Risk Factors Comparison 2024-03-14 to 2023-03-16 Form: 10-K

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Risks Related to our Business Global economic conditions or economic conditions in any of the industries in which our customers operate as well as sustained uncertainty in financial markets could have material adverse impacts on our business and financial condition that we currently cannot predict. Weakness in global economic conditions or economic conditions in any of the industries we serve or in the financial markets could materially adversely affect our business and financial condition. For example: ● the demand for electricity in the U. S. and globally may decline if economic conditions deteriorate, which may negatively impact the revenues, margins, and profitability of our business; ● any inability of our customers to raise capital could adversely affect their ability to honor their obligations to us; and ● our future ability to access the capital markets may be restricted as a result of future economic conditions, which could materially impact our ability to grow our business, including development of our coal reserves. The stability and profitability of our operations could be adversely affected if our customers do not honor existing contracts or do not extend existing or enter into new long- term contracts for coal or electric power. In ~~2022~~ **2023** , ~~the vast majority~~ **a significant portion** of our **coal, capacity and energy** sales were under contracts having a term greater than one year, which we refer to as long- term contracts. These contracts have historically provided a relatively secure market for the amount of production committed under the terms of the contracts. From time to time industry conditions could make it more difficult for us to enter into long- term contracts with our electric utility customers, and if supply exceeds demand in the coal **and power** ~~industry~~ **industries** , ~~electric utilities~~ **our customers** may become less willing to lock in price or quantity commitments for an extended period of time. Accordingly, we may not be able to continue to obtain long- term sales contracts with reliable customers as existing contracts expire, which could subject a portion of our revenue stream to the increased volatility of the spot market. Some of our long- term sales contracts contain provisions allowing for the renegotiation of prices and, in some instances, the termination of the contract or the suspension of purchases by customers. Some of our long- term **coal** sales contracts contain provisions that allow for the purchase price to be renegotiated at periodic intervals. These price reopener provisions may automatically set a new price based on the prevailing market price or, in some instances, require the parties to the contract to agree on a new price. Any adjustment or renegotiation leading to a significantly lower contract price could adversely affect our operating profit margins. Accordingly, long- term contracts may provide only limited protection during adverse market conditions. In some circumstances, failure of the parties to agree on a price under a reopener provision can also lead to early termination of a contract. Several of our long- term contracts also contain provisions that allow the customer to suspend or terminate performance under the contract upon the occurrence or continuation of certain events that are beyond the customer' s reasonable control. Such events could include labor disputes, mechanical malfunctions and changes in government regulations, including changes in environmental regulations rendering use of our coal inconsistent with the customer' s environmental compliance strategies. Additionally, most of our long- term **coal** contracts contain provisions requiring us to deliver coal within stated ranges for specific coal characteristics. Failure to meet these specifications can result in economic penalties, rejection or suspension of shipments or termination of the contracts. In the event of early termination of any of our long- term contracts, if we are unable to enter into new contracts on similar terms, our business, financial condition and results of operations could be adversely affected. We depend on a few customers for a significant portion of our revenue, and the loss of one or more significant customers could affect our ability to maintain the sales volume and price of **our** ~~the coal we produce~~ **products** . During ~~2022~~ **2023** , we derived ~~90~~ **93** % of our coal revenue from ~~five~~ **four third- party** customers, each representing at least 10 % of our coal sales. If in the future we lose any of these customers without finding replacement customers willing to purchase an equivalent amount of coal on similar terms, or if these customers were to decrease the amounts of coal purchased or the terms, including pricing terms, on which they buy coal from us, it could have a material adverse effect on our business, financial condition and results of operations. Our electric operations revenue for **the first half of** ~~2022~~ **2023** was generated ~~entirely~~ **largely** by one customer as ~~a condition~~ **required by the terms** of the Asset Purchase Agreement **for our** ~~upon the closing of the~~ acquisition of Hoosier Energy' s Merom Generation Station (" Merom") ~~in October 2022~~ **. While we have subsequently added additional electric power customers and purchasers of accredited capacity, the loss of one or more of these material customers could have a material adverse effect on our business, financial condition and results of operations** . Our ability to collect payments from our customers could be impaired if their creditworthiness declines or if they fail to honor their contracts with us. Our ability to receive payment for coal and electric power sold and delivered depends on the continued creditworthiness of our customers. If the creditworthiness of our customers declines significantly, our business could be adversely affected. In addition, if a customer refuses to accept shipments of our coal for which they have an existing contractual obligation, our revenues will decrease, and we may have to reduce production at our mines until our customer' s contractual obligations are honored. Although none of our **coal** employees are members of unions, our workforce may not remain union- free in the future. None of our employees are represented under collective bargaining agreements. However, all of our workforce may not remain union- free in the future, and legislative, regulatory or other governmental action could make it more difficult to remain union- free. If some or all of our currently union- free operations were to become unionized, it could adversely affect our productivity and increase the risk of work stoppages at our mining complexes. In addition, even if we remain union- free, our operations could still be adversely affected by work stoppages at unionized companies, particularly if union workers were to orchestrate boycotts against our operations. **Contractors that we use to provide employees at our power plant may experience work stoppages, slowdowns, lockouts or other labor disputes. At our power plant, our operator, Consolidated Asset Management Services (CAMS), employs represented workers. While these workers are not**

Hallador Power employees, work stoppages, slowdowns, lockouts or other labor disputes within the CAMS workforce could adversely affect and disrupt our productivity and operations at the plant. Our recent acquisition of Merom may not achieve its intended results. On October 21, 2022, the Company, through its subsidiary Hallador Power ~~Company, LLC~~, completed its acquisition of the one Gigawatt Merom Generating Station located in Sullivan County, Indiana pursuant to an Asset Purchase Agreement with Hoosier Energy. The Company entered into the Asset Purchase Agreement with the expectation that the acquisition of Merom would result in various benefits, including, among other things, securing future demand for a material portion of the Company' s coal production and also providing a path for Merom' s possible transition to renewable energy when the coal plant is eventually retired. Achieving the anticipated benefits of the acquisition (including the eventual transition to renewable energy) is subject to a number of uncertainties. Failure to achieve these anticipated benefits could result in lower- than- expected revenues or income generated by the combined businesses and diversion of management' s time and energy and could have an adverse effect on the Company' s business, financial results and prospects. In addition, in connection with the Asset Purchase Agreement, the Company assumed certain decommissioning costs and environmental responsibilities. In the event these assumed costs and responsibilities exceed the Company' s estimates, the Company may incur additional liabilities that could have an adverse effect on the Company' s business, financial results and prospects. The operation and maintenance of the Merom facilities or future investment in the Merom facilities are subject to operational risks that could adversely affect our financial position, results of operations and cash flows. The operation and maintenance of generating facilities involves many risks, including the performance by key contracted suppliers and maintenance providers; increases in the costs for or limited availability of key supplies, labor and services; breakdown or failure of facilities; curtailment of facilities by counterparties; or the impact of unusual, adverse weather conditions or other natural events, as well as the risk of performance below expected levels of output or efficiency. The Merom facilities contain older generating equipment, which even if maintained in accordance with good engineering practices, may require additional capital expenditures to continue operating at peak efficiency, while additional costs may be required as we eventually transition the Merom facilities to renewable energy. In October 2023, the Merom facilities experienced a transformer failure causing one unit to be offline for the month of October; the failed transformer has since been replaced. We may experience similar failures in the future. We could also be subject to costs associated with any unexpected failure to produce and deliver power, including failure caused by breakdown or forced outage, as well as the repair of damage to facilities due to storms, natural disasters, wars, sabotage, terrorist acts and other catastrophic events . Additionally, supply chain shortages or delays on key operating components, including but not limited to, transformers, boiler equipment and chemicals or catalysts could materially and adversely impact our operations and reduce revenues or expose the company to significant cover damages related to longer term contracts . Completion of growth projects and future expansion could require significant amounts of financing that may not be available to us on acceptable terms, or at all. We plan to fund capital expenditures for our current growth projects with existing cash balances, future cash flows from operations, borrowings under credit facilities and cash provided from the issuance of debt or equity . Under our outstanding Form S- 3 " universal shelf " registration statement, we have the ability, subject to market conditions, to access the debt and equity capital markets as needed, including through the use of our outstanding " at the market " (ATM) offering program. If we raise additional funds by issuing equity securities under our ATM program or otherwise, our stockholders may experience dilution . At times, weakness in the energy sector in general and coal, in particular, has significantly impacted access to the debt and equity capital markets. Accordingly, our funding plans may be negatively impacted by this constrained environment as well as numerous other factors, including higher than anticipated capital expenditures or lower than expected cash flow from operations. In addition, we may be unable to refinance our current debt obligations when they expire or obtain adequate funding prior to expiry because our lending counterparties may be unwilling or unable to meet their funding obligations. Furthermore, additional growth projects and expansion opportunities may develop in the future that could also require significant amounts of financing that may not be available to us on acceptable terms or in the amounts we expect, or at all. Various factors could adversely impact the debt and equity capital markets as well as our credit ratings or our ability to remain in compliance with the financial covenants under our then current debt agreements, which in turn could have a material adverse effect on our financial condition, results of operations and cash flows. If we are unable to finance our growth and future expansions as expected, we could be required to seek alternative financing, the terms of which may not be attractive to us, or to revise or cancel our plans. Terrorist attacks or cyber- incidents could result in information theft, data corruption, operational disruption and / or financial loss. Like most companies, we have become increasingly dependent upon digital technologies, including information systems, infrastructure and cloud applications and services, to operate our businesses, to process and record financial and operating data, communicate with our business partners, analyze mine and mining information, estimate quantities of coal reserves, as well as other activities related to our businesses. Strategic targets, such as energy- related assets, could be at greater risk of future terrorist or cyber- attacks than other targets in the U. S. Deliberate attacks on, or security breaches in, our systems or infrastructure, or the systems or infrastructure of third parties, could lead to corruption or loss of our proprietary data and potentially sensitive data, delays in production or delivery, difficulty in completing and settling transactions, challenges in maintaining our books and records, environmental damage, communication interruptions, other operational disruptions and third- party liability. Our insurance may not protect us against such occurrences. Consequently, it is possible that any of these occurrences, or a combination of them, could have a material adverse effect on our business, financial condition, results of operations and cash flows. Further, as cyber incidents continue to evolve, we could be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerability to cyber incidents. We may not recover our investments in our mining , power and other assets, which may require us to recognize impairment charges related to those assets. The value of our assets has from time to time been adversely affected by numerous uncertain factors, some of which are beyond our control, including , but not limited to unfavorable changes in the economic environments in which we operate, lower- than- expected coal pricing, technical and geological operating difficulties, an inability to economically extract our coal reserves and unanticipated increases in operating costs. These factors may trigger the recognition of additional impairment charges in the future, which could have a substantial impact on our results of **coal operations. In the future as investments in Merom become more significant, the value of those assets could be adversely affected by numerous uncertain factors, some of which are beyond our control, including, but not limited to unfavorable changes in the economic environments in which we operate, environmental, litigation, weather, and regulatory and / or legal changes. These factors may trigger the recognition of additional impairment charges in the future, which could have a substantial impact on our results of power** operations. If we are unable to comply with the covenants contained in our credit agreement, the lenders could declare all amounts outstanding to be due and payable and foreclose on their collateral, which could materially adversely affect our financial condition and operations. As disclosed in Note ~~5~~ **4** to our financial statements, there are two key ratio covenants stated in our credit agreement: (i) a Minimum Debt Service Coverage Ratio (consolidated adjusted EBITDA / annual debt service) of 1. 25 to 1. 00 and (ii) a Maximum Leverage Ratio (consolidated funded debt / trailing twelve months adjusted EBITDA) not to exceed 2. ~~50 to 1. 00, which also decreases for March 31, 2023 and each fiscal quarter thereafter to 2.~~ 25 to 1. 00. On December 31, ~~2022~~ **2023**, our debt service coverage ratio was ~~1~~ **3**. ~~49~~ **30**, and our leverage ratio was ~~2~~ **1**. ~~05~~ **32**. Therefore, we were in compliance with these two ratios. Our indebtedness may limit our ability to borrow additional funds or capitalize on business opportunities. On December 31, ~~2022~~ **2023**, our funded bank debt was $ ~~85~~ **91**. ~~2~~ **5** million, we had outstanding convertible notes totaling $ 19 million, and held letters of credit totaling $ ~~11~~ **18**. ~~2~~ **6** million. Our leverage may: ● adversely affect our ability to finance future operations and capital needs; ● limit our ability to pursue acquisitions and other business opportunities; and ● make our results of operations more susceptible to adverse economic or operating conditions. Various limitations in our debt agreements may reduce our ability to incur additional indebtedness, to engage in some transactions, and capitalize on business opportunities. Any subsequent refinancing of our current indebtedness or any new indebtedness could have similar or greater restrictions. **If our financial condition deteriorates, certain credit assurance provisions in our power contracts could require additional collateral. Certain of our power contracts contain credit assurance provisions tied to our financial condition. Should our financial condition deteriorate, these provisions may require substantial collateral that may have a materially adverse effect on our financial condition.** We could be deemed ineligible for the Paycheck Protection Program (**“** PPP **”**) loan we received in 2020 upon audit by the United States Small Business Administration (**“** SBA **”**) upon completion of an SBA audit. The PPP loan application required us to certify that the current economic uncertainty made the PPP loan request necessary to support our ongoing operations. While we made this certification in good faith after analyzing, among other things, our financial situation and access to alternative forms of capital ~~,~~ and believe that we satisfied all eligibility criteria and that our receipt of the PPP loan is consistent with the broad objectives of the Paycheck Protection Program of the CARES Act, the certification described above does not contain any objective criteria and is subject to interpretation. In addition, the SBA has stated that it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith. The lack of clarity regarding loan eligibility under the program resulted in significant media coverage and controversy with respect to public companies applying for and receiving loans. If despite our good faith belief that we satisfied all eligibility requirements for the PPP loan, we are found to have been ineligible to receive the PPP loan or in violation of any of the laws or regulations that apply to us in connection with the PPP loan, including the False Claims Act, we may be subject to penalties, including significant civil, criminal and administrative penalties and could be required to repay the PPP loan. We received forgiveness of the entire $ 10 million of the PPP loan in July 2021, and as a part of the forgiveness process were required to make certain certifications that remain subject to audit and review by governmental entities and could subject us to significant penalties and liabilities if found to be inaccurate. In addition, our receipt of the PPP loan resulted in adverse publicity, and a review or audit by the SBA or other government entity or claims under the False Claims Act could consume significant financial and management resources. Any of these events could harm our business, results of operations, and financial condition. Investor and lender focus on ESG matters may negatively impact our business, financial results, and stock price. Companies across all industries, including companies in the fossil- fuel industry, are facing increased scrutiny from stakeholders related to their ESG practices. Companies that do not adapt or comply with evolving investor or stakeholder expectations and standards ~~,~~ or are perceived to have not responded appropriately to ESG issues, regardless of any legal requirement to do so, may suffer reputational damage and the business, financial condition, and stock price of such companies could be materially and adversely affected. Several advocacy groups, both domestically and internationally, have campaigned for governmental and private action to promote change at public companies related to ESG matters, including through the investment and voting practices of investment advisers, public pension funds, universities, and other members of the investing community. These activities include increasing attention to and demands for action related to climate change, promoting the use of substitutes to fossil- fuel products, encouraging the divestment of fossil- fuel equities, and pressuring lenders to limit funding to companies engaged in the extraction of fossil- fuel reserves. These activities could increase costs, impact our supply chain, reduce demand for our coal, reduce our profits, increase the potential for investigations and litigation, impair our brand, limit our choices for lenders, insurance providers and business partners, and have negative impacts on our stock price and access to capital markets. In addition, certain organizations that provide corporate governance and other corporate risk information to investors have developed scores and ratings to evaluate companies and investment funds based upon ESG or ~~"~~ **“** sustainability ~~"~~ **”** metrics. Currently, there are no universal standards for such scores or ratings, but consideration of sustainability evaluations is becoming more broadly accepted by investors. Indeed, many investment funds focus on positive ESG business practices and sustainability scores when making investments, whereas other funds may use certain ESG criteria to ~~"~~ **“** screen ~~"~~ **”** certain sectors, such as coal or fossil fuels more generally, out of their investments. In addition, investors, particularly institutional investors, use these scores to benchmark companies against their peers and if a company is perceived as lagging, these investors may engage with companies to require improved ESG disclosure or performance or sell their interests in the company, particularly if its ESG performance does not improve. Moreover, certain members of the broader investment community may consider a company ~~'~~**’** s sustainability score as a reputational or other factor in making an investment decision. Companies in the energy industry, and in particular those focused on coal, natural gas, or oil extraction, often do not score as well under ESG assessments compared to companies in other industries. Consequently, a low ESG or sustainability score could result in our securities being excluded from the portfolios of certain investment funds and investors, restricting our access to capital to fund our continuing operations and growth opportunities. Additionally, to the extent ESG matters negatively impact our reputation, we may not be able to compete as effectively to recruit or retain employees, which may adversely affect our operations. Public statements with respect to ESG matters, such as emission reduction goals, other environmental targets, or other commitments addressing certain social issues, are becoming increasingly subject to heightened scrutiny from public and governmental authorities related to the risk of potential ~~"~~**“** greenwashing, ~~"~~**”** i. e., misleading information or false claims overstating potential ESG benefits. For example, in March 2021, the SEC established the Climate and ESG Task Force in the Division of Enforcement to identify and address potential ESG- related misconduct, including greenwashing. Certain non- governmental organizations and other private actors have also filed lawsuits under various securities and consumer protection laws alleging that certain ESG- statements, goals, or standards were misleading, false, or otherwise deceptive. As a result, we may face increased litigation risks from private parties and governmental authorities related to our ESG efforts. In addition, any alleged claims of greenwashing against us or others in our industry may lead to further negative sentiment and diversion of investments. Additionally, we could face increasing costs as we attempt to comply with and navigate further ESG- related focus and scrutiny. A significant portion of the electricity we sell is used by residential and commercial customers for heating and air conditioning. Accordingly, fluctuations in weather, gas and electricity commodity costs, inflation and economic conditions impact demand of our customers and our operating results. Energy sales are sensitive to variations in weather. Forecasts of energy sales are based on “ normal ” weather, which represents a long- term historical average. Significant variations from normal weather resulting from climate change or other factors could have, and have had, a material impact on energy sales. Additionally, residential usage, and to some degree commercial usage, is sensitive to fluctuations in commodity costs for electricity, whereby usage declines with increased costs, thus affecting our financial results. Commodity prices have been and may continue to be volatile. Lastly, residential and commercial customers’ usage is sensitive to economic conditions and factors such as recession, inflation, unemployment, consumption and consumer confidence. Therefore, prevailing economic conditions affecting the demand of our customers may in turn affect our financial results. We face various risks related to pandemics and similar outbreaks, which have had and may continue to have material adverse effects on our business, financial position, results of operations, and / or cash flows. Since first reported in late 2019, the COVID- 19 pandemic has dramatically impacted the global health and economic environment, including millions of confirmed cases, business slowdowns or shutdowns, government challenges, and market volatility of an unprecedented nature. The COVID- 19 pandemic and related economic repercussions have created significant volatility, uncertainty, and turmoil in the coal and electric industry driven by widespread government- imposed lockdowns. While most government- imposed shut- downs in the ~~United States~~ **U. S.** and abroad have been phased out, there is a possibility that such shut- downs may be reinstated if COVID- 19 or another pandemic were to again become an acute, severe risk. This could cause a sustained decrease in demand for our coal and electric power and the failure of our customers to purchase coal or electric power from us that they are obligated to purchase pursuant to existing contracts, which would have a material adverse effect on our operations and financial condition. The various governmental and private responses to the pandemic also led to widespread, global supply chain disruptions. These supply chain disruptions have previously caused and may continue to or again cause some of our suppliers to fail to deliver the quantities of supplies we need or fail to deliver such supplies in a timely manner. The extent to which COVID- 19 or another future pandemic may adversely impact our results of operations, cash flows and financial condition depends on future developments, which are highly uncertain and unpredictable. **Enhanced data privacy and data protection laws and regulations or any non- compliance with such laws and regulations, could adversely affect our business and financial results. The consumer privacy landscape continues to experience momentum for greater privacy protection and reform at the state and federal level in response to precedents set forth by the General Data Protection Regulation (the “ GDPR ”) and the California Consumer Privacy Act (the “ CCPA ”). The development and evolving nature of domestic and international privacy regulation and enforcement could impact and potentially limit how Hallador processes personally identifiable information. Beginning January 1, 2023, California residents have increased access rights (including the right to limit the use and disclosure of sensitive personal information), which are enforced by a new state privacy regulator, resulting in more scrutiny of business practices and disclosures. Additional states including Virginia, Utah, Connecticut, Colorado, and Nevada have similarly adopted enhanced data privacy legislation effective in 2023 and patterned after the standards set forth by CCPA, including broader data access rights, with Virginia going a step further requiring businesses to perform data protection assessments for certain processing activities. As new laws and regulations are created, requiring businesses to implement processes to enable customer access to their data and enhanced data protection and management standards, we cannot forecast the impact that they may have on the Company’ s business. Any non- compliance with laws may result in proceedings or actions against the Company by 35 governmental entities or individuals. Moreover, any inquiries or investigations, government penalties or sanctions, or civil actions by individuals may be costly to comply with, resulting in negative publicity, increased operating costs, significant management time and attention, and may lead to remedies that harm the business, including fines, demands or orders that existing business practices be modified or terminated. The Company’ s trading and hedging activities do not cover certain risks and may expose it to earnings volatility and other risks. The Company’ s trading and hedging activities do not cover certain risks and may expose it to earnings volatility and other risks. In addition to overall price volatility, the Company is currently subject to price volatility on diesel fuel and other commodities utilized in its operations. The Company has entered into**

certain hedging arrangements to address these risks and may continue in the future to enter into hedging arrangements, including economic hedging arrangements, to manage these risks or other exposures. Since the Company' s existing hedging arrangements do not receive cash flow hedge accounting treatment, all changes in fair value are reflected in current earnings. Some of these hedging arrangements may require the Company to post margin based on the value of the related instruments and other credit factors. If the fair value of its hedge portfolio moves significantly, or if laws, regulations, or exchange rules are passed requiring all hedge arrangements to be exchange- traded or exchange- cleared, the Company could be required to post additional margin, which could negatively impact its liquidity. Risks Related to our Industry ~~A substantial~~ **Substantial** or extended ~~decline~~ **volatility** in coal prices could negatively impact our results of operations. Our results of operations are primarily dependent upon the prices we receive for our coal **in our coal operations, or the price we pay for our coal in the case of our electric operations**, as well as our ability to improve productivity and control costs. ~~The~~ **These** prices ~~we receive for our production depends~~ **depend** upon factors beyond our control, including: ● the supply of and demand for domestic and foreign coal; ● weather conditions and patterns that affect demand for or our ability to produce coal; ● the proximity to and capacity of transportation facilities; ● supply chain and cost of raw materials for coal operations; ● competition from other coal suppliers; ● domestic and foreign governmental regulations and taxes; ● the price and availability of alternative fuels; ● the effect of worldwide energy consumption, including the impact of technological advances on energy consumption; ● overall domestic and global economic conditions; ● the adverse impact of the COVID- 19 pandemic due to the reduction in demand; ● international developments impacting supply of coal; and ● the impact of domestic and foreign governmental laws and regulations, including environmental and climate change regulations and regulations affecting the coal mining industry and coal- fired power plants, and delays in the receipt of, failure to receive, failure to maintain or revocation of necessary governmental permits. Any adverse change in these factors could result in weaker demand and lower prices for our products. ~~A~~ **With respect to our coal operations, a** substantial or extended decline in coal prices could materially and adversely affect us by decreasing our revenues to the extent we are not protected by the terms of existing coal supply agreements **(although the adverse impact of a decline in coal prices may in some cases be offset by lower coal prices we pay in our electric operations)**. Competition within the coal industry could adversely affect our **financial results** ~~ability to sell coal~~. ~~We~~ **In our coal operations, we** compete with other coal producers for domestic coal sales in various regions of the U. S. The most important factors on which we compete are delivered price (i. e., the cost of coal delivered to the customer, including transportation costs, which are generally paid by our customers either directly or indirectly), coal quality characteristics, contract flexibility (e. g., volume optionality and multiple supply sources) and reliability of supply. Some competitors could have, among other things, larger financial and operating resources, lower per ton cost of production, or relationships with specific transportation providers. The competition among coal producers could impact our ability to retain or attract customers and could adversely impact our revenues and cash from operations. **In our electric operations, similar risks apply with respect to our ability to purchase coal on attractive terms relative to other competitors in the market.** Changes in taxes or tariffs and other trade measures could adversely affect our results of operations, financial position and cash flows. We pay certain taxes and fees related to our operations. Congress or state legislatures may seek to increase these taxes and fees that relate specifically to the coal industry. We cannot predict further developments, and such increases could have a material adverse effect on our results of operations, financial position, and cash flows. New tariffs and other trade measures could adversely affect our results of operations, financial position and cash flows. In response to the tariffs imposed by the ~~United States~~ **U. S.**, the European Union, Canada, Mexico and China have imposed tariffs on ~~United States~~ **U. S.** goods and services. The new tariffs, along with any additional tariffs or trade restrictions that may be implemented by the ~~United States~~ **U. S.** or retaliatory trade measures or tariffs implemented by other countries, could result in reduced economic activity, increased costs in operating our business, reduced demand and changes in purchasing behaviors for thermal coal, limits on trade with the ~~United States~~ **U. S.** or other potentially adverse economic outcomes. While tariffs and other retaliatory trade measures imposed by other countries on ~~United States~~ **U. S.** goods have not yet had a significant impact on our business or results of operations, we cannot predict further developments, and such existing or future tariffs could have a material adverse effect on our results of operations, financial position and cash flows and could reduce our revenues and cash available for distribution. Changes in consumption patterns by utilities regarding the use of coal, including plans by utilities to shut down or move away from coal- fired generation, have affected our ability to sell the coal we produce. The domestic electric utility industry accounts for the vast majority of domestic coal consumption. The amount of coal consumed by the domestic electric utility industry is affected primarily by the overall demand for electricity, environmental and other governmental regulations, and the price and availability of competing fuels for power plants such as nuclear, natural gas and fuel oil as well as alternative sources of energy. Gas- fueled generation has the potential to displace a significant amount of coal- fired electric power generation in the near term, particularly from older, less efficient coal- fired powered generators. Future environmental regulation of GHG emissions also could accelerate the use by utilities of fuels other than coal. In addition, federal and state mandates for increased use of electricity derived from renewable energy sources could affect demand for coal. Such mandates, combined with other incentives to use renewable energy sources, such as tax credits, could make alternative fuel sources more competitive with coal. Further, far- reaching federal regulations promulgated by the EPA in the last several years, such as CSAPR and MATS, have led to the premature retirement of coal- fired generating units and a significant reduction in the amount of coal- fired generating capacity in the ~~United States~~ **U. S**. A decrease in coal consumption by the domestic electric utility industry could adversely affect the demand for or the price of coal, which could negatively impact our results of operations and reduce our cash from operations. Other factors, such as efficiency improvements associated with technologies powered by electricity have slowed electricity demand growth and could contribute to slower growth in the future. Further decreases in the demand for electricity, such as decreases that could be caused by a worsening of current economic conditions or a prolonged economic recession, could have a material adverse effect on the demand for coal and our business over the long term. Extensive environmental laws and regulations affect coal consumers and have corresponding effects on the demand for coal as a fuel source. Federal, state and local laws and regulations extensively regulate the amount of sulfur dioxide, particulate matter, nitrogen oxides, mercury and other compounds emitted into the air from coal- fired electric power plants, which are the ultimate consumers of much of our coal. These laws and regulations can require significant emission control expenditures for many coal- fired power plants, and various new and proposed laws and regulations could require further emission reductions and associated emission control expenditures. These laws and regulations could affect demand and prices for coal. There is also continuing pressure on federal and state regulators to impose limits on carbon dioxide emissions from electric power plants, particularly coal- fired power plants. Further, far- reaching federal regulations promulgated by the EPA in the last several years, such as CSAPR and MATS, have led to the premature retirement of coal- fired generating units and a significant reduction in the amount of coal- fired generating capacity in the U. S. Our operations are subject to a series of risks resulting from climate change. Combustion of fossil fuels, such as the coal we produce, results in the emission of carbon dioxide into the atmosphere. Concerns about the environmental impacts of such emissions have resulted in a series of regulatory, political, litigation, and financial risks for our business. Global climate issues continue to attract public and scientific attention. Most scientists have concluded that increasing concentrations of GHGs in the Earth ~~'~~**’** s atmosphere could produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts and floods, and other climatic events. Increasing government attention is being paid to global climate issues and to emissions of GHGs, including emissions due to fossil fuels. In the ~~United States~~ **U. S.** , no comprehensive climate change legislation has been implemented at the federal level. However, following the U. S. Supreme Court finding that GHG emissions constitute a pollutant under the CAA, the EPA has adopted regulations that, among other things, establish construction and operating permit reviews for GHG emissions from certain large stationary sources, require the monitoring and annual reporting of GHG emissions from certain sources in the ~~United States~~ **U. S.** , or constrain the emissions of power plants (though such emissions restraints have been subject to challenge.) Separately, various states and groups of states have adopted or are considering adopting legislation, regulations, or other regulatory initiatives that are focused on such areas as GHG cap- and- trade programs, carbon taxes, reporting and tracking programs, and restriction of emissions. Internationally, the Paris Agreement requires member states to submit non- binding, individually- determined emissions reduction targets. These commitments could further reduce demand and prices for fossil fuels. Although the ~~United States~~ **U. S.** had withdrawn from the Paris Agreement, following President Biden’ s executive order in January 2021, the ~~United States~~ **U. S.** rejoined the Agreement and, in April 2021, established a goal of reducing economy- wide net GHG emissions 50- 52 % below levels by 2030. Additionally, at COP26 in Glasgow in November 2021, the ~~United States~~ **U. S.** and the European Union jointly announced the launch of a Global Methane Pledge committing to a collective goal of reducing global methane emissions by at least 30 % from 2020 levels by 2030, including ~~"~~**“** all feasible reductions ~~"~~**”** in the energy sector. At COP27 in Sharm El- Sheik in November 2022, countries reiterated the agreements from COP26 and were called upon to accelerate efforts toward the phase out of inefficient fossil fuel subsidies. The ~~United States~~ **U. S.** also announced, in conjunction with the European Union and other partner countries, that it would develop standards for monitoring and reporting methane emissions to help create a market for low methane- intensity natural gas. Although no firm commitment or timeline to phase out or phase down all fossil fuels was made at COP27, there can be no guarantees that countries will not seek to implement such a phase out in the future. The full impact of these actions is uncertain at this time and it is unclear what additional initiatives may be adopted or implemented that may have adverse effects upon us and our operators ~~'~~**’** operations. Governmental, scientific, and public concern over climate change has also resulted in increased political risks, including certain climate- related pledges made by certain candidates now in political office. In January 2021, President Biden issued an executive order that commits to substantial action on climate change, calling for, among other things, the increased use of zero- emissions vehicles by the federal government, the elimination of subsidies provided to the fossil- fuel industry, a doubling of electricity generated by offshore wind by 2030, and increased emphasis on climate- related risks across governmental agencies and economic sectors. Other actions that may be pursued include restrictive requirements on new pipeline infrastructure or fossil- fuel export facilities or the promulgation of a carbon tax or cap and trade program. Further, although Congress has not passed such legislation, almost half of the states have begun to address GHG emissions, primarily through the planned development of emissions inventories, regional GHG cap and trade programs, or the establishment of renewable energy requirements for utilities. Depending on the particular program, we or our customers could be required to control GHG emissions or to purchase and surrender allowances for GHG emissions resulting from our operations. Litigation risks are also increasing. **Additionally, on March 6, 2024, the SEC adopted new rules relating to the disclosure of a range of climate- related data risks and opportunities, including financial impacts, physical and transition risks, related governance and strategy and GHG emissions, for certain public companies. We are currently assessing this rule but at this time we cannot predict the ultimate impact of the rule on our business or those of our customers. As a result of these final rules, we or our customers could incur increased costs related to the assessment and disclosure of climate- related risks and certain emissions metrics. In addition, enhanced climate disclosure requirements could accelerate the trend of certain stakeholders and lenders restricting or seeking more stringent conditions with respect to their investments in certain carbon intensive sectors.** Apart from governmental regulation, there are also increasing financial risks for fossil- fuel producers as stakeholders of fossil- fuel energy companies may elect in the future to shift some or all of their support into non- energy related sectors. Institutional lenders who provide financing to fossil- fuel energy companies also have become more attentive to sustainable lending practices and some of them may elect not to provide funding for fossil- fuel energy companies. For example, at COP26, the Glasgow Financial Alliance for Net Zero (~~"~~**“** GFANZ ~~"~~**”**) announced that commitments from over 450 firms across 45 countries had resulted in over $ 130 trillion in capital committed to net zero goals. The various sub- alliances of GFANZ generally require participants to set short- term, sector- specific targets to transition their financing, investing, and / or underwriting activities to net zero emissions by 2050. There is also a risk that financial institutions will be required to adopt policies that have the effect of reducing the funding provided to the fossil- fuel sector. In late 2020, the Federal Reserve announced it had joined the Network for Greening the Financial System ("“ NGFS "”), a consortium of financial regulators focused on addressing climate- related risks in the financial sector, and, in September 2022, announced that six of the U. S. '’ largest banks will participate in a pilot climate scenario analysis to enhance the ability of firms and supervisors to measure and manage climate- related financial risk. The Federal Reserve released its pilot exercise in January 2023 which is designed to analyze the impact of both physical and transition risks related to climate change on specific assets of the banks '’ portfolio. Although we cannot predict the effects of these actions, such limitation of investments in and financing, bonding, and insurance coverages for fossil- fuel energy companies could adversely affect our coal mining operations. The adoption and implementation of new or more stringent international, federal, or state legislation, regulations, or other regulatory initiatives that impose more stringent standards for GHG emissions from fossil- fuel companies could result in increased costs of compliance or costs of consuming, and thereby reduce demand for coal, which could reduce the profitability of our interests. Additionally, political, litigation, and financial risks could result in either us restricting or canceling mining activities, incurring liability for infrastructure damages as a result of climatic changes, or having an impaired ability to continue to operate in an economic manner. One or more of these developments, as well as concerted conservation and efficiency efforts that result in reduced electricity consumption, and consumer and corporate preferences for non- fossil- fuel sources, including alternative energy sources, could cause prices and sales of our coal to materially decline and could cause our costs to increase and adversely affect our revenues and results of operations. Climate change may also result in various physical risks, such as the increased frequency or intensity of extreme weather events or changes in meteorological and hydrological patterns that could adversely impact our operations. Such physical risks may result in damage to our facilities or otherwise adversely impact operations which could decrease our production. We may not have insurance to cover these risks and the consequences for our operations could have a negative impact on the costs and revenues from operations. We or our customers could be subject to related to the alleged effects of climate change. Increasing attention to climate change risk has also resulted in a recent trend of governmental investigations and private litigation by state and local governmental agencies as well as private plaintiffs in an effort to hold energy companies accountable for the alleged effects of climate change. Other public nuisance lawsuits have been brought in the past against power, coal, and oil & gas companies alleging that their operations are contributing to climate change. The plaintiffs in these suits sought various remedies, including punitive and compensatory damages and injunctive relief. While the U. S. Supreme Court held that federal common law provided no basis for public nuisance claims against the defendants in those cases, tort- type liabilities remain a possibility and a source of concern. Government entities in other states (including California and New York) have brought similar claims seeking to hold a wide variety of companies that produce fossil fuels liable for the alleged impacts of the GHG emissions attributable to those fuels. Those lawsuits allege damages as a result of climate change and the plaintiffs are seeking unspecified damages and abatement under various tort theories. Separately, litigation has been brought against certain fossil- fuel companies alleging that they have been aware of the adverse effects of climate change for some time but failed to adequately disclose such impacts to their investors or consumers. We have not been made a party to these other suits, but it is possible that we could be included in similar future lawsuits initiated by state and local governments as well as private claimants. **Our operations may impact the environment or cause exposure to hazardous substances, and our properties may have environmental contamination, which could result in liabilities to us. In addition, government inspectors, under certain circumstances, have the ability to order our operations to be shut down based on environmental considerations. Our operations currently use hazardous materials and generate limited quantities of hazardous wastes from time to time. Drainage flowing from or caused by mining activities can be acidic with elevated levels of dissolved metals, a condition referred to as “ acid mine drainage. ” We could become subject to claims for toxic torts, natural resource damages and other damages, as well as for the investigation and clean- up of soil, surface water, groundwater and other media. Such claims may arise, for example, out of conditions at sites that we currently own or operate, as well as at sites that we previously owned or operated, or may acquire. Our liability for such claims may be joint and several, so that we may be held responsible for more than our share of the contamination or other damages, or for the entire share. In addition, government inspectors, under certain circumstances, may have the ability to order our operations to be shut down based on a perceived or actual violation of regulations concerning hazardous substances and other matters related to environmental protection. These and other similar unforeseen impacts that our operations may have on the environment, as well as exposures to hazardous substances or wastes associated with our operations, could result in costs and liabilities that could adversely affect us.** Litigation resulting from disputes with our customers could result in substantial costs, liabilities, and loss of revenues. From time to time we have disputes with our customers over the provisions of long- term coal supply contracts relating to, among other things, coal pricing, quality, quantity and the existence of specified conditions beyond our or our customers’ control that suspend performance obligations under the particular contract. Disputes could occur in the future, and we may not be able to resolve those disputes in a satisfactory manner, which could have a material adverse effect on our business, financial condition and results of operations. Our profitability could decline due to unanticipated mine operating conditions and other events that are not within our control and that may not be fully covered under our insurance policies. Our mining operations are influenced by changing conditions or events that can affect production levels and costs at particular mines for varying lengths of time and, as a result, can diminish our profitability. These conditions and events include, among others: ● mining and processing equipment failures and unexpected maintenance problems; ● unavailability of required equipment; ● prices for fuel, steel, explosives and other supplies; ● fines and penalties incurred as a result of alleged violations of environmental and safety laws and regulations; ● variations in thickness of the layer, or seam, of coal; ● amounts of overburden, partings, rock and other natural materials; ● weather conditions, such as heavy rains, flooding, ice and other natural events affecting operations, transportation or customers; ● accidental mine water discharges and other geological conditions; ● seismic activities, ground failures, rock bursts or structural cave- ins or slides; ● fires; ● employee injuries or fatalities; ● labor- related interruptions; ● increased reclamation costs; ● inability to acquire, maintain or renew mining rights or permits in a timely manner, if at all; ● fluctuations in transportation costs and the availability or reliability of transportation; and ● unexpected operational interruptions due to other factors. These conditions have the potential to significantly impact our operating results. Prolonged disruption of production at any of our mines would result in a decrease in our revenues and profitability, which could materially adversely impact our quarterly or annual results. Our inability to obtain commercial insurance at acceptable rates or our failure to adequately reserve for self- insured exposures could increase our expenses and have a negative impact on our business. We believe that commercial insurance coverage is prudent in certain areas of our business for risk management. Insurance costs could increase substantially in the future and could be affected by natural disasters, fear of terrorism, financial irregularities, cybersecurity breaches and other fraud at publicly ~~–~~traded companies, intervention by the government, an increase in the number of claims received by the carriers, and a decrease in the number of insurance carriers. In addition, the carriers with which we hold our policies could go out of business or be otherwise unable to fulfill their contractual obligations or could disagree with our interpretation of the coverage or the amounts owed. In addition, for certain types or levels of risk, such as risks associated with certain natural disasters or terrorist attacks, we may determine that we cannot obtain commercial insurance at acceptable rates, if at all. Therefore, we may choose to forego or limit our purchase of relevant commercial insurance, choosing instead to self- insure one or more types or levels of risks. If we suffer a substantial loss that is not covered by commercial insurance or our self- insurance reserves, the loss and related expenses could harm our business and operating results. Also, exposures exist for which no insurance may be available and for which we have not reserved. In addition, environmental activists could try to hamper fossil- fuel companies by other means including pressuring insurance and surety companies into restricting access to certain needed coverages. Our mining operations are subject to extensive and costly laws and regulations, and such current and future laws and regulations could increase current operating costs or limit our ability to produce coal. We are subject to numerous federal, state and local laws and regulations affecting the coal mining industry, including laws and regulations pertaining to employee health and safety, permitting and licensing requirements, air and water quality standards, plant and wildlife protection, reclamation and restoration of mining properties after mining is completed, the discharge or release of materials into the environment, surface subsidence from underground mining and the effects that mining has on groundwater quality and availability. Certain of these laws and regulations may impose strict liability without regard to fault or legality of the original conduct. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial liabilities, and the issuance of injunctions limiting or prohibiting the performance of operations. Complying with these laws and regulations could be costly and time- consuming and could delay commencement or continuation of exploration or production operations. The possibility exists that new laws or regulations may be adopted, or that judicial interpretations or more stringent enforcement of existing laws and regulations could occur, which could materially affect our mining operations, cash flow, and profitability, either through direct impacts on our mining operations, or indirect impacts that discourage or limit our customers' use of coal. Federal and state laws addressing mine safety practices impose stringent reporting requirements and civil and criminal penalties for violations. Federal and state regulatory agencies continue to interpret and implement these laws and propose new regulations and standards. Implementing and complying with these laws and regulations has increased and will continue to increase our operational expense and have an adverse effect on our results of operation and financial position. We may be unable to obtain and renew permits necessary for our operations, which could reduce our production, cash flow and profitability. Mining companies must obtain numerous governmental permits or approvals that impose strict conditions and obligations relating to various environmental and safety matters in connection with coal mining. The permitting rules are complex and can change over time. Regulatory authorities exercise considerable discretion in the timing and scope of permit issuance. The public has the right to comment on permit applications and otherwise participate in the permitting process, including through court intervention. Accordingly, permits required to conduct our operations may not be issued, maintained **,** or renewed, or may not be issued or renewed in a timely fashion, or may involve requirements that restrict our ability to economically conduct our mining operations. Limitations on our ability to conduct our mining operations due to the inability to obtain or renew necessary permits or similar approvals could reduce our production, cash flow, and profitability. The EPA has begun reviewing permits required for the discharge of overburden from mining operations under Section 404 of the CWA. Various initiatives by the EPA regarding these permits have increased the time required to obtain and the costs of complying with such permits. In addition, the EPA previously exercised its " veto " power to withdraw or restrict the use of previously issued permits in connection with one of the largest surface mining operations in Appalachia. The EPA' s action was ultimately upheld by a federal court. As a result of these developments, we may be unable to obtain or experience delays in securing, utilizing or renewing Section 404 permits required for our operations, which could have an adverse effect on our results of operation and financial position. In addition, some of our permits could be subject to challenges from the public, which could result in additional costs or delays in the permitting process, or even an inability to obtain permits, permit modifications or permit renewals necessary for our operations. Inflation could result in higher costs and decreased profitability. The ~~United States~~ **U. S.** , European Union and other large economies have recently experienced inflation at a rate significantly higher than recent years. Current and future inflationary effects may be driven by, among other things, governmental stimulus and monetary policies, supply chain disruptions and geopolitical instability, including the ongoing military conflict between Ukraine and Russia. This recent inflation has resulted in rising prices, including increases in freight rates, prices for energy and other costs, and has adversely impacted us and may further impact us negatively in the future. Sustained inflation could result in higher costs for transportation, energy, materials, supplies and labor. Our efforts to recover inflation- based cost increases from our customers may be hampered as a result of the structure of our contracts and competitive pressures. Accordingly, substantial inflation may have an adverse impact on our business, financial position, results of operations and cash flows. Inflation has also resulted in higher interest rates in the U. S., which could increase our cost of debt borrowing in the future. Increases in interest rates could adversely affect our business. The Federal Reserve raised the federal funds interest rate throughout **December 31,**

~~2022~~ **2023 ,** in its effort to take action against domestic inflation, and ~~is~~ **rates are** expected to **remain higher throughout** ~~continue to raise these rates in 2023~~ **2024** . We have exposure to these past increases in interest rates ~~,~~ and may be affected further in the future. Based on our current variable debt level of $ ~~85~~ **91** . ~~2~~ **5** million as of December 31, ~~2022~~ **2023** , comprised of funds drawn on our outstanding bank debt, an increase of one percentage point in the interest rate will result in an increase in annual interest expense of slightly less than $ 1 million. Any indebtedness we incur in the future may also expose us to increased interest rates, whether as a result of higher fixed rates at the time such a new facility is entered into or because such new indebtedness accrues interest at a variable rate. As a result, our results of operations, cash flows and financial condition could be materially adversely affected by significant increases in interest rates **.** Fluctuations in transportation costs and the availability or reliability of transportation could reduce revenues by causing us to reduce our production or by impairing our ability to supply coal to our customers. Transportation costs represent a significant portion of the total cost of coal for our customers and, as a result, the cost of transportation is a critical factor in a customer' s purchasing decision. Increases in transportation costs could make coal a less competitive source of energy or could make our coal production less competitive than coal produced from other sources. Disruption of transportation services due to weather- related problems, flooding, drought, accidents, mechanical difficulties, strikes, lockouts, bottlenecks or other events could temporarily impair our ability to supply coal to our customers. Our transportation providers could face difficulties in the future that could impair our ability to supply coal to our customers, resulting in decreased revenues. If there are disruptions of the transportation services provided by our primary rail carriers that transport our coal and we are unable to find alternative transportation providers to ship our coal, our business could be adversely affected. Conversely, significant decreases in transportation costs could result in increased competition from coal producers in other parts of the country. For instance, difficulty in coordinating the many eastern coal loading facilities, the large number of small shipments, the steeper average grades of the terrain and a more unionized workforce are all issues that combine to make coal shipments originating in the eastern U. S. inherently more expensive on a per- mile basis than coal shipments originating in the western U. S. Historically, high coal transportation rates from the western coal- producing areas into certain eastern markets limited the use of western coal in those markets. Lower rail rates from the western coal producing areas to markets served by eastern U. S. coal producers have created major competitive challenges for eastern coal producers. In the event of further reductions in transportation costs from western coal- producing areas, the increased competition with certain eastern coal markets could have a material adverse effect on our business, financial condition **,** and results of operations. States in which our coal is transported by truck may modify or increase enforcement of their laws regarding weight limits or coal trucks on public roads. Such legislation and enforcement efforts could result in shipment delays and increased costs. An increase in transportation costs could have an adverse effect on our ability to increase or to maintain production and could adversely affect revenues. Political or financial instability, currency fluctuations, the outbreak of pandemics or other illnesses (such as the COVID- 19 pandemic), labor unrest, transport capacity and costs, port security, weather conditions, natural disasters, or other events that could alter or suspend our operations, slow or disrupt port activities, or affect foreign trade are beyond our control and could materially disrupt our ability to participate in the export market for coal sales, which could adversely affect our sales and our results of operations. We may not be able to successfully grow through future acquisitions. We have expanded our operations by adding and developing mines and coal reserves in existing, adjacent **,** and neighboring properties, including through our recent acquisition of Merom. We continually seek to expand our operations and coal reserves. Our future growth could be limited if we are unable to continue to make acquisitions, or if we are unable to successfully integrate the companies, businesses **,** or properties we acquire. We may not be successful in consummating any acquisitions and the consequences of undertaking these acquisitions are unknown. Moreover, any acquisition could be dilutive to earnings. Our ability to make acquisitions in the future could require significant amounts of financing that may not be available to us under acceptable terms and may be limited by restrictions under our existing or future debt agreements, competition from other coal companies for attractive properties or the lack of suitable acquisition candidates. Expansions and acquisitions involve a number of risks, any of which could cause us not to realize the anticipated benefits. If we are unable to successfully integrate the companies, businesses **,** or properties we acquire, our profitability may decline, and we could experience a material adverse effect on our business, financial condition, or results of operations. Expansion and acquisition transactions involve various inherent risks, including: ● uncertainties in assessing the value, strengths, and potential profitability of, and identifying the extent of all weaknesses, risks, contingent and other liabilities (including environmental or mine safety liabilities) of, expansion and acquisition opportunities; ● the ability to achieve identified operating and financial synergies anticipated to result from an expansion or an acquisition; ● problems that could arise from the integration of the new operations; and ● unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying our rationale for pursuing the expansion or acquisition opportunity. Any one or more of these factors could cause us not to realize the benefits anticipated to result from an expansion or acquisition. Any expansion or acquisition opportunities we pursue could materially affect our liquidity and capital resources and may require us to incur indebtedness, seek equity capital or both. In addition, future expansions or acquisitions could result in us assuming more long- term liabilities relative to the value of the acquired assets than we have assumed in our previous expansions and / or acquisitions. The unavailability of an adequate supply of coal reserves that can be mined at competitive costs could cause our profitability to decline. Our profitability depends substantially on our ability to mine coal reserves that have the geological characteristics that enable them to be mined at competitive costs and to meet the quality needed by our customers. Because we deplete our reserves as we mine coal, our future success and growth depend, in part, upon our ability to acquire additional coal reserves that are economically recoverable. Replacement reserves may not be available when required or, if available, may not be mineable at costs comparable to those of the depleting mines. We may not be able to accurately assess the geological characteristics of any reserves that we acquire, which could adversely affect our profitability and financial condition. Exhaustion of reserves at particular mines also could have an adverse effect on our operating results that is disproportionate to the percentage of overall production represented by such mines. Our ability to obtain other reserves in the future could be limited by restrictions under our existing or future debt agreements, competition from other coal companies for attractive properties, the lack of suitable acquisition candidates or the inability to acquire coal properties on commercially reasonable terms. The estimates of our coal reserves could prove inaccurate and could result in decreased profitability. The estimates of our coal reserves could vary substantially from actual amounts of coal we are able to recover economically. All of the reserves presented in this Annual Report on Form 10- K constitute proven and probable reserves. There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond our control. Estimates of coal reserves necessarily depend upon a number of variables and assumptions, any one of which could vary considerably from actual results. These factors and assumptions relate to: ● geological and mining conditions, which may not be fully identified by available exploration data and / or differ from our experiences in areas where we currently mine; ● the percentage of coal in the ground ultimately recoverable; ● historical production from the area compared with production from other producing areas; ● the assumed effects of regulation and taxes by governmental agencies; ● future improvements in mining technology; and ● assumptions concerning future coal prices, operating costs, capital expenditures, severance and excise taxes, and development and reclamation costs. For these reasons, estimates of the recoverable quantities of coal attributable to any particular group of properties, classifications of reserves based on risk of recovery and estimates of future net cash flows expected from these properties as prepared by different engineers, or by the same engineers at different times, may vary substantially. Actual production, revenue, and expenditures with respect to our reserves will likely vary from estimates, and these variations may be material. Any inaccuracy in the estimates of our reserves could result in higher **-** than **-** expected costs and decreased profitability. Mining in certain areas in which we operate is more difficult and involves more regulatory constraints than mining in other areas of the U. S., which could affect the mining operations and cost structures of these areas. The geological characteristics of some of our coal reserves, such as depth of overburden and coal seam thickness, make them difficult and costly to mine. As mines become depleted, replacement reserves may not be available when required or, if available, may not be mineable at costs comparable to those ~~characteristic~~ **characteristics** of the depleting mines. In addition, permitting, licensing and other environmental and regulatory requirements associated with certain of our mining operations are more costly and time- consuming to satisfy. These factors could materially adversely affect the mining operations and cost structures of, and our customers' ability to use coal produced by, our mines. Unexpected increases in raw material costs could significantly impair our operating profitability. Our coal mining operations are affected by commodity prices. We use significant amounts of steel, petroleum products, and other raw materials in various pieces of mining equipment, supplies and materials, including the roof bolts required by the room- and- pillar method of mining. Steel prices and the prices of scrap steel, natural gas and coking coal consumed in the production of iron and steel fluctuate significantly and could change unexpectedly. **Our electric operations are also affected by many of these same commodity prices, including chemicals and catalysts necessary to operate the plant in accordance with environmental and other regulations, fuel oil, and raw materials used in the manufacture and maintenance of equipment throughout the plant.** Inflationary pressures have and could continue to lead to price increases affecting many of the components of our operating expenses such as fuel, steel, **other materials** and maintenance expense. There could be acts of nature or terrorist attacks or threats that could also impact the future costs of raw materials. Future volatility in the price of steel, petroleum products or other raw materials will impact our operational expenses and could result in significant fluctuations in our profitability. Failure to obtain or renew surety bonds on acceptable terms could affect our ability to secure reclamation and coal lease obligations and, therefore, our ability to mine or lease coal. Federal and state laws require us to obtain surety bonds to secure performance or payment of certain long- term obligations, such as mine closure or reclamation costs. We may have difficulty procuring or maintaining our surety bonds. Our bond issuers may demand higher fees, additional collateral, including letters of credit or other terms less favorable to us upon those renewals. Because we are required by state and federal law to have these bonds in place before mining can commence or continue, failure to maintain surety bonds, letters of credit or other guarantees or security arrangements would materially and adversely affect our ability to mine or lease coal. That failure could result from a variety of factors, including lack of availability, higher expense or unfavorable market terms, the exercise by third- party surety bond issuers of their right to refuse to renew the surety and restrictions on availability of collateral for current and future third- party surety bond issuers under the terms of our financing arrangements. Certain federal income tax deductions currently available with respect to coal mining and production may be eliminated as a result of future legislation. In past years, members of Congress have indicated a desire to eliminate certain key U. S. federal income tax provisions currently applicable to coal companies, including the percentage depletion allowance with respect to coal properties. Elimination of those provisions would negatively impact our financial statements and results of operations. A shortage of skilled labor may make it difficult for us to maintain labor productivity and competitive costs and could adversely affect our profitability. Efficient coal mining using modern techniques and equipment requires skilled laborers, preferably with at least one year of experience and proficiency in multiple mining tasks. In recent years, a shortage of experienced coal miners has caused us to include some inexperienced staff in the operation of certain mining units, which decreases our productivity and increases our costs. This shortage of experienced coal miners is the result of a significant percentage of experienced coal miners reaching retirement age, combined with the difficulty of retaining existing workers in and attracting new workers to the coal industry. Thus, this shortage of skilled labor could continue over an extended period. If the shortage of experienced labor continues or worsens, it could have an adverse impact on our labor productivity and costs and our ability to expand production in the event there is an increase in the demand for our coal, which could adversely affect our profitability. Disruptions in supply chains could significantly impair our operating profitability. We are dependent upon vendors to supply mining equipment **, equipment within our power plant** , safety equipment, supplies, and materials. If a vendor fails to deliver on its commitments, or if common carriers have difficulty providing capacity to meet demands for their services, we could experience reductions in our production or increased production costs, which could lead to reduced profitability and adversely affect our results of operations. Inflationary pressures could significantly impair our operating profitability. Any future inflationary or deflationary pressures could adversely affect the results of our operations. For example, at times our results have been significantly impacted by price increases affecting many of the components of our operating expenses such as fuel, steel, maintenance expense and labor. In addition to potential cost increases, inflation could cause a decline in global or regional economic conditions that reduce demand for our coal **or electric power** and could adversely affect our results of operations. The Russian- Ukrainian conflict, and sanctions brought against Russia, **as well as other disruptions throughout Europe and the Middle East** have caused significant market disruptions that may lead to increased volatility in the price of commodities. The extent and duration of the military conflict involving Russia and Ukraine, resulting sanctions and future market or supply disruptions in the region are impossible to predict, but could be significant and may have a severe adverse effect on the region. Globally, various governments have banned imports from Russia including commodities such as coal. **Additionally, the ongoing conflict between Israel and Hamas, as well as the increasing instability throughout the Middle East, could result in additional disruptions in the commodities markets, supply chain and the global economy.** These events have caused volatility in the aforementioned commodity markets. Although we have not experienced any material adverse effect on our results of operations, financial condition or cash flows as a result of the war or **conflict or** the resulting volatility **from such events** , such volatility, may significantly affect prices for our coal or the cost of supplies and equipment, as well as the prices of competing sources of energy for our electric power plant customers. ~~The~~ **These** ~~war~~ **events** , **along with** trade and monetary sanctions, as well as any escalation of the ~~conflict~~ **conflicts** and future developments, could significantly affect worldwide market prices and demand for our coal and cause turmoil in the capital markets and generally in the global financial system. Additionally, the geopolitical and macroeconomic consequences of ~~the~~ **these** ~~war~~ **events** and associated sanctions cannot be predicted, but could severely impact the world economy. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for products, causing a reduction in our revenues or an increase in our costs and thereby materially and adversely affecting our results of operations. The integration of any expansions or acquisitions that we complete will be subject to substantial risks. Even if we make expansions or acquisitions that we believe will increase our revenue, any expansion acquisition involves potential risks, including, among other things: ● the validity of our assumptions about estimated proved reserves, future production, prices, revenues, capital expenditures, and operating expenses; ● a decrease in our liquidity by using a significant portion of our cash generated from operations or borrowing capacity to finance acquisitions; ● a significant increase in our interest expense or financial leverage if we incur debt to finance acquisitions; ● the assumption of unknown liabilities, losses or costs for which we are not indemnified or for which any indemnity we receive is inadequate; ● mistaken assumptions about the overall cost of equity or debt; ● our ability to obtain satisfactory title to the assets we acquire; ● an inability to hire, train or retain qualified personnel to manage and operate the acquired assets; and ● the occurrence of other significant changes, such as impairment of properties, goodwill or other intangible assets, asset devaluation, or restructuring charges. **Natural disasters and other events beyond our control could materially adversely affect us. Natural disasters or other events outside of our control may cause damage or disruption to our operations, and thus could have a negative effect on us. Our business operations are subject to interruption by natural disasters, fire, power shortages, pandemics and other events beyond our control. This may result in delivery delays, malfunctioning of facilities or shutdown of logistic points. Such events could make it difficult or impossible for us to deliver our products and services to our customers and could decrease demand for our services. We could not assure you that the production facilities and logistic points will always operate normally in the future.**