase total reserves to over 154 million metric tons. We expect that Blue Creek will have a mine life of approximately 50 years assuming a single longwall operation.

Our third-party reserve report also indicates that, once developed, Blue Creek will produce a premium High Vol A met coal that is characterized by low-sulfur and high CSR. High Vol A met coal has traditionally priced at a discount to the Australian Premium Low Vol and the U.S. Low Vol coals; however, in recent history, the High Vol A index has traded closer to the prices of these coals and for some extended periods of time, even traded at a premium to them. Warrior expects High Vol A coals will continue to become increasingly scarce as a result of Central Appalachian producers mining thinner and deeper reserves, which we expect will continue to support prices. This trend creates an opportunity for us to take advantage of favorable pricing dynamics driven by the declining supply of premium High Vol A met coal.

If we are able to successfully develop Blue Creek, we expect that it will be a transformational investment for us. We expect that the new single longwall mine at Blue Creek will have the capacity to produce an average of 3.9 million metric tons per annum of premium High Vol A met coal over the first ten years of production, thereby increasing our annual production capacity by 54%. This, in turn, would expand our product portfolio to our global customers by allowing us to offer three premium hard coking coals from a single port location. Given these factors, and assuming we achieve expected price realizations, we believe that we will achieve some of the highest premium met coal margins in the United States.

Due to the ongoing uncertainty related to the COVID-19 pandemic, the Chinese ban on Australian coal and our current CBA contract negotiations with the UMWA, we incurred minimal spend on the development of Blue Creek in 2021. We have delayed the majority of the first year budgeted $25.0 million development of the Blue Creek project, while we focus on preserving cash and liquidity.

Outlook

Due to the ongoing uncertainty related to the COVID-19 pandemic, the Chinese ban on Australian coal and our current CBA contract negotiations with the UMWA, we will not provide full year 2021 guidance at this time. Although we are aggressively managing our response to the COVID-19 pandemic and remain committed to good faith negotiations to reach a new agreement with the UMWA, their impact on our full-year fiscal 2021 results and beyond is uncertain. The Company is taking a more conservative approach to managing its cash flow given this uncertainty, and is carefully managing operating expenses, working capital, and capital expenditures during this period. We have also delayed the development of the Blue Creek project and our Stock Repurchase Program also remains temporarily suspended.

Off-Balance Sheet Arrangements

In the ordinary course of our business, we are required to provide surety bonds and letters of credit to provide financial assurance for certain transactions and business activities. Federal and state laws require us to obtain surety bonds or other acceptable security to secure payment of certain long-term obligations including mine closure or reclamation costs and other miscellaneous obligations. As of September 30, 2021, we had outstanding surety bonds and letters of credit with parties for post-mining reclamation at all of our U.S. mining operations totaling $40.9 million, $17.0 million as collateral for self-insured black lung related claims and $3.6 million for miscellaneous purposes.

Recently Adopted Accounting Standards

A summary of recently adopted accounting pronouncements is included in Note 2 of the "Notes to Condensed Financial Statements" in this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

We are exposed to commodity price risk on sales of met coal. We sell most of our met coal under fixed supply contracts primarily with indexed pricing terms and volume terms of up to one to three years. Sales commitments in the met coal market are typically not long-term in nature, and we are, therefore, subject to fluctuations in market pricing.

We occasionally enter into natural gas swap contracts to hedge the exposure to variability in expected future cash flows associated with the fluctuations in the price of natural gas related to our forecasted sales. Our natural gas swap contracts economically hedge certain risk but are not designated as hedges for financial reporting purposes. All changes in the fair value of these derivative instruments are recorded as other revenues in the Condensed Statements of Operations. All of our derivative instruments were entered into for hedging purposes rather than speculative trading.

We have exposure to price risk for supplies that are used directly or indirectly in the normal course of production, such as diesel fuel, steel, explosives and other items. We manage our risk for these items through strategic sourcing contracts in normal quantities with our suppliers. We historically have not entered into any derivative commodity instruments to manage the exposure to changing price risk for supplies.

Credit Risk

Financial instruments that potentially subject us to a concentration of credit risk consist principally of trade receivables. We provide our products to customers based on an evaluation of the financial condition of our customers. In some instances, we require letters of credit, cash collateral or prepayments from our customers on or before shipment to mitigate the risk of loss. Exposure to losses on receivables is principally dependent on each customer’s financial condition. We monitor the exposure to credit losses and maintain allowances for anticipated losses. As of September 30, 2021 and December 31, 2020, the estimated allowance for credit losses was immaterial and did not have a material impact on the Company's financial statements.

Interest Rate Risk

Our Notes have a fixed rate of interest of 8.00% per annum and are payable semi-annually in arrears on May 1 and November 1 of each year.

Our ABL Facility bears an interest rate equal to LIBOR plus an applicable margin, which is based on the average availability of the commitments under the ABL Facility, ranging currently from 150 to 200 basis points. On March 24, 2020, the Company borrowed $70.0 million in a partial draw of the ABL Facility as a precautionary measure and in order to increase the Company's cash position and preserve financial flexibility in light of the uncertainty resulting from the COVID-19 outbreak. In June 2020, the Company made a principal repayment of $30.0 million on the ABL Facility and in the three months ending September 20, 2021, we made a principal repayment of $40.0 million. The debt we incur under the ABL Facility exposes us to interest rate risk. If interest rates increase significantly in the future, our exposure to interest rate risk will increase. As of September 30, 2021, assuming we had $120.0 million outstanding under our ABL Facility, a 100 basis point increase or decrease in interest rates would increase or decrease our annual interest expense under the ABL Facility by approximately $1.2 million. Furthermore, such interest rates under our ABL Facility are based upon benchmarks that are subject to potential change or elimination, including as a result of the announcement from the United Kingdom Financial Conduct Authority ("FCA"), which regulates LIBOR, that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021.

Impact of Inflation

While inflation may impact our revenues and cost of sales, we believe the effects of inflation, if any, on our results of operations and financial condition have not been significant. However, there can be no assurance that our results of operations and financial condition will not be materially impacted by inflation in the future.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) under the Exchange Act) as of September 30, 2021. Based on the evaluation of our disclosure controls and procedures as of September 30, 2021, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2021, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Disclosure Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 10 of the “Notes to Condensed Financial Statements” in this Form 10-Q for a description of current legal proceedings, which is incorporated by reference in this Part II, Item 1.

We and our subsidiaries are parties to a number of other lawsuits arising in the ordinary course of our business. We record costs relating to these matters when a loss is probable and the amount can be reasonably estimated. The effect of the outcome of these matters on our future results of operations cannot be predicted with certainty as any such effect depends on future results of operations and the amount and timing of the resolution of such matters. While the results of litigation cannot be predicted with certainty, we believe that the final outcome of such litigation will not have a material adverse effect on our financial statements.

Item 1A. Risk Factors.

Other than as set forth below, there have been no material changes to the risk factors disclosed in "Risk Factors" in "Part I, Item 1A. Risk Factors" in our 2020 Annual Report. Our business, financial condition, operating results and cash flows can be impacted by a number of factors, any one of which could cause actual results to vary materially from recent results or from anticipated future results. In addition to the other information set forth in this Form 10-Q, you should carefully consider the risks discussed in "Part I, Item 1A. Risk Factors" in our 2020 Annual Report, which could materially affect our business, financial condition or future results. However, the risks described in our 2020 Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition and/or operating results.

Work stoppages, such as the strike initiated by the UMWA earlier this year, labor shortages and other labor relations matters may harm our business. Union-represented labor creates an increased risk of work stoppages and higher labor costs.

If we fail to maintain satisfactory labor relations, disputes with the unionized portion of our workforce could affect us adversely. Union-represented labor creates an increased risk of work stoppages and higher labor costs. As of March 31, 2021, 66.8% of our employees were represented by the UMWA. In connection with the acquisition of certain assets of Walter Energy, we negotiated the CBA with the UMWA, which was ratified by the UMWA’s members on February 16, 2016 and had a five-year term. The CBA contract with the UMWA expired on April 1, 2021, and the UMWA initiated a strike. While the Company has business continuity plans in place, the strike may still cause disruption to production and shipment activities and our operations and profitability could be adversely affected. In addition, future work stoppages, labor union issues or labor disruptions at our mining operations, as well as at the operations of key customers or service providers, could impede our ability to produce and deliver our products, to receive critical equipment and supplies or to collect payment. This may increase our costs or impede our ability to operate one or more of our operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets forth share repurchases of our common stock made during the quarter ended September 30, 2021:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate dollar value of shares that may yet be purchased under the plans or programs(1)
July 1, 2021 - July 31, 2021				
Stock Repurchase Program(1)	—	$ —	—	$ 59,000,000
Employee Transactions(2)	—	$ —	—	
August 1, 2021 - August 31, 2021				
Stock Repurchase Program(1)	—	$ —	—	
Employee Transactions(2)	—	$ —	—	
September 1, 2021 - September 30, 2021				
Stock Repurchase Program(1)	—	$ —	—	
Employee Transactions(2)	17	$ 22.99	—	
Total	17		—	

(1) On March 26, 2019, the Board approved the Stock Repurchase Program that authorizes repurchases of up to an aggregate of $70.0 million of our outstanding common stock. The Stock Repurchase Program does not require us to repurchase a specific number of shares or have an expiration date.

(2) These shares were acquired to satisfy certain employees' tax withholding obligations associated with the lapse of restrictions on certain restricted stock awards granted under the 2016 Equity Incentive Plan and 2017 Equity Incentive Plan. Upon acquisition, these shares were retired.

Item 3. Defaults on Senior Securities.

None.

Item 4. Mine Safety Disclosures.

The information concerning mine safety violations and other regulatory matters is filed as Exhibit 95 to this Form 10-Q pursuant to the requirements of Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104).

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Certificate of Incorporation of Warrior Met Coal, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-217389) filed with the Commission on April 19, 2017).
3.2	Certificate of Amendment to the Certificate of Incorporation of Warrior Met Coal, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-38061) filed with the Commission on March 20, 2020).
3.3	Bylaws of Warrior Met Coal, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form S-8 (File No. 333-217389) filed with the Commission on April 19, 2017).
3.4	Certificate of Designations of Series A Junior Participating Preferred Stock of Warrior Met Coal, Inc., as filed with the Secretary of State of the State of Delaware on February 14, 2020 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-38061) filed with the Commission on February 14, 2020).
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1**	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95*	Mine Safety Disclosures Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 299.104).
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation LinkBase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition LinkBase Document
101.LAB*	Inline XBRL Taxonomy Extension Label LinkBase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation LinkBase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Warrior Met Coal, Inc.

By: /s/ Dale W. Boyles

Dale W. Boyles

Chief Financial Officer (on behalf of the registrant and as Principal Financial and Accounting Officer)

Date: November 2, 2021

EXHIBIT 31.1

CERTIFICATIONS

I, Walter J. Scheller, III, Chief Executive Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Warrior Met Coal, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

WARRIOR MET COAL, INC.

Date: November 2, 2021

By: /s/ Walter J. Scheller, III

Walter J. Scheller, III

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Dale W. Boyles, Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Warrior Met Coal, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

WARRIOR MET COAL, INC.

Date: November 2, 2021

By: /s/ Dale W. Boyles

Dale W. Boyles

Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Warrior Met Coal, Inc. (the “Company”), do hereby certify, to such officer’s knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the “Form 10-Q”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

WARRIOR MET COAL, INC.

Date: November 2, 2021	By:	/s/ Walter J. Scheller, III
		Walter J. Scheller, III
		Chief Executive Officer
Date: November 2, 2021	By:	/s/ Dale W. Boyles
		Dale W. Boyles
		Chief Financial Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 95

Item 4. Mine Safety Disclosures

Mine Safety and Health Administration Safety Data

Warrior Met Coal, Inc. ("we", "our", or the "Company") is committed to the safety of its employees and the goal of providing an incident-free workplace. To that end, the Company has in place health and safety programs that include regulatory-based training, accident prevention, workplace inspection, emergency preparedness response, accident investigations, and program auditing. These programs are designed to comply with regulatory mining-related coking coal safety and environmental standards. Additionally, the programs provide a basis for promoting a best in industry safety practice.

The operation of our mines is subject to regulation by the Mine Safety and Health Administration (“MSHA”) under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”). MSHA inspects our mines on a continual basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. As required by Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, each operator of a coal or other mine is required to include certain mine safety results in its periodic reports filed with the Securities and Exchange Commission (the "SEC"). Within this disclosure, we present information regarding certain mining safety and health citations which MSHA has issued with respect to our mining operations. In evaluating this information, consideration should be given to factors such as: (i) the number of citations and orders will vary depending on the size of the coal mine, (ii) the number of citations issued will vary from inspector to inspector and mine to mine, and (iii) citations and orders can be contested and appealed and, in that process, are sometimes dismissed and remaining citations are often reduced in severity and civil penalty amount.

During the quarter ended September 30, 2021, none of the Company’s mining complexes received written notice from MSHA of (i) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of the Mine Act or (ii) the potential to have such a pattern.

The first table below presents the total number of specific citations and orders issued by MSHA to the Company and its subsidiaries, together with the total dollar value of the proposed MSHA civil penalty assessments received, during the quarter ended September 30, 2021. The second table presents legal actions pending before the Federal Mine Safety and Health Review Commission ("FMSHRC") for each of our mines as of September 30, 2021, together with the number of legal actions initiated and the number of legal actions resolved during the quarter ended September 30, 2021.

Mining Complex(1) (3)	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b)(2) Violations	Section 107(a) Orders	Proposed MSHA Assessments(2) ($ in thousands)	Fatalities
Warrior Met Coal Mining, LLC, No. 4	4	—	1	—	—	13.1	—
Warrior Met Coal Mining, LLC, No. 7	—	—	—	—	—	45.0	—

(1) MSHA assigns an identification number to each coal mine and may or may not assign separate identification numbers to related facilities such as preparation plants. We are providing the information in the table by mining complex rather than MSHA identification number because we believe that this presentation is more useful to investors. For descriptions of each of these mining operations, please refer to the descriptions under "Part 1, Item 1. Business" and "Part 1, Item 2. Properties" in our Annual Report on Form 10-K for the year ended December 31, 2020. Idle facilities are not included in the table above unless they received a citation, order or assessment by MSHA during the current quarterly reporting period or are subject to pending legal actions.

(2) Not all citations issued during the quarter have been assessed a civil penalty. Thus, amounts listed under this heading are based on assessments that have been proposed, projected proportionally for all enforcement actions issued during the quarter, both Significant and Substantial ("S&S") and non-S&S, regardless of the issuance date of the related citation or order.

(3) The table includes references to specific sections of the Mine Act as follows:

- *Section 104(a) Citations* include citations for health or safety standards that could significantly and substantially contribute to serious injury if left unabated.
- *Section 104(b) Orders* represent failures to abate a citation under 104(a) within the period of time prescribed by MSHA and that the period of time prescribed for the abatement should not be further extended. This results in an order of immediate withdrawal from the area of the mine affected by the condition until MSHA determines that the violation has been abated.

- *Section 104(d) Citations and Orders* are for unwarrantable failure to comply with mandatory health and safety standards where such violation is of such a nature as could significantly or substantially contribute to the cause and effect of a coal or other mine safety or health hazard.
- *Section 110(b)(2) Violations* are for flagrant violations.
- *Section 107(a) Orders* are for situations in which MSHA determined an imminent danger existed.

Mining Complex Legal Actions[(1)]	**Pending as of September 30, 2021**	**Initiated During Q3 2021**	**Resolved During Q3 2021**
Warrior Met Coal Mining, LLC, No. 4			
29 CFR Part 2700, Subpart B	—	—	3
29 CFR Part 2700, Subpart C	17	3	3
29 CFR Part 2700, Subpart D	—	—	—
29 CFR Part 2700, Subpart E	1	—	—
29 CFR Part 2700, Subpart F	—	—	—
29 CFR Part 2700, Subpart H	—	—	—
Warrior Met Coal Mining, LLC, No. 7			
29 CFR Part 2700, Subpart B	1	1	—
29 CFR Part 2700, Subpart C	21	4	—
29 CFR Part 2700, Subpart D	—	—	—
29 CFR Part 2700, Subpart E	2	—	—
29 CFR Part 2700, Subpart F	—	—	—
29 CFR Part 2700, Subpart H	—	—	—

(1) Effective January 27, 2011, the SEC adopted amendments to its rules to implement Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "final rule"). The final rule modified previous reporting requirements and requires that the total number of legal actions pending before the FMSHRC as of the last day of the time period covered by the report be categorized according to type of proceeding, in accordance with the categories established in the Procedural Rules of FMSHRC. SEC rules require that six different categories of pending legal actions be disclosed. The types of proceedings are listed as follows:

- *"29 CFR Part 2700, Subpart B"* These legal actions include proceedings initiated under FMSHRC Procedural Rule 29 CFR Part 2700, Subpart B such as contests of citations and orders filed prior to receipt of a proposed penalty assessment from MSHA, contests related to orders for which penalties are not assessed (such as imminent danger orders under Section 107 of the Mine Act), and emergency response plan dispute proceedings.
- *"29 CFR Part 2700, Subpart C"* These legal actions include proceedings initiated under FMSHRC Procedural Rule 29 CFR Part 2700, Subpart C and are contests of citations and orders after receipt of proposed penalties.
- *"29 CFR Part 2700, Subpart D"* These legal actions include proceedings initiated under FMSHRC Procedural Rule 29 CFR Part 2700, Subpart D and are complaints for compensation, which are cases under section 111 of the Mine Act.
- *"29 CFR Part 2700, Subpart E"* These legal actions include proceedings initiated under FMSHRC Procedural Rule 29 CFR Part 2700, Subpart E and are complaints of discharge, discrimination or interference and temporary reinstatement under section 105 of the Mine Act.
- *"29 CFR Part 2700, Subpart F"* These legal actions include proceedings initiated under FMSHRC Procedural Rule 29 CFR Part 2700, Subpart F such as applications for temporary relief under section 105(b)(2) of the Mine Act from any modification or termination of any order issued thereunder, or from any order issued under section 104 of the Mine Act (other than citations issued under section 104(a) or (f) of the Mine Act).
- *"29 CFR Part 2700, Subpart H"* These legal actions include proceedings initiated under FMSHRC Procedural Rule 29 CFR Part 2700, Subpart H and are appeals of judges' decisions or orders to FMSHRC, including petitions for discretionary review and review by FMSHRC on its own motion.