
**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, 2018
or

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

Commission file number: 001-31465



NATURAL RESOURCE PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

35-2164875
(I.R.S. Employer
Identification No.)

1201 Louisiana Street, Suite 3400
Houston, Texas 77002
(Address of principal executive offices)
(Zip Code)
(713) 751-7507

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

| | | | |
|-------------------------|--|---------------------------|-------------------------------------|
| Large Accelerated Filer | <input type="checkbox"/> | Accelerated Filer | <input checked="" type="checkbox"/> |
| Non-accelerated Filer | <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller Reporting Company | <input type="checkbox"/> |
| | | Emerging Growth Company | <input type="checkbox"/> |

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

At November 2, 2018 there were 12,245,920 Common Units outstanding.

NATURAL RESOURCE PARTNERS, L.P.
TABLE OF CONTENTS

| | <u>Page</u> | |
|---|--|-----------|
| <u>Part I. Financial Information</u> | | |
| <u>Item 1.</u> | <u>Consolidated Financial Statements</u> | |
| | <u>Consolidated Balance Sheets</u> | <u>1</u> |
| | <u>Consolidated Statements of Comprehensive Income</u> | <u>2</u> |
| | <u>Consolidated Statements of Partners' Capital</u> | <u>3</u> |
| | <u>Consolidated Statements of Cash Flows</u> | <u>4</u> |
| | <u>Notes to Consolidated Financial Statements</u> | <u>6</u> |
| <u>Item 2.</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>33</u> |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | <u>51</u> |
| <u>Item 4.</u> | <u>Controls and Procedures</u> | <u>52</u> |
| <u>Part II. Other Information</u> | | |
| <u>Item 1.</u> | <u>Legal Proceedings</u> | <u>53</u> |
| <u>Item 1A.</u> | <u>Risk Factors</u> | <u>53</u> |
| <u>Item 2.</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>53</u> |
| <u>Item 3.</u> | <u>Defaults Upon Senior Securities</u> | <u>53</u> |
| <u>Item 4.</u> | <u>Mine Safety Disclosure</u> | <u>53</u> |
| <u>Item 5.</u> | <u>Other Information</u> | <u>53</u> |
| <u>Item 6.</u> | <u>Exhibits</u> | <u>54</u> |
| | <u>Signatures</u> | <u>55</u> |

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

**NATURAL RESOURCE PARTNERS L.P.
CONSOLIDATED BALANCE SHEETS**

| <u>(In thousands, except unit data)</u> | September 30, 2018 (Unaudited) | December 31, 2017 |
|---|--------------------------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 63,387 | \$ 29,827 |
| Accounts receivable, net | 55,734 | 47,026 |
| Accounts receivable—affiliates | 22 | 161 |
| Inventory | 9,572 | 7,553 |
| Prepaid expenses and other | 4,665 | 5,838 |
| Current assets of discontinued operations | 988 | 991 |
| Total current assets | 134,368 | 91,396 |
| Land | 24,809 | 25,247 |
| Plant and equipment, net | 48,148 | 46,170 |
| Mineral rights, net | 869,106 | 883,885 |
| Intangible assets, net | 46,998 | 49,554 |
| Equity in unconsolidated investment | 242,901 | 245,433 |
| Long-term contracts receivable | 39,416 | 40,776 |
| Other assets | 6,188 | 6,547 |
| Other assets—affiliate | — | 156 |
| Total assets | <u>\$ 1,411,934</u> | <u>\$ 1,389,164</u> |
| LIABILITIES AND CAPITAL | | |
| Current liabilities | | |
| Accounts payable | \$ 7,467 | \$ 6,957 |
| Accounts payable—affiliates | 608 | 562 |
| Accrued liabilities | 14,005 | 16,890 |
| Accrued liabilities—affiliates | — | 515 |
| Accrued interest | 5,540 | 15,484 |
| Current portion of deferred revenue | 1,403 | — |
| Current portion of long-term debt, net | 75,201 | 79,740 |
| Current liabilities of discontinued operations | — | 401 |
| Total current liabilities | 104,224 | 120,549 |
| Deferred revenue | 40,885 | 100,605 |
| Long-term debt, net | 716,514 | 729,608 |
| Other non-current liabilities | 1,958 | 2,808 |
| Other non-current liabilities—affiliate | — | 346 |
| Total liabilities | 863,581 | 953,916 |
| Commitments and contingencies (see Note 15) | | |
| Class A Convertible Preferred Units (250,000 and 258,844 units issued and outstanding at September 30, 2018 and December 31, 2017, respectively, at \$1,000 par value per unit; liquidation preference of \$1,500 per unit) | 164,587 | 173,431 |
| Partners' capital | | |
| Common unitholders' interest (12,245,920 and 12,232,006 units issued and outstanding at September 30, 2018 and December 31, 2017, respectively) | 319,673 | 199,851 |
| General partner's interest | 4,293 | 1,857 |
| Warrant holders' interest | 66,816 | 66,816 |
| Accumulated other comprehensive loss | (4,081) | (3,313) |
| Total partners' capital | 386,701 | 265,211 |

| | | |
|-------------------------------|--------------|--------------|
| Non-controlling interest | (2,935) | (3,394) |
| Total capital | 383,766 | 261,817 |
| Total liabilities and capital | \$ 1,411,934 | \$ 1,389,164 |

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

NATURAL RESOURCE PARTNERS L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

| (In thousands, except per unit data) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|-------------|--|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues and other income | | | | |
| Coal royalty and other | \$ 42,459 | \$ 43,507 | \$ 134,428 | \$ 111,269 |
| Coal royalty and other—affiliates | 59 | 335 | 484 | 23,178 |
| Transportation and processing services | 6,853 | 5,571 | 17,238 | 9,717 |
| Transportation and processing services—affiliate | — | — | — | 6,013 |
| Construction aggregates | 30,398 | 29,553 | 91,055 | 82,399 |
| Road construction and asphalt paving services | 6,250 | 5,157 | 13,154 | 13,087 |
| Equity in earnings of Ciner Wyoming | 8,836 | 8,993 | 34,986 | 27,676 |
| Gain on asset sales, net | 163 | 171 | 1,033 | 3,576 |
| Total revenues and other income | \$ 95,018 | \$ 93,287 | \$ 292,378 | \$ 276,915 |
| Operating expenses | | | | |
| Operating and maintenance expenses | \$ 35,134 | \$ 32,441 | \$ 103,403 | \$ 93,089 |
| Operating and maintenance expenses—affiliates | 2,414 | 2,154 | 8,944 | 6,928 |
| Depreciation, depletion and amortization | 8,221 | 8,306 | 24,741 | 26,195 |
| Amortization expense—affiliate | — | — | — | 1,008 |
| General and administrative | 2,249 | 2,648 | 8,068 | 10,757 |
| General and administrative—affiliates | 934 | 1,207 | 2,714 | 3,183 |
| Asset impairments | — | — | 242 | 1,778 |
| Total operating expenses | \$ 48,952 | \$ 46,756 | \$ 148,112 | \$ 142,938 |
| Income from operations | \$ 46,066 | \$ 46,531 | \$ 144,266 | \$ 133,977 |
| Other expense, net | | | | |
| Interest expense, net | \$ (17,501) | \$ (20,032) | \$ (53,205) | \$ (63,464) |
| Debt modification expense | — | — | — | (7,939) |
| Loss on extinguishment of debt | — | — | — | (4,107) |
| Total other expense, net | \$ (17,501) | \$ (20,032) | \$ (53,205) | \$ (75,510) |
| Net income from continuing operations | \$ 28,565 | \$ 26,499 | \$ 91,061 | \$ 58,467 |
| Loss from discontinued operations | (24) | (433) | (72) | (507) |
| Net income | \$ 28,541 | \$ 26,066 | \$ 90,989 | \$ 57,960 |
| Net loss (income) attributable to non-controlling interest | 359 | — | (510) | — |
| Net income attributable to NRP | \$ 28,900 | \$ 26,066 | \$ 90,479 | \$ 57,960 |
| Less: income attributable to preferred unitholders | (7,500) | (7,650) | (22,500) | (17,688) |
| Net income attributable to common unitholders and general partner | \$ 21,400 | \$ 18,416 | \$ 67,979 | \$ 40,272 |
| Net income attributable to common unitholders | \$ 20,972 | \$ 18,046 | \$ 66,619 | \$ 39,466 |
| Net income attributable to the general partner | \$ 428 | \$ 370 | \$ 1,360 | \$ 806 |
| Income from continuing operations per common unit (see Note 5) | | | | |
| Basic | \$ 1.71 | \$ 1.51 | \$ 5.45 | \$ 3.27 |
| Diluted | \$ 1.30 | \$ 1.08 | 4.06 | 2.67 |
| Net income per common unit (see Note 5) | | | | |
| Basic | \$ 1.71 | \$ 1.48 | \$ 5.44 | \$ 3.23 |
| Diluted | \$ 1.30 | \$ 1.07 | 4.06 | 2.65 |
| Net income | \$ 28,541 | \$ 26,066 | \$ 90,989 | \$ 57,960 |
| Comprehensive income (loss) from unconsolidated investment and other | 791 | (268) | (768) | (1,413) |
| Comprehensive income | \$ 29,332 | \$ 25,798 | \$ 90,221 | \$ 56,547 |
| Comprehensive loss (income) attributable to non-controlling interest | 359 | — | (510) | — |
| Comprehensive income attributable to NRP | \$ 29,691 | \$ 25,798 | \$ 89,711 | \$ 56,547 |

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

NATURAL RESOURCE PARTNERS L.P.
CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

| (In thousands) | Common Unitholders | | General Partner | Warrant Holders | Accumulated Other Comprehensive Loss | Partners' Capital Excluding Non-Controlling Interest | Non-Controlling Interest | Total Capital |
|--|---------------------------|----------------|------------------------|------------------------|---|---|---------------------------------|----------------------|
| | Units | Amounts | | | | | | |
| Balance at December 31, 2017 | 12,232 | \$ 199,851 | \$ 1,857 | \$ 66,816 | \$ (3,313) | \$ 265,211 | \$ (3,394) | \$ 261,817 |
| Cumulative effect of adoption of accounting standard (See Note 2) | — | 69,057 | 1,409 | — | — | 70,466 | — | 70,466 |
| Net income ⁽¹⁾ | — | 88,669 | 1,810 | — | — | 90,479 | 510 | 90,989 |
| Distributions to common unitholders and general partner | — | (16,526) | (337) | — | — | (16,863) | — | (16,863) |
| Distributions to preferred unitholders | — | (22,310) | (455) | — | — | (22,765) | — | (22,765) |
| Issuance of unit-based awards | 14 | 410 | — | — | — | 410 | — | 410 |
| Unit-based awards amortization and vesting | — | 472 | — | — | — | 472 | — | 472 |
| Comprehensive income (loss) from unconsolidated investment and other | — | 50 | 9 | — | (768) | (709) | (51) | (760) |
| Balance at September 30, 2018 | 12,246 | \$ 319,673 | \$ 4,293 | \$ 66,816 | \$ (4,081) | \$ 386,701 | \$ (2,935) | \$ 383,766 |

(1) Net income includes \$22.5 million attributable to Preferred Unitholders that accumulated during the period, of which \$22.1 million is allocated to the common unitholders and \$0.5 million is allocated to the general partner.

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

NATURAL RESOURCE PARTNERS L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (In thousands) | Nine Months Ended September 30, | |
|--|--|-------------|
| | 2018 | 2017 |
| Cash flows from operating activities | | |
| Net income | \$ 90,989 | \$ 57,960 |
| Adjustments to reconcile net income to net cash provided by operating activities of continuing operations: | | |
| Depreciation, depletion and amortization | 24,741 | 26,195 |
| Amortization expense—affiliate | — | 1,008 |
| Distributions from unconsolidated investment | 34,653 | 31,104 |
| Equity earnings from unconsolidated investment | (34,986) | (27,676) |
| Gain on asset sales, net | (1,033) | (3,576) |
| Debt modification expense | — | 7,939 |
| Loss on extinguishment of debt | — | 4,107 |
| Loss from discontinued operations | 72 | 507 |
| Asset impairments | 242 | 1,778 |
| Unit-based compensation expense | 1,226 | (23) |
| Amortization of debt issuance costs and other | 2,541 | 6,547 |
| Other—affiliates | (190) | (974) |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (7,004) | 508 |
| Accounts receivable—affiliates | 139 | 285 |
| Accounts payable | 670 | 730 |
| Accounts payable—affiliates | 46 | (270) |
| Accrued liabilities | (1,984) | (7,096) |
| Accrued liabilities—affiliates | (515) | — |
| Accrued interest | (9,944) | (5,322) |
| Deferred revenue | 9,200 | (5) |
| Deferred revenue—affiliates | — | (10,166) |
| Other items, net | (846) | (2,166) |
| Net cash provided by operating activities of continuing operations | \$ 108,017 | \$ 81,394 |
| Net cash used in operating activities of discontinued operations | (469) | (607) |
| Net cash provided by operating activities | \$ 107,548 | \$ 80,787 |
| Cash flows from investing activities | | |
| Distributions from unconsolidated investment in excess of cumulative earnings | \$ 2,097 | \$ 5,646 |
| Proceeds from sale of assets | 1,149 | 1,419 |
| Return of long-term contract receivable | 2,606 | 1,807 |
| Return of long-term contract receivable—affiliate | — | 804 |
| Acquisition of plant and equipment and other | (9,666) | (6,236) |
| Net cash provided by (used in) investing activities of continuing operations | \$ (3,814) | \$ 3,440 |
| Net cash provided by investing activities of discontinued operations | — | 206 |
| Net cash provided by (used in) investing activities | \$ (3,814) | \$ 3,646 |

NATURAL RESOURCE PARTNERS L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| (In thousands) | Nine Months Ended September 30, | |
|--|--|-------------|
| | 2018 | 2017 |
| Cash flows from financing activities | | |
| Proceeds from issuance of preferred units and warrants, net | \$ — | \$ 242,100 |
| Proceeds from issuance of 2022 Senior Notes, net | — | 103,688 |
| Borrowings on credit facility | 35,000 | 69,000 |
| Repayments of loans | (55,720) | (356,292) |
| Redemption of preferred units paid-in-kind | (8,844) | — |
| Distributions to common unitholders and general partner | (16,863) | (16,850) |
| Distributions to preferred unitholders | (22,765) | (5,019) |
| Contributions to discontinued operations | (469) | (401) |
| Debt issuance costs and other | (982) | (40,187) |
| Net cash used in financing activities of continuing operations | \$ (70,643) | \$ (3,961) |
| Net cash provided by financing activities of discontinued operations | 469 | 401 |
| Net cash used in financing activities | \$ (70,174) | \$ (3,560) |
| | | |
| Net increase in cash and cash equivalents | \$ 33,560 | \$ 80,873 |
| Cash and cash equivalents at beginning of period | 29,827 | 40,371 |
| Cash and cash equivalents at end of period | \$ 63,387 | \$ 121,244 |
| Supplemental cash flow information: | | |
| Cash paid during the period for interest from continuing operations | \$ 58,153 | \$ 61,857 |
| Issuance of 2022 Senior Notes in exchange for 2018 Senior Notes | \$ — | \$ 240,638 |

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

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

Nature of Business

Natural Resource Partners L.P. (the "Partnership") engages principally in the business of owning, operating, managing and leasing a diversified portfolio of mineral properties in the United States, including interests in coal, natural soda ash from trona, construction aggregates and other natural resources. As used in these Notes to Consolidated Financial Statements, the terms "NRP," "we," "us" and "our" refer to Natural Resource Partners L.P. and its subsidiaries, unless otherwise stated or indicated by context.

Principles of Consolidation and Reporting

The accompanying unaudited Consolidated Financial Statements of the Partnership have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and with Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In management's opinion, all necessary adjustments to fairly present the Partnership's results of operations, financial position and cash flows for the periods presented have been made and all such adjustments were of a normal and recurring nature, except as noted in "Revision of Previously Issued Financial Statements" below. Certain reclassifications have been made to prior period amounts on the Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash Flows to conform with current period presentation. These reclassifications had no impact on previously reported net income or cash flows from operating, investing or financing activities.

Revision of Previously Issued Financial Statements

During the three months ended September 30, 2018, NRP identified an error related to its modified retrospective adoption of ASC 606 on January 1, 2018 for certain coal and aggregates royalty leases. As a result, the Partnership has revised its financial statements as of and for the three months ended March 31, 2018 and as of and for the three and six months ended June 30, 2018, respectively, to correct this error as presented in [Note 2. Revenue from Contracts with Customers](#). Management has concluded that the impact of the misstatements were not material to the previously issued consolidated financial statements. Additional information regarding the error and the effect of the revisions on the previously issued consolidated financial statements is provided in [Note 2. Revenue from Contracts with Customers](#).

Recently Adopted Accounting Standards

Revenue Recognition

On January 1, 2018, NRP adopted Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, and all the related amendments (the "new revenue standard" and "ASC 606") to all open contracts using the modified retrospective method. The adoption of the new revenue standard impacted royalty revenue from NRP's coal and aggregates royalty leases as further described below. NRP recognized a \$70.5 million cumulative effect of adoption adjustment in the opening balance of partners' capital on January 1, 2018. Prior year information has not been restated and continues to be reported under the accounting standards in effect for those periods. The new revenue standard had no impact on revenues from NRP's Construction Aggregates or Soda Ash operating segments.

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

A majority of NRP's coal and aggregates royalty revenue continues to be recognized over the lease term based on production. For coal and aggregates royalty leases for which NRP expects consideration from minimum payments to be greater than consideration from production over the lease term, royalty revenue is now recognized straight-line over the lease term based on the minimum payment consideration. The cumulative effects of the changes made to the Partnership's Consolidated Balance Sheet at January 1, 2018 for the adoption of the new revenue standard were as follows:

| <u>(In thousands)</u> | <u>Balance at December 31, 2017</u> | <u>Adjustments due to ASC 606 (As Adjusted)⁽¹⁾</u> | <u>Balance at January 1, 2018</u> |
|---|---|---|---------------------------------------|
| Assets | | | |
| Accounts receivable, net (including affiliates) | \$ 47,187 | \$ 4,875 | \$ 52,062 |
| Liabilities | | | |
| Current portion of deferred revenue | \$ — | \$ 1,022 | \$ 1,022 |
| Deferred revenue | 100,605 | (66,613) | 33,992 |
| Partners' capital | | | |
| Common unitholders' interest | \$ 199,851 | \$ 69,057 | \$ 268,908 |
| General partner's interest | 1,857 | 1,409 | 3,266 |
| Total partners' capital | 265,211 | 70,466 | 335,677 |

(1) Refer to "Revision to Original Adoption of ASC 606" in [Note 2. Revenue from Contracts with Customers](#) for adjustments made to original adoption entries.

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

The impact of adoption of the new revenue standard on NRP's Consolidated Balance Sheet and Consolidated Statements of Comprehensive Income was as follows:

| <u>(In thousands)</u> | As of September 30, 2018 | | |
|---|--------------------------|---|------------------|
| | As Reported | Balances without Adoption of ASC 606 | Effect of Change |
| Assets | | | |
| Accounts receivable, net (including affiliates) | \$ 55,756 | \$ 52,966 | \$ 2,790 |
| Total assets | 1,411,934 | 1,409,144 | 2,790 |
| Liabilities and capital | | | |
| Current portion of deferred revenue | \$ 1,403 | \$ — | \$ 1,403 |
| Deferred revenue | 40,885 | 100,185 | (59,300) |
| Total liabilities | 863,581 | 921,478 | (57,897) |
| Partners' capital | | | |
| Common unitholders' interest | \$ 319,673 | \$ 260,200 | \$ 59,473 |
| General partner's interest | 4,293 | 3,079 | 1,214 |
| Total partners' capital | 386,701 | 326,014 | 60,687 |
| Total liabilities and capital | 1,411,934 | 1,409,144 | 2,790 |

| <u>(In thousands, except per unit data)</u> | For the Three Months Ended September 30, 2018 | | |
|--|---|--|------------------|
| | As Reported | Amounts without Adoption of ASC 606 | Effect of Change |
| Coal royalty and other revenues (including affiliates) | \$ 42,518 | \$ 45,680 | \$ (3,162) |
| Net income from continuing operations | 28,565 | 31,727 | (3,162) |
| Net income | 28,541 | 31,703 | (3,162) |
| Net income per common unit (basic) | 1.71 | 1.96 | (0.25) |
| Net income per common unit (diluted) | 1.30 | 1.44 | (0.14) |

| <u>(In thousands, except per unit data)</u> | For the Nine Months Ended September 30, 2018 | | |
|--|--|--|------------------|
| | As Reported | Amounts without Adoption of ASC 606 | Effect of Change |
| Coal royalty and other revenues (including affiliates) | \$ 134,912 | \$ 144,501 | \$ (9,589) |
| Net income from continuing operations | 91,061 | 100,840 | (9,779) |
| Net income | 90,989 | 100,768 | (9,779) |
| Net income per common unit (basic) | 5.44 | 6.22 | (0.78) |
| Net income per common unit (diluted) | 4.06 | 4.50 | (0.44) |

Recently Issued Accounting Standards

Leases

In February 2016, the FASB issued *ASU No. 2016-02, Leases* (Topic 842). The new standard requires a lessee to recognize assets and liabilities on the balance sheet for the present value of the rights and obligations created by all leases with terms of more than 12 months. This standard does not apply to leases that explore for or use minerals, oil, natural gas and similar non-regenerative resources, including the intangible right to explore for those natural resources and rights to use the land in which those natural resources are contained. The guidance also requires disclosures designed to give financial statement users information on the amount, timing and uncertainty of cash flows arising from leases. The guidance is effective for annual and interim periods beginning after December 15, 2018 and is to be adopted using a modified retrospective approach. The Partnership is currently evaluating the impact of the provisions of this guidance on its consolidated financial statements.

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

2. Revenue from Contracts with Customers

Coal Royalty and Other Segment

The following table represents the Partnership's Coal Royalty and Other segment revenues (including affiliates) by major source:

| <u>(In thousands)</u> | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------|-------------------|---------|
| | September 30, 2018 | | | |
| Coal royalty revenue | \$ | 30,709 | \$ | 96,473 |
| Production lease minimum revenue | | 1,769 | | 6,310 |
| Minimum lease straight-line revenue | | 567 | | 1,739 |
| Wheelage revenue | | 1,572 | | 5,155 |
| Coal overriding royalty revenue | | 3,918 | | 10,492 |
| Aggregates royalty revenue | | 888 | | 3,551 |
| Oil and gas royalty revenue | | 1,427 | | 5,679 |
| Property tax revenue | | 1,263 | | 3,968 |
| Other revenue | | 405 | | 1,545 |
| Coal royalty and other revenues ⁽¹⁾ | \$ | 42,518 | \$ | 134,912 |
| Transportation and processing services revenue ⁽²⁾ | | 6,853 | | 17,238 |
| Total Coal royalty and other segment revenues | \$ | 49,371 | \$ | 152,150 |

(1) Represents revenue from contracts with customers as defined under ASC 606.

(2) Revenue from contracts with customers as defined under ASC 606 was \$3.6 million and \$9.6 million for the three and nine months ended September 30, 2018, respectively. The remaining transportation and processing services revenue of \$3.3 million and \$7.6 million for the three and nine months ended September 30, 2018, respectively, related to other NRP-owned infrastructure leased to and operated by third party operators accounted for under ASC 840, Leases.

Coal Royalty and Other segment revenues

Royalty-based leases. Approximately two-thirds of our royalty-based leases have initial terms of five to 40 years, with substantially all lessees having the option to extend the lease for additional terms. For these types of leases, the lessees generally make payments to NRP based on the greater of a percentage of the gross sales price or a fixed price per ton of mineral they mine or sell. Most of NRP's coal and aggregates royalty leases require the lessee to pay quarterly or annual minimum amounts, either made in advance or arrears, which are generally recoupable through actual royalty production over certain time periods that generally range from three to five years.

In accordance with previous accounting standards in effect prior to January 1, 2018, NRP recognized all coal and aggregates royalty revenue over the lease term based on production. The recognition of revenue from minimum payments was deferred until either recoupment through royalty production occurred or when the recoupment period expired for unrecouped minimums.

Under the new revenue recognition standard, management has defined NRP's coal and aggregates royalty lease performance obligation as providing the lessee the right to mine and sell NRP's coal or aggregates over the lease term. The Partnership then evaluated the likelihood that consideration NRP expected to receive from its lessees resulting from production would exceed consideration expected to receive from minimum payments over the lease term.

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

As a result of this evaluation, revenue recognition from the Partnership's royalty-based leases is based on either production or minimum payments as follows:

- **Production Leases:** Leases for which the Partnership expects that consideration from production will be greater than consideration from minimums over the lease term. Revenue recognition for these leases is recognized over time based on production as Coal royalty revenue or Aggregates royalty revenue, as applicable. Deferred revenue from minimums is recognized as royalty revenue when recoupment occurs or as Production lease minimum revenue when the recoupment period expires. In addition, NRP recognizes breakage revenue from minimums when NRP determines that recoupment is remote. This breakage revenue is included in Production lease minimum revenue.
- **Minimum Leases:** Leases for which the Partnership expects that consideration from minimums will be greater than consideration from production over the lease term. Revenue recognition for these leases is recognized straight-line over the lease term based on the minimum consideration amount as Minimum lease straight-line revenue.

This evaluation is performed at the inception of the lease and only reassessed upon modification or renewal of the lease.

The Partnership also has overriding royalty revenue interests in certain oil and gas wells and coal reserves. Revenue from these interests is recognized over time based on when the respective commodities are sold.

Wheelage. Revenue related to fees collected per ton to transport foreign coal across property owned by the Partnership that is recognized over time as transportation across our property occurs.

Other revenue. Other revenue consists primarily of rental payments and surface damage fees related to certain land owned by the Partnership and is recognized straight-line over time as it is earned. Other revenues also include property tax revenues. The majority of property taxes paid on our properties are reimbursable by the lessee and are recognized on a gross basis over time which reflects the reimbursement of property taxes by the lessee. Property taxes paid by NRP are included in Operating and maintenance expenses on the Partnership's Consolidated Statements of Comprehensive Income.

Transportation and processing services revenue. The Partnership owns transportation and processing infrastructure that is leased to third parties and collects throughput fees for which it recognizes revenue over time based on the coal tons transported over the beltlines or processed through the facilities.

Contract modifications

Contract modifications that impact goods or services or the transaction price are evaluated in accordance with ASC 606. A majority of our contract modifications pertain to our coal and aggregates royalty contracts and include, but are not limited to, extending the lease term, changes to royalty rates, floor prices or minimum consideration, assignment of the contract, or termination due to the exhaustion of merchantable and mineable reserves. In accordance with the transition guidance in paragraph 606-10-65-1, revenues from contracts that were modified before January 1, 2018 were not retrospectively restated for those modifications and instead reflected the aggregate effect of those modifications when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligation.

Contract Assets and Liabilities

Contract assets include receivables from contracts with customers and are recorded when the right to consideration becomes unconditional. Receivables are recognized when the minimums are contractually owed, production occurs or minimums accrued for based on the passage of time.

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Contract liabilities represent minimum consideration received, contractually owed or earned based on the passage of time. The following table details the Partnership's Coal Royalty and Other segment receivables and liabilities resulting from contracts with customers:

| <u>(In thousands)</u> | <u>September 30,</u> <u>2018</u> | <u>January 1,</u> <u>2018</u> |
|--|-------------------------------------|----------------------------------|
| Receivables | | |
| Total accounts receivable, net (including affiliates) ⁽¹⁾ | \$ 29,485 | \$ 25,443 |
| Prepaid expenses and other ⁽²⁾ | 2,673 | 2,830 |
| Contract liabilities | | |
| Current portion of deferred revenue | \$ 1,403 | \$ 1,022 |
| Deferred revenue | 40,885 | 33,992 |

(1) Included in this amount is \$2.3 million and \$1.9 million of accounts receivable related to accrued minimum consideration as of September 30, 2018 and January 1, 2018, respectively.

(2) Prepaid expenses and other includes notes receivable from contracts with customers.

The following table shows the activity related to the Partnership's Coal Royalty and Other segment deferred revenue:

| <u>(In thousands)</u> | <u>Nine Months Ended</u> <u>September 30, 2018</u> |
|---|---|
| Balance at December 31, 2017 | \$ 100,605 |
| Cumulative adjustment for change in accounting principle ⁽¹⁾ | (65,591) |
| Balance at January 1, 2018 (current and non-current) | \$ 35,014 |
| Recognition of previously deferred revenue | (11,694) |
| Accrued minimum payments due | 3,837 |
| Cash received for minimum payments | 15,131 |
| Balance at September 30, 2018 (current and non-current) | <u>\$ 42,288</u> |

(1) Included in this amount is \$(67.5) million recognized in Partners' capital and \$1.9 million of accrued minimum consideration recognized in Accounts receivable, net.

The following table shows the Partnership's Coal Royalty and Other segment revenue recognized during the three and nine months ended September 30, 2018 that was included in the deferred revenue balance at the beginning of the period:

| <u>(In thousands)</u> | <u>Three Months Ended</u> <u>September 30, 2018</u> | <u>Nine Months Ended</u> <u>September 30, 2018</u> |
|--|--|---|
| Production leases - revenue impact | | |
| Recoupments recognized in Coal and aggregates royalty revenue | \$ 3,166 | \$ 8,554 |
| Breakage revenue recognized in Production lease minimum revenue | 273 | 867 |
| Expiration of unrecouped minimums recognized in Production lease minimum revenue | 497 | 846 |
| Minimum leases - revenue impact | | |
| Minimum lease amortization recognized in Minimum lease straight-line revenue | 483 | 1,427 |
| Total previously deferred revenue recognized | <u>\$ 4,419</u> | <u>\$ 11,694</u> |

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Remaining Performance Obligations

The Partnership's non-cancelable annual minimum payments due under the lease terms of its coal and aggregates royalty leases are as follows:

| Lease Term ⁽¹⁾ | Weighted Average Remaining Years as of September 30, 2018 | Annual Minimum Payments (In thousands) |
|---------------------------|---|--|
| 1 - 5 years | 0.3 | \$ 8,562 |
| 5 - 10 years | 1.6 | 13,292 |
| 10+ years | 9.5 | 34,205 |

(1) The Partnership applied the practical expedient for disclosing remaining performance obligations for contracts with an expected duration of one year or less, and have excluded those contracts from this disclosure.

The Partnership's non-cancelable annual minimum payments on its coal and aggregates royalty leases are recognized as revenue as discussed above. In addition, the Partnership's non-cancelable annual minimum payments due under terms of its coal and aggregates overriding royalty agreements include a \$1.8 million annual minimum that expires in 2023 and a \$1.0 million minimum that expires upon exhaustion of the mineable and recoverable coal reserves, respectively.

Construction Aggregates Segment

The Partnership's Construction Aggregates segment revenues from contracts with customers by major source are as follows:

| (In thousands) | September 30, 2018 | |
|--|--------------------|-------------------|
| | Three Months Ended | Nine Months Ended |
| Crushed stone, sand and gravel | \$ 16,618 | \$ 48,427 |
| Delivery and fuel income | 10,825 | 32,587 |
| Other revenues | 2,955 | 10,041 |
| Total construction aggregates revenues | \$ 30,398 | \$ 91,055 |
| Road construction and asphalt paving services | 6,250 | 13,154 |
| Total construction aggregates segment revenues | \$ 36,648 | \$ 104,209 |

Construction Aggregates segment revenues

The majority of the Construction Aggregates segment revenues is recognized at a point in time with the exception of revenue related to construction contracts, which is recognized on the percentage-of-completion method as discussed below. The majority of the Partnership's construction contracts have an original expected duration of one year or less. As such, the Partnership has elected to apply the practical expedient and not disclose remaining performance obligations for contracts with an original expected duration of one year or less. Additional discussion of the Partnership's major sources of Construction Aggregates segment revenue are as follows:

Crushed stone, sand and gravel and other revenues. Revenue from the sale of crushed stone, sand, gravel and asphalt is recognized based on a fixed price when title is transferred to the buyer and collectibility of the sales proceeds is reasonably assured (typically occurs when products are picked up or delivered to the customer). Other revenues consist of brokered stone sales and barge and service revenues. Brokered stone sales include aggregates purchases from third party quarries, which are then sold and transported to customers and recorded as revenue at the time of delivery. The purchase price of aggregates from third party quarries are recorded as expenses. Barge and service revenues relate to loading and unloading services at marine terminals and are recorded as revenue at the time the service is performed.

Delivery and fuel income. Revenue related to pass through delivery and fuel costs the Partnership incurs to deliver its products is recognized on a gross basis and is subsequently reimbursed by the customer. The related costs are recognized when incurred and are included in Operating and maintenance expenses on the Consolidated Statements of Comprehensive Income.

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Road construction and asphalt paving services revenue. Revenue related to construction contracts is recognized on the percentage-of-completion method, measured by the percentage of total costs incurred to date to the estimated total costs for each contract.

The Partnership had \$23.2 million and \$23.0 million in receivables from Construction Aggregates segment related contracts with customers included in Accounts receivable, net on its Consolidated Balance Sheets as of September 30, 2018 and January 1, 2018, respectively.

Revision to Original Adoption of ASC 606

During the third quarter of 2018, the Partnership identified an error related to the modified retrospective adoption of ASC 606 on January 1, 2018 for certain coal and aggregates royalty leases. Specifically, in evaluating its contracts for revenue recognition, NRP identified certain coal and aggregates royalty leases as minimum leases that should have been classified as production leases. As a result of these errors, the Partnership incorrectly accelerated the recognition of deferred revenue for these leases resulting in an overstatement of both the transition adjustment to the opening balance of Partners' capital at January 1, 2018 and revenue during the three months ended March 31, 2018 and the three and six months ended June 30, 2018, respectively. After evaluating the quantitative and qualitative aspects of the error to the Partnership's financial results, management has determined that the misstatements and the adjustments are not material to the prior period financial statements. However, in order to properly reflect the application of ASC 606 retrospectively, the Partnership has recasted its Consolidated Financial Statements as of and for the three months ended March 31, 2018 and as of and for the three and six months ended June 30, 2018, respectively.

The following table shows the effects of correcting the classification of certain coal and aggregates royalty leases in connection with the modified retrospective adoption of ASC 606 on the cumulative effects of the changes made to the Consolidated Balance Sheet at January 1, 2018:

| <u>(In thousands)</u> | Balance at January 1, 2018 | | |
|---|----------------------------|-------------------|----------------------|
| | As Originally Reported | Corrected Balance | Effect of Correction |
| Assets | | | |
| Accounts receivable, net (including affiliates) | \$ 50,666 | \$ 52,062 | \$ 1,396 |
| Liabilities | | | |
| Current portion of deferred revenue | \$ 1,973 | \$ 1,022 | \$ (951) |
| Deferred revenue | 11,858 | 33,992 | 22,134 |
| Partners' capital | | | |
| Common unitholders' interest | \$ 288,299 | \$ 268,908 | \$ (19,391) |
| General partner's interest | 3,662 | 3,266 | (396) |
| Total partners' capital | 355,464 | 335,677 | (19,787) |

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

The following tables show the effect of correcting the classification of certain coal and aggregates royalty leases in connection with the modified retrospective adoption of ASC 606 on the Partnership's originally reported Consolidated Balance Sheets at March 31, 2018 and June 30, 2018:

| <u>(In thousands)</u> | <u>Balance at March 31, 2018</u> | | |
|---|----------------------------------|--------------------------|-----------------------------|
| | <u>As Originally Reported</u> | <u>Corrected Balance</u> | <u>Effect of Correction</u> |
| Assets | | | |
| Accounts receivable, net (including affiliates) | \$ 55,745 | \$ 56,497 | \$ 752 |
| Total assets | 1,377,206 | 1,377,958 | 752 |
| Liabilities and capital | | | |
| Current portion of deferred revenue | \$ 1,554 | \$ 1,377 | \$ (177) |
| Deferred revenue | 14,622 | 37,072 | 22,450 |
| Total liabilities | 848,367 | 870,641 | 22,274 |
| Partners' capital | | | |
| Common unitholders' interest | \$ 301,344 | \$ 280,252 | \$ (21,092) |
| General partner's interest | 3,924 | 3,494 | (430) |
| Total partners' capital | 367,646 | 346,124 | (21,522) |
| Total liabilities and capital | 1,377,206 | 1,377,958 | 752 |

| <u>(In thousands)</u> | <u>Balance at June 30, 2018</u> | | |
|---|---------------------------------|--------------------------|-----------------------------|
| | <u>As Originally Reported</u> | <u>Corrected Balance</u> | <u>Effect of Correction</u> |
| Assets | | | |
| Accounts receivable, net (including affiliates) | \$ 59,452 | \$ 59,178 | \$ (274) |
| Total assets | 1,411,806 | 1,411,532 | (274) |
| Liabilities and capital | | | |
| Current portion of deferred revenue | \$ 2,732 | \$ 1,871 | \$ (861) |
| Deferred revenue | 17,136 | 40,224 | 23,088 |
| Total liabilities | 857,299 | 879,526 | 22,227 |
| Partners' capital | | | |
| Common unitholders' interest | \$ 326,125 | \$ 304,074 | \$ (22,051) |
| General partner's interest | 4,427 | 3,977 | (450) |
| Total partners' capital | 392,496 | 369,995 | (22,501) |
| Total liabilities and capital | 1,411,806 | 1,411,532 | (274) |

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

The following tables show the effect of correcting the classification of certain coal and aggregates royalty leases in connection with the modified retrospective adoption of ASC 606 on the Partnership's originally reported Consolidated Statement of Comprehensive Income for the three months ended March 31, 2018 and June 30, 2018 and the six months ended June 30, 2018:

| <u>(In thousands, except per unit data)</u> | For the Three Months Ended March 31, 2018 | | |
|---|---|------------------|----------------------|
| | As Originally Reported | Corrected Amount | Effect of Correction |
| Revenues and other income | | | |
| Coal royalty and other revenues (including affiliates) | \$ 46,210 | \$ 44,474 | \$ (1,736) |
| Total revenues and other income | 89,026 | 87,290 | (1,736) |
| Income from operations | | | |
| Income from operations | \$ 44,058 | \$ 42,322 | \$ (1,736) |
| Net income from continuing operations | 26,088 | 24,352 | (1,736) |
| Net income | 26,074 | 24,338 | (1,736) |
| Net income attributable to common unitholders and general partner | 18,574 | 16,838 | (1,736) |
| Net income attributable to common unitholders | | | |
| Net income attributable to common unitholders | \$ 18,203 | \$ 16,501 | \$ (1,702) |
| Net income attributable to the general partner | 371 | 337 | (34) |
| Income from continuing operations per common unit | | | |
| Basic | \$ 1.49 | \$ 1.35 | \$ (0.14) |
| Diluted | 1.16 | 1.08 | (0.08) |
| Net income per common unit | | | |
| Basic | \$ 1.49 | \$ 1.35 | \$ (0.14) |
| Diluted | 1.15 | 1.08 | (0.07) |
| Comprehensive income | | | |
| Comprehensive income | \$ 24,949 | \$ 23,213 | \$ (1,736) |
| For the Three Months Ended June 30, 2018 | | | |
| <u>(In thousands, except per unit data)</u> | As Originally Reported | Corrected Amount | Effect of Correction |
| Revenues and other income | | | |
| Coal royalty and other revenues (including affiliates) | \$ 48,899 | \$ 47,920 | \$ (979) |
| Total revenues and other income | 111,049 | 110,070 | (979) |
| Income from operations | | | |
| Income from operations | \$ 56,857 | \$ 55,878 | \$ (979) |
| Net income from continuing operations | 39,123 | 38,144 | (979) |
| Net income | 39,089 | 38,110 | (979) |
| Net income attributable to NRP | 38,220 | 37,241 | (979) |
| Net income attributable to common unitholders and general partner | 30,720 | 29,741 | (979) |
| Net income attributable to common unitholders | | | |
| Net income attributable to common unitholders | \$ 30,105 | \$ 29,146 | \$ (959) |
| Net income attributable to the general partner | 615 | 595 | (20) |
| Income from continuing operations per common unit | | | |
| Basic | \$ 2.46 | \$ 2.38 | \$ (0.08) |
| Diluted | 1.75 | 1.71 | (0.04) |
| Net income per common unit | | | |
| Basic | \$ 2.46 | \$ 2.38 | \$ (0.08) |
| Diluted | 1.75 | 1.71 | (0.04) |
| Comprehensive income | | | |
| Comprehensive income | \$ 38,655 | \$ 37,676 | \$ (979) |
| Comprehensive income attributable to NRP | 37,786 | 36,807 | (979) |

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

| <u>(In thousands, except per unit data)</u> | For the Six Months Ended June 30, 2018 | | |
|---|--|------------------|----------------------|
| | As Originally Reported | Corrected Amount | Effect of Correction |
| Revenues and other income | | | |
| Coal royalty and other revenues (including affiliates) | \$ 95,109 | \$ 92,394 | \$ (2,715) |
| Total revenues and other income | 200,075 | 197,360 | (2,715) |
| Income from operations | \$ 100,915 | \$ 98,200 | \$ (2,715) |
| Net income from continuing operations | 65,211 | 62,496 | (2,715) |
| Net income | 65,163 | 62,448 | (2,715) |
| Net income attributable to NRP | 64,294 | 61,579 | (2,715) |
| Net income attributable to common unitholders and general partner | 49,294 | 46,579 | (2,715) |
| Net income attributable to common unitholders | \$ 48,308 | \$ 45,647 | \$ (2,661) |
| Net income attributable to the general partner | 986 | 932 | (54) |
| Income from continuing operations per common unit | | | |
| Basic | \$ 3.95 | \$ 3.73 | \$ (0.22) |
| Diluted | 2.96 | 2.83 | (0.13) |
| Net income per common unit | | | |
| Basic | \$ 3.95 | \$ 3.73 | \$ (0.22) |
| Diluted | 2.95 | 2.83 | (0.12) |
| Comprehensive income | \$ 63,604 | \$ 60,889 | \$ (2,715) |
| Comprehensive income attributable to NRP | 62,735 | 60,020 | (2,715) |

3. Class A Convertible Preferred Units

On March 2, 2017, NRP issued \$250 million of Class A Convertible Preferred Units representing limited partner interests in NRP (the "Preferred Units") to certain entities controlled by funds affiliated with The Blackstone Group, L.P. (collectively referred to as "Blackstone") and certain affiliates of GoldenTree Asset Management LP (collectively referred to as "GoldenTree") (together the "Preferred Purchasers") pursuant to a Preferred Unit and Warrant Purchase Agreement. NRP issued 250,000 Preferred Units to the Preferred Purchasers at a price of \$1,000 per Preferred Unit (the "Per Unit Purchase Price"), less a 2.5% structuring and origination fee. The Preferred Units entitle the Preferred Purchasers to receive cumulative distributions at a rate of 12% per year, up to one half of which NRP may pay in additional Preferred Units (such additional Preferred Units, the "paid-in-kind units" or "PIK Units"), subject to approval by the Board of Directors.

During the three months ended March 31, 2018, the Partnership redeemed all of the outstanding PIK Units, which resulted in an \$8.8 million cash payment during the period.

Activity related to the Preferred Units is as follows:

| <u>(In thousands, except unit data)</u> | Units Outstanding | Financial Position |
|---|-------------------|--------------------|
| Balance at December 31, 2017 | 258,844 | \$ 173,431 |
| Redemption of PIK Units | (8,844) | (8,844) |
| Balance at September 30, 2018 | 250,000 | \$ 164,587 |

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

4. Common and Preferred Unit Distributions

The Partnership makes cash distributions to common unitholders on a quarterly basis, subject to approval by the Board of Directors. As discussed in Note 3 above, the Partnership also makes distributions to the preferred unitholders.

Common Unit Distributions

Distributions made on the common units and the general partner's general partner ("GP") interest are made on a pro-rata basis in accordance with their relative percentage interests in the Partnership. The general partner is entitled to receive 2% of such distributions. The following table shows the distributions declared and paid to common unitholders during the nine months ended September 30, 2018 and 2017, respectively:

| Date Paid | Period Covered by Distribution | Distribution per Common Unit | Total Distributions (in thousands) | | |
|-------------------|--------------------------------|------------------------------|------------------------------------|-------------|----------|
| | | | Common Units | GP Interest | Total |
| 2018 | | | | | |
| February 14, 2018 | October 1 - December 31, 2017 | \$ 0.45 | \$ 5,505 | \$ 112 | \$ 5,617 |
| May 14, 2018 | January 1 - March 31, 2018 | \$ 0.45 | \$ 5,510 | \$ 113 | \$ 5,623 |
| August 14, 2018 | April 1 - June 30, 2018 | \$ 0.45 | \$ 5,511 | \$ 112 | \$ 5,623 |
| 2017 | | | | | |
| February 14, 2017 | October 1 - December 31, 2016 | \$ 0.45 | \$ 5,503 | \$ 112 | \$ 5,615 |
| May 12, 2017 | January 1 - March 31, 2017 | \$ 0.45 | \$ 5,506 | \$ 113 | \$ 5,619 |
| August 14, 2017 | April 1 - June 30, 2017 | \$ 0.45 | \$ 5,504 | \$ 112 | \$ 5,616 |

Preferred Unit Distributions

The following table shows the distributions declared and paid to Preferred Unitholders during the nine months ended September 30, 2018 and 2017, respectively:

| Date Paid | Period Covered by Distribution | Distribution per Preferred Unit | Total Distribution Declared (in thousands) |
|------------------|--------------------------------|---------------------------------|--|
| 2018 | | | |
| February 7, 2018 | October 1 - December 31, 2017 | \$ 30.00 | \$ 7,765 |
| May 14, 2018 | January 1 - March 31, 2018 | \$ 30.00 | \$ 7,500 |
| August 14, 2018 | April 1 - June 30, 2018 | \$ 30.00 | \$ 7,500 |
| 2017 | | | |
| May 30, 2017 | March 2 - March 31, 2017 | \$ 5.00 | \$ 2,500 |
| August 29, 2017 | April 1 - June 30, 2017 | \$ 15.00 | \$ 7,538 |

Income available to common unitholders and the general partner is reduced by Preferred Unit distributions that accumulated during the period. During the three and nine months ended September 30, 2018, NRP reduced net income attributable to common unitholders and the general partner by \$7.5 million and \$22.5 million, respectively, as a result of accumulated Preferred Unit distributions earned during the period. The \$7.5 million Preferred Unit distribution earned during the three months ended September 30, 2018 will be paid on November 14, 2018.

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

5. Net Income Per Common Unit

Basic net income per common unit is computed by dividing net income, after considering income attributable to preferred unitholders and the general partner's general partner interest, by the weighted average number of common units outstanding. Diluted net income per common unit includes the effect of NRP's Preferred Units and Warrants, if the inclusion of these items is dilutive.

The dilutive effect of the Preferred Units is calculated using the if-converted method. Under the if-converted method, the Preferred Units are assumed to be converted at the beginning of the period, and the resulting common units are included in the denominator of the diluted net income per unit calculation for the period being presented. Distributions declared in the period and undeclared distributions on the Preferred Units that accumulated during the period are added back to the numerator for purposes of the if-converted calculation.

The dilutive effect of the Warrants is calculated using the treasury stock method, which assumes that the proceeds from the exercise of these instruments are used to purchase common units at the average market price for the period. The calculation of the dilutive effect of the Warrants for the three and nine months ended September 30, 2018 and 2017, respectively, did not include the net settlement of Warrants to purchase 2.25 million common units with a strike price of \$34.00 because the impact would have been anti-dilutive.

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

The following table reconciles the numerators and denominators of the basic and diluted net income per common unit computations and calculates basic and diluted net income per common unit:

| (In thousands, except per unit data) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|-------------|--|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Allocation of net income: | | | | |
| Net income from continuing operations | \$ 28,565 | \$ 26,499 | \$ 91,061 | \$ 58,467 |
| Add (less): net loss (income) attributable to non-controlling interest | 359 | — | (510) | — |
| Less: income attributable to preferred unitholders | (7,500) | (7,650) | (22,500) | (17,688) |
| Net income from continuing operations attributable to common unitholders and general partner | \$ 21,424 | \$ 18,849 | \$ 68,051 | \$ 40,779 |
| Less: net income from continuing operations attributable to the general partner | (428) | (379) | (1,361) | (816) |
| Net income from continuing operations attributable to common unitholders | \$ 20,996 | \$ 18,470 | \$ 66,690 | \$ 39,963 |
| Net loss from discontinued operations | \$ (24) | \$ (433) | \$ (72) | \$ (507) |
| Less: net loss from discontinued operations attributable to the general partner | — | 9 | 1 | 10 |
| Net loss from discontinued operations attributable to common unitholders | \$ (24) | \$ (424) | \$ (71) | \$ (497) |
| Net income | \$ 28,541 | \$ 26,066 | \$ 90,989 | \$ 57,960 |
| Add (less): net loss (income) attributable to non-controlling interest | 359 | — | (510) | — |
| Less: income attributable to preferred unitholders | (7,500) | (7,650) | (22,500) | (17,688) |
| Net income attributable to common unitholders and general partner | \$ 21,400 | \$ 18,416 | \$ 67,979 | \$ 40,272 |
| Less: net income attributable to the general partner | (428) | (370) | (1,360) | (806) |
| Net income attributable to common unitholders | \$ 20,972 | \$ 18,046 | \$ 66,619 | \$ 39,466 |
| Basic income (loss) per common unit: | | | | |
| Weighted average common units—basic | 12,246 | 12,232 | 12,243 | 12,232 |
| Basic net income from continuing operations per common unit | \$ 1.71 | \$ 1.51 | \$ 5.45 | \$ 3.27 |
| Basic net loss from discontinued operations per common unit | \$ — | \$ (0.03) | \$ (0.01) | \$ (0.04) |
| Basic net income per common unit | \$ 1.71 | \$ 1.48 | \$ 5.44 | \$ 3.23 |

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

| (In thousands, except per unit data) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|---|-------------|--|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Diluted income (loss) per common unit: | | | | |
| Weighted average common units—basic | 12,246 | 12,232 | 12,243 | 12,232 |
| Plus: dilutive effect of Warrants | 470 | 225 | 474 | 330 |
| Plus: dilutive effect of Preferred Units | 9,124 | 11,523 | 9,124 | 8,909 |
| Weighted average common units—diluted | 21,840 | 23,980 | 21,841 | 21,471 |
| | | | | |
| Net income from continuing operations | \$ 28,565 | \$ 26,499 | \$ 91,061 | \$ 58,467 |
| Add (less): net loss (income) attributable to non-controlling interest | 359 | — | (510) | — |
| Diluted net income from continuing operations attributable to common unitholders and general partner | \$ 28,924 | \$ 26,499 | \$ 90,551 | \$ 58,467 |
| Less: diluted net income from continuing operations attributable to the general partner | (578) | (530) | (1,811) | (1,169) |
| Diluted net income from continuing operations attributable to common unitholders | \$ 28,346 | \$ 25,969 | \$ 88,740 | \$ 57,298 |
| | | | | |
| Diluted net loss from discontinued operations attributable to common unitholders | \$ (24) | \$ (424) | \$ (71) | \$ (497) |
| | | | | |
| Net income | \$ 28,541 | \$ 26,066 | \$ 90,989 | \$ 57,960 |
| Add (less): net loss (income) attributable to non-controlling interest | 359 | — | (510) | — |
| Diluted net income attributable to common unitholders and general partner | \$ 28,900 | \$ 26,066 | \$ 90,479 | \$ 57,960 |
| Less: diluted net income attributable to the general partner | (578) | (521) | (1,810) | (1,159) |
| Diluted net income attributable to common unitholders | \$ 28,322 | \$ 25,545 | \$ 88,669 | \$ 56,801 |
| | | | | |
| Diluted net income from continuing operations per common unit | \$ 1.30 | \$ 1.08 | \$ 4.06 | \$ 2.67 |
| Diluted net loss from discontinued operations per common unit | \$ — | \$ (0.02) | \$ — | \$ (0.02) |
| Diluted net income per common unit | \$ 1.30 | \$ 1.07 | \$ 4.06 | \$ 2.65 |

6. Segment Information

The Partnership's operating segments are strategic business units that offer distinct products and services to different customers in different geographies within the U.S. that are managed accordingly. NRP has the following three operating segments:

Coal Royalty and Other—consists primarily of coal royalty and coal-related transportation and processing assets. Other assets include aggregates royalty, industrial mineral royalty, oil and gas royalty and timber. The Partnership's coal reserves are primarily located in Appalachia, the Illinois Basin and the western United States. The Partnership's aggregates and industrial minerals properties are located in a number of states across the United States. The Partnership's oil and gas royalty assets are primarily located in Louisiana and Pennsylvania.

Soda Ash—consists of the Partnership's 49% non-controlling equity interest in Ciner Wyoming, a trona ore mining operation and soda ash refinery in the Green River Basin of Wyoming. Ciner Resources LP, the Partnership's operating partner, mines the trona, processes it into soda ash, and distributes the soda ash both domestically and internationally to the glass and chemicals industries. The Partnership receives regular quarterly distributions from Ciner Wyoming.

Construction Aggregates—consists of the Partnership's construction aggregates materials business that operates hard rock quarries, an underground limestone mine, sand and gravel plants, asphalt plants and marine terminals. Construction Aggregates operates in Pennsylvania, West Virginia, Tennessee, Kentucky and Louisiana.

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Direct segment costs and certain other costs incurred at the corporate level that are identifiable and that benefit the Partnership's segments are allocated to the operating segments accordingly. These allocated costs generally include: insurance, taxes, legal, information technology and shared facilities services and are included in Operating and maintenance expenses and Operating and maintenance expenses—affiliates on the Consolidated Statements of Comprehensive Income. Intersegment sales are at prices that approximate market and are eliminated on the Partnership's Consolidated Statements of Comprehensive Income.

Corporate and Financing includes functional corporate departments that do not earn revenues. Costs incurred by these departments include interest and financing, corporate headquarters and overhead, centralized treasury and accounting and other corporate-level activity not specifically allocated to a segment and are included in General and administrative expenses and General and administrative expenses—affiliates on the Consolidated Statements of Comprehensive Income.

The following table summarizes certain financial information for each of the Partnership's operating segments:

| <u>(In thousands)</u> | Operating Segments | | | Corporate and Financing | Total |
|--|---------------------------|----------|----------------------------|----------------------------|-----------|
| | Coal Royalty and Other | Soda Ash | Construction Aggregates | | |
| Three Months Ended September 30, 2018 | | | | | |
| Revenues (including affiliates) | \$ 49,371 | \$ 8,836 | \$ 36,648 | \$ — | \$ 94,855 |
| Intersegment revenues (expenses) | 58 | — | (58) | — | — |
| Gain on asset sales, net | — | — | 163 | — | 163 |
| Operating and maintenance expenses (including affiliates) | 6,790 | — | 30,758 | — | 37,548 |
| Depreciation, depletion and amortization | 4,888 | — | 3,333 | — | 8,221 |
| General and administrative (including affiliates) | — | — | — | 3,183 | 3,183 |
| Other expense, net | — | — | 8 | 17,493 | 17,501 |
| Net income (loss) from continuing operations | 37,751 | 8,836 | 2,654 | (20,676) | 28,565 |
| Loss from discontinued operations | — | — | — | — | (24) |
| Three Months Ended September 30, 2017 | | | | | |
| Revenues (including affiliates) | \$ 49,413 | \$ 8,993 | \$ 34,710 | \$ — | \$ 93,116 |
| Intersegment revenues (expenses) | 78 | — | (78) | — | — |
| Gain on asset sales, net | 154 | — | 17 | — | 171 |
| Operating and maintenance expenses (including affiliates) | 6,348 | — | 28,247 | — | 34,595 |
| Depreciation, depletion and amortization | 5,305 | — | 3,001 | — | 8,306 |
| General and administrative (including affiliates) | — | — | — | 3,855 | 3,855 |
| Other expense, net | — | — | 59 | 19,973 | 20,032 |
| Net income (loss) from continuing operations | 37,992 | 8,993 | 3,342 | (23,828) | 26,499 |
| Loss from discontinued operations | — | — | — | — | (433) |

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

| <u>(In thousands)</u> | Operating Segments | | | Corporate and Financing | Total |
|--|---------------------------|------------|----------------------------|----------------------------|--------------|
| | Coal Royalty and Other | Soda Ash | Construction Aggregates | | |
| Nine Months Ended September 30, 2018 | | | | | |
| Revenues (including affiliates) | \$ 152,150 | \$ 34,986 | \$ 104,209 | \$ — | \$ 291,345 |
| Intersegment revenues (expenses) | 173 | — | (173) | — | — |
| Gain on asset sales, net | 819 | — | 214 | — | 1,033 |
| Operating and maintenance expenses (including affiliates) | 21,122 | — | 91,225 | — | 112,347 |
| Depreciation, depletion and amortization | 15,364 | — | 9,377 | — | 24,741 |
| General and administrative (including affiliates) | — | — | — | 10,782 | 10,782 |
| Asset impairment | 242 | — | — | — | 242 |
| Other expense, net | — | — | 28 | 53,177 | 53,205 |
| Net income (loss) from continuing operations | 116,414 | 34,986 | 3,620 | (63,959) | 91,061 |
| Loss from discontinued operations | — | — | — | — | (72) |
| Nine Months Ended September 30, 2017 | | | | | |
| Revenues (including affiliates) | \$ 150,177 | \$ 27,676 | \$ 95,486 | \$ — | \$ 273,339 |
| Intersegment revenues (expenses) | 208 | — | (208) | — | — |
| Gain on asset sales, net | 3,367 | — | 209 | — | 3,576 |
| Operating and maintenance expenses (including affiliates) | 19,151 | — | 80,866 | — | 100,017 |
| Depreciation, depletion and amortization (including affiliates) | 17,653 | — | 9,550 | — | 27,203 |
| General and administrative (including affiliates) | — | — | — | 13,940 | 13,940 |
| Asset impairment | 1,778 | — | — | — | 1,778 |
| Other expense, net | — | — | 632 | 74,878 | 75,510 |
| Net income (loss) from continuing operations | 115,170 | 27,676 | 4,439 | (88,818) | 58,467 |
| Loss from discontinued operations | — | — | — | — | (507) |
| As of September 30, 2018 | | | | | |
| Total assets of continuing operations | \$ 968,312 | \$ 242,901 | \$ 196,684 | \$ 3,049 | \$ 1,410,946 |
| Total assets of discontinued operations | — | — | — | — | 988 |
| As of December 31, 2017 | | | | | |
| Total assets of continuing operations | \$ 945,237 | \$ 245,433 | \$ 191,374 | \$ 6,129 | \$ 1,388,173 |
| Total assets of discontinued operations | — | — | — | — | 991 |

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

7. Equity Investment

The Partnership accounts for its 49% investment in Ciner Wyoming using the equity method of accounting. Activity related to this investment is as follows:

| <u>(In thousands)</u> | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|--|---|-------------------|--|-------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Balance at beginning of period | \$ 245,524 | \$ 248,919 | \$ 245,433 | \$ 255,901 |
| Income allocation to NRP's equity interests | 10,036 | 10,171 | 38,525 | 30,925 |
| Amortization of basis difference | (1,200) | (1,178) | (3,539) | (3,249) |
| Comprehensive income (loss) from unconsolidated investment | 791 | (280) | (768) | (1,445) |
| Distribution | (12,250) | (12,250) | (36,750) | (36,750) |
| Balance at end of period | <u>\$ 242,901</u> | <u>\$ 245,382</u> | <u>\$ 242,901</u> | <u>\$ 245,382</u> |

The following table represents summarized financial information for Ciner Wyoming as derived from the respective unaudited financial statements for the three and nine months ended September 30, 2018 and 2017, respectively:

| <u>(In thousands)</u> | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|-----------------------|---|-------------|--|-------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Sales | \$ 123,366 | \$ 122,576 | \$ 354,467 | \$ 368,885 |
| Gross profit | 26,253 | 27,872 | 68,497 | 80,788 |
| Net income | 20,481 | 20,758 | 78,623 | 63,112 |

8. Plant and Equipment, Net

The Partnership's plant and equipment consist of the following:

| <u>(In thousands)</u> | <u>September 30,</u> | <u>December 31,</u> |
|--------------------------------|----------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| Plant and equipment | \$ 92,924 | \$ 84,173 |
| Construction in process | 1,250 | 803 |
| Less accumulated depreciation | (46,026) | (38,806) |
| Total plant and equipment, net | <u>\$ 48,148</u> | <u>\$ 46,170</u> |

Depreciation expense included in Depreciation, depletion and amortization on the Partnership's Consolidated Statements of Comprehensive Income totaled \$2.7 million and \$2.4 million for the three months ended September 30, 2018 and 2017 and \$7.7 million and \$7.8 million for the nine months ended September 30, 2018 and 2017, respectively.

9. Mineral Rights, Net

The Partnership's mineral rights consist of the following:

| <u>(In thousands)</u> | <u>September 30, 2018</u> | | |
|--------------------------------|---------------------------|----------------------------------|-----------------------|
| | <u>Carrying Value</u> | <u>Accumulated Depletion</u> | <u>Net Book Value</u> |
| Coal properties | \$ 1,169,862 | \$ (447,561) | \$ 722,301 |
| Aggregates properties | 150,642 | (20,345) | 130,297 |
| Oil and gas royalty properties | 12,395 | (7,514) | 4,881 |
| Other | 13,161 | (1,534) | 11,627 |
| Total mineral rights, net | <u>\$ 1,346,060</u> | <u>\$ (476,954)</u> | <u>\$ 869,106</u> |

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

| <u>(In thousands)</u> | December 31, 2017 | | |
|--------------------------------|-------------------|--------------------------|----------------|
| | Carrying Value | Accumulated Depletion | Net Book Value |
| Coal properties | \$ 1,170,104 | \$ (436,964) | \$ 733,140 |
| Aggregates properties | 150,642 | (16,836) | 133,806 |
| Oil and gas royalty properties | 12,395 | (7,158) | 5,237 |
| Other | 13,168 | (1,466) | 11,702 |
| Total mineral rights, net | \$ 1,346,309 | \$ (462,424) | \$ 883,885 |

Depletion expense related to the Partnership's mineral rights is included in Depreciation, depletion and amortization on the Partnership's Consolidated Statements of Comprehensive Income and totaled \$4.6 million and \$5.0 million for the three months ended September 30, 2018 and 2017, respectively, and \$14.5 million and \$16.7 million for the nine months ended September 30, 2018 and 2017, respectively.

In October 2018, NRP and Foresight Energy LP ("Foresight Energy") settled litigation related to the Hillsboro/Deer Run mine that provided NRP with \$25 million in consideration of disputed past due amounts, as well as the right to receive \$11 million non-recoupable annual minimum payments through the end of 2033. NRP will also receive additional cash flow from royalties resulting from any future production at the Hillsboro/Deer Run mine. Refer to [Note 15, Commitments and Contingencies](#)—Legal—Foresight Energy Settlement for more information on this settlement. As of September 30, 2018, NRP had approximately 179 million tons of estimated reserves at the Hillsboro mine with a net book value of \$235 million. The Partnership determined there was no impairment of these assets as of September 30, 2018. The Partnership is evaluating the impact of the settlement on the amount of expected future cash flows from minimums and future production royalties from its Hillsboro property. If the Partnership determines that it will be unable to generate sufficient cash flow from this asset, the carrying value of this asset would be impaired.

10. Intangible Assets, Net

The Partnership's intangible assets primarily consist of above-market coal transportation contracts with subsidiaries of Foresight Energy in which the Partnership receives throughput fees for the handling and transportation of coal. The Partnership's intangible assets also include permits, aggregates-related trade names and other agreements. The Partnership's intangible assets included on its Consolidated Balance Sheets are as follows:

| <u>(In thousands)</u> | September 30, | December 31, |
|--------------------------------|---------------|--------------|
| | 2018 | 2017 |
| Intangible assets | \$ 86,336 | \$ 86,336 |
| Less: accumulated amortization | (39,338) | (36,782) |
| Total intangible assets, net | \$ 46,998 | \$ 49,554 |

Amortization expense included in Depreciation, depletion and amortization on the Partnership's Consolidated Statements of Comprehensive Income was \$0.9 million and \$0.9 million for the three months ended September 30, 2018 and 2017, respectively, and \$2.6 million and \$1.7 million for the nine months ended September 30, 2018 and 2017, respectively. Amortization expense included in amortization expense—affiliates on the Partnership's Consolidated Statements of Comprehensive Income was \$1.0 million for the nine months ended September 30, 2017. As of May 9, 2017, Foresight Energy was no longer deemed to be an affiliate of the Partnership. Refer to [Note 13, Related Party Transactions](#) for additional details.

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

11. Debt, Net

The Partnership's debt consists of the following:

| <u>(In thousands)</u> | <u>September 30,</u> <u>2018</u> | <u>December 31,</u> <u>2017</u> |
|---|-------------------------------------|------------------------------------|
| NRP LP debt: | | |
| 10.500% senior notes, with semi-annual interest payments in March and September, due March 2022, \$241 million issued at par and \$105 million issued at 98.75% | \$ 345,638 | \$ 345,638 |
| Opco debt: | | |
| Revolving credit facility | 95,000 | 60,000 |
| Senior notes | | |
| 4.91% with semi-annual interest payments in June and December, with annual principal payments in June, due June 2018 | — | 4,586 |
| 8.38% with semi-annual interest payments in March and September, with annual principal payments in March, due March 2019 | 21,334 | 42,670 |
| 5.05% with semi-annual interest payments in January and July, with annual principal payments in July, due July 2020 | 15,298 | 22,946 |
| 5.55% with semi-annual interest payments in June and December, with annual principal payments in June, due June 2023 | 13,429 | 16,115 |
| 4.73% with semi-annual interest payments in June and December, with annual principal payments in December, due December 2023 | 44,693 | 44,693 |
| 5.82% with semi-annual interest payments in March and September, with annual principal payments in March, due March 2024 | 89,589 | 104,520 |
| 8.92% with semi-annual interest payments in March and September, with annual principal payments in March, due March 2024 | 27,200 | 31,733 |
| 5.03% with semi-annual interest payments in June and December, with annual principal payments in December, due December 2026 | 120,547 | 120,547 |
| 5.18% with semi-annual interest payments in June and December, with annual principal payments in December, due December 2026 | 34,396 | 34,396 |
| Total debt at face value | \$ 807,124 | \$ 827,844 |
| Net unamortized debt discount | (1,365) | (1,661) |
| Net unamortized debt issuance costs | (14,044) | (16,835) |
| Total debt, net | \$ 791,715 | \$ 809,348 |
| Less: current portion of long-term debt | 75,201 | 79,740 |
| Total long-term debt, net | \$ 716,514 | \$ 729,608 |

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

NRP LP Debt

2022 Senior Notes

As of September 30, 2018 and December 31, 2017, NRP and NRP Finance were in compliance with the terms of their debt agreements.

Opco Debt

All of Opco's debt is guaranteed by its wholly owned subsidiaries and is secured by certain of the assets of Opco and its wholly owned subsidiaries other than NRP Trona LLC. As of September 30, 2018 and December 31, 2017, Opco was in compliance with the terms of the financial covenants contained in its debt agreements.

Opco Credit Facility

Opco's Third Amended and Restated Credit Agreement, as amended (the "Opco Credit Facility"), matures on April 30, 2020. As of September 30, 2018, Opco had \$95.0 million of indebtedness outstanding and \$55.0 million in available borrowing capacity under the Opco Credit Facility. The commitments under the Opco Credit Facility will be reduced from \$150 million to \$100 million at December 31, 2018 and remaining at \$100 million through maturity in April 2020.

The weighted average interest rates for the borrowings outstanding under the Opco Credit Facility for the three months ended September 30, 2018 and 2017 were 6.34% and 5.49%, respectively. The weighted average interest rates for the borrowings outstanding under the Opco Credit Facility for nine months ended September 30, 2018 and 2017 were 6.18% and 5.22%, respectively. Debt issue cost related to the Opco credit facility were \$2.4 million and \$4.6 million at September 30, 2018 and December 31, 2017, respectively, and have been capitalized and included in Other assets on the Partnership's Consolidated Balance Sheets.

The Opco Credit Facility is collateralized and secured by liens on certain of Opco's assets with carrying values of \$639.3 million and \$649.7 million classified as Land, Plant and equipment and Mineral rights on the Partnership's Consolidated Balance Sheet as of September 30, 2018 and December 31, 2017, respectively.

Opco Senior Notes

As of September 30, 2018 and December 31, 2017, the private placement senior notes ("Opco Senior Notes") had cumulative principal balances of \$366.5 million and \$422.2 million, respectively. Opco made mandatory principal payments of \$55.7 million and \$56.1 million during the nine months ended September 30, 2018 and September 30, 2017, respectively.

The 8.38% and 8.92% Opco Senior Notes also provide that in the event that Opco's leverage ratio of consolidated indebtedness to consolidated EBITDDA (as defined in the Note Purchase Agreements) exceeds 3.75 to 1.00 at the end of any fiscal quarter, then in addition to all other interest accruing on these notes, additional interest in the amount of 2.00% per annum shall accrue on the notes for the two succeeding quarters and for as long thereafter as the leverage ratio remains above 3.75 to 1.00. Opco has not exceeded the 3.75 to 1.00 ratio at the end of any fiscal quarter through September 30, 2018.

12. Fair Value Measurements

Fair Value of Financial Instruments

The Partnership's financial instruments consist of cash and cash equivalents, accounts receivable, contracts receivable, accounts payable, debt, Preferred Units and warrants. The carrying amounts reported on the Consolidated Balance Sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short-term nature. There were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy during the three and nine months ended September 30, 2018 or 2017.

The Partnership uses available market data and valuation methodologies to estimate the fair value of debt. The fair value of debt is the estimated amount the Partnership would have to pay a third party to assume the debt, including a credit spread for the difference between the issue rate and the period end market rate. The credit spread is the Partnership's default or repayment risk.

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

The following table shows the carrying amount and estimated fair value of the Partnership's debt and contracts receivable:

| <u>(In thousands)</u> | September 30, 2018 | | December 31, 2017 | |
|--|--------------------|----------------------|-------------------|----------------------|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Debt: | | | | |
| NRP 2022 Senior Notes ⁽¹⁾ | \$ 333,119 | \$ 370,697 | \$ 330,404 | \$ 366,376 |
| Opco Senior Notes ⁽²⁾ | 363,596 | 393,056 | 418,944 | 447,538 |
| Opco Revolving Credit Facility ⁽³⁾ | 95,000 | 95,000 | 60,000 | 60,000 |
| Assets: | | | | |
| Contracts receivable, current and long-term ⁽⁴⁾ | \$ 41,228 | \$ 28,855 | \$ 43,826 | \$ 30,517 |

- (1) The Level 1 fair value is based upon quotations obtained for identical instruments on the closing trading prices near period end.
- (2) Due to no observable quoted prices on these instruments, the Level 3 fair value is estimated by management using quotations obtained for the NRP Senior Notes on the closing trading prices near period end.
- (3) The Level 3 fair value approximates the outstanding borrowing amount because the interest rates are variable and reflective of market rates and the terms of the credit facility allow the Partnership to repay this debt at any time without penalty.
- (4) The Level 3 fair value is determined based on the present value of future cash flow projections related to the underlying assets.

NRP has embedded derivatives in the Preferred Units related to certain conversion options, redemption features and the change of control provision that are accounted for separately from the Preferred Units as assets and liabilities at fair value on the Partnership's Consolidated Balance Sheets. Level 3 valuation of the embedded derivatives are based on numerous factors including the likelihood of the event occurring. The embedded derivatives are revalued quarterly and changes in their fair value would be recorded in other income (expense) in the Partnership's Consolidated Statements of Comprehensive Income. The embedded derivatives had zero value as of September 30, 2018 and December 31, 2017.

13. Related Party Transactions

Cline Affiliates and Foresight Energy L.P.

Mr. Chris Cline, both individually and through another affiliate, Adena Minerals, LLC ("Adena"), owned a 31% interest in NRP (GP) LP, NRP's general partner ("NRP GP"), through May 9, 2017. On May 9, 2017, Adena sold its 31% limited partner interest in NRP GP to Great Northern Properties Limited Partnership ("GNPLP") and Western Pocahontas Properties Limited Partnership ("WPPLP") (the "Adena Sale"). GNPLP and WPPLP are companies controlled by Corbin J. Robertson, the Chairman and Chief Executive Officer of GP Natural Resource Partners LLC (the general partner of NRP GP) ("GP LLC"). Upon closing of this transaction, NRP no longer considers the various companies affiliated with Chris Cline, including Foresight Energy to be affiliates of NRP. As a result, all transactions (including revenues, expenses and cash flows) after May 9, 2017 with the various companies affiliated with Chris Cline, including Foresight Energy, are considered to be third party transactions.

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Revenues and expenses related to transactions with Foresight Energy are included in the Partnership's Consolidated Statements of Comprehensive Income as follows:

| <u>(In thousands)</u> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------|------------------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues | | | | |
| Coal royalty and other | \$ 8,199 | \$ 13,251 | \$ 23,269 | \$ 13,894 |
| Coal royalty and other—affiliates | — | — | — | 21,203 |
| Transportation and processing services | 6,836 | 5,571 | 17,187 | 9,717 |
| Transportation and processing services—affiliate | — | — | — | 6,013 |
| Expenses | | | | |
| Operating and maintenance expense | \$ 478 | \$ 415 | \$ 1,290 | \$ 700 |
| Operating and maintenance expense—affiliates | — | — | — | 452 |

Coal Royalty and Other Revenues

Various subsidiaries of Foresight Energy lease coal reserves from the Partnership. In addition, NRP owns a contractual overriding royalty interest at Foresight Energy's Sugar Camp mine in the Illinois Basin which provides for payments based upon production from specific tons at Foresight Energy's Sugar Camp operations on certain reserves owned by another affiliate of Chris Cline. This overriding royalty is accounted for as a financing arrangement. Revenues related to these transactions are included in Coal royalty and other revenues in the Partnership's Consolidated Statements of Comprehensive Income.

Transportation and Processing Services Revenues and Expenses

The Partnership owns transportation and processing infrastructure related to certain of its coal properties, including loadout and other transportation assets at Foresight Energy's Williamson and Macoupin mines in the Illinois Basin, for which it collects throughput fees. These fees are included in Transportation and processing services revenues in the Partnership's Consolidated Statements of Comprehensive Income.

NRP is responsible for operating and maintaining the rail load out transportation assets at the Williamson mine and subcontracts the operating responsibilities to a subsidiary of Foresight Energy. Expenses related to these operations are included in Operating and maintenance expenses in the Partnership's Consolidated Statements of Comprehensive Income.

In addition, NRP owns rail loadout and associated infrastructure at the Sugar Camp mine, an Illinois Basin mine also operated by a subsidiary of Foresight Energy LP. While the Partnership owns coal reserves at the Williamson and Macoupin mines, it does not own coal reserves at the Sugar Camp mine. The infrastructure at the Sugar Camp mine is leased to a subsidiary of Foresight Energy and NRP collects throughput fees, which are included in Transportation and processing services revenues in the Partnership's Consolidated Statements of Comprehensive Income.

NRP's Sugar Camp rail load out lease with a subsidiary of Foresight Energy is accounted for as a financing lease. The following table shows certain amounts related to NRP's Sugar Camp rail load out facility financing lease:

| <u>(In thousands)</u> | September 30, | December 31, |
|------------------------------|---------------|--------------|
| | 2018 | 2017 |
| Projected remaining payments | \$ 67,727 | \$ 71,452 |
| Unearned income | 25,872 | 28,366 |

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Reimbursements to Affiliates of our General Partner

The Partnership's general partner does not receive any management fee or other compensation for its management of NRP. However, in accordance with the partnership agreement, the general partner and its affiliates are reimbursed for services provided to the Partnership and for expenses incurred on the Partnership's behalf. Employees of Quintana Minerals Corporation ("QMC") and WPPLP, affiliates of the Partnership, provide their services to manage the Partnership's business. QMC and WPPLP charge the Partnership the portion of their employee salary and benefits costs related to their employee services provided to NRP. These QMC and WPPLP employee management service costs are presented as Operating and maintenance expenses—affiliates and General and administrative—affiliates on the Partnership's Consolidated Statements of Comprehensive Income. NRP also reimburses overhead costs incurred by its affiliates to manage the Partnership's business. These overhead costs include certain rent, legal, accounting, treasury, information technology, insurance, administration of employee benefits and other corporate services incurred by or on behalf of the Partnership's general partner and its affiliates and are presented as Operating and maintenance expenses—affiliates and General and administrative—affiliates on the Partnership's Consolidated Statements of Comprehensive Income.

Direct general and administrative expenses charged to the Partnership by QMC and WPPLP are included in the Partnership's Consolidated Statement of Comprehensive Income as follows:

| <u>(In thousands)</u> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------|------------------------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Operating and maintenance expenses—affiliates | \$ 1,835 | \$ 1,772 | \$ 5,469 | \$ 5,737 |
| General and administrative—affiliates | 934 | 1,207 | 2,714 | 3,183 |

During the three months ended September 30, 2018 and 2017, the Partnership recognized \$0.6 million and \$0.4 million in Operating and maintenance expenses—affiliates, respectively, on its Consolidated Statements of Comprehensive Income related to a non-participating production royalty payable to WPPLP pursuant to a conveyance agreement entered into in 2007 in which coal royalty revenues received from a third party by NRP are passed back to WPPLP. These charges were \$3.5 million and \$0.7 million during the nine months ended September 30, 2018 and 2017, respectively.

At December 31, 2017, the Partnership had Other assets—affiliate from WPPLP on its Consolidated Balance Sheets related to a non-production royalty receivable from WPPLP for overriding royalty interest of \$0.2 million. The Partnership had Accounts payable—affiliates on its Consolidated Balance Sheets to QMC of \$0.4 million and WPPLP of \$0.2 million as of September 30, 2018 and to QMC of \$0.4 million and WPPLP of \$0.1 million as of December 31, 2017.

Quintana Capital Group GP, Ltd.

Corbin J. Robertson, Jr. is a principal in Quintana Capital Group GP, Ltd. ("Quintana Capital"), which controls several private equity funds focused on investments in the energy business. In connection with the formation of Quintana Capital, the Partnership adopted a formal conflicts policy that establishes the opportunities that will be pursued by the Partnership and those that will be pursued by Quintana Capital. The governance documents of Quintana Capital's affiliated investment funds reflect the guidelines set forth in the Partnership's conflicts policy. At September 30, 2018, a fund controlled by Quintana Capital owned a substantial interest in Corsa Coal Corp. ("Corsa"), a coal mining company traded on the TSX Venture Exchange that was one of the Partnership's lessees in Tennessee. During the three months ended June 30, 2018, Corsa assigned its lease with NRP to a third party and is no longer deemed a related party.

Coal related revenues from Corsa totaled \$0.3 million for the three months ended September 30, 2017. Coal related revenues from Corsa totaled \$0.4 million and \$1.0 million for the nine months ended September 30, 2018 and 2017, respectively. At December 31, 2017, the Partnership had Accounts receivable—affiliates totaling \$0.2 million from Corsa on its Consolidated Balance Sheet.

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Quinwood Coal Company Royalty

In May 2017, a subsidiary of Alpha Natural Resources assigned two coal leases with us to Quinwood Coal Company ("Quinwood"), an entity wholly owned by Corbin J. Robertson III. In connection with this lease assignment, Quinwood forfeited the historical recoupable balance related to this property. As a result, NRP recognized \$0.9 million of deferred minimum payments received in prior periods from a subsidiary of Alpha as Coal royalty and other—affiliates revenue on its Consolidated Statements of Comprehensive Income during the nine months ended September 30, 2017.

14. Major Customers

Revenues from customers that exceeded 10 percent of total revenues and other income for any of the periods presented below are as follows:

| <u>(In thousands)</u> | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|-----------------------|----------------------------------|---------|-----------|---------|---------------------------------|---------|-----------|---------|
| | 2018 | | 2017 | | 2018 | | 2017 | |
| | Revenues | Percent | Revenues | Percent | Revenues | Percent | Revenues | Percent |
| Foresight Energy | \$ 15,035 | 15.8% | \$ 18,781 | 20.1% | \$ 40,456 | 13.8% | \$ 50,827 | 18.4% |

Revenues from Foresight Energy are included within the Partnership's Coal Royalty and Other segment.

15. Commitments and Contingencies

Legal

NRP is involved, from time to time, in various legal proceedings arising in the ordinary course of business. While the ultimate results of these proceedings cannot be predicted with certainty, Partnership management believes these claims will not have a material effect on the Partnership's financial position, liquidity or operations. During the third quarter, NRP was also involved in the matters described below.

Anadarko Contingent Consideration Payment Dispute

In January 2013, NRP acquired a non-controlling 48.51% general partner interest in OCI Wyoming, L.P. ("OCI LP") and all of the preferred stock and a portion of the common stock of OCI Wyoming Co. ("OCI Co") (which in turn owned a 1% limited partner interest in OCI LP) from Anadarko Holding Company and its subsidiary, Big Island Trona Company (together, "Anadarko"). The remaining general partner interest in OCI LP and common stock of OCI Co were owned by subsidiaries of OCI Chemical Corporation. The acquisition agreement provided for additional contingent consideration of up to \$50 million to be paid by NRP if certain performance criteria were met at OCI LP as defined in the purchase and sale agreement in any of the years 2013, 2014 or 2015. For those years, NRP paid an aggregate of \$11.5 million to Anadarko in full satisfaction of these contingent consideration payment obligations.

In July 2013, pursuant to a series of transactions in connection with an initial public offering by a subsidiary of OCI Chemical Corporation, the ownership structure in OCI LP was simplified. In connection with such reorganization, NRP exchanged the stock of OCI Co for a limited partner interest in OCI LP. Following the reorganization, NRP's interest in OCI LP increased to 49%, consisting of both limited and general partner interests. The restructuring did not have any impact on the operations, revenues, management or control of OCI LP.

In July 2017, Anadarko filed a lawsuit against Opco and NRP Trona LLC alleging that the transactions conducted in 2013 triggered an acceleration of NRP's obligation under the purchase agreement with Anadarko to pay additional contingent consideration in full and demanded immediate payment of such amount, together with interest, court costs and attorneys' fees. NRP does not believe the reorganization transactions triggered an obligation to pay any additional contingent consideration, and is vigorously defending this lawsuit. However, the ultimate outcome cannot be predicted with certainty given the early stage of this matter, and the Partnership estimates a possible range of loss between \$0, if it prevails, and approximately \$40 million plus interest, court costs and attorneys' fees if Anadarko prevails and is awarded the full damages it seeks.

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Foresight Energy Settlement

On October 19, 2018, NRP, through one of its subsidiaries, and Foresight Energy entered into a definitive agreement to settle the lawsuits regarding Foresight Energy's Hillsboro/Deer Run mine and Macoupin/Shay mine (the "Settlement Agreement"). On October 31, 2018, the parties finalized definitive additional documentation pursuant to the Settlement Agreement, and NRP received an upfront payment of \$25 million from Foresight Energy in consideration of disputed past due amounts. In addition, NRP and Foresight Energy have amended the coal mining lease with respect to the Deer Run mine to change the \$30 million recoupable annual minimum royalty payments to \$11 million non-recoupable annual minimum payments and extend the current lease term through the end of 2033. All claims will be dismissed in both the Hillsboro and Macoupin lawsuits. The dismissal of the Macoupin lawsuit has no net impact to the financial results as such amounts have been fully reserved in previous periods.

16. Unit-Based Compensation

2017 Long-Term Incentive Plan

In December 2017, the 2017 Long-Term Incentive Plan (the "2017 LTIP") was approved and it became effective in January 2018. The 2017 LTIP authorizes 800,000 common units that are available for delivery by the Partnership pursuant to awards under the plan. The term is 10 years from the date of Board approval or, if earlier, the date the 2017 LTIP is terminated by the Board or the committee appointed by the Board to administer the 2017 LTIP, or the date all available common units available have been delivered. Common units delivered pursuant to the 2017 LTIP will consist, in whole or part, of (i) common units acquired in the open market, (ii) common units acquired from the Partnership (including newly issued units), any of our affiliates or any other person or (iii) any combination of the foregoing.

Employees, consultants and non-employee directors of the Partnership, the General Partner, GP LLC and their affiliates are generally eligible to receive awards under the 2017 LTIP. The 2017 LTIP provides for the issuance of a variety of equity-based grants, including grants of (i) options, (ii) unit appreciation rights, (iii) restricted units, (iv) phantom units, (v) cash awards, (vi) performance awards, (vii) distribution equivalent rights, and (viii) other unit-based awards. The plan is administered by the Compensation, Nominating and Governance Committee of the Board, which will determine the terms and conditions of awards granted under the 2017 LTIP. The Partnership recognizes forfeitures for any awards issued under this plan as they occur.

In connection with the phantom unit awards, the Compensation, Nominating and Governance Committee also granted tandem Distribution Equivalent Rights ("DERs"), which entitle the holders to receive distributions equal to the distributions paid on the Partnership's common units between the date the units are granted and the vesting date. The DERs are payable in cash upon vesting but may be subject to forfeiture if the grantee ceases employment prior to vesting.

NATURAL RESOURCE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED
(Unaudited)

Unit-Based Awards

Unit-based awards under the 2017 LTIP are generally issued to certain employees and non-employee directors of the Partnership. Awards granted to employees vest at the end of a three year period and awards granted to non-employee directors are immediately vested. Directors are given the option to take immediate issuance of the vested awards or defer such issuance until a later date. Upon deferral of issuance, such units will continue to accumulate DERs until issuance.

A summary of the activity during nine months ended September 30, 2018 is as follows:

| <u>(In thousands)</u> | <u>Common Units</u> | <u>Weighted Average Exercise Price</u> |
|-----------------------------------|---------------------|--|
| Outstanding at January 1, 2018 | — | \$ — |
| Granted | 75 | \$ 29.16 |
| Fully vested and issued | (14) | \$ 29.44 |
| Forfeitures | — | \$ — |
| Outstanding at September 30, 2018 | <u>61</u> | <u>\$ 29.10</u> |

The awards granted in the first quarter of 2018 were valued using the closing price of NRP's units as of the grant date. The grant date fair value of the 2017 LTIP awards granted during the period was \$2.2 million, including awards granted to board members with a grant date fair value of \$0.6 million which immediately vested and of which \$0.4 million were issued. Total unit-based compensation expense associated with these awards was \$0.2 million for the three months ended September 30, 2018 and \$0.9 million for the nine months ended September 30, 2018 and is included in General and administrative expense and Operating and maintenance expense in the Partnership's Consolidated Statements of Comprehensive Income. The unamortized cost associated with unvested outstanding awards as of September 30, 2018 is \$1.3 million, which is to be recognized over a weighted average period of 2.4 years.

17. Subsequent Events

The following represents material events that have occurred subsequent to September 30, 2018 through the time of the Partnership's filing of its Quarterly Report on Form 10-Q with the SEC:

Settlement of Foresight Energy Disputes

On October 19, 2018, NRP and Foresight Energy settled both the Hillsboro and Macoupin lawsuits as disclosed in [Note 15. Commitments and Contingencies](#).

Distributions Declared

In October 2018, the Board of Directors of GP Natural Resource Partners LLC declared a distribution of \$0.45 per common unit to be paid by the Partnership on November 14, 2018 to common unitholders of record on November 7, 2018. In addition, the Board declared a distribution on NRP's 12.0% Class A Convertible Preferred Units with respect to the third quarter totaling \$7.5 million in cash.

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

The following review of operations for the three and nine month periods ended September 30, 2018 and 2017 should be read in conjunction with our Consolidated Financial Statements and the Notes included in this Form 10-Q and with the Consolidated Financial Statements, Notes and Management's Discussion and Analysis included in the Natural Resource Partners LP Annual Report on Form 10-K for the year ended December 31, 2017.

As used herein, unless the context otherwise requires: "we," "our," "us" and the "Partnership" refer to Natural Resource Partners L.P. and, where the context requires, our subsidiaries. References to "NRP" and "Natural Resource Partners" refer to Natural Resource Partners L.P. only, and not to NRP (Operating) LLC or any of Natural Resource Partners L.P.'s subsidiaries. References to "Opco" refer to NRP (Operating) LLC, a wholly owned subsidiary of NRP, and its subsidiaries. NRP Finance Corporation ("NRP Finance") is a wholly owned subsidiary of NRP and a co-issuer with NRP on the 2022 senior notes.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Statements included in this 10-Q may constitute forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements which are also forward-looking statements. Such forward-looking statements include, among other things, statements regarding: our business strategy; our liquidity and access to capital and financing sources; our financial strategy; prices of and demand for coal, trona and soda ash, construction aggregates and other natural resources; estimated revenues, expenses and results of operations; the amount, nature and timing of capital expenditures; projected production levels by our lessees and our construction aggregates business; Ciner Wyoming LLC's ("Ciner Wyoming's") trona mining and soda ash refinery operations; the impact of governmental policies, laws and regulations, as well as regulatory and legal proceedings involving us, and of scheduled or potential regulatory or legal changes; and global and U.S. economic conditions.

These forward-looking statements speak only as of the date hereof and are made based upon our current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us and involve a number of risks and uncertainties. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements. You should not put undue reliance on any forward-looking statements. See "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017 for important factors that could cause our actual results of operations or our actual financial condition to differ.

NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA (Non-GAAP Financial Measure)

Adjusted EBITDA is a non-GAAP financial measure that we define as net income (loss) from continuing operations less equity earnings from unconsolidated investment; plus (minus) net loss (income) attributable to non-controlling interest; plus total distributions from unconsolidated investment, interest expense, net, debt modification expense, loss on extinguishment of debt, depreciation, depletion and amortization and asset impairments.

Adjusted EBITDA should not be considered an alternative to, or more meaningful than, net income or loss, net income or loss attributable to partners, operating income, cash flows from operating activities or any other measure of financial performance presented in accordance with GAAP as measures of operating performance, liquidity or ability to service debt obligations. There are significant limitations to using Adjusted EBITDA as a measure of performance, including the inability to analyze the effect of certain recurring items that materially affect our net income (loss), the lack of comparability of results of operations of different companies and the different methods of calculating Adjusted EBITDA reported by different companies. In addition, Adjusted EBITDA presented below is not calculated or presented on the same basis as Consolidated EBITDA as defined in our partnership agreement or Consolidated EBITDDA as defined in Opco's debt agreements. For a description of Opco's debt agreements, see [Note 11. Debt, Net](#) in the Notes to Consolidated Financial Statements included herein as well as "Item 8. Financial Statements and Supplementary Data—Note 13. Debt" in our Annual Report on Form 10-K for the year ended December 31, 2017 as for a description of Opco's debt agreements.

Adjusted EBITDA is a supplemental performance measure used by our management and by external users of our financial statements, such as investors, commercial banks, research analysts and others to assess the financial performance of our assets without regard to financing methods, capital structure or historical cost basis.

Distributable Cash Flow (Non-GAAP Financial Measure)

Our Distributable cash flow ("DCF") represents net cash provided by operating activities of continuing operations plus distributions from unconsolidated investment in excess of cumulative earnings, proceeds from sales of assets, including those included in discontinued operations, and return of long-term contract receivables (including affiliate); less maintenance capital expenditures and distributions to non-controlling interest. DCF is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing or financing activities. DCF may not be calculated the same for us as for other companies. In addition, DCF presented below is not calculated or presented on the same basis as Distributable cash flow as defined in our partnership agreement, which is used as a metric to determine whether we are able to increase quarterly distributions to our common unitholders. DCF is a supplemental liquidity measure used by our management and by external users of our financial statements, such as investors, commercial banks, research analysts and others to assess our ability to make cash distributions to our common and preferred unitholders and our general partner and repay debt.

Free Cash Flow (Non-GAAP Financial Measure)

Our Free cash flow ("FCF") represents net cash provided by operating activities of continuing operations plus distributions from unconsolidated investment in excess of cumulative earnings and return of long-term contract receivables (including affiliate); less maintenance and expansion capital expenditures, cash flow used in mitigation payments and acquisition costs classified as financing activities and distributions to non-controlling interest. FCF is calculated before mandatory debt repayments. FCF is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing or financing activities. FCF may not be calculated the same for us as for other companies. FCF is a supplemental liquidity measure used by our management and by external users of our financial statements, such as investors, commercial banks, research analysts and others to assess the Partnership's ability to make cash distributions to our common and preferred unitholders and our general partner and repay debt.

Introduction

The following discussion and analysis presents management's view of our business, financial condition and overall performance. Our discussion and analysis consists of the following subjects:

- Executive Overview
- Results of Operations
- Liquidity and Capital Resources
- Off-Balance Sheet Transactions
- Related Party Transactions
- Summary of Critical Accounting Estimates
- Recent Accounting Standards

Executive Overview

We are a diversified natural resource company engaged principally in the business of owning, operating, managing and leasing a portfolio of mineral properties in the United States, including interests in coal, soda ash from trona and other natural resources, and operating a construction aggregates business. Our common units trade on the New York Stock Exchange under the symbol "NRP".

Our business is organized into three operating segments:

Coal Royalty and Other—consists primarily of coal royalty properties and coal-related transportation and processing assets. Other assets include aggregates, industrial mineral and oil and gas royalty properties and timber. Our coal reserves are primarily located in Appalachia, the Illinois Basin and in the western United States. Our aggregates and industrial minerals are located in a number of states across the United States. Our oil and gas royalty assets are primarily located in Louisiana and Pennsylvania.

Soda Ash—consists of our 49% non-controlling equity interest in Ciner Wyoming, a trona ore mining operation and soda ash refinery, in the Green River Basin of Wyoming. Ciner Resources LP, our operating partner, mines the trona, processes it into soda ash and distributes the soda ash both domestically and internationally to the glass and chemicals industries. We receive quarterly distributions from Ciner Wyoming.

Construction Aggregates—consists of our construction aggregates materials business that operates hard rock quarries, an underground limestone mine, sand and gravel plants, asphalt plants and marine terminals. The construction aggregates business operates in Pennsylvania, West Virginia, Tennessee, Kentucky and Louisiana.

Our 2018 year-to-date financial results by segment for the nine months ended September 30, 2018 are as follows:

| (In thousands) | Operating Segments | | | Corporate and Financing | Total |
|---|------------------------|-----------|-------------------------|-------------------------|-------------|
| | Coal Royalty and Other | Soda Ash | Construction Aggregates | | |
| Revenues and other income | \$ 152,969 | \$ 34,986 | \$ 104,423 | \$ — | \$ 292,378 |
| Net income (loss) from continuing operations | \$ 116,414 | \$ 34,986 | \$ 3,620 | \$ (63,959) | \$ 91,061 |
| Adjusted EBITDA ⁽¹⁾ | \$ 131,510 | \$ 36,750 | \$ 13,025 | \$ (10,782) | \$ 170,503 |
| Cash flow provided by (used in) continuing operations | | | | | |
| Operating activities | \$ 132,122 | \$ 34,653 | \$ 10,224 | \$ (68,982) | \$ 108,017 |
| Investing activities | \$ 3,432 | \$ 2,097 | \$ (9,343) | \$ — | \$ (3,814) |
| Financing activities | \$ — | \$ — | \$ (754) | \$ (69,889) | \$ (70,643) |
| Distributable cash flow ⁽¹⁾ | \$ 135,554 | \$ 36,750 | \$ 6,051 | \$ (68,982) | \$ 109,373 |
| Free cash flow ⁽¹⁾ | \$ 134,728 | \$ 36,750 | \$ (196) | \$ (68,982) | \$ 102,300 |

(1) See "Results of Operations" below for reconciliations to the most comparable GAAP financial measures.

Corporate and Financing includes functional corporate departments that do not earn revenues, such as interest and financing, corporate headquarters and overhead, centralized treasury and accounting and other corporate-level activity not specifically allocated to a segment.

Current Results/Market Commentary

Coal Royalty and Other Business Segment

Results in the first nine months of 2018 were driven by continued strength in both metallurgical and thermal coal markets. Metallurgical coal prices of all grades have been driven higher from 2017 levels due to worldwide steel production growth along with a muted supply response from metallurgical coal producers due to various constraints. Benefiting from higher metallurgical coal prices, we derived approximately 68% of our coal royalty revenues and approximately 57% of our coal royalty production from metallurgical coal during the nine months ended September 30, 2018. For the remainder of 2018, we are monitoring ongoing trade and tariff negotiations in order to assess the associated risk to global economic growth. We currently expect metallurgical coal markets to remain stable due to supportive steel industry fundamentals combined with logistical and operational supply constraints across the industry.

The domestic market for thermal coal has benefited from increased export demand from Asia, principally India, and northern Europe resulting in higher year over year prices in Central and Northern Appalachia. Utility coal stockpiles are materially below 5 year averages, which should provide additional positive pressure on domestic thermal coal prices in 2019 as utilities will be forced to enter the market and bid against export elevated coal prices to replenish their supply. Meanwhile, natural gas inventories are near 10 year lows which should similarly provide upward price support. In addition, we expect natural gas production growth to stabilize throughout 2019 due to capital discipline from producers and expected liquefied natural gas export growth. Higher natural gas prices are expected to increase domestic thermal coal's competitiveness and increase coal burn, potentially helping to stabilize the domestic thermal market despite the long term trend of continued coal fired power plant retirements and increased availability of renewable power generation.

Soda Ash Business Segment

Ciner Wyoming's results are primarily affected by the global supply of and demand for soda ash, which in turn directly impacts the prices Ciner Wyoming and other producers charge for its products. Demand for soda ash in the United States is driven in a large part by economic growth and activity levels in the end markets that the glass-making industry serve, such as the automotive and construction industries. Because the United States is a well-developed market for soda ash, we expect that domestic demand will remain stable for the near future. Because future United States capacity growth is expected to come from the four major producers in the Green River Basin, we also expect that U.S. supply levels will remain relatively stable in the near term.

Soda ash demand in international markets has continued to grow in conjunction with GDP. We expect that future global economic growth will positively influence global demand, which will likely result in increased exports, primarily from the United States, Turkey and to a limited extent, from China, the largest suppliers of soda ash to international markets. However, in the near term, new supply coming on-line, primarily in Turkey, may exceed any new growth in demand and could have an impact on international pricing.

Construction Aggregates Business Segment

Our construction aggregates business is largely dependent on the strength of the local markets that it serves. In particular, key drivers of performance in the regions of our operations include: 1) natural gas drilling customers in the Marcellus shale, 2) traditional construction markets of Southwest Pennsylvania and Northern West Virginia, 3) energy-related and infrastructure spending in the Louisiana market, and 4) military spending and traditional construction markets in the Clarksville, Tennessee market. The business is also seasonal, with lower production and sales during the first quarter each year.

Results of Operations

Third Quarter of 2018 and 2017 Compared

Revenues and Other Income

The following table includes our revenues and other income by business segment for the three months ended September 30, 2018 and 2017:

| <u>Business Segment (In thousands)</u> | <u>For the Three Months Ended September 30,</u> | | <u>Increase (Decrease)</u> | <u>Percentage Change</u> |
|--|---|------------------|--------------------------------|------------------------------|
| | <u>2018</u> | <u>2017</u> | | |
| Coal Royalty and Other | \$ 49,371 | \$ 49,567 | \$ (196) | — % |
| Soda Ash | 8,836 | 8,993 | (157) | (2)% |
| Construction Aggregates | 36,811 | 34,727 | 2,084 | 6 % |
| Total | <u>\$ 95,018</u> | <u>\$ 93,287</u> | <u>\$ 1,731</u> | 2 % |

The changes in revenue and other income is discussed for each of our business segments below:

Coal Royalty and Other

The table below presents coal production, coal royalty revenue per ton and coal royalty revenues (including affiliates) by major coal producing region and the significant categories of other revenues:

| (In thousands, except percent and per ton data) | Three Months Ended September 30, | | Increase (Decrease) | Percentage Change |
|--|---|-------------|--------------------------------|------------------------------|
| | 2018 | 2017 | | |
| Coal production (tons) | | | | |
| Appalachia | | | | |
| Northern | 349 | 226 | 123 | 54 % |
| Central | 3,873 | 3,596 | 277 | 8 % |
| Southern | 346 | 468 | (122) | (26)% |
| Total Appalachia | 4,568 | 4,290 | 278 | 6 % |
| Illinois Basin | 609 | 794 | (185) | (23)% |
| Northern Powder River Basin | 855 | 849 | 6 | 1 % |
| Total coal production | 6,032 | 5,933 | 99 | 2 % |
| Coal royalty revenue per ton | | | | |
| Appalachia | | | | |
| Northern | \$ 4.01 | \$ 3.26 | \$ 0.75 | 23 % |
| Central | 5.37 | 4.77 | 0.60 | 13 % |
| Southern | 6.82 | 5.73 | 1.09 | 19 % |
| Illinois Basin | 4.89 | 4.32 | 0.57 | 13 % |
| Northern Powder River Basin | 3.79 | 3.47 | 0.32 | 9 % |
| Combined average coal royalty revenue per ton | 5.10 | 4.54 | 0.56 | 12 % |
| Coal royalty revenues | | | | |
| Appalachia | | | | |
| Northern | \$ 1,402 | \$ 737 | \$ 665 | 90 % |
| Central | 20,786 | 17,154 | 3,632 | 21 % |
| Southern | 2,359 | 2,683 | (324) | (12)% |
| Total Appalachia | 24,547 | 20,574 | 3,973 | 19 % |
| Illinois Basin | 2,973 | 3,431 | (458) | (13)% |
| Northern Powder River Basin | 3,237 | 2,945 | 292 | 10 % |
| Unadjusted coal royalty revenue | 30,757 | 26,950 | 3,807 | 14 % |
| Coal royalty adjustment for minimum leases ⁽¹⁾ | (48) | — | (48) | (100)% |
| Total coal royalty revenue | \$ 30,709 | \$ 26,950 | \$ 3,759 | 14 % |
| Other revenues | | | | |
| Production lease minimum revenue ^{(1) (2)} | \$ 1,769 | \$ 9,812 | \$ (8,043) | (82)% |
| Minimum lease straight-line revenue ⁽¹⁾ | 567 | — | 567 | 100 % |
| Property tax revenue | 1,263 | 513 | 750 | 146 % |
| Wheelage revenue | 1,572 | 1,219 | 353 | 29 % |
| Coal overriding royalty revenue | 3,918 | 3,059 | 859 | 28 % |
| Lease assignment fee | — | 1,000 | (1,000) | (100)% |
| Aggregates royalty revenues | 888 | 817 | 71 | 9 % |
| Oil and gas royalty revenues | 1,427 | 117 | 1,310 | 1,120 % |
| Other | 405 | 356 | 49 | 14 % |
| Total other revenues | \$ 11,809 | \$ 16,893 | \$ (5,084) | (30)% |
| Coal royalty and other | 42,518 | 43,843 | (1,325) | (3)% |
| Transportation and processing services | 6,853 | 5,570 | 1,283 | 23 % |
| Gain on asset sales, net | — | 154 | (154) | (100)% |
| Total coal royalty and other segment revenues and other income | \$ 49,371 | \$ 49,567 | \$ (196) | — % |

- (1) These line items were impacted by the adoption of the new revenue recognition standard effective January 1, 2018. The total impact of the adoption of this standard in the three months ended September 30, 2018 was a net decrease of \$3.2 million in coal royalty and other revenues. Refer to [Note 1. Basis of Presentation](#) for the overall impact of the adoption of the new revenue recognition standard on our consolidated financial statements and [Note 2. Revenue from Contracts with Customers](#) for further discussion on changes in our revenue recognition policies as a result of this adoption.
- (2) Production lease minimum revenue decreased in total by \$8.0 million as compared to the prior year quarter. Of this decrease, \$4.3 million was the result of higher revenue from the expiration of minimums recognized in the prior year period and \$3.7 million was a result of the new revenue recognition standard, which included \$5.0 million of expired minimums from minimum leases which is now recognized straight-line over the lease term in Minimum lease straight-line revenue, partially offset by \$1.3 million of breakage revenue related to production leases.

Coal Royalty Revenue

Coal royalty revenues increased \$3.8 million, or 14%, from \$27.0 million in the three months ended September 30, 2017 to \$30.7 million in the three months ended September 30, 2018. This increase is primarily driven by a \$4.0 million increase in Appalachia as a result of higher metallurgical and thermal coal prices and higher metallurgical coal production, partially offset by lower thermal coal production.

Other Revenues

Total other revenues decreased \$5.1 million, or 30%, from \$16.9 million in the three months ended September 30, 2017 to \$11.8 million in the three months ended September 30, 2018 as a result of the impact of the new revenue recognition standard as discussed above, partially offset by increased performance of our natural gas royalty properties.

Transportation and Processing Services

Transportation and processing services revenue increased \$1.3 million, or 23%, from \$5.6 million in the three months ended September 30, 2017 to \$6.9 million in the three months ended September 30, 2018 driven by the increase in tons processed and transported using our assets at the Sugar Camp, Williamson, and Macoupin mines.

Construction Aggregates

The table below presents major sources of Construction Aggregates revenues:

| (In thousands) | For the Three Months Ended September 30, | | Increase (Decrease) | Percentage Change |
|---|---|-----------|------------------------|----------------------|
| | 2018 | 2017 | | |
| Crushed stone, sand and gravel | \$ 16,618 | \$ 16,724 | \$ (106) | (1)% |
| Delivery and fuel income | 10,825 | 9,980 | 845 | 8 % |
| Other | 2,955 | 2,849 | 106 | 4 % |
| Total construction aggregates revenues | \$ 30,398 | \$ 29,553 | \$ 845 | 3 % |
| Road construction and asphalt paving services | 6,250 | 5,157 | 1,093 | 21 % |
| Gain on asset sales, net | 163 | 17 | 146 | 859 % |
| Total construction aggregates revenues and other income | \$ 36,811 | \$ 34,727 | \$ 2,084 | 6 % |

Total construction aggregates revenues and other income increased \$2.1 million, or 6%, from \$34.7 million in the three months ended September 30, 2017 to \$36.8 million in the three months ended September 30, 2018. This increase is primarily due to higher road construction and asphalt paving project activity. While delivery and fuel income increased \$0.8 million, this revenue was fully offset by higher delivery and fuel costs.

Operating and Other Expenses

The table below presents the significant categories of our consolidated operating and other expenses:

| (In thousands) | For the Three Months Ended September 30, | | Increase (Decrease) | Percentage Change |
|---|---|-----------|------------------------|----------------------|
| | 2018 | 2017 | | |
| Operating expenses | | | | |
| Operating and maintenance expenses (including affiliates) | \$ 37,548 | \$ 34,595 | \$ 2,953 | 9 % |
| Depreciation, depletion and amortization (including affiliates) | 8,221 | 8,306 | (85) | (1)% |
| General and administrative (including affiliates) | 3,183 | 3,855 | (672) | (17)% |
| Total operating expenses | \$ 48,952 | \$ 46,756 | \$ 2,196 | 5 % |
| Other expense, net | | | | |
| Interest expense, net | \$ 17,501 | \$ 20,032 | \$ (2,531) | (13)% |
| Total other expense, net | \$ 17,501 | \$ 20,032 | \$ (2,531) | (13)% |

Total operating expenses increased \$2.2 million, or 5%, from \$46.8 million in the three months ended September 30, 2017 to \$49.0 million in the three months ended September 30, 2018. This increase is primarily related to the following:

- Operating and maintenance expenses (including affiliate) increased \$3.0 million, or 9% due to the following:
 - Construction Aggregates segment operating and maintenance expenses include the costs to operate the segment and primarily consist of delivery and fuel, production costs, repair and maintenance, labor costs and utilities. Operating and maintenance costs for this segment increased \$2.5 million, or 9%, from \$28.2 million in the three months ended September 30, 2017 to \$30.8 million in the three months ended September 30, 2018 primarily as a result of higher cost of materials and increased materials used due to increased construction and asphalt paving activity as well as higher delivery and labor costs.
 - Coal Royalty and Other segment operating and maintenance expenses include costs to manage the segment and primarily consist of property taxes, legal, royalty and employee related costs. Operating and maintenance costs for this segment increased \$0.4 million, or 7%, from \$6.3 million in the three months ended September 30, 2017 to \$6.8 million in the three months ended September 30, 2018 primarily as a result of increased legal and consulting fees related to the lawsuits regarding Foresight Energy's Hillsboro/Deer Run mine and Macoupin/Shay mine in addition to higher property tax expense and increased overriding royalty interest fees, partially offset by \$1.5 million of bad debt expense during the three months ended September 30, 2017 related to the write-off of a note receivable.
- General and administrative (G&A) expense decreased \$0.7 million, or 17%, primarily due to lower salaries and benefits and lower professional fees.

Total other expense, net decreased \$2.5 million, or 13%, primarily due to decreased interest expense, net resulting from lower principal balances during the third quarter of 2018 as a result of debt repayments, partially offset by higher weighted average interest rates.

Adjusted EBITDA (Non-GAAP Financial Measure)

The following table reconciles net income (loss) from continuing operations (the most comparable GAAP financial measure) to Adjusted EBITDA by business segment for the three months ended September 30, 2018 and 2017:

| For the Three Months Ended (in thousands) | Operating Segments | | | Corporate and Financing | Total |
|---|------------------------|-----------|-------------------------|-------------------------|-----------|
| | Coal Royalty and Other | Soda Ash | Construction Aggregates | | |
| September 30, 2018 | | | | | |
| Net income (loss) from continuing operations | \$ 37,751 | \$ 8,836 | \$ 2,654 | \$ (20,676) | \$ 28,565 |
| Less: equity earnings from unconsolidated investment | — | (8,836) | — | — | (8,836) |
| Add: net loss attributable to non-controlling interest | 359 | — | — | — | 359 |
| Add: total distributions from unconsolidated investment | — | 12,250 | — | — | 12,250 |
| Add: interest expense, net | — | — | 8 | 17,493 | 17,501 |
| Add: depreciation, depletion and amortization | 4,888 | — | 3,333 | — | 8,221 |
| Adjusted EBITDA | \$ 42,998 | \$ 12,250 | \$ 5,995 | \$ (3,183) | \$ 58,060 |
| September 30, 2017 | | | | | |
| Net income (loss) from continuing operations | \$ 37,992 | \$ 8,993 | \$ 3,342 | \$ (23,828) | \$ 26,499 |
| Less: equity earnings from unconsolidated investment | — | (8,993) | — | — | (8,993) |
| Add: total distributions from unconsolidated investment | — | 12,250 | — | — | 12,250 |
| Add: interest expense, net | — | — | 59 | 19,973 | 20,032 |
| Add: depreciation, depletion and amortization | 5,305 | — | 3,001 | — | 8,306 |
| Adjusted EBITDA | \$ 43,297 | \$ 12,250 | \$ 6,402 | \$ (3,855) | \$ 58,094 |

Total Consolidated Adjusted EBITDA was flat for the three months ended September 30, 2018 as compared to the same quarter of 2017. While Adjusted EBITDA decreased in our Coal Royalty and Other segment and Construction Aggregates segment as a result of the higher operating and maintenance expense as explained above, Corporate and Financing Adjusted EBITDA increased as a result of lower G&A costs, also discussed above.

Distributable Cash Flow and Free Cash Flow (Non-GAAP Financial Measures)

The following table presents the three major categories of the statement of cash flows by business segment:

| For the Three Months Ended (in thousands) | Operating Segments | | | Corporate and Financing | Total |
|---|---------------------------|-----------|----------------------------|----------------------------|-----------|
| | Coal Royalty and Other | Soda Ash | Construction Aggregates | | |
| September 30, 2018 | | | | | |
| Cash flow provided by (used in) continuing operations | | | | | |
| Operating activities | \$ 41,604 | \$ 12,250 | \$ 6,941 | \$ (27,368) | \$ 33,427 |
| Investing activities | 1,590 | — | (3,571) | — | (1,981) |
| Financing activities | — | — | (239) | (20,795) | (21,034) |
| September 30, 2017 | | | | | |
| Cash flow provided by (used in) continuing operations | | | | | |
| Operating activities | \$ 44,119 | \$ 8,992 | \$ 2,155 | \$ (29,466) | \$ 25,800 |
| Investing activities | 676 | 3,258 | (1,163) | — | 2,771 |
| Financing activities | 484 | — | — | 51,406 | 51,890 |

The following table reconciles net cash provided by operating activities (the most comparable GAAP financial measure) by business segment to Distributable cash flow ("DCF") and Free cash flow ("FCF") for the three months ended September 30, 2018 and 2017:

| For the Three Months Ended (in thousands) | Operating Segments | | | Corporate and Financing | Total |
|--|------------------------|------------------|-------------------------|-------------------------|------------------|
| | Coal Royalty and Other | Soda Ash | Construction Aggregates | | |
| September 30, 2018 | | | | | |
| Net cash provided by (used in) operating activities of continuing operations | \$ 41,604 | \$ 12,250 | \$ 6,941 | \$ (27,368) | \$ 33,427 |
| Add: proceeds from sale of assets | — | — | 238 | — | 238 |
| Add: return on long-term contract receivables | 1,590 | — | — | — | 1,590 |
| Less: maintenance capital expenditures | — | — | (1,473) | — | (1,473) |
| Distributable cash flow | <u>\$ 43,194</u> | <u>\$ 12,250</u> | <u>\$ 5,706</u> | <u>\$ (27,368)</u> | <u>\$ 33,782</u> |
| Less: proceeds from the sale of assets | — | — | (238) | — | (238) |
| Less: expansion capital expenditures | — | — | (2,336) | — | (2,336) |
| Less: mitigation payments and acquisition costs classified as financing activities | — | — | (239) | — | (239) |
| Free cash flow | <u>\$ 43,194</u> | <u>\$ 12,250</u> | <u>\$ 2,893</u> | <u>\$ (27,368)</u> | <u>\$ 30,969</u> |
| September 30, 2017 | | | | | |
| Net cash provided by (used in) operating activities of continuing operations | \$ 44,119 | \$ 8,992 | \$ 2,155 | \$ (29,466) | \$ 25,800 |
| Add: distributions from unconsolidated investment in excess of cumulative earnings | — | 3,258 | — | — | 3,258 |
| Add: proceeds from sale of assets | 76 | — | 75 | — | 151 |
| Add: return on long-term contract receivables | 600 | — | — | — | 600 |
| Less: maintenance capital expenditures | — | — | (926) | — | (926) |
| Distributable cash flow | <u>\$ 44,795</u> | <u>\$ 12,250</u> | <u>\$ 1,304</u> | <u>\$ (29,466)</u> | <u>\$ 28,883</u> |
| Less: proceeds from the sale of assets | (76) | — | (75) | — | (151) |
| Less: expansion capital expenditures | — | — | (312) | — | (312) |
| Free cash flow | <u>\$ 44,719</u> | <u>\$ 12,250</u> | <u>\$ 917</u> | <u>\$ (29,466)</u> | <u>\$ 28,420</u> |

DCF and FCF increased \$4.9 million and \$2.5 million, respectively, in the three months ended September 30, 2018 as compared to the three months ended September 30, 2017. This increase is due primarily to the following:

- Coal Royalty and Other segment DCF and FCF decreased \$1.6 million and \$1.5 million, respectively, primarily as a result of the timing of payments.
- Construction Aggregates segment DCF and FCF increased \$4.4 million and \$2.0 million, respectively, primarily due to the timing of certain operating payments, partially offset by increased capital expenditures.
- Corporate and Financing DCF and FCF increased \$2.1 million primarily as a result of interest payments made in 2017 on NRP's 9.125% Senior Notes, which were fully repaid in the fourth quarter of 2017.

Results of Operations

First Nine Months of 2018 and 2017 Compared

Revenues and Other Income

The following table shows our revenues and other income by business segment for the nine months ended September 30, 2018 and 2017:

| <u>Business Segment (In thousands)</u> | For the Nine Months Ended September 30, | | Increase (Decrease) | Percentage Change |
|--|--|-------------------|------------------------|----------------------|
| | 2018 | 2017 | | |
| Coal Royalty and Other | \$ 152,969 | \$ 153,544 | \$ (575) | — % |
| Soda Ash | 34,986 | 27,676 | 7,310 | 26 % |
| Construction Aggregates | 104,423 | 95,695 | 8,728 | 9 % |
| Total | <u>\$ 292,378</u> | <u>\$ 276,915</u> | <u>\$ 15,463</u> | 6 % |

The changes in revenues and other income for each business segment are discussed below:

Coal Royalty and Other

The table below presents coal production, coal royalty revenue per ton and coal royalty revenues (including affiliates) derived from our major coal producing regions and the significant categories of other revenues:

| <u>(In thousands, except per ton data)</u> | For the Nine Months Ended September 30, | | Increase (Decrease) | Percentage Change |
|--|--|------------|------------------------|----------------------|
| | 2018 | 2017 | | |
| Coal production (tons) | | | | |
| Appalachia | | | | |
| Northern | 1,490 | 1,672 | (182) | (11)% |
| Central | 11,582 | 11,193 | 389 | 3 % |
| Southern | 1,288 | 1,721 | (433) | (25)% |
| Total Appalachia | 14,360 | 14,586 | (226) | (2)% |
| Illinois Basin | 2,091 | 3,545 | (1,454) | (41)% |
| Northern Powder River Basin | 2,896 | 2,708 | 188 | 7 % |
| Total coal production | 19,347 | 20,839 | (1,492) | (7)% |
| Coal royalty revenue per ton | | | | |
| Appalachia | | | | |
| Northern | \$ 3.82 | \$ 1.36 | \$ 2.46 | 181 % |
| Central | 5.57 | 5.09 | 0.48 | 9 % |
| Southern | 6.98 | 5.95 | 1.03 | 17 % |
| Illinois Basin | 4.56 | 3.68 | 0.88 | 24 % |
| Northern Powder River Basin | 2.70 | 2.89 | (0.19) | (7)% |
| Combined average coal royalty revenue per ton | 4.99 | 4.34 | 0.65 | 15 % |
| Coal royalty revenues | | | | |
| Appalachia | | | | |
| Northern | \$ 5,698 | \$ 2,279 | \$ 3,419 | 150 % |
| Central | 64,538 | 57,027 | 7,511 | 13 % |
| Southern | 8,985 | 10,242 | (1,257) | (12)% |
| Total Appalachia | 79,221 | 69,548 | 9,673 | 14 % |
| Illinois Basin | 9,533 | 13,055 | (3,522) | (27)% |
| Northern Powder River Basin | 7,817 | 7,827 | (10) | — % |
| Unadjusted coal royalty revenue | 96,571 | 90,430 | 6,141 | 7 % |
| Coal royalty adjustment for minimum leases ⁽¹⁾ | (98) | — | (98) | (100)% |
| Total coal royalty revenue | \$ 96,473 | \$ 90,430 | \$ 6,043 | 7 % |
| Other revenues | | | | |
| Production lease minimum revenue ^{(1) (2)} | \$ 6,310 | \$ 22,556 | \$ (16,246) | (72)% |
| Minimum lease straight-line revenue ^{(1) (2)} | 1,739 | — | 1,739 | 100 % |
| Property tax revenue | 3,968 | 4,311 | (343) | (8)% |
| Wheelage revenue | 5,155 | 3,510 | 1,645 | 47 % |
| Coal overriding royalty revenue | 10,492 | 5,769 | 4,723 | 82 % |
| Lease assignment fee | — | 1,000 | (1,000) | (100)% |
| Aggregates royalty revenues | 3,551 | 3,513 | 38 | 1 % |
| Oil and gas royalty revenues | 5,679 | 2,532 | 3,147 | 124 % |
| Other | 1,545 | 827 | 718 | 87 % |
| Total other revenues | \$ 38,439 | \$ 44,018 | \$ (5,579) | (13)% |
| Coal royalty and other | 134,912 | 134,448 | 464 | — % |
| Transportation and processing services | 17,238 | 15,729 | 1,509 | 10 % |
| Gain on asset sales, net | 819 | 3,367 | (2,548) | (76)% |
| Total coal royalty and other segment revenues and other income | \$ 152,969 | \$ 153,544 | \$ (575) | — % |

- (1) These line items were impacted by the adoption of the new revenue recognition standard in the first quarter of 2018. The total impact of the adoption of this standard in the nine months ended September 30, 2018 was a net decrease of \$9.6 million in coal royalty and other revenues. Refer to [Note 1, Basis of Presentation](#) for the overall impact on our consolidated financial statements and [Note 2, Revenue from Contracts with Customers](#) for further discussion on changes in our revenue recognition policies.
- (2) Production lease minimum revenue decreased in total by \$16.2 million year-over-year. Of this decrease, \$5.0 million was the result of higher revenue from the expiration of minimums recognized in the prior year and \$11.2 million was a result of the new revenue recognition standard, which included \$16.7 million of expired minimums from minimum leases which is now recognized straight-line over the entire lease term in Minimum lease straight-line revenue, partially offset by \$5.5 million in breakage revenue related to production leases.

Coal Royalty Revenue

Coal royalty revenues increased \$6.0 million, or 7%, from \$90.4 million in the nine months ended September 30, 2017 to \$96.5 million in the nine months ended September 30, 2018 primarily driven by the following:

- Appalachia: Coal royalty revenue increased \$9.7 million in this region as a result of higher metallurgical and thermal coal prices and higher metallurgical coal production as a result of increased demand, partially offset by lower thermal coal production as a result of the availability of qualified labor and lessee's capital constraints which limits their ability to increase production.
- Illinois Basin: Despite a 24% increase in coal royalty price per ton, a 41% decrease in production in this region led to a net \$3.5 million decrease in coal royalty revenue. The decreased production was primarily a result of the temporary relocation of certain production off of NRP's coal reserves. However, the decrease in coal royalty revenue was more than offset by a \$4.9 million increase in overriding royalty revenue and wheelage primarily associated with the production of non-NRP coal.

Other Revenues

Total other revenues decreased \$5.6 million, or 13%, from \$44.0 million in the nine months ended September 30, 2017 to \$38.4 million in the nine months ended September 30, 2018 primarily as a result of the impact of the new revenue recognition standard as discussed above, partially offset by the temporary relocation of certain production off of NRP's coal reserves in the Illinois Basin in exchange for overriding royalty revenue and wheelage from the production of non-NRP coal as described above in addition to increased performance of our natural gas royalty properties.

Transportation and Processing Services

Transportation and processing services revenue increased \$1.5 million, or 10%, from \$15.7 million in the nine months ended September 30, 2017 to \$17.2 million in the nine months ended September 30, 2018 primarily driven by the increase in tons processed and transported using our assets at the Williamson and Sugar Camp mines.

Gain on Asset Sales, Net

Gain on asset sales, net for the segment decreased \$2.5 million, or 76%, in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. Asset sale gains during the nine months ended September 30, 2017 included sales of aggregates royalty properties and condemnation payments for a net gain of \$3.4 million. There were no material sales during the nine months ended September 30, 2018.

Soda Ash

Revenues and other income related to our Soda Ash segment increased \$7.3 million, or 26%, from \$27.7 million in the nine months ended September 30, 2017 to \$35.0 million in the nine months ended September 30, 2018. This increase was primarily as a result of Ciner Wyoming's litigation settlement of a royalty dispute that resulted in \$12.7 million of income, partially offset by a \$5.4 million decrease primarily due to lower production and sales resulting from unexpected repairs during scheduled outages encountered and resolved during the second quarter of 2018 and lower production during the third quarter of 2018 primarily due to ore grade degradation.

Construction Aggregates

The table below presents the major sources of Construction Aggregates revenues:

| (In thousands) | For the Nine Months Ended September 30, | | Increase (Decrease) | Percentage Change |
|---|--|-----------|------------------------|----------------------|
| | 2018 | 2017 | | |
| Crushed stone, sand and gravel | \$ 48,427 | \$ 44,379 | \$ 4,048 | 9 % |
| Delivery and fuel income | 32,587 | 27,822 | 4,765 | 17 % |
| Other | 10,041 | 10,198 | (157) | (2)% |
| Total construction aggregates revenues | \$ 91,055 | \$ 82,399 | \$ 8,656 | 11 % |
| Road construction and asphalt paving services | 13,154 | 13,087 | 67 | 1 % |
| Gain on asset sales, net | 214 | 209 | 5 | 2 % |
| Total construction aggregates revenues and other income | \$ 104,423 | \$ 95,695 | \$ 8,728 | 9 % |

Total construction aggregates revenues and other income increased \$8.7 million, or 9%, from \$95.7 million in the nine months ended September 30, 2017 to \$104.4 million in the nine months ended September 30, 2018. Crushed stone, sand and gravel revenues increased \$4.0 million primarily due to increased construction project and energy sector activity. While delivery and fuel income increased \$4.8 million, this revenue was fully offset by higher delivery and fuel costs.

Operating and Other Expenses

The table below presents the significant categories of our consolidated operating and other expenses:

| (In thousands) | For the Nine Months Ended September 30, | | Increase (Decrease) | Percentage Change |
|---|--|------------|------------------------|----------------------|
| | 2018 | 2017 | | |
| Operating expenses | | | | |
| Operating and maintenance expenses (including affiliates) | \$ 112,347 | \$ 100,017 | \$ 12,330 | 12 % |
| Depreciation, depletion and amortization (including affiliates) | 24,741 | 27,203 | (2,462) | (9)% |
| General and administrative (including affiliates) | 10,782 | 13,940 | (3,158) | (23)% |
| Asset impairments | 242 | 1,778 | (1,536) | (86)% |
| Total operating expenses | \$ 148,112 | \$ 142,938 | \$ 5,174 | 4 % |
| Other expense, net | | | | |
| Interest expense, net | \$ 53,205 | \$ 63,464 | \$ (10,259) | (16)% |
| Debt modification expense | — | 7,939 | (7,939) | (100)% |
| Loss on extinguishment of debt | — | 4,107 | (4,107) | (100)% |
| Total other expense, net | \$ 53,205 | \$ 75,510 | \$ (22,305) | (30)% |

Total operating expenses increased \$5.2 million, or 4%, for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 due to the following:

- Operating and maintenance expenses (including affiliate) increased \$12.3 million, or 12%, from \$100.0 million in the nine months ended September 30, 2017 to \$112.3 million in the nine months ended September 30, 2018.
 - Construction Aggregates segment operating and maintenance expenses increased \$10.4 million, or 13%, from \$80.9 million in the nine months ended September 30, 2017 to \$91.2 million in the nine months ended September 30, 2018 primarily as a result of higher delivery, materials and labor costs from the increased production activity, higher repair and maintenance expense due to timing of repairs and higher fuel costs as a result of increased diesel prices.
 - Coal Royalty and Other segment operating and maintenance expenses increased \$2.0 million, or 10%, from \$19.2 million in the nine months ended September 30, 2017 to \$21.1 million in the nine months ended September 30, 2018 primarily as a result of increased overriding royalty interest fees partially offset by lower property tax expense.
- DD&A expense decreased primarily due to lower coal production in the Illinois Basin.

- G&A expense decreased primarily due to performance-based awards that vested in March 2017 following the completion of our recapitalization transactions, partially offset by expense related to equity awards that were granted in 2018 in addition to the increased expense related to our long-term incentive awards as a result of an increase in our unit-price.
- Asset impairments in the nine months ended September 30, 2017 related to our timber assets. There were no material asset impairments in the nine months ended September 30, 2018.

Total other expense, net decreased \$22.3 million, or 30%, for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 due to the following:

- Interest expense, net decreased primarily due to lower debt balances during the first half of 2018 as a result of progress made to repay debt partially offset by higher weighted average interest rates.
- Debt modification expense in the nine months ended September 30, 2017 resulted from the exchange of \$241 million of our 2018 Senior Notes for 2022 Senior Notes.
- Loss on extinguishment of debt in the nine months ended September 30, 2017 resulted from the 4.563% premium paid to redeem the 2018 Senior Notes in April 2017.

Adjusted EBITDA (Non-GAAP Financial Measure)

The following table reconciles net income (loss) from continuing operations (the most comparable GAAP financial measure) to Adjusted EBITDA by business segment for the nine months ended September 30, 2018 and 2017:

| For the Nine Months Ended (In thousands) | Operating Segments | | | Corporate and Financing | Total |
|---|------------------------|------------------|-------------------------|-------------------------|-------------------|
| | Coal Royalty and Other | Soda Ash | Construction Aggregates | | |
| September 30, 2018 | | | | | |
| Net income (loss) from continuing operations | \$ 116,414 | \$ 34,986 | \$ 3,620 | \$ (63,959) | \$ 91,061 |
| Less: equity earnings from unconsolidated investment | — | (34,986) | — | — | (34,986) |
| Less: net income attributable to non-controlling interest | (510) | — | — | — | (510) |
| Add: total distributions from unconsolidated investment | — | 36,750 | — | — | 36,750 |
| Add: interest expense, net | — | — | 28 | 53,177 | 53,205 |
| Add: depreciation, depletion and amortization | 15,364 | — | 9,377 | — | 24,741 |
| Add: asset impairments | 242 | — | — | — | 242 |
| Adjusted EBITDA | \$ 131,510 | \$ 36,750 | \$ 13,025 | \$ (10,782) | \$ 170,503 |
| September 30, 2017 | | | | | |
| Net income (loss) from continuing operations | \$ 115,170 | \$ 27,676 | \$ 4,439 | \$ (88,818) | \$ 58,467 |
| Less: equity earnings from unconsolidated investment | — | (27,676) | — | — | (27,676) |
| Add: total distributions from unconsolidated investment | — | 36,750 | — | — | 36,750 |
| Add: interest expense, net | — | — | 632 | 62,832 | 63,464 |
| Add: debt modification expense | — | — | — | 7,939 | 7,939 |
| Add: loss on extinguishment of debt | — | — | — | 4,107 | 4,107 |
| Add: depreciation, depletion and amortization | 17,653 | — | 9,550 | — | 27,203 |
| Add: asset impairments | 1,778 | — | — | — | 1,778 |
| Adjusted EBITDA | \$ 134,601 | \$ 36,750 | \$ 14,621 | \$ (13,940) | \$ 172,032 |

Adjusted EBITDA decreased \$1.5 million, or 1%, from \$172.0 million in the nine months ended September 30, 2017 to \$170.5 million in the nine months ended September 30, 2018 primarily as a result of the following:

- Coal Royalty and Other Adjusted EBITDA decreased \$3.1 million primarily as a result of the decrease in other segment revenues, including gain on sale of assets and increased operating and maintenance expenses as discussed above. These decreases were partially offset by the increase in coal royalty and transportation and processing services revenues as discussed above.
- Construction Aggregates segment Adjusted EBITDA decreased \$1.6 million as a result of the increase in operating expenses as discussed above, partially offset by higher production and sales of crushed stone, gravel and sand.
- Corporate and Financing Adjusted EBITDA increased \$3.2 million as a result of the decrease in general and administrative expenses as discussed above.

Distributable Cash Flow and Free Cash Flow (Non-GAAP Financial Measure)

The following table presents the three major categories of the statement of cash flows by business segment:

| For the Nine Months Ended (In thousands) | Operating Segments | | | Corporate and Financing | Total |
|---|------------------------|-----------|-------------------------|-------------------------|------------|
| | Coal Royalty and Other | Soda Ash | Construction Aggregates | | |
| September 30, 2018 | | | | | |
| Cash flow provided by (used in) continuing operations | | | | | |
| Operating activities | \$ 132,122 | \$ 34,653 | \$ 10,224 | \$ (68,982) | \$ 108,017 |
| Investing activities | 3,432 | 2,097 | (9,343) | — | (3,814) |
| Financing activities | — | — | (754) | (69,889) | (70,643) |
| September 30, 2017 | | | | | |
| Cash flow provided by (used in) continuing operations | | | | | |
| Operating activities | \$ 120,588 | \$ 31,104 | \$ 11,677 | \$ (81,975) | \$ 81,394 |
| Investing activities | 3,570 | 5,646 | (5,776) | — | 3,440 |
| Financing activities | 517 | — | (1,096) | (3,382) | (3,961) |

The following table reconciles net cash provided by operating activities (the most comparable GAAP financial measure) by business segment to DCF and FCF:

| For the Nine Months Ended (In thousands) | Operating Segments | | | Corporate and Financing | Total |
|--|------------------------|------------------|-------------------------|-------------------------|-------------------|
| | Coal Royalty and Other | Soda Ash | Construction Aggregates | | |
| September 30, 2018 | | | | | |
| Net cash provided by (used in) operating activities of continuing operations | \$ 132,122 | \$ 34,653 | \$ 10,224 | \$ (68,982) | \$ 108,017 |
| Add: distributions from unconsolidated investment in excess of cumulative earnings | — | 2,097 | — | — | 2,097 |
| Add: proceeds from sale of assets | 826 | — | 323 | — | 1,149 |
| Add: return on long-term contract receivables | 2,606 | — | — | — | 2,606 |
| Less: maintenance capital expenditures | — | — | (4,496) | — | (4,496) |
| Distributable cash flow | \$ 135,554 | \$ 36,750 | \$ 6,051 | \$ (68,982) | \$ 109,373 |
| Less: proceeds from the sale of assets | (826) | — | (323) | — | (1,149) |
| Less: expansion capital expenditures | — | — | (5,170) | — | (5,170) |
| Less: mitigation payments and acquisition costs classified as financing activities | — | — | (754) | — | (754) |
| Free cash flow | \$ 134,728 | \$ 36,750 | \$ (196) | \$ (68,982) | \$ 102,300 |
| September 30, 2017 | | | | | |
| Net cash provided by (used in) operating activities of continuing operations | \$ 120,588 | \$ 31,104 | \$ 11,677 | \$ (81,975) | \$ 81,394 |
| Add: return of equity from unconsolidated investment | — | 5,646 | — | — | 5,646 |
| Add: proceeds from sale of assets | 959 | — | 460 | — | 1,419 |
| Add: return on long-term contract receivables | 2,611 | — | — | — | 2,611 |
| Less: maintenance capital expenditures | — | — | (5,310) | — | (5,310) |
| Distributable cash flow | \$ 124,158 | \$ 36,750 | \$ 6,827 | \$ (81,975) | \$ 85,760 |
| Less: proceeds from the sale of assets | (959) | — | (460) | — | (1,419) |
| Less: expansion capital expenditures | — | — | (926) | — | (926) |
| Less: mitigation payments and acquisition costs classified as financing activities | — | — | (1,096) | — | (1,096) |
| Free cash flow | \$ 123,199 | \$ 36,750 | \$ 4,345 | \$ (81,975) | \$ 82,319 |

DCF and FCF increased \$23.6 million and \$20.0 million, respectively, in the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. This increase is due primarily to the following:

- Coal Royalty and Other segment DCF and FCF increased \$11.4 million and \$11.5 million, respectively, as a result of the timing of cash receipts from both coal royalty production and minimums and property tax reimbursements.
- Construction Aggregates segment DCF and FCF decreased \$0.8 million and \$4.5 million, respectively, primarily due to the timing of certain operating payments. The decrease in FCF was impacted by increased expansion capital expenditures as a result of a new project that began in 2018.
- Corporate and Financing DCF and FCF increased \$13.0 million primarily as a result of lower G&A payments and lower cash paid for interest year-over-year.

Liquidity and Capital Resources

Current Liquidity

As of September 30, 2018, we had total liquidity of \$118.4 million, consisting of \$63.4 million of cash and cash equivalents and \$55.0 million in borrowing capacity under our Opco Credit Facility. We remain focused on further reducing our debt and improving our liquidity metrics.

Cash Flows

Cash flows provided by operating activities increased \$26.8 million, from \$80.8 million in the nine months ended September 30, 2017 to \$107.5 million in the nine months ended September 30, 2018 primarily related to lower G&A payments primarily as a result of the payment of the performance-based awards in 2017 following the completion of our recapitalization transactions, lower cash paid for interest on our debt and increased operating cash flows in our Coal Royalty and Other segment as a result of the timing of cash receipts from both coal royalty production and minimums and property tax reimbursements. These increased cash flows were partially offset by lower cash provided by operating activities in our Construction Aggregates segment primarily due to the timing of certain operating payments.

Cash flows used in investing activities increased \$7.5 million, from \$3.6 million provided in the nine months ended September 30, 2017 to \$3.8 million used in the nine months ended September 30, 2018 primarily due to a smaller portion of our distribution from Ciner Wyoming classified as an investing activity year-over-year in addition to higher capital expenditures within our Construction Aggregates segment.

Cash flows used in financing activities increased \$66.6 million, from \$3.6 million in the nine months ended September 30, 2017 to \$70.2 million in the nine months ended September 30, 2018 primarily due to the decrease in debt repayments year-over-year and the debt issue costs incurred in the first quarter of 2017 related to the March 2017 recapitalization transactions. These decreases in cash outflows were partially offset by the proceeds received related to the March 2017 recapitalization transactions, lower borrowings on our credit facility year-over-year, a \$17.7 million increase in preferred unit distributions and the \$8.8 million PIK Unit redemption in the nine months ended September 30, 2018.

Capital Expenditures

On an annual basis, we generally fund most of our capital expenditures, excluding any significant property acquisitions, with cash generated from operations, and if required, borrowings under our revolving credit facility. We budget these expenditures based on our projected cash flows for the year. A portion of the capital expenditures associated with our construction aggregates segment are maintenance capital expenditures, which are capital expenditures made to maintain the long-term production capacity of those businesses. Expansion capital expenditures are made to increase productive capacity.

Capital Resources and Obligations

Debt

We had the following debt outstanding as of September 30, 2018 and December 31, 2017:

| <u>(In thousands)</u> | <u>September 30, 2018</u> | <u>December 31, 2017</u> |
|--|---------------------------|--------------------------|
| Current portion of long-term debt, net | \$ 75,201 | \$ 79,740 |
| Long-term debt, net | 716,514 | 729,608 |
| Total debt, net | \$ 791,715 | \$ 809,348 |

We have been and continue to be in compliance with the terms of the financial covenants contained in our debt agreements. For additional information regarding our debt and the agreements governing our debt, including the covenants contained therein, see [Note 11. Debt, Net](#) to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Off-Balance Sheet Transactions

We do not have any off-balance sheet arrangements with unconsolidated entities or related parties and accordingly, there are no off-balance sheet risks to our liquidity and capital resources from unconsolidated entities.

Related Party Transactions

The information required set forth under [Note 13. Related Party Transactions](#) to the consolidated financial statements is incorporated herein by reference.

Summary of Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Significant changes to our critical accounting estimates from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017 include estimates surrounding our implementation of the new revenue recognition standard. We evaluate the total cash flows expected under each lease to determine the likelihood that consideration received from our lessees resulting from coal production would exceed consideration received from minimum payments over the lease term. As a result of the evaluation, we either recognize revenue on our coal and aggregates royalty leases based on production or minimum payments as further described in [Note 2. Revenue from Contracts with Customers](#).

Recent Accounting Standards

The information set forth under [Note 1. Basis of Presentation](#) to the consolidated financial statements is incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk, which includes adverse changes in commodity prices and interest rates as discussed below:

Commodity Price Risk

We are dependent upon the effective marketing of the coal mined by our lessees. Our lessees sell the coal under various long-term and short-term contracts as well as on the spot market. Current conditions in the coal industry may make it difficult for our lessees to extend existing contracts or enter into supply contracts with terms of one year or more. Our lessees' failure to negotiate long-term contracts could adversely affect the stability and profitability of our lessees' operations and adversely affect our coal royalty revenues. If more coal is sold on the spot market, coal royalty revenues may become more volatile due to fluctuations in spot coal prices.

We also have market risk related to prices for our aggregates products, and those prices are primarily driven by economic conditions in the local markets in which the products are sold.

The market price of soda ash and energy costs directly affects the profitability of Ciner Wyoming's operations. If the market price for soda ash declines, Ciner Wyoming's sales will decrease. Historically, the global market and, to a lesser extent, the domestic market for soda ash have been volatile and are likely to remain volatile in the future. In order to mitigate the risk of energy cost fluctuations, Ciner Wyoming hedges a portion of its forecasted natural gas purchases by entering into physical or financial hedges.

Interest Rate Risk

Our exposure to changes in interest rates results from our borrowings under the Opco Credit Facility, which is subject to variable interest rates based upon LIBOR. At September 30, 2018, we had \$95.0 million outstanding in variable interest rate debt. If interest rates were to increase by 1%, annual interest expense would increase approximately \$1.0 million, assuming the same principal amount remained outstanding during the year.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

NRP carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. This evaluation was performed under the supervision and with the participation of NRP management, including the Chief Executive Officer and Chief Financial Officer of the general partner of the general partner of NRP. This evaluation is performed to determine if our disclosure controls and procedures are effective in providing reasonable assurance that (a) the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (b) such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

During the third quarter of 2018, the Partnership identified a non-cash error related to the modified retrospective adoption of ASC 606 on January 1, 2018 and determined that this error constituted a material weakness in the Partnership's internal control over financial reporting, as described below. Based upon that discovery, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of the last day of the period covered by this report.

The material weakness in internal control over financial reporting primarily resulted from a deficiency in the design and operating effectiveness of a key control to ensure complete and accurate adoption of ASC 606. Specifically, in evaluating its contracts for revenue recognition, NRP identified certain coal and aggregates royalty leases as minimum leases that should have been classified as production leases. As a result, the Partnership incorrectly accelerated the recognition of deferred revenue, resulting in an overstatement of the transition adjustment to the opening balance of Partners' capital and revenue.

To remediate the material weakness described above, we have enhanced and revised the design of the existing ASC 606 adoption control and procedures to properly determine lease classification, modified retrospective adoption and the ongoing recognition of revenue under ASC 606. During the fourth quarter of 2018, the Partnership successfully performed and tested the enhanced control on all of its coal and aggregates royalty leases and concluded that the material weakness has been remediated.

Notwithstanding the material weakness, management, including our Chief Executive Officer and Chief Financial Officer, believes the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Changes in the Partnership's Internal Control Over Financial Reporting

Except as noted above, there were no material changes in the Partnership's internal control over financial reporting during the first nine months of 2018 that materially affected, or were reasonably likely to materially affect, the Partnership's internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in various legal proceedings arising in the ordinary course of business. While the ultimate results of these proceedings cannot be predicted with certainty, we believe these claims will not have a material effect on our financial position, liquidity or operations.

For more information regarding certain other legal proceedings involving the Partnership, including the lawsuits involving Anadarko and Foresight, see [Note 15. Commitments and Contingencies](#) to the consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

During the period covered by this report there were no material changes from the risk factors previously disclosed in Natural Resource Partners L.P.'s Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by SEC regulations is included in Exhibit 95.1 to this Quarterly Report on Form 10-Q.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|--|
| 2.1 | Purchase Agreement, dated as of January 23, 2013, by and among Anadarko Holding Company, Big Island Trona Company, NRP Trona LLC and NRP (Operating) LLC (incorporated by reference to Exhibit 2.1 to Current Report on Form 8-K filed on January 25, 2013). |
| 3.1 | Fifth Amended and Restated Agreement of Limited Partnership of Natural Resource Partners L.P., dated as of March 2, 2017 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on March 6, 2017). |
| 3.2 | Fifth Amended and Restated Agreement of Limited Partnership of NRP (GP) LP, dated as of December 16, 2011 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on December 16, 2011). |
| 3.3 | Fifth Amended and Restated Limited Liability Company Agreement of GP Natural Resource Partners LLC, dated as of October 31, 2013 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on October 31, 2013). |
| 3.4 | Certificate of Limited Partnership of Natural Resource Partners L.P.(incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 filed April 19, 2002, File No. 333-86582). |
| 10.1 | Settlement Agreement dated October 19, 2018 by and among WPP LLC and Foresight Energy LP (incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q for the Quarter ended September 30, 2018 filed by Foresight Energy LP on November 7, 2018). |
| 31.1* | Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley. |
| 31.2* | Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley. |
| 32.1** | Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350. |
| 32.2** | Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350. |
| 95.1* | Mine Safety Disclosure. |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Schema Document |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | XBRL Taxonomy Extension Labels Linkbase Document |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document |

* Filed herewith

** Furnished herewith

SIGNATURES

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

NATURAL RESOURCE PARTNERS L.P.

By: NRP (GP) LP, its general partner

By: GP NATURAL RESOURCE
PARTNERS LLC, its general partner

Date: November 9, 2018

By: /s/ CORBIN J. ROBERTSON, JR.

Corbin J. Robertson, Jr.
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

Date: November 9, 2018

By: /s/ CHRISTOPHER J. ZOLAS

Christopher J. Zolas
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Date: November 9, 2018

By: /s/ JENNIFER L. ODINET

Jennifer L. Odinet
Chief Accounting Officer
(Principal Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Corbin J. Robertson, Jr., certify that:

- 1 I have reviewed this report on Form 10-Q of Natural Resource Partners L.P.
- 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 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 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.

By: /s/ Corbin J. Robertson, Jr.

Corbin J. Robertson, Jr.
Chief Executive Officer

Date: November 9, 2018

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Christopher J. Zolas, certify that:

1. I have reviewed this report on Form 10-Q of Natural Resource Partners L.P.
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 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 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.

By: /s/ Christopher J. Zolas
Christopher J. Zolas
Chief Financial Officer

Date: November 9, 2018

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF GP NATURAL RESOURCE PARTNERS LLC
PURSUANT TO 18 U.S.C. § 1350**

In connection with the accompanying report on Form 10-Q for the quarter ended September 30, 2018 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Corbin J. Robertson, Jr., Chief Executive Officer of GP Natural Resource Partners LLC, the general partner of the general partner of Natural Resource Partners L.P. (the "Company"), hereby certify, to my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Corbin J. Robertson, Jr.
Corbin J. Robertson, Jr.
Chief Executive Officer

Date: November 9, 2018

**CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF GP NATURAL RESOURCE PARTNERS LLC
PURSUANT TO 18 U.S.C. § 1350**

In connection with the accompanying report on Form 10-Q for the quarter ended September 30, 2018 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher J. Zolas, Chief Financial Officer of GP Natural Resource Partners LLC, the general partner of the general partner of Natural Resource Partners L.P. (the "Company"), hereby certify, to my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Christopher J. Zolas
Christopher J. Zolas
Chief Financial Officer

Date: November 9, 2018

MINE SAFETY DISCLOSURE

Our mining operations are subject to regulation by the Federal Mine Safety and Health Administration (“MSHA”) under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”). We have disclosed below information regarding certain citations and orders issued by MSHA and related assessments and legal actions with respect to these mining operations. In evaluating the below information regarding mine safety and health, investors should take into account factors such as: (i) the number of citations and orders will vary depending on the size of a 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 often reduced in severity and amount, and are sometimes dismissed or vacated. The tables below do not include any orders or citations issued to independent contractors at our mines.

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) requires issuers to include in periodic reports filed with the Securities and Exchange Commission (“SEC”) certain information relating to citations and orders for violations of standards under the Mine Act. The following tables disclose information required under the Dodd-Frank Act for the three-month period ending September 30, 2018.

| <i>Mine Name / MSHA Identification Number</i> | <i>Section 104 S&S Citations⁽¹⁾</i> | <i>Section 104(b) Orders⁽²⁾</i> | <i>Section 104(d) Citations and Orders⁽³⁾</i> | <i>Section 110(b)(2) Violations⁽⁴⁾</i> | <i>Section 107(a) Orders⁽⁵⁾</i> | <i>Total Dollar Value of MSHA Assessments Proposed⁽⁶⁾</i> |
|---|--|--|--|---|--|--|
| Winn Materials-Clarksville/40-03094 | 2 | 0 | 0 | 0 | 0 | \$0 |
| Winn Materials of KY-Grand Rivers/15-19561 | 0 | 0 | 0 | 0 | 0 | \$0 |
| Laurel Aggregates/36-08891 | 0 | 0 | 0 | 0 | 0 | \$708 |
| Southern Aggregates/Plant 7.2/16-01551 | 0 | 0 | 0 | 0 | 0 | \$0 |
| Southern Aggregates/Plant 9/16-01536 | 0 | 0 | 0 | 0 | 0 | \$0 |
| Southern Aggregates/Plant 10/16-01571 | 1 | 0 | 0 | 0 | 0 | \$118 |
| Southern Aggregates/Plant 12/16-01546 | 0 | 0 | 0 | 0 | 0 | \$0 |
| Southern Aggregates/Plant 14/16-01578 | 0 | 0 | 0 | 0 | 0 | \$0 |
| Southern Aggregates/Plant 16/16-01563 | 0 | 0 | 0 | 0 | 0 | \$0 |

- (1) Mine Act section 104 S&S citations shown above are for alleged violations of mandatory health or safety standards that could significantly and substantially contribute to a mine health and safety hazard. It should be noted that, for purposes of this table, S&S citations that are included in another column, such as Section 104(d) citations, are not also included as Section 104 S&S citations in this column.
- (2) Mine Act section 104(b) orders are for alleged failures to totally abate a citation within the time period specified in the citation.
- (3) Mine Act section 104(d) citations and orders are for an alleged unwarrantable failure (*i.e.*, aggravated conduct constituting more than ordinary negligence) to comply with mandatory health or safety standards.
- (4) Mine Act section 110(b)(2) violations are for an alleged “flagrant” failure (*i.e.*, reckless or repeated) to make reasonable efforts to eliminate a known violation of a mandatory safety or health standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.
- (5) Mine Act section 107(a) orders are for alleged conditions or practices which could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated and result in orders of immediate withdrawal from the area of the mine affected by the condition.
- (6) Amounts shown include assessments proposed by MSHA during the three-month period ending September 30, 2018 on all citations and orders, including those citations and orders that are not required to be included within the above chart.

| <i>Mine Name / MSHA Identification Number</i> | <i>Total Number of Mining Related Fatalities</i> | <i>Received Notice of Pattern of Violations Under Section 104(e) (yes/no) ⁽¹⁾</i> | <i>Legal Actions Pending as of Last Day of Period</i> | <i>Legal Actions Initiated During Period</i> | <i>Legal Actions Resolved During Period</i> |
|---|--|--|---|--|---|
| Winn Materials-Clarksville/40-03094 | 0 | N | 0 | 0 | 1 |
| Winn Materials of KY-Grand Rivers/15-19561 | 0 | N | 0 | 0 | 0 |
| Laurel Aggregates/36-08891 | 0 | N | 1 | 0 | 0 |
| Southern Aggregates/Plant 7.2/16-01551 | 0 | N | 2 | 1 | 0 |
| Southern Aggregates/Plant 9/16-01536 | 0 | N | 0 | 0 | 0 |
| Southern Aggregates/Plant 11/16-01571 | 0 | N | 0 | 0 | 0 |
| Southern Aggregates/Plant 12/16-01546 | 0 | N | 0 | 0 | 0 |
| Southern Aggregates/Plant 14/16-01578 | 0 | N | 0 | 0 | 0 |
| Southern Aggregates/Plant 16/16-01563 | 0 | N | 1 | 0 | 0 |

(1) Mine Act section 104(e) written notices are for an alleged pattern of violations of mandatory health or safety standards that could significantly and substantially contribute to a mine safety or health hazard.

The number of legal actions pending before the Federal Mine Safety and Health Review Commission as of September 30, 2018, that fall into each of the following categories is as follows:

| <i>Mine Name / MSHA Identification Number</i> | <i>Contests of Citations and Orders</i> | <i>Contests of Proposed Penalties</i> | <i>Complaints for Compensation</i> | <i>Complaints of Discharge/Discrimination/Interference</i> | <i>Applications for Temporary Relief</i> | <i>Appeals of Judges Rulings</i> |
|---|---|---------------------------------------|------------------------------------|--|--|----------------------------------|
| Winn Materials-Clarksville/40-03094 | 0 | 0 | 0 | 0 | 0 | 0 |
| Winn Materials of KY-Grand Rivers/15-19561 | 0 | 0 | 0 | 0 | 0 | 0 |
| Laurel Aggregates/36-08891 | 0 | 1 | 0 | 0 | 0 | 0 |
| Southern Aggregates/Plant 7.2/16-01551 | 0 | 2 | 0 | 0 | 0 | 0 |
| Southern Aggregates/Plant 9/16-01536 | 0 | 0 | 0 | 0 | 0 | 0 |
| Southern Aggregates/Plant 10/16-01571 | 0 | 0 | 0 | 0 | 0 | 0 |
| Southern Aggregates/Plant 12/16-01546 | 0 | 0 | 0 | 0 | 0 | 0 |
| Southern Aggregates/Plant 14/16-01578 | 0 | 0 | 0 | 0 | 0 | 0 |
| Southern Aggregates/Plant 16/16-01563 | 0 | 1 | 0 | 0 | 0 | 0 |

