

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended **September 30, 2024**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-9172

**NACCO INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**34-1505819**

(I.R.S. Employer Identification No.)

**22901 Millcreek Blvd.**

**Suite 600**

**Cleveland, Ohio**

(Address of principal executive offices)

**44122**

(Zip code)

**(440) 229-5151**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if  
changed since last report)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, \$1 par value per share	NC	New York Stock Exchange

Class B Common Stock is not publicly listed for trade on any exchange or market system; however, Class B Common Stock is convertible into Class A Common Stock on a share-for-share basis.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

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

Large accelerated filer  Accelerated Filer  Non-accelerated filer  **Smaller reporting company**  Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Number of shares of Class A Common Stock outstanding at October 25, 2024: 5,731,447

Number of shares of Class B Common Stock outstanding at October 25, 2024: 1,565,519

**NACCO INDUSTRIES, INC.**  
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**Part I**  
**FINANCIAL INFORMATION**  
**Item 1. Financial Statements**

**NACCO INDUSTRIES, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

	SEPTEMBER 30 2024	DECEMBER 31 2023
(In thousands, except share data)		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 63,052	\$ 85,109
Trade accounts receivable	39,098	37,429
Accounts receivable from affiliates	5,807	7,860
Cash held by 1031 exchange facilitator	5,310	—
Business interruption insurance receivable	13,612	—
Inventories	94,436	77,000
Assets held for sale	4,483	6,466
Prepaid insurance	3,955	1,790
Other current assets	29,269	16,344
<b>Total current assets</b>	<b>259,022</b>	<b>231,998</b>
<b>Property, plant and equipment, net</b>	<b>244,712</b>	<b>223,902</b>
<b>Intangibles, net</b>	<b>5,633</b>	<b>6,006</b>
<b>Deferred income taxes</b>	<b>17,389</b>	<b>15,081</b>
<b>Investments in unconsolidated subsidiaries</b>	<b>16,682</b>	<b>12,371</b>
<b>Operating lease right-of-use assets</b>	<b>7,744</b>	<b>8,667</b>
<b>Other non-current assets</b>	<b>46,224</b>	<b>41,683</b>
<b>Total assets</b>	<b>\$ 597,406</b>	<b>\$ 539,708</b>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable	\$ 16,232	\$ 16,702
Accounts payable to affiliates	982	904
Revolving credit agreements	—	10,000
Current maturities of long-term debt	4,183	3,953
Asset retirement obligations	14,259	13,114
Accrued payroll	18,782	17,317
Deferred revenue	723	878
Federal income tax payable	4,310	—
Other current liabilities	9,452	7,118
<b>Total current liabilities</b>	<b>68,923</b>	<b>69,986</b>
<b>Long-term debt</b>	<b>28,818</b>	<b>22,003</b>
<b>Long-term revolving credit agreements</b>	<b>37,221</b>	<b>—</b>
<b>Operating lease liabilities</b>	<b>7,652</b>	<b>8,782</b>
<b>Asset retirement obligations</b>	<b>38,491</b>	<b>39,499</b>
<b>Pension and other postretirement obligations</b>	<b>4,710</b>	<b>5,183</b>
<b>Liability for uncertain tax positions</b>	<b>5,795</b>	<b>5,795</b>
<b>Other long-term liabilities</b>	<b>8,486</b>	<b>6,120</b>
<b>Total liabilities</b>	<b>200,096</b>	<b>157,368</b>
<b>Stockholders' equity</b>		
Common stock:		
Class A, par value \$1 per share, 5,731,447 shares outstanding (December 31, 2023 - 5,882,845 shares outstanding)	5,732	5,883
Class B, par value \$1 per share, convertible into Class A on a one-for-one basis, 1,565,519 shares outstanding (December 31, 2023 - 1,565,819 shares outstanding)	1,566	1,566
Capital in excess of par value	31,621	28,672
Retained earnings	367,814	355,873
Accumulated other comprehensive loss	(9,423)	(9,654)
<b>Total stockholders' equity</b>	<b>397,310</b>	<b>382,340</b>
<b>Total liabilities and equity</b>	<b>\$ 597,406</b>	<b>\$ 539,708</b>

See notes to Unaudited Condensed Consolidated Financial Statements.

**NACCO INDUSTRIES, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2024	2023	2024	2023
	(In thousands, except per share data)			
<b>Revenues</b>	<b>\$ 61,656</b>	<b>\$ 46,546</b>	<b>\$ 167,290</b>	<b>\$ 158,037</b>
Cost of sales	54,412	48,720	146,010	150,447
<b>Gross profit (loss)</b>	<b>7,244</b>	<b>(2,174)</b>	<b>21,280</b>	<b>7,590</b>
<b>Earnings of unconsolidated operations</b>	<b>15,155</b>	<b>12,754</b>	<b>42,054</b>	<b>37,662</b>
<b>Business interruption insurance recoveries</b>	<b>13,612</b>	<b>—</b>	<b>13,612</b>	<b>—</b>
<b>Operating expenses</b>				
Selling, general and administrative expenses	16,487	16,118	49,660	45,740
Amortization of intangible assets	131	642	373	2,296
(Gain) loss on sale of assets	(306)	87	(4,909)	(81)
	<u>16,312</u>	<u>16,847</u>	<u>45,124</u>	<u>47,955</u>
<b>Operating profit (loss)</b>	<b>19,699</b>	<b>(6,267)</b>	<b>31,822</b>	<b>(2,703)</b>
Other expense (income)				
Interest expense	1,386	632	3,808	1,749
Interest income	(1,084)	(1,679)	(3,249)	(4,548)
Closed mine obligations	463	394	1,389	1,236
(Gain) loss on equity securities	(442)	551	(1,219)	(498)
Other, net	244	(315)	160	(2,417)
	<u>567</u>	<u>(417)</u>	<u>889</u>	<u>(4,478)</u>
<b>Income (loss) before income tax provision (benefit)</b>	<b>19,132</b>	<b>(5,850)</b>	<b>30,933</b>	<b>1,775</b>
Income tax provision (benefit)	3,497	(2,018)	4,756	(2,605)
<b>Net income (loss)</b>	<b>\$ 15,635</b>	<b>\$ (3,832)</b>	<b>\$ 26,177</b>	<b>\$ 4,380</b>
<b>Earnings per share:</b>				
<b>Basic earnings (loss) per share</b>	<b>\$ 2.14</b>	<b>\$ (0.51)</b>	<b>\$ 3.55</b>	<b>\$ 0.59</b>
<b>Diluted earnings (loss) per share</b>	<b>\$ 2.14</b>	<b>\$ (0.51)</b>	<b>\$ 3.54</b>	<b>\$ 0.58</b>
<b>Basic weighted average shares outstanding</b>	<b>7,312</b>	<b>7,517</b>	<b>7,383</b>	<b>7,480</b>
<b>Diluted weighted average shares outstanding</b>	<b>7,312</b>	<b>7,517</b>	<b>7,395</b>	<b>7,515</b>

See notes to Unaudited Condensed Consolidated Financial Statements.

**NACCO INDUSTRIES, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2024	2023	2024	2023
	(In thousands)			
<b>Net income (loss)</b>	<b>\$ 15,635</b>	<b>\$ (3,832)</b>	<b>\$ 26,177</b>	<b>\$ 4,380</b>
Reclassification of pension and postretirement adjustments into earnings, net of \$20 and \$68 tax benefit in the three and nine months ended September 30, 2024, respectively, and net of \$6 and \$18 tax benefit in the three and nine months ended September 30, 2023, respectively.	78	20	231	59
<b>Total other comprehensive income</b>	<b>78</b>	<b>20</b>	<b>231</b>	<b>59</b>
<b>Comprehensive income (loss)</b>	<b>\$ 15,713</b>	<b>\$ (3,812)</b>	<b>\$ 26,408</b>	<b>\$ 4,439</b>

See notes to Unaudited Condensed Consolidated Financial Statements.

**NACCO INDUSTRIES, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	NINE MONTHS ENDED	
	SEPTEMBER 30	
	2024	2023
	(In thousands)	
<b>Operating activities</b>		
<b>Net cash (used for) provided by operating activities</b>	<b>\$ (2,879)</b>	<b>\$ 63,020</b>
<b>Investing activities</b>		
Expenditures for property, plant and equipment and acquisition of mineral interests	(30,697)	(37,894)
Proceeds from the sale of property, plant and equipment	416	323
Proceeds from the sale of private company equity units	—	1,153
Other	(774)	(1,137)
<b>Net cash used for investing activities</b>	<b>(31,055)</b>	<b>(37,555)</b>
<b>Financing activities</b>		
Additions to long-term debt	3,090	790
Reductions of long-term debt	(3,894)	(3,186)
Net additions to revolving credit agreements	27,221	—
Cash dividends paid	(4,964)	(4,826)
Purchase of treasury shares	(9,576)	(824)
<b>Net cash provided by (used for) financing activities</b>	<b>11,877</b>	<b>(8,046)</b>
<b>Cash and cash equivalents</b>		
Total (decrease) increase for the period	(22,057)	17,419
Balance at the beginning of the period	85,109	110,748
<b>Balance at the end of the period</b>	<b>\$ 63,052</b>	<b>\$ 128,167</b>

See notes to Unaudited Condensed Consolidated Financial Statements.

**NACCO INDUSTRIES, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
(In thousands, except per share data)						
<b>Balance, January 1, 2023</b>	\$ 5,783	\$ 1,566	\$ 23,706	\$ 404,924	\$ (9,013)	\$ 426,966
Stock-based compensation	161	—	403	—	—	564
Net income	—	—	—	5,692	—	5,692
Cash dividends on Class A and Class B common stock: \$0.2075 per share	—	—	—	(1,557)	—	(1,557)
Reclassification adjustment to net income, net of tax	—	—	—	—	21	21
<b>Balance, March 31, 2023</b>	<b>\$ 5,944</b>	<b>\$ 1,566</b>	<b>\$ 24,109</b>	<b>\$ 409,059</b>	<b>\$ (8,992)</b>	<b>\$ 431,686</b>
Stock-based compensation	10	—	797	—	—	807
Net income	—	—	—	2,520	—	2,520
Cash dividends on Class A and Class B common stock: \$0.2175 per share	—	—	—	(1,633)	—	(1,633)
Reclassification adjustment to net income, net of tax	—	—	—	—	18	18
<b>Balance, June 30, 2023</b>	<b>\$ 5,954</b>	<b>\$ 1,566</b>	<b>\$ 24,906</b>	<b>\$ 409,946</b>	<b>\$ (8,974)</b>	<b>\$ 433,398</b>
Stock-based compensation	10	—	1,309	—	—	1,319
Purchase of treasury shares	(24)	—	(800)	—	—	(824)
Net loss	—	—	—	(3,832)	—	(3,832)
Cash dividends on Class A and Class B common stock: \$0.2175 per share	—	—	—	(1,636)	—	(1,636)
Reclassification adjustment to net income, net of tax	—	—	—	—	20	20
<b>Balance, September 30, 2023</b>	<b>\$ 5,940</b>	<b>\$ 1,566</b>	<b>\$ 25,415</b>	<b>\$ 404,478</b>	<b>\$ (8,954)</b>	<b>\$ 428,445</b>
<b>Balance, January 1, 2024</b>	<b>\$ 5,883</b>	<b>\$ 1,566</b>	<b>\$ 28,672</b>	<b>\$ 355,873</b>	<b>\$ (9,654)</b>	<b>\$ 382,340</b>
Stock-based compensation	130	—	401	—	—	531
Purchase of treasury shares	(128)	—	—	(4,146)	—	(4,274)
Net income	—	—	—	4,570	—	4,570
Cash dividends on Class A and Class B common stock: \$0.2175 per share	—	—	—	(1,630)	—	(1,630)
Reclassification adjustment to net income, net of tax	—	—	—	—	76	76
<b>Balance, March 31, 2024</b>	<b>\$ 5,885</b>	<b>\$ 1,566</b>	<b>\$ 29,073</b>	<b>\$ 354,667</b>	<b>\$ (9,578)</b>	<b>\$ 381,613</b>
Stock-based compensation	11	—	1,378	—	—	1,389
Purchase of treasury shares	(108)	—	—	(3,177)	—	(3,285)
Net income	—	—	—	5,972	—	5,972
Cash dividends on Class A and Class B common stock: \$0.2275 per share	—	—	—	(1,676)	—	(1,676)
Reclassification adjustment to net income, net of tax	—	—	—	—	77	77
<b>Balance, June 30, 2024</b>	<b>\$ 5,788</b>	<b>\$ 1,566</b>	<b>\$ 30,451</b>	<b>\$ 355,786</b>	<b>\$ (9,501)</b>	<b>\$ 384,090</b>
Stock-based compensation	12	—	1,170	—	—	1,182
Purchase of treasury shares	(68)	—	—	(1,949)	—	(2,017)
Net income	—	—	—	15,635	—	15,635
Cash dividends on Class A and Class B common stock: \$0.2275 per share	—	—	—	(1,658)	—	(1,658)
Reclassification adjustment to net income, net of tax	—	—	—	—	78	78
<b>Balance, September 30, 2024</b>	<b>\$ 5,732</b>	<b>\$ 1,566</b>	<b>\$ 31,621</b>	<b>\$ 367,814</b>	<b>\$ (9,423)</b>	<b>\$ 397,310</b>

See notes to Unaudited Condensed Consolidated Financial Statements.

**NACCO INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024**

(In thousands, except as noted and per share amounts)

**NOTE 1—Nature of Operations and Basis of Presentation**

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of NACCO Industries, Inc.<sup>®</sup> (“NACCO”) and its wholly owned subsidiary, NACCO Natural Resources Corporation<sup>®</sup> (“NACCO Natural Resources” and with NACCO collectively, the “Company”). NACCO Natural Resources brings natural resources to life by delivering aggregates, minerals, reliable fuels and environmental solutions through its robust business portfolio. The Company operates under three business segments: Coal Mining, North American Mining<sup>®</sup> (“NAMining”) and Minerals Management. The Coal Mining segment operates surface coal mines for power generation companies. The NAMining segment is a trusted mining partner for producers of aggregates, activated carbon, lithium and other industrial minerals. The Minerals Management segment, which includes the Catapult Mineral Partners (“Catapult”) business, acquires and promotes the development of mineral interests. Mitigation Resources of North America<sup>®</sup> (“Mitigation Resources”) provides stream and wetland mitigation solutions as well as comprehensive reclamation and restoration construction services.

The Company has items not directly attributable to a reportable segment that are not included in the reported financial results of the operating segment. These items primarily include administrative costs related to public company reporting requirements, including management and board compensation, and the financial results of Bellaire Corporation (“Bellaire”), Mitigation Resources and other developing businesses. Bellaire manages the Company’s long-term liabilities related to former Eastern U.S. underground mining activities. Intercompany accounts and transactions are eliminated in consolidation. See Note 8 for further discussion of segment reporting.

The Company’s operating segments are further described below:

**Coal Mining Segment**

The Coal Mining segment operates surface coal mines under long-term contracts with power generation companies pursuant to a service-based business model. Coal is surface mined in North Dakota and Mississippi. Each mine is fully integrated with its customer’s operations.

During the three and nine months ended September 30, 2024, the Coal Mining segment’s operating coal mines were: The Coteau Properties Company (“Coteau”), Coyote Creek Mining Company, LLC (“Coyote Creek”), The Falkirk Mining Company (“Falkirk”) and Mississippi Lignite Mining Company (“MLMC”). Each of these mines supply lignite coal for power generation and delivers its coal production to an adjacent power plant or synfuels plant under a long-term supply contract. While MLMC’s coal supply contract contains a take or pay provision, the contract contains a force majeure provision that allows for the temporary suspension of the take or pay provision during the duration of certain specified events beyond the control of either party; all other coal supply contracts are requirements contracts. Certain coal supply contracts can be terminated early, which would result in a reduction to future earnings.

The MLMC contract is the only coal supply contract in which the Company is responsible for all operating costs, capital requirements and final mine reclamation; therefore, MLMC is consolidated within NACCO’s financial statements. MLMC sells coal to its customer’s Red Hills Power Plant at a contractually agreed-upon price which adjusts monthly, primarily based on changes in the level of established indices which reflect general U.S. inflation rates. Profitability at MLMC is affected by customer demand for coal and changes in the indices that determine sales price and actual costs incurred. As diesel fuel is heavily weighted among the indices used to determine the coal sales price, fluctuations in diesel fuel prices can result in significant fluctuations in earnings at MLMC. The Red Hills Power Plant supplies electricity to the Tennessee Valley Authority (“TVA”) under a long-term power purchase agreement. MLMC’s contract with its customer runs through April 1, 2032. TVA’s power portfolio includes coal, nuclear, hydroelectric, natural gas and renewables. The decision regarding which power plants to dispatch is determined by TVA. Reduction in dispatch of the Red Hills Power Plant will result in reduced earnings at MLMC.

On December 18, 2023, MLMC received notice from its customer related to a mechanical issue that began on December 15, 2023 and impacted one of two boilers at the Red Hills Power Plant. While this issue has been resolved, it resulted in a reduction in customer demand which had a significant impact on the Company’s results of operations during the first nine months of 2024. The Company recognized income of \$13.6 million in the third quarter of 2024 related to business interruption insurance recoveries to partially offset losses related to the boiler outage.



The Sabine Mining Company (“Sabine”) operates the Sabine Mine in Texas. All production from Sabine was delivered to Southwestern Electric Power Company's (“SWEPCO”) Henry W. Pirkey Plant (the “Pirkey Plant”). SWEPCO is an American Electric Power (“AEP”) company. As a result of the early retirement of the Pirkey Plant, Sabine ceased deliveries and commenced final reclamation on April 1, 2023. Funding for mine reclamation is the responsibility of SWEPCO, and Sabine receives compensation for providing mine reclamation services. Sabine will provide mine reclamation services through September 30, 2026. On October 1, 2026, SWEPCO is scheduled to acquire all of the capital stock of Sabine and complete the remaining mine reclamation.

At Coteau, Coyote Creek and Falkirk, the Company is paid a management fee per ton of coal or heating unit (MMBtu) delivered. Each contract specifies the indices and mechanics by which fees change over time, generally in line with broad measures of U.S. inflation. The customers are responsible for funding all mine operating costs, including final mine reclamation, and directly or indirectly providing all of the capital required to build and operate the mine. This contract structure eliminates exposure to spot coal market price fluctuations while providing income and cash flow with minimal capital investment. Other than at Coyote Creek, debt financing provided by or supported by the customers is without recourse to the Company. See Note 6 for further discussion of Coyote Creek's guarantees.

Coteau, Coyote Creek, Falkirk and Sabine each meet the definition of a variable interest entity (“VIE”). In each case, NACCO is not the primary beneficiary of the VIE as it does not exercise financial control; therefore, NACCO does not consolidate the results of these operations within its financial statements. Instead, these contracts are accounted for as equity method investments. The Company regularly evaluates if there are reconsideration events which could change the Company's conclusion as to whether these entities meet the definition of a VIE and the determination of the primary beneficiary. The income before income taxes associated with these VIEs is reported as Earnings of unconsolidated operations on the Unaudited Condensed Consolidated Statements of Operations and the Company's investment is reported on the line Investments in unconsolidated subsidiaries in the Unaudited Condensed Consolidated Balance Sheets. The mines that meet the definition of a VIE are referred to collectively as the “Unconsolidated Subsidiaries.” For tax purposes, the Unconsolidated Subsidiaries are included within the NACCO consolidated U.S. tax return; therefore, the Income tax provision (benefit) line on the Unaudited Condensed Consolidated Statements of Operations includes income taxes related to these entities. See Note 6 for further information on the Unconsolidated Subsidiaries.

The Company performs contemporaneous reclamation activities at each mine in the normal course of operations. Under all of the Unconsolidated Subsidiaries' contracts, the customer has the obligation to fund final mine reclamation activities. Under certain contracts, the Unconsolidated Subsidiary holds the mine permit and is therefore responsible for final mine reclamation activities. To the extent the Unconsolidated Subsidiary performs such final reclamation, it is compensated for providing those services in addition to receiving reimbursement from customers for costs incurred.

### **NAMining Segment**

The NAMining segment provides value-added contract mining and other services for producers of industrial minerals. The segment is a platform for the Company's growth and diversification of mining activities outside of the thermal coal industry. NAMining provides contract mining services for independently owned mines and quarries, creating value for its customers by performing the mining aspects of its customers' operations. This allows customers to focus on their areas of expertise: materials handling and processing, product sales and distribution. As of September 30, 2024, NAMining operates in Florida, Texas, Arkansas, Virginia and Nebraska. In addition, Sawtooth Mining, LLC (“Sawtooth”) has exclusive responsibility for mining and mine closure services for the Thacker Pass lithium project in northern Nevada, including mine design, construction, operation and maintenance.

Certain of the entities within the NAMining segment are VIEs and are accounted for under the equity method as Unconsolidated Subsidiaries. See Note 6 for further discussion.

### **Minerals Management Segment**

The Minerals Management segment derives income primarily by leasing its royalty and mineral interests to third-party exploration and production companies, and, to a lesser extent, other mining companies, granting them the rights to explore, develop, mine, produce, market and sell gas, oil, and coal in exchange for royalty payments based on the lessees' sales of those minerals.

The Minerals Management segment owns royalty interests, mineral interests, non-participating royalty interests and overriding royalty interests.

- **Royalty Interest.** Royalty interests generally result when the owner of a mineral interest leases the underlying minerals to an exploration and production company pursuant to an oil and gas lease. Typically, the resulting royalty interest is a

cost-free percentage of production revenues for minerals extracted from the acreage. A holder of royalty interests is generally not responsible for capital expenditures or lease operating expenses, but royalty interests may be calculated net of post-production expenses, and typically have no environmental liability. Royalty interests leased to producers expire upon the expiration of the oil and gas lease and revert to the mineral owner.

- **Mineral Interest.** Mineral interests are perpetual rights of the owner to explore, develop, exploit, mine and/or produce any or all of the minerals lying below the surface of the property. The holder of a mineral interest has the right to lease the minerals to an exploration and production company. Upon the execution of an oil and gas lease, the lessee (the exploration and production company) becomes the working interest owner and the lessor (the mineral interest owner) has a royalty interest.
- **Non-Participating Royalty Interest (“NPRIs”).** NPRI is an interest in oil and gas production which is created from the mineral estate. The NPRI is expense-free, bearing no operational costs of production. The term “non-participating” indicates that the interest owner does not share in the bonus, rentals from a lease, nor the right to participate in the execution of oil and gas leases. The NPRI owner does, however, typically receive royalty payments.
- **Overriding Royalty Interest (“ORRIs”).** ORRIs are created by carving out the right to receive royalties from a working interest. Like royalty interests, ORRIs do not confer an obligation to make capital expenditures or pay for lease operating expenses and have limited environmental liability; however, ORRIs may be calculated net of post-production expenses, depending on how the ORRI is structured. ORRIs that are carved out of working interests are linked to the same underlying oil and gas lease that created the working interest, and therefore, such ORRIs are typically subject to expiration upon the expiration or termination of the oil and gas lease.

The Company may own more than one type of mineral and royalty interest in the same tract of land. For example, where the Company owns an ORRI in a lease on the same tract of land in which it owns a mineral interest, the ORRI in that tract will relate to the same gross acres as the mineral interest in that tract.

The Minerals Management segment will benefit from the continued development of its mineral properties without the need for investment of additional capital once mineral and royalty interests have been acquired. The Minerals Management segment does not currently have any material investments under which it would be required to bear the cost of exploration, production or development.

The Company's acquisition criteria for building a blended portfolio of mineral and royalty interests includes (i) new wells anticipated to come online within one to two years of investment, (ii) areas with forecasted future development within five years after acquisition and (iii) existing producing wells further along the decline curve that will generate stable cash flow. In addition, acquisitions should extend the geographic footprint to diversify across multiple basins with a preliminary focus on the more oil-rich Permian basin and a secondary focus on other diversifying basins to increase regional exposure. While the current focus is on the acquisition of mineral and royalty interests, the Company would also consider investments in ORRIs, NPRIs or non-operating working interests under certain circumstances. The current acquisition strategy does not contemplate any near-term working interest investments in which the Company would act as the operator.

The Company also manages legacy royalty and mineral interests located in Ohio (Utica and Marcellus shale natural gas), Louisiana (Haynesville shale and Cotton Valley formation natural gas), Texas (Cotton Valley and Austin Chalk formation natural gas), Mississippi (coal), Pennsylvania (coal, coalbed methane and Marcellus shale natural gas), Alabama (coal, coalbed methane and natural gas) and North Dakota (coal, oil and natural gas). The majority of the Company's legacy reserves were acquired as part of its historical coal mining operations.

**Other Items:** On December 1, 2022, the Company transferred its ownership interest in Midwest AgEnergy Group, LLC (“MAG”), a North Dakota-based ethanol business to HLCP Ethanol Holdco, LLC (“HLCP”). The Company received a payment of \$1.2 million in the first quarter of 2023 in connection with a post-closing purchase price adjustment, which is included on the line Other, net within the accompanying Unaudited Condensed Consolidated Statements of Operations.

The Company has cash proceeds from the sale of assets held by a qualified intermediary to facilitate tax-deferred exchange transactions under Section 1031 of the Internal Revenue Code. In May 2024, the Company sold land and recognized a \$4.5 million gain in the Minerals Management segment. The Company structured this transaction in a manner that qualified as a like-kind exchange pursuant to Section 1031 of the Internal Revenue Code. The net proceeds of the sale are currently held in escrow by a qualified intermediary until the Company purchases replacement property. During the nine months ended September 30, 2024, the Company had capital expenditures totaling \$1.7 million related to this like-kind exchange. The Company had \$5.3 million and \$0.0 million of cash at September 30, 2024 and December 31, 2023, respectively, which is

reported on the line Cash held by 1031 exchange facilitator in the Unaudited Condensed Consolidated Balance Sheets. The Company is evaluating other acquisitions which, if executed, could utilize some or all of the remaining cash.

**Basis of Presentation:** These financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of the Company at September 30, 2024, the results of its operations, comprehensive income, cash flows and changes in equity for the nine months ended September 30, 2024 and 2023 have been included. These Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

The balance sheet at December 31, 2023 has been derived from the audited financial statements at that date but does not include all of the information or notes required by U.S. GAAP for complete financial statements.

## **NOTE 2—Revenue Recognition**

### **Nature of Performance Obligations**

At contract inception, the Company assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promised good or service that is distinct. To identify the performance obligations, the Company considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices.

Each mine or mine area has a contract with its respective customer that represents a contract under ASC 606. For its consolidated entities, the Company's performance obligations vary by contract and consist of the following:

At MLMC, each MMBtu delivered during the production period is considered a separate performance obligation. Revenue is recognized at the point in time that control of each MMBtu of lignite transfers to the customer. Fluctuations in revenue from period to period generally result from changes in customer demand.

At NAMining, the management service to oversee the operation of the equipment, and delivery of aggregates or other minerals is the performance obligation accounted for as a series. Performance momentarily creates an asset that the customer simultaneously receives and consumes; therefore, control is transferred to the customer over time. Consistent with the conclusion that the customer simultaneously receives and consumes the benefits provided, an input-based measure of progress is appropriate. As each month of service is completed, revenue is recognized for the amount of actual costs incurred, plus the management fee or fixed fee and the general and administrative fee (as applicable). Fluctuations in revenue from period to period result from changes in customer demand primarily due to increases and decreases in activity levels on individual contracts and variances in reimbursable costs. Revenue from part sales is recognized upon transfer of control of the parts to the customer.

The Minerals Management segment enters into contracts which grant the right to explore, develop, produce and sell minerals controlled by the Company. These arrangements result in the transfer of mineral rights for a period of time; however, no rights to the actual land are granted other than access for purposes of exploration, development, production and sales. The mineral rights revert back to the Company at the expiration of the contract.

Under these contracts, granting exclusive right, title, and interest in and to minerals, if any, is the performance obligation. The performance obligation under these contracts represents a series of distinct goods or services whereby each day of access that is provided is distinct. The transaction price consists of a variable sales-based royalty and, in certain arrangements, a fixed component in the form of an up-front lease bonus payment. As the amount of consideration the Company will ultimately be entitled to is entirely susceptible to factors outside its control, the entire amount of variable consideration is constrained at contract inception. The Company believes that the pricing provisions of royalty contracts are customary in the industry. Up-front lease bonus payments represent the fixed portion of the transaction price and are recognized over the primary term of the contract, which is generally three to five years.

Mitigation Resources generates and sells stream and wetland mitigation credits (known as mitigation banking) and provides services to those engaged in permittee-responsible stream and wetland mitigation. Each mitigation credit sale is considered a separate performance obligation. Revenue is recognized at the point in time that control of each mitigation credit transfers to the customer. Fluctuations in revenue from period to period generally result from changes in customer demand. Under the

permittee-responsible stream and wetland mitigation model, the contracts are generally structured as a management fee agreement under which Mitigation Resources is reimbursed for all costs incurred in performing the required mitigation plus an agreed profit percentage or a fixed fee. The mitigation services provided is the performance obligation and is accounted for as a series. Performance momentarily creates an asset that the customer simultaneously receives and consumes; therefore, control is transferred to the customer as work is completed. Consistent with the conclusion that the customer simultaneously receives and consumes the benefits provided, an input-based measure of progress is appropriate. As each month of service is completed, revenue is recognized for the amount of actual costs incurred, plus the management fee or fixed fee. Fluctuations in revenue from period to period result from changes in customer demand primarily due to increases and decreases in activity levels of individual contracts and variances in reimbursable costs.

### **Significant Judgments**

The Company's contracts with its customers in the Coal Mining and NAMining segments contain different types of variable consideration including, but not limited to, management fees that adjust based on volumes or MMBtu delivered. However, the terms of these variable payments relate specifically to the Company's efforts to satisfy one or more, but not all, of the performance obligations (or to a specific outcome from satisfying the performance obligations) in the contract. Therefore, the Company allocates each variable payment (and subsequent changes to that payment) entirely to the specific performance obligation to which it relates. Management fees, as well as general and administrative fees, are also adjusted based on changes in specified indices (e.g., CPI) to compensate for general inflation changes. Index adjustments, if applicable, are effective prospectively.

In the Minerals Management segment, the Company has the right to receive revenues from the sale of oil and natural gas through sales of the third-party lessees in which the Company owns a mineral or royalty interest. Revenue is recognized at the point control of the product is transferred from the operator to the purchaser. Those purchasers remit payment to the operator and the operator, in turn, remits payment to the Company. Receivables from third-party lessees for which the Company did not receive actual production information, either due to timing delays or due to the unavailability of data at the time when revenues are recognized, are estimated using expected sales volumes and estimated prices. The difference between the Company's estimates and the actual amounts received is recorded in the month that payment is received from the third-party lessee. The Company typically receives payment for oil and natural gas sales within 90 days of the month of delivery. For the three and nine months ended September 30, 2024, differences between the Company's pricing estimates and the actual amounts received from operators were immaterial. For the three and nine months ended September 30, 2023, any changes in estimates were immaterial.

### **Cost Reimbursement**

Certain contracts include reimbursement from customers of actual costs incurred for the purchase of supplies, equipment and services in accordance with contractual terms. Such reimbursable revenue is variable and subject to uncertainty, as the amounts received and timing thereof is highly dependent on factors outside of the Company's control. Accordingly, reimbursable revenue is fully constrained and not recognized until the uncertainty is resolved, which typically occurs when the related costs are incurred on behalf of a customer. The Company is considered a principal in such transactions and records the associated revenue at the gross amount billed to the customer with the related costs recorded as an expense within cost of sales.

At the Thacker Pass lithium project, in addition to management fee income, the customer will reimburse Sawtooth for certain capital expenditures. Sawtooth will recognize revenue over the estimated useful life of the asset on a straight-line basis as the performance obligation is satisfied over time. In prior years, the customer received a \$3.5 million advance from Sawtooth, which is included in the long-term contract asset. The customer will either pay a \$4.7 million success fee to Sawtooth upon achieving commercial mining milestones or repay the \$3.5 million advance if such commercial mining milestones are not met.

### **Prior Period Performance Obligations**

As discussed above, the Company records royalty income in the month production is delivered to the purchaser. The expected sales volumes and prices for these properties are estimated and recorded in "Trade accounts receivable" in the accompanying Unaudited Condensed Consolidated Balance Sheets. The difference between the Company's estimates and the actual amounts received is recorded in the month that payment is received from the third-party lessee. For the three and nine months ended September 30, 2024, royalty income recognized in the reporting period related to production satisfied in prior reporting periods was immaterial. For the three and nine months ended September 30, 2023, royalty income recognized in the reporting period related to production satisfied in prior reporting periods was immaterial and \$1.4 million, respectively.

## Disaggregation of Revenue

In accordance with ASC 606-10-50, the Company disaggregates revenue from contracts with customers into major goods and service lines and timing of transfer of goods and services. The Company determined that disaggregating revenue into these categories achieves the disclosure objective of depicting how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company's business consists of the Coal Mining, NAMining and Minerals Management segments as well as Unallocated Items. See Note 8 to the Unaudited Condensed Consolidated Financial Statements for further discussion of segment reporting.

The following table disaggregates revenue by major sources as of September 30:

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2024	2023	2024	2023
	<b>Timing of Revenue Recognition</b>			
Goods transferred at a point in time	\$ 17,134	\$ 17,966	\$ 46,740	\$ 63,841
Services transferred over time	44,522	28,580	120,550	94,196
Total revenues	<u>\$ 61,656</u>	<u>\$ 46,546</u>	<u>\$ 167,290</u>	<u>\$ 158,037</u>

## Contract Balances

The opening and closing balances of the Company's current and long-term contract assets and liabilities and receivables are as follows:

	Contract balances				
	Trade accounts receivable	Contract asset (current)	Contract asset (long-term)	Contract liability (current)	Contract liability (long-term)
Balance, January 1, 2024	\$ 37,429	\$ —	\$ 3,712	\$ 878	\$ 1,470
<b>Balance, September 30, 2024</b>	<b>39,098</b>	<b>106</b>	<b>3,500</b>	<b>723</b>	<b>4,074</b>
Increase (decrease)	\$ 1,669	\$ 106	\$ (212)	\$ (155)	\$ 2,604

As described above, the Company enters into royalty contracts that grant exclusive right, title, and interest in and to minerals. The transaction price consists of a variable sales-based royalty and, in certain arrangements, a fixed component in the form of an up-front lease bonus payment. The timing of the payment of the fixed portion of the transaction price is upfront, however, the performance obligation is satisfied over the primary term of the contract, which is generally three to five years. Therefore, at the time any such up-front payment is received, a contract liability is recorded which represents deferred revenue. The amount of royalty revenue recognized in the three months ended September 30, 2024 and 2023 included in the opening contract liability was \$0.1 million and \$0.3 million, respectively. The amount of royalty revenue recognized in the nine months ended September 30, 2024 and 2023 included in the opening contract liability was \$0.5 million and \$0.7 million, respectively. This revenue consists of up-front lease bonus payments received under royalty contracts that are recognized over the primary term of the royalty contracts, which are generally three to five years.

The Company expects to recognize an additional \$0.4 million in the remainder of 2024 and 2025, \$1.1 million in 2026, less than \$0.1 million in 2027 and \$2.9 million in the years after 2028 related to the contract liability remaining at September 30, 2024. The difference between the opening and closing balances of the Company's contract balances results from the timing difference between the Company's performance and the customer's payment.

The Company has no contract assets recognized from the costs to obtain or fulfill a contract with a customer.

**NOTE 3—Inventories**

Inventories are summarized as follows:

	SEPTEMBER 30 2024	DECEMBER 31 2023
Coal and aggregates	\$ 32,779	\$ 23,784
Mining supplies	61,657	53,216
Total inventories	<u>\$ 94,436</u>	<u>\$ 77,000</u>

During the three and nine months ended September 30, 2024, the Company recorded a \$1.0 million and \$4.1 million inventory impairment charge, respectively. During the three and nine months ended September 30, 2023, the Company recorded a \$2.4 million and \$6.6 million inventory impairment charge, respectively. The inventory impairment charges are included in the line “Cost of sales” in the accompanying Unaudited Condensed Consolidated Statements of Operations as the cost-basis of coal inventory exceeded its net realizable value at MLMC.

**NOTE 4—Stockholders' Equity**

**Stock Repurchase Program:** On November 7, 2023, the Company's Board of Directors approved a stock repurchase program ("2023 Stock Repurchase Program") providing for the purchase of up to \$20.0 million of the Company's outstanding Class A Common stock through December 31, 2025. NACCO's previous repurchase program ("2021 Stock Repurchase Program") would have expired on December 31, 2023 but was terminated and replaced by the 2023 Stock Repurchase Program. During the three and nine months ended September 30, 2024, the Company repurchased 68,282 and 304,340 shares, respectively, of Class A Common Stock under the 2023 Stock Repurchase Program for an aggregate purchase price of \$2.0 million and \$9.6 million, respectively. During both the three and nine months ended September 30, 2023, the Company repurchased 24,762 shares of Class A Common Stock under the 2021 Stock Repurchase Program for an aggregate purchase price of \$0.8 million.

The timing and amount of any repurchases under the 2023 Stock Repurchase Program are determined at the discretion of the Company's management based on a number of factors, including the availability of capital, other capital allocation alternatives, market conditions for the Company's Class A Common Stock and other legal and contractual restrictions. The 2023 Stock Repurchase Program does not require the Company to acquire any specific number of shares and may be modified, suspended, extended or terminated by the Company without prior notice and may be executed through open market purchases, privately negotiated transactions or otherwise. All or part of the repurchases under the 2023 Stock Repurchase Program may be implemented under a Rule 10b5-1 trading plan, which would allow repurchases under pre-set terms at times when the Company might otherwise be restricted from doing so under applicable securities laws.

**NOTE 5—Fair Value Disclosure**

**Recurring Fair Value Measurements:** The following table presents the Company's assets and liabilities accounted for at fair value on a recurring basis:

Description	Date	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<b>September 30, 2024</b>			
Assets:				
Equity securities	\$ 17,987	\$ 17,987	\$ —	\$ —
	<u>\$ 17,987</u>	<u>\$ 17,987</u>	<u>\$ —</u>	<u>\$ —</u>
	December 31, 2023			
Assets:				
Equity securities	\$ 17,208	\$ 17,208	\$ —	\$ —
	<u>\$ 17,208</u>	<u>\$ 17,208</u>	<u>\$ —</u>	<u>\$ —</u>

Bellaire Corporation (“Bellaire”) is a non-operating subsidiary of the Company with legacy liabilities relating to closed mining operations, primarily former Eastern U.S. underground coal mining operations. Prior to 2023, Bellaire contributed \$5.0 million to establish a mine water treatment trust (the “Mine Water Treatment Trust”) to assure the long-term treatment of post-mining discharge. Bellaire’s Mine Water Treatment Trust invests in equity securities that are reported at fair value based upon quoted market prices in active markets for identical assets; therefore, they are classified as Level 1 within the fair value hierarchy. The fair value of the Mine Water Treatment Trust was \$12.3 million and \$11.2 million at September 30, 2024 and December 31, 2023, respectively, and is included in Other non-current assets in the accompanying Unaudited Condensed Consolidated Balance Sheets. The Company recognized a gain of \$0.6 million and \$1.5 million during the three and nine months ended September 30, 2024, respectively, and a loss of \$0.4 million and a gain of \$0.7 million during the three and nine months ended September 30, 2023, respectively, related to the Mine Water Treatment Trust.

Prior to 2023, the Company invested \$2.0 million in equity securities of a public company with a diversified portfolio of royalty producing mineral interests. The investment is reported at fair value based upon quoted market prices in active markets for identical assets; therefore, it is classified as Level 1 within the fair value hierarchy. The fair value of this investment was \$5.7 million and \$6.0 million at September 30, 2024 and December 31, 2023, respectively, and is included in Other non-current assets in the accompanying Unaudited Condensed Consolidated Balance Sheets. The Company recognized a loss of \$0.1 million and \$0.3 million during the three and nine months ended September 30, 2024, respectively, and a loss of \$0.2 million during both the three and nine months ended September 30, 2023 related to the investment in these equity securities.

The change in fair value of equity securities is reported on the line (Gain) loss on equity securities in the Other expense (income) section of the Unaudited Condensed Consolidated Statements of Operations.

There were no transfers into or out of Levels 1, 2 or 3 during the nine months ended September 30, 2024 and 2023.

#### **NOTE 6—Unconsolidated Subsidiaries**

Each of the Company’s wholly owned Unconsolidated Subsidiaries, within the Coal Mining and NAMining segments, meet the definition of a VIE. The Unconsolidated Subsidiaries are capitalized primarily with debt financing provided by or supported by their respective customers, and generally without recourse to the Company. Although the Company owns 100% of the equity and manages the daily operations of the Unconsolidated Subsidiaries, the Company has determined that the equity capital provided by the Company is not sufficient to adequately finance the ongoing activities or absorb any expected losses without additional support from the customers. The customers have a controlling financial interest and have the power to direct the activities that most significantly affect the economic performance of the entities. As a result, the Company is not the primary beneficiary and therefore does not consolidate these entities’ financial positions or results of operations. See Note 1 for a discussion of these entities.

The Investment in the unconsolidated subsidiaries and related tax positions totaled \$16.7 million and \$12.4 million at September 30, 2024 and December 31, 2023, respectively. The Company’s maximum risk of loss relating to these entities is limited to its invested capital, which was \$4.7 million and \$5.0 million at September 30, 2024 and December 31, 2023, respectively. Earnings of unconsolidated operations were \$15.2 million and \$42.1 million during the three and nine months ended September 30, 2024, respectively, and \$12.8 million and \$37.7 million during the three and nine months ended September 30, 2023, respectively.

NACCO Natural Resources Corporation (“NACCO Natural Resources”), a wholly-owned subsidiary of NACCO, is a party to certain guarantees related to Coyote Creek. Under certain circumstances of default or termination of Coyote Creek’s Lignite Sales Agreement (“LSA”), NACCO Natural Resources would be obligated for payment of a “make-whole” amount to Coyote Creek’s third-party lenders. The “make-whole” amount is based on the excess, if any, of the discounted value of the remaining scheduled debt payments over the principal amount. In addition, in the event Coyote Creek’s LSA is terminated by Coyote Creek’s customers, NACCO Natural Resources is obligated to purchase Coyote Creek’s dragline and rolling stock for the then net book value of those assets. To date, no payments have been required from NACCO Natural Resources since the inception of these guarantees. The Company believes that the likelihood NACCO Natural Resources would be required to perform under the guarantees is remote, and no amounts related to these guarantees have been recorded.

#### **NOTE 7—Contingencies**

Various legal and regulatory proceedings and claims have been or may be asserted against NACCO and certain subsidiaries relating to the conduct of their businesses. These proceedings and claims are incidental to the ordinary course of business of the Company. Management believes that it has meritorious defenses and will vigorously defend the Company in these actions. Any costs that management estimates will be paid as a result of these claims are accrued when the liability is considered probable



and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is probable or reasonably possible and which are material, the Company discloses the nature of the contingency and, in some circumstances, an estimate of the possible loss.

These matters are subject to inherent uncertainties, and unfavorable rulings could occur. If an unfavorable ruling were to occur, there exists the possibility of an adverse impact on the Company's financial position, results of operations and cash flows of the period in which the ruling occurs, or in future periods.

**NOTE 8—Business Segments**

The Company's operating segments are: (i) Coal Mining, (ii) NAMining and (iii) Minerals Management. The Company determines its reportable segments by first identifying its operating segments, and then by assessing whether any components of these segments constitute a business for which discrete financial information is available and where segment management regularly reviews the operating results of that component. The Company's Chief Operating Decision Maker utilizes operating profit to evaluate segment performance and allocate resources.

The Company has items not directly attributable to a reportable segment that are not included as part of the measurement of segment operating profit. These items primarily include administrative costs related to public company reporting requirements at the parent company and the financial results of Mitigation Resources and Bellaire. Mitigation Resources provides stream and wetland mitigation solutions as well as comprehensive reclamation and restoration construction services. Bellaire manages the Company's long-term liabilities related to former Eastern U.S. underground mining activities.

All financial statement line items below operating profit (other income including interest expense and interest income, the provision (benefit) for income taxes and net income) are presented and discussed within this Form 10-Q on a consolidated basis.



The following table presents Revenues, Cost of sales, Earnings of unconsolidated operations, Operating expenses, Operating profit (loss), Expenditures for property, plant and equipment and acquisition of mineral interests and Depreciation, depletion and amortization expense:

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2024	2023	2024	2023
<b>Revenues</b>				
Coal Mining	\$ 17,706	\$ 18,665	\$ 48,247	\$ 65,661
NAMining	32,326	21,722	84,729	64,071
Minerals Management	8,849	5,747	24,843	23,203
Unallocated Items	3,745	966	11,573	6,785
Eliminations	(970)	(554)	(2,102)	(1,683)
Total	\$ 61,656	\$ 46,546	\$ 167,290	\$ 158,037
<b>Cost of sales</b>				
Coal Mining	\$ 18,054	\$ 26,819	\$ 55,135	\$ 85,966
NAMining	31,379	20,286	77,304	58,411
Minerals Management	1,286	1,064	4,151	3,026
Unallocated Items	4,622	1,086	11,501	4,675
Eliminations	(929)	(535)	(2,081)	(1,631)
Total	\$ 54,412	\$ 48,720	\$ 146,010	\$ 150,447
<b>Earnings of unconsolidated operations</b>				
Coal Mining	\$ 13,821	\$ 11,259	\$ 37,834	\$ 33,687
NAMining	1,122	1,495	3,935	3,975
Minerals Management	213	—	286	—
Unallocated Items	(1)	—	(1)	—
Total	\$ 15,155	\$ 12,754	\$ 42,054	\$ 37,662
<b>Operating expenses (income)*</b>				
Coal Mining	\$ 7,147	\$ 7,802	\$ 22,270	\$ 22,441
NAMining	2,543	2,065	6,394	5,725
Minerals Management	1,588	1,073	(731)	3,234
Unallocated Items	5,034	5,907	17,191	16,555
Total	\$ 16,312	\$ 16,847	\$ 45,124	\$ 47,955
<b>Operating profit (loss)</b>				
Coal Mining	\$ 19,938	\$ (4,697)	\$ 22,288	\$ (9,059)
NAMining	(474)	866	4,966	3,910
Minerals Management	6,188	3,610	21,709	16,943
Unallocated Items	(5,912)	(6,027)	(17,120)	(14,445)
Eliminations	(41)	(19)	(21)	(52)
Total	\$ 19,699	\$ (6,267)	\$ 31,822	\$ (2,703)

\*Operating expenses (income) consist of Selling, general and administrative expenses, Amortization of intangible assets and (Gain) loss on sale of assets.

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2024	2023	2024	2023
<b>Expenditures for property, plant and equipment and acquisition of mineral interests</b>				
Coal Mining	\$ 3,338	\$ 1,469	\$ 7,045	\$ 5,187
NAMining	3,170	21,450	14,156	30,380
Minerals Management	708	776	854	1,758
Unallocated Items	1,080	64	8,642	569
Total	<u>\$ 8,296</u>	<u>\$ 23,759</u>	<u>\$ 30,697</u>	<u>\$ 37,894</u>
<b>Depreciation, depletion and amortization</b>				
Coal Mining	\$ 2,154	\$ 4,336	\$ 7,264	\$ 12,924
NAMining	2,672	2,058	7,362	5,799
Minerals Management	1,092	768	3,408	2,328
Unallocated Items	333	158	916	378
Total	<u>\$ 6,251</u>	<u>\$ 7,320</u>	<u>\$ 18,950</u>	<u>\$ 21,429</u>

Asset information by segment is not discretely maintained for internal reporting or used in evaluating performance.

## **Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations**

*(Amounts in thousands, except as noted and per share data)*

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based upon management's current expectations and are subject to various uncertainties and changes in circumstances. Important factors that could cause actual results to differ materially from those described in these forward-looking statements are set forth below under the heading "Forward-Looking Statements."

Management's Discussion and Analysis of Financial Condition and Results of Operations include NACCO Industries, Inc.<sup>®</sup> ("NACCO") and its wholly owned subsidiary, NACCO Natural Resources Corporation<sup>®</sup> ("NACCO Natural Resources"). NACCO Natural Resources brings natural resources to life by delivering aggregates, minerals, reliable fuels and environmental solutions through its robust business portfolio. The Company operates under three business segments: Coal Mining, North American Mining<sup>®</sup> ("NAMining") and Minerals Management. The Coal Mining segment operates surface coal mines for power generation companies. The NAMining segment is a trusted mining partner for producers of aggregates, activated carbon, lithium and other industrial minerals. The Minerals Management segment, which includes the Catapult Mineral Partners ("Catapult") business, acquires and promotes the development of mineral interests. Mitigation Resources of North America<sup>®</sup> ("Mitigation Resources") provides stream and wetland mitigation solutions as well as comprehensive reclamation and restoration construction services.

The Company has items not directly attributable to a reportable segment that are not included in the reported financial results of the operating segment. These items primarily include administrative costs related to public company reporting requirements, including management and board compensation, and the financial results of Bellaire Corporation ("Bellaire"), Mitigation Resources and other developing businesses. Bellaire manages the Company's long-term liabilities related to former Eastern U.S. underground mining activities.

All financial statement line items below operating profit (other income, including interest expense and interest income, the provision (benefit) for income taxes and net income) are presented and discussed within this Form 10-Q on a consolidated basis.

The Company's operating segments are further described below:

### **Coal Mining Segment**

The Coal Mining segment operates surface coal mines under long-term contracts with power generation companies pursuant to a service-based business model. Coal is surface mined in North Dakota and Mississippi. Each mine is fully integrated with its customer's operations.

During the three and nine months ended September 30, 2024, the Coal Mining segment's operating coal mines were: The Coteau Properties Company ("Coteau"), Coyote Creek Mining Company, LLC ("Coyote Creek"), The Falkirk Mining Company ("Falkirk") and Mississippi Lignite Mining Company ("MLMC"). Each of these mines supply lignite coal for power generation and delivers its coal production to an adjacent power plant or synfuels plant under a long-term supply contract. While MLMC's coal supply contract contains a take or pay provision, the contract contains a force majeure provision that allows for the temporary suspension of the take or pay provision during the duration of certain specified events beyond the control of either party; all other coal supply contracts are requirements contracts. Certain coal supply contracts can be terminated early, which would result in a reduction to future earnings.

The MLMC contract is the only coal supply contract in which the Company is responsible for all operating costs, capital requirements and final mine reclamation; therefore, MLMC is consolidated within NACCO's financial statements. MLMC sells coal to its customer's Red Hills Power Plant at a contractually agreed-upon price which adjusts monthly, primarily based on changes in the level of established indices which reflect general U.S. inflation rates. Profitability at MLMC is affected by customer demand for coal and changes in the indices that determine sales price and actual costs incurred. As diesel fuel is heavily weighted among the indices used to determine the coal sales price, fluctuations in diesel fuel prices can result in significant fluctuations in earnings at MLMC. The Red Hills Power Plant supplies electricity to the Tennessee Valley Authority ("TVA") under a long-term power purchase agreement. MLMC's contract with its customer runs through April 1, 2032. TVA's power portfolio includes coal, nuclear, hydroelectric, natural gas and renewables. The decision regarding which power plants to dispatch is determined by TVA. Reduction in dispatch of the Red Hills Power Plant will result in reduced earnings at MLMC.

On December 18, 2023, MLMC received notice from its customer related to a mechanical issue that began on December 15, 2023 and impacted one of two boilers at the Red Hills Power Plant. While this issue has been resolved, it resulted in a reduction

in customer demand which had a significant impact on the Company's results of operations during the first nine months of 2024. The Company recognized income of \$13.6 million in the third quarter of 2024 related to business interruption insurance recoveries to partially offset losses related to the boiler outage.

The Sabine Mining Company ("Sabine") operates the Sabine Mine in Texas. All production from Sabine was delivered to Southwestern Electric Power Company's ("SWEPCO") Henry W. Pirkey Plant (the "Pirkey Plant"). SWEPCO is an American Electric Power ("AEP") company. As a result of the early retirement of the Pirkey Plant, Sabine ceased deliveries and commenced final reclamation on April 1, 2023. Funding for mine reclamation is the responsibility of SWEPCO, and Sabine receives compensation for providing mine reclamation services. Sabine will provide mine reclamation services through September 30, 2026. On October 1, 2026, SWEPCO is scheduled to acquire all of the capital stock of Sabine and complete the remaining mine reclamation.

At Coteau, Coyote Creek and Falkirk, the Company is paid a management fee per ton of coal or heating unit (MMBtu) delivered. Each contract specifies the indices and mechanics by which fees change over time, generally in line with broad measures of U.S. inflation. The customers are responsible for funding all mine operating costs, including final mine reclamation, and directly or indirectly providing all of the capital required to build and operate the mine. This contract structure eliminates exposure to spot coal market price fluctuations while providing income and cash flow with minimal capital investment. Other than at Coyote Creek, debt financing provided by or supported by the customers is without recourse to the Company. See Note 6 to the Unaudited Condensed Consolidated Financial Statements for further discussion of Coyote Creek's guarantees.

Coteau, Coyote Creek, Falkirk and Sabine each meet the definition of a variable interest entity ("VIE"). In each case, NACCO is not the primary beneficiary of the VIE as it does not exercise financial control; therefore, NACCO does not consolidate the results of these operations within its financial statements. Instead, these contracts are accounted for as equity method investments. The Company regularly evaluates if there are reconsideration events which could change the Company's conclusion as to whether these entities meet the definition of a VIE and the determination of the primary beneficiary. The income before income taxes associated with these VIEs is reported as Earnings of unconsolidated operations on the Unaudited Condensed Consolidated Statements of Operations and the Company's investment is reported on the line Investments in unconsolidated subsidiaries in the Unaudited Condensed Consolidated Balance Sheets. The mines that meet the definition of a VIE are referred to collectively as the "Unconsolidated Subsidiaries." For tax purposes, the Unconsolidated Subsidiaries are included within the NACCO consolidated U.S. tax return; therefore, the Income tax provision (benefit) line on the Unaudited Condensed Consolidated Statements of Operations includes income taxes related to these entities. See Note 6 to the Unaudited Condensed Consolidated Financial Statements for further information on the Unconsolidated Subsidiaries.

The Company performs contemporaneous reclamation activities at each mine in the normal course of operations. Under all of the Unconsolidated Subsidiaries' contracts, the customer has the obligation to fund final mine reclamation activities. Under certain contracts, the Unconsolidated Subsidiary holds the mine permit and is therefore responsible for final mine reclamation activities. To the extent the Unconsolidated Subsidiary performs such final reclamation, it is compensated for providing those services in addition to receiving reimbursement from customers for costs incurred.

#### **NAMining Segment**

The NAMining segment provides value-added contract mining and other services for producers of industrial minerals. The segment is a platform for the Company's growth and diversification of mining activities outside of the thermal coal industry. NAMining provides contract mining services for independently owned mines and quarries, creating value for its customers by performing the mining aspects of its customers' operations. This allows customers to focus on their areas of expertise: materials handling and processing, product sales and distribution. As of September 30, 2024, NAMining operates in Florida, Texas, Arkansas, Virginia and Nebraska. In addition, Sawtooth Mining, LLC ("Sawtooth") has exclusive responsibility for mining and mine closure services for the Thacker Pass lithium project in northern Nevada, including mine design, construction, operation and maintenance.

Certain of the entities within the NAMining segment are VIEs and are accounted for under the equity method as Unconsolidated Subsidiaries. See Note 6 to the Unaudited Condensed Consolidated Financial Statements for further discussion.

#### **Minerals Management Segment**

The Minerals Management segment derives income primarily by leasing its royalty and mineral interests to third-party exploration and production companies, and, to a lesser extent, other mining companies, granting them the rights to explore, develop, mine, produce, market and sell gas, oil, and coal in exchange for royalty payments based on the lessees' sales of those minerals.

The Minerals Management segment owns royalty interests, mineral interests, non-participating royalty interests and overriding royalty interests.

- **Royalty Interest.** Royalty interests generally result when the owner of a mineral interest leases the underlying minerals to an exploration and production company pursuant to an oil and gas lease. Typically, the resulting royalty interest is a cost-free percentage of production revenues for minerals extracted from the acreage. A holder of royalty interests is generally not responsible for capital expenditures or lease operating expenses, but royalty interests may be calculated net of post-production expenses, and typically have no environmental liability. Royalty interests leased to producers expire upon the expiration of the oil and gas lease and revert to the mineral owner.
- **Mineral Interest.** Mineral interests are perpetual rights of the owner to explore, develop, exploit, mine and/or produce any or all of the minerals lying below the surface of the property. The holder of a mineral interest has the right to lease the minerals to an exploration and production company. Upon the execution of an oil and gas lease, the lessee (the exploration and production company) becomes the working interest owner and the lessor (the mineral interest owner) has a royalty interest.
- **Non-Participating Royalty Interest (“NPRI”).** NPRI is an interest in oil and gas production which is created from the mineral estate. The NPRI is expense-free, bearing no operational costs of production. The term “non-participating” indicates that the interest owner does not share in the bonus, rentals from a lease, nor the right to participate in the execution of oil and gas leases. The NPRI owner does, however, typically receive royalty payments.
- **Overriding Royalty Interest (“ORRI”).** ORRIs are created by carving out the right to receive royalties from a working interest. Like royalty interests, ORRIs do not confer an obligation to make capital expenditures or pay for lease operating expenses and have limited environmental liability; however, ORRIs may be calculated net of post-production expenses, depending on how the ORRI is structured. ORRIs that are carved out of working interests are linked to the same underlying oil and gas lease that created the working interest, and therefore, such ORRIs are typically subject to expiration upon the expiration or termination of the oil and gas lease.

The Company may own more than one type of mineral and royalty interest in the same tract of land. For example, where the Company owns an ORRI in a lease on the same tract of land in which it owns a mineral interest, the ORRI in that tract will relate to the same gross acres as the mineral interest in that tract.

The Minerals Management segment will benefit from the continued development of its mineral properties without the need for investment of additional capital once mineral and royalty interests have been acquired. The Minerals Management segment does not currently have any material investments under which it would be required to bear the cost of exploration, production or development.

The Company's acquisition criteria for building a blended portfolio of mineral and royalty interests includes (i) new wells anticipated to come online within one to two years of investment, (ii) areas with forecasted future development within five years after acquisition and (iii) existing producing wells further along the decline curve that will generate stable cash flow. In addition, acquisitions should extend the geographic footprint to diversify across multiple basins with a preliminary focus on the more oil-rich Permian basin and a secondary focus on other diversifying basins to increase regional exposure. While the current focus is on the acquisition of mineral and royalty interests, the Company would also consider investments in ORRIs, NPRIs or non-operating working interests under certain circumstances. The current acquisition strategy does not contemplate any near-term working interest investments in which the Company would act as the operator.

The Company also manages legacy royalty and mineral interests located in Ohio (Utica and Marcellus shale natural gas), Louisiana (Haynesville shale and Cotton Valley formation natural gas), Texas (Cotton Valley and Austin Chalk formation natural gas), Mississippi (coal), Pennsylvania (coal, coalbed methane and Marcellus shale natural gas), Alabama (coal, coalbed methane and natural gas) and North Dakota (coal, oil and natural gas). The majority of the Company's legacy reserves were acquired as part of its historical coal mining operations.

#### **Government Regulation Update**

In May 2024, the Environmental Protection Agency (“EPA”) published the final rules for Greenhouse Gas (“GHG”) emissions and Mercury Air Toxics Standards (“MATS”) in the Federal Register. The final MATS and GHG rules will require compliance as early as 2027 and 2032, respectively. The Company is in the process of determining the implications of these rules.

Previous efforts by the EPA were met with extensive litigation and there has been a similar response to the new GHG and MATS rules. State coalitions have filed lawsuits challenging both of these rules. Several other entities, including electric generators and industry groups, have joined the lawsuits. In July 2024 and October 2024, stay motions for the GHG and MATS rules were denied by the U.S. Court of Appeals for the District of Columbia Circuit (the "D.C. Circuit Court"), respectively. Following the D.C. Circuit Court denial, emergency stay motions were filed for the GHG and MATS rules with the Supreme Court of the United States ("SCOTUS"). In October 2024, the SCOTUS denied the stay applications for the GHG and MATS rules. The GHG and MATS cases will continue through the normal procedures in the D.C. Circuit Court without stays in place. The Company cannot predict the full impact of the MATS and GHG rules on the operations of the coal-fired generation facilities operated by its customers.

Review of the newly established carbon dioxide emission guidelines for existing coal-fired, steam generating electric generating units ("EGUs") indicate that the compliance deadline for coal-fired plants planning to install carbon capture and sequestration/storage technology has been extended to January 1, 2032 in order to operate beyond 2039. If a coal-fired plant intends to close prior to 2032, no controls will be required and if a plant plans to close between 2032 and 2039, they must begin co-firing with natural gas by January 1, 2030.

The MATS rules finalize changes for the filterable particulate matter surrogate emission standard for non-mercury metal hazardous air pollutants for existing coal-fired EGUs, the filterable particulate matter emission standard compliance demonstration requirements, and the mercury emission standard for lignite-fired EGUs. Review of the MATS rules indicate that the EPA significantly reduced the fine particulate matter emission standard for all existing coal-fired EGUs and will require continuous monitoring equipment to demonstrate compliance. Furthermore, the EPA elected to remove the lignite subcategory for mercury limits and will require lignite-fired EGUs to meet the same standard as other types of coal.

Substantially all of the Coal Mining segment's profits are derived from long-term mining contracts. These new rules may raise the cost of fossil fuel generated energy, making coal-fired power plants less competitive, and/or result in early closure of the coal-fired EGU's operated by the Company's customers which could have an adverse impact on demand for coal and ultimately result in the early closure of the mines servicing these plants, including closure of the Company's coal mines. The Company cannot predict the full impact of the MATS and GHG rules on the operations of the coal-fired EGUs operated by its customers and any early closure of the Company's mines could have a material adverse effect on the Company's business, financial condition and results of operations.

The EPA promulgated a regional haze program designed to protect and to improve visibility at and around Class I Areas, which are generally National Parks, National Wilderness Areas and International Parks. State implementation of the EPA's Regional Haze Rule could require Coyote Creek's customers to incur significant new costs at the Coyote Station power plant, which could result in the premature closure of the power plant and the Coyote Creek mine. The North Dakota Department of Environmental Quality ("NDDEQ") finalized its state implementation plan and submitted it to the EPA for approval in August 2022. The NDDEQ determined that visibility progress was being made and did not require significant emissions controls at Coyote Station power plant. Notwithstanding NDDEQ's determination, the EPA may require additional costly emission controls and it may not be economically feasible for Coyote Creek's customers to invest in such equipment, which could result in early retirement of Coyote Station and the Coyote Creek mine. In July 2024, the EPA issued a proposed partial denial of the state implementation plan. The Company submitted comments to the EPA on the proposed partial denial during the third quarter of 2024.

#### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Refer to the discussion of the Company's Critical Accounting Policies and Estimates as disclosed on pages 52 through 53 in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. The Company's Critical Accounting Policies and Estimates have not materially changed since December 31, 2023.

**CONSOLIDATED FINANCIAL SUMMARY**

The results of operations for NACCO were as follows for the three and nine months ended September 30:

	THREE MONTHS		NINE MONTHS	
	2024	2023	2024	2023
<b>Revenues:</b>				
Coal Mining	\$ 17,706	\$ 18,665	\$ 48,247	\$ 65,661
NAMining	32,326	21,722	84,729	64,071
Minerals Management	8,849	5,747	24,843	23,203
Unallocated Items	3,745	966	11,573	6,785
Eliminations	(970)	(554)	(2,102)	(1,683)
<b>Total revenue</b>	<b>\$ 61,656</b>	<b>\$ 46,546</b>	<b>\$ 167,290</b>	<b>\$ 158,037</b>
<b>Operating profit (loss):</b>				
Coal Mining	\$ 19,938	\$ (4,697)	\$ 22,288	\$ (9,059)
NAMining	(474)	866	4,966	3,910
Minerals Management	6,188	3,610	21,709	16,943
Unallocated Items	(5,912)	(6,027)	(17,120)	(14,445)
Eliminations	(41)	(19)	(21)	(52)
<b>Total operating profit (loss)</b>	<b>19,699</b>	<b>(6,267)</b>	<b>31,822</b>	<b>(2,703)</b>
Interest expense	1,386	632	3,808	1,749
Interest income	(1,084)	(1,679)	(3,249)	(4,548)
Closed mine obligations	463	394	1,389	1,236
(Gain) loss on equity securities	(442)	551	(1,219)	(498)
Other, net	244	(315)	160	(2,417)
<b>Other expense (income), net</b>	<b>567</b>	<b>(417)</b>	<b>889</b>	<b>(4,478)</b>
<b>Income (loss) before income tax provision (benefit)</b>	<b>19,132</b>	<b>(5,850)</b>	<b>30,933</b>	<b>1,775</b>
<b>Income tax provision (benefit)</b>	<b>3,497</b>	<b>(2,018)</b>	<b>4,756</b>	<b>(2,605)</b>
<b>Net income (loss)</b>	<b>\$ 15,635</b>	<b>\$ (3,832)</b>	<b>\$ 26,177</b>	<b>\$ 4,380</b>
<b>Effective income tax rate</b>	<b>18.3 %</b>	<b>34.5 %</b>	<b>15.4 %</b>	<b>(146.8)%</b>

The components of the change in revenues and operating profit are discussed below in "Segment Results."

**Third Quarter of 2024 Compared with Third Quarter of 2023, and First Nine Months of 2024 Compared with First Nine Months of 2023**
**Other expense (income), net**

Interest expense increased in the third quarter of 2024 and the first nine months of 2024 compared with the respective 2023 periods due to higher average borrowings as well as an increase in interest rates.

Interest income decreased in the third quarter of 2024 and the first nine months of 2024 compared with the respective 2023 periods due to lower earnings on reduced cash balances.

(Gain) loss on equity securities represents changes in the market price of invested assets reported at fair value. The change in the third quarter of 2024 and the first nine months of 2024 compared with the respective 2023 periods was due to fluctuations in the market prices of the exchange-traded equity securities. See Note 5 to the Unaudited Condensed Consolidated Financial Statements for further discussion of equity securities.

On December 1, 2022, the Company transferred its ownership interest in Midwest AgEnergy Group, LLC ("MAG"), a North Dakota-based ethanol business to HLCP Ethanol Holdco, LLC ("HLCP"). The Company received a payment of \$1.2 million in the first quarter of 2023 in connection with a post-closing purchase price adjustment, which is included on the line Other, net within the accompanying Unaudited Condensed Consolidated Statements of Operations.

**Income Taxes**

The Company evaluates and updates its estimated annual effective income tax rate on a quarterly basis based on current and forecasted operating results and tax laws. Consequently, based upon the mix and timing of actual earnings compared to projections of earnings between entities that benefit from percentage depletion and those that do not, the effective tax rate may vary quarterly and may make quarterly comparisons not meaningful. The benefit of percentage depletion is not directly related to the amount of consolidated pre-tax income recorded in a period. Accordingly, in periods where income before tax is relatively small, the proportional effect of the benefit from percentage depletion on the effective tax rate may be significant. In addition, as a result of a forecasted full-year 2023 loss before income tax as of September 30, 2023, the effect of the benefit from percentage depletion resulted in a negative forecasted effective tax rate. Each quarter, the Company updates its estimate of the annual effective tax rate, and the cumulative impact of the change in the estimated annual tax rate is recorded, which can make quarterly comparisons not meaningful.

**LIQUIDITY AND CAPITAL RESOURCES OF NACCO****Cash Flows**

The following tables detail NACCO's changes in cash flow for the nine months ended September 30:

	2024	2023	Change
<b>Operating activities:</b>			
<b>Net cash (used for) provided by operating activities</b>	<b>\$ (2,879)</b>	<b>\$ 63,020</b>	<b>\$ (65,899)</b>
<b>Investing activities:</b>			
Expenditures for property, plant and equipment and acquisition of mineral interests	<b>(30,697)</b>	(37,894)	7,197
Other	<b>(358)</b>	339	(697)
<b>Net cash used for investing activities</b>	<b>(31,055)</b>	<b>(37,555)</b>	<b>6,500</b>
<b>Cash flow before financing activities</b>	<b>\$ (33,934)</b>	<b>\$ 25,465</b>	<b>\$ (59,399)</b>

The \$65.9 million change in net cash (used for) provided by operating activities was primarily due to a net unfavorable change in working capital as well as a decrease in net income adjusted for non-cash items, primarily the \$13.6 million receivable related to business interruption insurance recoveries at MLMC. The unfavorable change in working capital was mainly the result of:

- An increase in Other current assets during the first nine months of 2024 compared with a modest increase in the first nine months of 2023. The change in Other current assets was mainly due to an increase in vendor deposits.
- An increase in coal and mining supplies inventory during the first nine months of 2024 compared with a decrease in the first nine months of 2023.
- A modest increase in Trade accounts receivable during the first nine months of 2024 compared with a decrease in the first nine months of 2023. The 2023 decrease in Trade accounts receivable was due to a delay in payments by a customer from December 31, 2022.
- A modest decrease in Accounts payable during the first nine months of 2024 compared with an increase in the first nine months of 2023. The increase in 2023 accounts payable was primarily due to equipment acquired for the Thacker Pass lithium project.

In addition, the Company entered into an Accounts Receivable Financing Program with a third-party banking institution on March 14, 2024 for the sale of certain accounts receivables. Accounts receivable sold under the Accounts Receivable Financing Program for the three and nine months ended September 30, 2024 were \$16.6 million and \$33.7 million, respectively. The net proceeds received were included in Net cash (used for) provided by operating activities in the Unaudited Condensed Consolidated Statements of Cash Flows.



	2024	2023	Change
<b>Financing activities:</b>			
Net additions (reductions) to long-term debt and revolving credit agreements	\$ 26,417	\$ (2,396)	\$ 28,813
Cash dividends paid	(4,964)	(4,826)	(138)
Purchase of treasury shares	(9,576)	(824)	(8,752)
<b>Net cash provided by (used for) financing activities</b>	<b>\$ 11,877</b>	<b>\$ (8,046)</b>	<b>\$ 19,923</b>

The change in net cash provided by (used for) financing activities was primarily due to additions in debt borrowings during the first nine months of 2024 compared with reductions during the first nine months of 2023, partially offset by an increase in share repurchases during the first nine months of 2024.

#### Cash held by 1031 exchange facilitator

The Company has cash proceeds from the sale of assets held by a qualified intermediary to facilitate tax-deferred exchange transactions under Section 1031 of the Internal Revenue Code. In the first nine months of 2024, the Company sold land for \$7.0 million and recognized a \$4.5 million gain in the Minerals Management segment. The Company structured this transaction in a manner that qualified as a like-kind exchange pursuant to Section 1031 of the Internal Revenue Code. The net proceeds are being held in escrow by a third-party intermediary until the Company purchases replacement property. A total of \$1.7 million in property related to this like-kind exchange was acquired during the first nine months of 2024. The Company had \$5.3 million and \$0.0 million of restricted cash at September 30, 2024 and December 31, 2023, respectively, which is reported on the line Cash held by 1031 exchange facilitator in the Unaudited Condensed Consolidated Balance Sheets. The Company is evaluating other acquisitions which, if executed, could utilize some or all of the remaining restricted cash.

#### Financing Activities

In September 2024, NACCO Natural Resources amended its secured revolving line of credit to increase the revolving credit commitments to \$200.0 million (the "Facility") and extend the maturity to September 2028. Borrowings outstanding under the Facility were \$37.2 million at September 30, 2024. At September 30, 2024, the excess availability under the Facility was \$130.9 million, which reflects a reduction for outstanding letters of credit of \$31.9 million.

NACCO has not guaranteed any borrowings of NACCO Natural Resources. The Facility allows for the payment to NACCO of dividends and advances under certain circumstances. Dividends (to the extent permitted by the Facility) and management fees are the primary sources of cash for NACCO and enable the Company to pay dividends to stockholders and repurchase shares.

The Facility has performance-based pricing, which sets interest rates based upon NACCO Natural Resources achieving various levels of debt to EBITDA ratios, as defined in the Facility. Borrowings bear interest at a floating rate plus a margin based on the level of debt to EBITDA ratio achieved. The applicable margins, effective September 30, 2024, for base rate and Term SOFR loans were 1.75% and 2.75%, respectively. The Facility has a commitment fee which is based upon achieving various levels of debt to EBITDA ratios. The commitment fee was 0.45% on the unused commitment at September 30, 2024. During the three and nine months ended September 30, 2024, the average borrowing under the Facility was \$28.2 million and \$21.5 million, respectively, and the weighted-average annual interest rate was 8.63% and 9.27%, respectively.

The Facility contains restrictive covenants, which require, among other things, NACCO Natural Resources to maintain a maximum net debt to EBITDA ratio of 2.75 to 1.00 and an interest coverage ratio of not less than 4.00 to 1.00. The Facility provides the ability to make loans, dividends and advances to NACCO, with some restrictions based on maintaining a maximum debt to EBITDA ratio of 1.50 to 1.00, or if greater than 1.50 to 1.00, a Fixed Charge Coverage Ratio of 1.10 to 1.00. At September 30, 2024, NACCO Natural Resources was in compliance with all financial covenants in the Facility.

The obligations under the Facility are guaranteed by certain of NACCO Natural Resources' direct and indirect, existing and future domestic subsidiaries, and is secured by certain assets of NACCO Natural Resources and the guarantors, subject to customary exceptions and limitations.

The Company believes funds available from cash on hand, the Facility and operating cash flows will provide sufficient liquidity to meet its operating needs and commitments arising during the next twelve months and until the expiration of the Facility in September 2028.

## Expenditures for property, plant and equipment and mineral interests

Expenditures for property, plant and equipment and mineral interests were \$30.7 million during the first nine months of 2024, primarily for equipment at the NAMining and Coal Mining segments as well as land at Mitigation Resources. Planned expenditures for the remainder of 2024 are expected to be approximately \$4 million in the Coal Mining segment, \$12 million in the NAMining segment, \$20 million in the Minerals Management segment and \$2 million in Unallocated Items. Planned expenditures in 2025 are expected to be approximately \$48 million.

Expenditures are expected to be funded from internally generated funds and/or bank borrowings.

## Capital Structure

NACCO's consolidated capital structure is presented below:

	SEPTEMBER 30 2024	DECEMBER 31 2023	Change
Cash and cash equivalents	\$ 63,052	\$ 85,109	\$ (22,057)
Other net tangible assets	422,105	349,934	72,171
Intangible assets, net	5,633	6,006	(373)
Net assets	490,790	441,049	49,741
Total debt	(70,222)	(35,956)	(34,266)
Bellaire closed mine obligations	(23,258)	(22,753)	(505)
Total equity	\$ 397,310	\$ 382,340	\$ 14,970
Debt to total capitalization	15%	9%	6%

The increase in other net tangible assets at September 30, 2024 compared with December 31, 2023 was mainly the result of increases in Property, plant and equipment, Inventory and Other current assets during the first nine months of 2024. The increase in Inventory was mainly due to higher coal and mining supplies inventory. The increase in Other current assets is primarily due to \$7.8 million in vendor deposits. The \$13.6 million receivable related to business interruption insurance recoveries at MLMC also contributed to the change in other net tangible assets.

## Contractual Obligations, Contingent Liabilities and Commitments

Since December 31, 2023, other than the changes identified above, there have been no significant changes in the total amount of NACCO's contractual obligations, contingent liabilities or commercial commitments, or the timing of cash flows in accordance with those obligations as reported on page 58 in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. See Note 6 to the Unaudited Condensed Consolidated Financial Statements for a discussion of certain guarantees related to Coyote Creek.

## SEGMENT RESULTS

### COAL MINING SEGMENT

### FINANCIAL REVIEW

Tons of coal delivered by the Coal Mining segment were as follows for the three and nine months ended September 30:

	THREE MONTHS		NINE MONTHS	
	2024	2023	2024	2023
Unconsolidated operations	5,335	5,105	15,745	15,899
Consolidated operations	474	628	1,352	2,245
Total tons delivered	5,809	5,733	17,097	18,144

The results of operations for the Coal Mining segment were as follows for the three and nine months ended September 30:

	THREE MONTHS		NINE MONTHS	
	2024	2023	2024	2023
Revenues	\$ 17,706	\$ 18,665	\$ 48,247	\$ 65,661
Cost of sales	18,054	26,819	55,135	85,966
Gross loss	(348)	(8,154)	(6,888)	(20,305)
Earnings of unconsolidated operations <sup>(a)</sup>	13,821	11,259	37,834	33,687
Business interruption insurance recoveries	13,612	—	13,612	—
Selling, general and administrative expenses	7,014	7,160	21,984	20,313
Amortization of intangible assets	131	642	373	2,296
Loss (gain) on sale of assets	2	—	(87)	(168)
Operating profit (loss)	\$ 19,938	\$ (4,697)	\$ 22,288	\$ (9,059)

<sup>(a)</sup> See Note 6 to the Unaudited Condensed Consolidated Financial Statements for a discussion of the Company's unconsolidated subsidiaries, including summarized financial information.

### Third Quarter of 2024 Compared with Third Quarter of 2023

Revenues decreased 5.1% in the third quarter of 2024 compared with the third quarter of 2023 primarily due to a reduction in customer requirements at MLMC as a result of a mechanical issue that impacted one of two boilers at the Red Hills Power Plant.

The following table identifies the components of change in Operating profit (loss) for the third quarter of 2024 compared with the third quarter of 2023:

	Operating Profit (Loss)
2023	\$ (4,697)
Increase (decrease) from:	
Business interruption insurance recoveries	13,612
Gross loss	7,806
Earnings of unconsolidated operations	2,562
Amortization of intangibles	511
Selling, general and administrative expenses	146
Loss on sale of assets	(2)
2024	\$ 19,938

Operating profit (loss) improved by \$24.6 million in the third quarter of 2024 compared with the third quarter of 2023 primarily due to MLMC's business interruption insurance recoveries for the issue at the Red Hills Power Plant, a decrease in the gross loss and an increase in earnings of unconsolidated operations.

The reduction in revenues at MLMC was offset by lower cost of goods sold, resulting in a favorable change to the gross loss during the third quarter of 2024 compared with the third quarter of 2023. The reduction in cost of goods sold was primarily attributable to increased operating efficiencies due to the completion of the move to a new mine area in 2023 and improved mining conditions in the third quarter of 2024 compared to the prior period. Changes in the level of coal inventory and costs capitalized into inventory also contributed to the improvement as the decrease in demand resulted in an increase in the coal stockpile and more costs capitalized into inventory during the third quarter of 2024. In addition, the gross loss in the third quarter of 2024 and 2023 included \$1.0 million and \$2.4 million of inventory impairment charges, respectively, to write down MLMC's coal inventory to its net realizable value.

The increase in earnings of unconsolidated operations was primarily due to a higher per ton management fee beginning in June 2024 when temporary price concessions ended at Falkirk. Improved results at Coteau also contributed to the increase in earnings of unconsolidated operations.

### First Nine Months of 2024 Compared with First Nine Months of 2023

Revenues decreased 26.5% in the first nine months of 2024 compared with the first nine months of 2023 primarily due to a reduction in customer requirements at MLMC as a result of a mechanical issue that impacted one of two boilers at the Red Hills Power Plant.

The following table identifies the components of change in Operating profit (loss) for the first nine months of 2024 compared with the first nine months of 2023:

	Operating Profit (Loss)
<b>2023</b>	<b>\$ (9,059)</b>
Increase (decrease) from:	
Business interruption insurance recoveries	13,612
Gross loss	13,417
Earnings of unconsolidated operations	4,147
Amortization of intangibles	1,923
Selling, general and administrative expenses	(1,671)
Gain on sale of assets	(81)
<b>2024</b>	<b>\$ 22,288</b>

Operating profit (loss) improved by \$31.3 million in the first nine months of 2024 compared with the first nine months of 2023 primarily due to MLMC's business interruption insurance recoveries for the issue at the Red Hills Power Plant, a decrease in the gross loss, an increase in earnings of unconsolidated operations and a decrease in amortization of intangibles. These favorable changes were partially offset by an increase in selling, general and administrative expenses primarily due to higher employee-related costs.

The reduction in revenues at MLMC was offset by lower cost of goods sold, resulting in a decrease in the gross loss during the first nine months of 2024 compared with the first nine months of 2023. The reduction in cost of goods sold was primarily attributable to increased operating efficiencies due to the completion of the move to a new mine area in 2023 and improved mining conditions in the first nine months of 2024 compared to the prior period. Changes in the level of coal inventory and costs capitalized into inventory also contributed to the improvement as the decrease in demand resulted in an increase in the coal stockpile and more costs capitalized into inventory during the first nine months of 2024. In addition, the gross loss in the first nine months of 2024 and 2023 included \$4.1 million and \$6.6 million of inventory impairment charges, respectively, to write down MLMC's coal inventory to its net realizable value.

The increase in earnings of unconsolidated operations was primarily due to a higher per ton management fee beginning in June 2024 when temporary price concessions ended and an increase in customer demand at Falkirk. Improved results at Coteau also contributed to the increase in earnings of unconsolidated operations.

### NORTH AMERICAN MINING ("NAMining") SEGMENT

#### FINANCIAL REVIEW

Tons delivered by the NAMining segment were as follows for the three and nine months ended September 30:

	THREE MONTHS		NINE MONTHS	
	2024	2023	2024	2023
Total tons delivered	<b>12,005</b>	15,410	<b>43,178</b>	44,178

The results of operations for the NAMining segment were as follows for the three and nine months ended September 30:

	THREE MONTHS		NINE MONTHS	
	2024	2023	2024	2023
Total revenues	\$ 32,326	\$ 21,722	\$ 84,729	\$ 64,071
Reimbursable costs	21,922	13,339	50,819	38,088
Revenues excluding reimbursable costs	\$ 10,404	\$ 8,383	\$ 33,910	\$ 25,983
Total revenues	\$ 32,326	\$ 21,722	\$ 84,729	\$ 64,071
Cost of sales	31,379	20,286	77,304	58,411
Gross profit	947	1,436	7,425	5,660
Earnings of unconsolidated operations <sup>(a)</sup>	1,122	1,495	3,935	3,975
Selling, general and administrative expenses	2,843	2,065	6,696	5,725
Gain on sale of assets	(300)	—	(302)	—
Operating (loss) profit	\$ (474)	\$ 866	\$ 4,966	\$ 3,910

<sup>(a)</sup> See Note 6 to the Unaudited Condensed Consolidated Financial Statements for a discussion of the Company's unconsolidated subsidiaries, including summarized financial information.

### Third Quarter of 2024 Compared with Third Quarter of 2023

Total revenues increased 48.8% in the third quarter of 2024 compared with the third quarter of 2023, primarily due to an increase in reimbursable costs, which have an offsetting amount in cost of sales and have no impact on gross profit. Revenues excluding reimbursable costs increased 24.1% mainly due to favorable pricing and delivery mix at the consolidated limestone quarries. This increase was partially offset by a reduction in tons delivered primarily due to an increase in planned customer outages and significant rain events in Florida during the third quarter of 2024.

The following table identifies the components of change in Operating (loss) profit for the third quarter of 2024 compared with the third quarter of 2023:

	Operating (Loss) Profit
2023	\$ 866
Increase (decrease) from:	
Selling, general and administrative expenses	(778)
Gross profit	(489)
Earnings of unconsolidated operations	(373)
Gain on sale of assets	300
2024	\$ (474)

Operating (loss) profit decreased \$1.3 million in the third quarter of 2024 compared with the third quarter of 2023 primarily due to an increase in selling, general and administrative expenses and a decrease in gross profit. The increase in selling, general and administrative expenses was the result of a \$0.9 million charge to establish an allowance against a receivable from one of NAMining's customers. The decrease in gross profit was primarily due to higher supply expenses and labor-related costs.

### First Nine Months of 2024 Compared with First Nine Months of 2023

Total revenues increased 32.2% in the first nine months of 2024 compared with the first nine months of 2023 primarily due to an increase in reimbursable costs, which have an offsetting amount in cost of sales and have no impact on gross profit. Revenues excluding reimbursable costs increased 30.5% mainly due to favorable pricing at the consolidated limestone quarries and an increase in the scope of work at Sawtooth.

The following table identifies the components of change in Operating profit for the first nine months of 2024 compared with the first nine months of 2023:

	Operating Profit
2023	\$ 3,910
Increase (decrease) from:	
Gross profit	1,765
Gain on sale of assets	302
Selling, general and administrative expenses	(971)
Earnings of unconsolidated operations	(40)
<b>2024</b>	<b>\$ 4,966</b>

Operating profit increased \$1.1 million in the first nine months of 2024 compared with the first nine months of 2023 primarily due to an increase in gross profit. This improvement was mainly the result of an increase in the scope of work at Sawtooth and favorable pricing and improved margins at the consolidated limestone quarries. These improvements were partially offset by an increase in selling, general and administrative expenses as a result of a \$0.9 million charge to establish an allowance against a receivable from one of NAMining's customers.

## MINERALS MANAGEMENT SEGMENT

### FINANCIAL REVIEW

The following table sets forth the Company's estimate of the number of gross and net productive wells:

	September 30, 2024		September 30, 2023	
	Gross	Net	Gross	Net
Oil	1,836	5.9	1,164	3.4
Natural Gas	292	16.9	245	12.3
<b>Total</b>	<b>2,128</b>	<b>22.8</b>	<b>1,409</b>	<b>15.7</b>

Gross wells are the total wells in which an interest is owned. Net wells are calculated based on the Company's net royalty interest, factoring in both ownership percentage of gross wells and royalty rate.

Oil and natural gas prices have been historically volatile and may continue to be volatile in the future. The table below demonstrates volatility with the average prices as reported by the United States Energy Information Administration for the three and nine months ended September 30:

	THREE MONTHS		NINE MONTHS	
	2024	2023	2024	2023
West Texas Intermediate Average Crude Oil Price	\$ 76.24	\$ 82.30	\$ 78.50	\$ 77.38
Henry Hub Average Natural Gas Price	\$ 2.11	\$ 2.59	\$ 2.11	\$ 2.47

These indicated prices do not necessarily reflect the contract terms for the Company's sales. As an owner of royalty and mineral interests, the Company's access to information concerning activity and operations of its royalty and mineral interests is limited. The Company does not have information that would be available to a company with working interests in oil and natural gas operations because detailed information is not generally available to owners of royalty and mineral interests.

The following table sets forth the estimated oil and natural gas production data related to the Company's mineral and royalty interests for the three and nine months ended September 30:

	THREE MONTHS		NINE MONTHS	
	2024 <sup>(4)</sup>	2023 <sup>(4)</sup>	2024 <sup>(4)</sup>	2023 <sup>(4)</sup>
<b>Production data:</b>				
Oil (bbl) <sup>(1)</sup>	34,480	21,690	100,937	77,000
NGL (bbl) <sup>(1)</sup>	14,155	14,399	46,186	44,000
Residue gas (Mcf) <sup>(2)</sup>	2,235,536	1,515,433	6,750,803	5,000,000
Total BOE <sup>(3)</sup>	421,224	288,661	1,272,257	960,000

<sup>(1)</sup> Bbl. One stock tank barrel, or 42 U.S. gallons liquid volume.

<sup>(2)</sup> Mcf. One thousand cubic feet of natural gas at the contractual pressure and temperature bases.

<sup>(3)</sup> BOE. Barrel of Oil Equivalent, a conversion factor of 6 MCF of gas was used for 1 equivalent bbl of oil.

<sup>(4)</sup> As an owner of mineral and royalty interests, the Company's access to information concerning activity and operations of its royalty and mineral interests is limited. As a result, the Company estimated August and September 2024 data with volumes projected from prior well production.

The results of operations for the Minerals Management segment were as follows for the three and nine months ended September 30:

	THREE MONTHS		NINE MONTHS	
	2024	2023	2024	2023
Oil and natural gas revenues	\$ 7,116	\$ 3,383	\$ 19,347	\$ 15,892
Other revenues	1,733	2,364	5,496	7,311
Total Revenues	\$ 8,849	\$ 5,747	\$ 24,843	\$ 23,203
Total Revenues	\$ 8,849	\$ 5,747	\$ 24,843	\$ 23,203
Cost of sales	1,286	1,064	4,151	3,026
Gross profit	7,563	4,683	20,692	20,177
Earnings from unconsolidated operations	213	—	286	—
Selling, general and administrative expenses	1,588	986	3,781	3,147
(Gain) loss on sale of assets	—	87	(4,512)	87
Operating profit	\$ 6,188	\$ 3,610	\$ 21,709	\$ 16,943

Revenues and operating profit increased in the third quarter of 2024 and the first nine months of 2024 compared with the respective 2023 periods, primarily due to an increase in oil and natural gas revenue as a result of higher production volumes. Increased oil production volumes are mainly related to an acquisition that closed during the fourth quarter of 2023. These improvements were partially offset by a reduction in other revenues, primarily coal royalty income. In addition, revenues during the first nine months of 2023 included \$1.4 million of settlement income. Operating profit in the first nine months of 2024 included a \$4.5 million gain on the sale of land related to legacy operations.

## UNALLOCATED ITEMS AND ELIMINATIONS

### FINANCIAL REVIEW

Unallocated Items and Eliminations were as follows for the three and nine months ended September 30:

	THREE MONTHS		NINE MONTHS	
	2024	2023	2024	2023
Operating loss	\$ (5,953)	\$ (6,046)	\$ (17,141)	\$ (14,497)

The operating loss in the third quarter of 2024 was comparable to the third quarter of 2023. The operating loss in the first nine months of 2024 increased compared with the respective 2023 period due to higher operating expenses at Mitigation Resources.

### **NACCO Industries, Inc. Outlook**

#### **Coal Mining Outlook**

The prior-year fourth-quarter results included a \$60.8 million pre-tax impairment charge. Comparisons in this section exclude the effect of this charge.

The Company anticipates significant year-over-year increases in Coal Mining operating profit and Segment Adjusted EBITDA in the 2024 fourth quarter. This anticipated improvement is primarily due to higher earnings at the unconsolidated coal mining operations driven primarily by an expectation for increased deliveries, as well as a higher per ton management fee at Falkirk. An anticipated improvement in results at MLMC due to an increase in the index-based sales price partly offset by a reduction in customer demand is also expected to contribute to the profit improvement. Full-year 2024 results are also expected to increase compared with 2023.

Capital expenditures are expected to be approximately \$4 million in the fourth quarter of 2024 and \$12 million for the 2024 full year.

#### **NAMining Outlook**

NAMining expects the 2024 fourth quarter and full-year operating profit and Segment Adjusted EBITDA to increase year-over-year. The fourth quarter results are also anticipated to improve over the 2024 third quarter. These improvements are primarily due to the late 2023 amendment of limestone contracts to more mutually advantageous contract terms and a scope of work expansion with another customer.

Sawtooth is the exclusive provider of comprehensive mining services at Thacker Pass, which is owned by Lithium Americas Corp. (TSX: LAC) (NYSE: LAC). Sawtooth will supply all of the lithium-bearing ore requirements for Thacker Pass, which is currently under construction. Sawtooth will be reimbursed for costs of mining, capital expenditures and mine closure and will recognize a contractually agreed upon production fee once the mine is operating. In addition to providing comprehensive mining services, Sawtooth Mining is currently assisting with certain construction services and will transport clay tailings once lithium production commences. Phase 1 lithium production is estimated to begin in 2027. Prior to that time, the Company expects to continue to recognize moderate income.

NAMining expects full-year 2024 capital expenditures to be approximately \$26 million, with approximately \$12 million expended in the fourth quarter.

#### **Minerals Management Outlook**

Operating profit and Segment Adjusted EBITDA for the 2024 fourth quarter and full year are expected to decrease compared with the respective 2023 periods, excluding the fourth-quarter 2023 impairment charge of \$5.1 million and a \$4.5 million gain on sale recognized in the 2024 second quarter. These declines are primarily driven by current market expectations for natural gas and oil prices, as well as development and production assumptions on currently owned reserves.

The Minerals Management segment derives income primarily from royalty-based leases under which lessees make payments to the Company based on their sale of natural gas, oil, natural gas liquids and coal, extracted primarily by third parties. As an owner of royalty and mineral interests, the Company's access to information concerning activity and operations with respect to its interests is limited. The Company's expectations are based on the best information currently available. Changing prices of natural gas and oil could have a significant impact on Minerals Management's operating profit. Development of additional wells on existing interests in excess of current expectations, or acquisitions of additional interests, could be accretive to future results.

Minerals Management is targeting investments of up to \$20 million in the 2024 fourth quarter. Future investments are expected to be accretive, but each investment's contribution to near-term earnings is dependent on the details of that investment, including the size and type of interests acquired and the stage and timing of mineral development.

#### **Consolidated Outlook**

Fourth-quarter 2023 results included a \$65.9 million pre-tax impairment charge. Comparisons in this section exclude the effect of this charge.



Overall, fourth-quarter and full-year 2024 consolidated operating profit and Adjusted EBITDA are expected to increase significantly year-over-year. These improvements are primarily due to anticipated increases in profitability at the Coal Mining segment from improved results at MLMC, Falkirk and Coteau. NAMining's growth and profit improvement initiatives are also expected to contribute to the improved earnings. Full-year 2024 net income is expected to increase significantly over 2023.

Full-year 2024 consolidated capital expenditures are expected to total approximately \$69 million, which includes approximately \$11 million for Unallocated capital expenditures, primarily at Mitigation Resources. During the 2024 fourth quarter, the Company expects to expend up to \$38 million, including \$20 million related to Minerals Management. In 2024, cash flow before financing activities is expected to be a use of cash.

### **2025 Perspectives & Long-term Growth and Diversification**

NACCO's businesses provide critical inputs for electricity generation, construction and development, and the production of industrial minerals and chemicals. Increasing demand for electricity, on-shoring and current federal policies are creating favorable macroeconomic trends within these industries. Management is confident in the Company's trajectory and business prospects as it prepares for 2025 and longer-term growth opportunities.

While the Company realizes the coal mining industry faces political and regulatory challenges and overall demand for coal is projected to decline over the longer-term, management believes coal should be an essential part of the energy mix in the United States for the foreseeable future. The Company anticipates continued solid customer demand at its coal mining operations in 2025 and will benefit from the absence of temporary price concessions at Falkirk. Cost inflation is anticipated to affect MLMC's 2025 results.

NAMining expects to build on its current 2024 momentum to deliver further improved results in 2025. Benefits from new and amended contracts, and new business expansion opportunities, are expected to generate improved 2025 results on expectations for comparable year-over-year customer demand. New contracts and contract extensions are central to the business' organic growth strategy, and the Company expects NAMining to be a substantial contributor to operating profit over time.

The Minerals Management segment, through its Catapult business, is constructing a high-quality, diversified portfolio of oil and gas mineral and royalty interests in the United States that are expected to deliver near-term cash flow yields and long-term projected growth. The current portfolio provides a strong foundation of well-positioned assets that are expected to continue to deliver solid financial results. While the timing of returns could vary, the Company maintains a long-term perspective. Given current trends in oil and natural gas prices and projected volumes, the Company anticipates a moderate production decline in 2025. The Company believes the Minerals Management business will provide unlevered after-tax returns on invested capital in the mid-teens as it matures.

Mitigation Resources, which provides stream and wetland mitigation solutions as well as comprehensive reclamation and restoration construction services, continues to build on the substantial foundation it has established over the past several years. Mitigation Resources business offers an opportunity for growth and diversification in an industry where the Company has substantial knowledge and expertise and a strong reputation. It currently has ten mitigation banks and four permittee-responsible mitigation projects located in Tennessee, Mississippi, Alabama, Texas, Florida and Pennsylvania. In addition, Mitigation Resources is providing ecological restoration services for abandoned surface mines, as well as pursuing additional environmental restoration projects. It was named a designated provider of abandoned mine land restoration by the State of Texas. The Company believes that Mitigation Resources can provide solid rates of return on capital employed as this business matures. Mitigation Resources expects to achieve profitability beginning in 2025 based on current expectations for new projects, as well as timing of permit approvals and mitigation credit releases.

The Company is taking actions to terminate its defined benefit pension plan, which will eliminate future volatility from changes in the pension obligation. Once complete, obligations under the terminated plan will be transferred to a third-party insurance provider. The Company expects to utilize surplus assets to fund a qualified replacement plan, reducing future cash funding requirements. Although the plan is currently over funded, NACCO is anticipating a non-cash settlement charge in 2025 upon termination.

The Company believes its businesses have competitive advantages that provide value to customers and create long-term value for stockholders. The Company is pursuing growth and diversification by strategically leveraging its core mining and natural resources management skills to build a robust portfolio of affiliated businesses. Opportunities for growth remain strong. Acquisitions of additional mineral interests and improvements in the outlook for Coal Mining segment customers, as well as new contracts at Mitigation Resources and NAMining should be accretive to the Company's longer-term outlook.

NACCO also continues to pursue activities which can strengthen the resiliency of its existing coal mining operations. The Company remains focused on managing coal production costs and maximizing efficiencies and operating capacity at mine locations to help customers with management fee contracts be more competitive. These activities benefit both customers and the Company's Coal Mining segment, as fuel cost is a significant driver for power plant dispatch. Increased power plant dispatch results in increased demand for coal by the Coal Mining segment's customers. Fluctuating natural gas prices, weather and availability of renewable energy sources, such as wind and solar, could affect the amount of electricity dispatched from coal-fired power plants.

The Company continues to look for ways to create additional value by utilizing its core mining competencies which include reclamation and permitting. NACCO established ReGen Resources to utilize these skills to address the rapidly increasing demand for additional power generation sources in the United States through development of solar and other energy-related projects on reclaimed mining properties. These projects could be developed by the Company itself or through joint ventures that include partners with expertise in energy development projects. Current opportunities under review include solar arrays, solar-gas hybrid projects and carbon capture on reclaimed mine land in Mississippi, Pennsylvania and Texas.

NACCO is committed to maintaining a conservative capital structure as it continues to grow and diversify, while avoiding unnecessary risk. The Company believes strategic diversification will generate cash that can be re-invested to strengthen and expand the businesses. The Company also continues to maintain the highest levels of customer service and operational excellence with an unwavering focus on safety and environmental stewardship.

## **FORWARD-LOOKING STATEMENTS**

The statements contained in this Form 10-Q that are not historical facts are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are made subject to certain risks and uncertainties, which could cause actual results to differ materially from those presented. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Among the factors that could cause plans, actions and results to differ materially from current expectations are, without limitation: (1) changes to or termination of customer or other third-party contracts, or a customer or other third party default under a contract, (2) any customer's premature facility closure or extended project development delay, (3) regulatory actions, including the EPA's rules finalized in 2024 relating to mercury and greenhouse gas emissions for coal-fired power plants, changes in mining permit requirements or delays in obtaining mining permits that could affect deliveries to customers, (4) a significant reduction in purchases by the Company's customers, including as a result of changes in coal consumption patterns of U.S. electric power generators, or changes in the power industry that would affect demand for the Company's coal and other mineral reserves, (5) changes in the prices of hydrocarbons, particularly diesel fuel, natural gas, natural gas liquids and oil as result of factors such as OPEC and/or government actions, geopolitical developments, economic conditions and regulatory changes, as well as supply and demand dynamics, (6) changes in development plans by third-party lessees of the Company's mineral interests, (7) failure or delays by the Company's lessees in achieving expected production of natural gas and other hydrocarbons; the availability and cost of transportation and processing services in the areas where the Company's oil and gas reserves are located; federal and state legislative and regulatory initiatives relating to hydraulic fracturing and U.S. export of natural gas; and the ability of lessees to obtain capital or financing needed for well-development operations and leasing and development of oil and gas reserves on federal lands, (8) failure to obtain adequate insurance coverages at reasonable rates, (9) supply chain disruptions, including price increases and shortages of parts and materials, (10) changes in tax laws or regulatory requirements, including the elimination of, or reduction in, the percentage depletion tax deduction, changes in mining or power plant emission regulations and health, safety or environmental legislation, (11) impairment charges, (12) changes in costs related to geological and geotechnical conditions, repairs and maintenance, new equipment and replacement parts, fuel or other similar items, (13) weather conditions, extended power plant outages, liquidity events or other events that would change the level of customers' coal or aggregates requirements, (14) weather or equipment problems that could affect deliveries to customers, (15) changes in the costs to reclaim mining areas, (16) costs to pursue and develop new mining, mitigation, oil and gas and solar development opportunities and other value-added service opportunities, (17) delays or reductions in coal or aggregates deliveries, (18) the ability to successfully evaluate investments and achieve intended financial results in new business and growth initiatives, (19) disruptions from natural or human causes, including severe weather, accidents, fires, earthquakes and terrorist acts, any of which could result in suspension of operations or harm to people or the environment, and (20) the ability to attract, retain, and replace workforce and administrative employees.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

As a "smaller reporting company" as defined by Rule 12b-2 of the Securities Exchange Act of 1934, the Company is not required to provide this information.

**Item 4. Controls and Procedures**

**Evaluation of disclosure controls and procedures:** An evaluation was carried out under the supervision and with the participation of the Company's management, including the principal executive officer and the principal financial officer, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, these officers have concluded that the Company's disclosure controls and procedures are effective.

**Changes in internal control over financial reporting:** During the third quarter of 2024, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II  
OTHER INFORMATION**

**Item 1 Legal Proceedings**

None.

**Item 1A Risk Factors**

During the quarter ended September 30, 2024, there have been no material changes to the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

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

**Issuer Purchases of Equity Securities <sup>(1)</sup>**

<u>Period</u>	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of the Publicly Announced Program	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program <sup>(1)</sup>
Month #1 (July 1 to 31, 2024)	39,649	\$ 30.78	39,649	\$ 9,706,356
Month #2 (August 1 to 31, 2024)	28,633	\$ 27.82	28,633	\$ 8,909,786
Month #3 (September 1 to 30, 2024)	—	\$ —	—	\$ 8,909,786
Total	68,282	\$ 29.54	68,282	\$ 8,909,786

- (1) During 2023, the Company established a stock repurchase program allowing for the purchase of up to \$20.0 million of the Company's Class A Common Stock outstanding through December 31, 2025. See Note 4 to the Unaudited Condensed Consolidated Financial Statements for further discussion of the Company's stock repurchase program.

**Item 3 Defaults Upon Senior Securities**

None.

**Item 4 Mine Safety Disclosures**

Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 filed with this Quarterly Report on Form 10-Q for the period ended September 30, 2024.

**Item 5 Other Information**

None.

**Item 6 Exhibits**

Exhibit Number*	Description of Exhibits
10.1	<a href="#">First Amendment to Amended and Restated Credit Agreement, dated as of September 17, 2024, among NACCO Natural Resources Corporation, the guarantors party thereto, the lenders party thereto and PNC Bank, National Association, as administrative agent, is incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed by the Company on September 19, 2024, Commission File Number 1-9172.</a>
31(i)(1)	<a href="#">Certification of J.C. Butler, Jr. pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act</a>
31(i)(2)	<a href="#">Certification of Elizabeth I. Loveman pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act</a>
32	<a href="#">Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by J.C. Butler, Jr. and Elizabeth I. Loveman</a>
95	<a href="#">Mine Safety Disclosure Exhibit</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Numbered in accordance with Item 601 of Regulation S-K.

**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 thereunto duly authorized.

Date: October 30, 2024

NACCO Industries, Inc.  
(Registrant)

/s/ Elizabeth I. Loveman

\_\_\_\_\_  
Elizabeth I. Loveman

Senior Vice President and Controller  
(principal financial and accounting officer)

**Certifications**

I, J.C. Butler, Jr., certify that:

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

Date: October 30, 2024

/s/ J.C. Butler, Jr.

J.C. Butler, Jr.  
President and Chief Executive Officer  
(principal executive officer)

**Certifications**

I, Elizabeth I. Loveman, certify that:

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

Date: October 30, 2024

/s/ Elizabeth I. Loveman  
Elizabeth I. Loveman  
Senior Vice President and Controller  
(principal financial officer)



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

In connection with the Quarterly Report on Form 10-Q of NACCO Industries, Inc. (the "Company") for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (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 as of the dates and for the periods expressed in the Report.

Date: October 30, 2024

/s/ J.C. Butler, Jr.

J.C. Butler, Jr.

President and Chief Executive Officer  
(principal executive officer)

Date: October 30, 2024

/s/ Elizabeth I. Loveman

Elizabeth I. Loveman

Senior Vice President and Controller  
(principal financial officer)

**MINE SAFETY DISCLOSURES**

NACCO Industries, Inc. and its wholly owned subsidiaries (the "Company") believes that it is an industry leader in safety. The Company has health and safety programs in place that include extensive employee training, accident prevention, workplace inspection, emergency response, accident investigation, regulatory compliance and program auditing. The objectives for the Company's programs are to eliminate workplace incidents, comply with all mining-related regulations and provide support for both regulators and the industry to improve mine safety.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, each operator of a coal or other mine is required to include certain mine safety results in its periodic reports filed with the Securities and Exchange Commission. The operation of mines is 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"). MSHA inspects the Company's mines on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. The Company has presented information below regarding certain mining safety and health matters for the quarter ended September 30, 2024. In evaluating this information, consideration should be given to factors such as: (i) the number of citations and orders will vary depending on the size of the mine, (ii) the number of citations issued will vary from inspector to inspector and from 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 vacated.

During the quarter ended September 30, 2024, neither current mining operations nor closed mines: (i) were assessed any Mine Act section 104(b) orders for alleged failure to totally abate the subject matter of a Mine Act section 104(a) citation within the period specified in the citation; (ii) were assessed any Mine Act section 104(d) citations or orders for an alleged unwarrantable failure (i.e., aggravated conduct constituting more than ordinary negligence) to comply with a mining safety standard or regulation; (iii) were assessed any Mine Act section 110(b)(2) penalties for failure to correct the subject matter of a Mine Act section 104(a) citation within the specified time period, which failure was deemed flagrant (i.e., reckless or repeated failure to make reasonable efforts to eliminate a known violation that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury); (iv) received any Mine Act section 107(a) imminent danger orders to immediately remove miners; or (v) received any MSHA written notices under Mine Act section 104(e) of a pattern of violation of mandatory health or safety standards or of the potential to have such a pattern. In addition, there were no mining-related fatalities during the quarter ended September 30, 2024.

The following table sets forth the total number of specific citations and orders, the total dollar value of the proposed civil penalty assessments that were issued by MSHA, the total number of legal actions initiated and resolved before the Federal Mine Safety and Health Review Commission ("FMSHRC") during the quarter ended September 30, 2024, and the total number of legal actions pending before the FMSHRC at September 30, 2024, pursuant to the Mine Act, by individual location:

Name of Mine or Quarry <sup>(1)</sup>	Mine Act Section 104 Significant & Substantial Citations <sup>(2)</sup>	Total Dollar Value of Proposed MSHA Assessment	Number of Legal Actions Initiated before the FMSHRC for the quarter ended September 30, 2024	Number of Legal Actions Resolved before the FMSHRC for the quarter ended September 30, 2024	Number of Legal Actions Pending before the FMSHRC at September 30, 2024
Coteau (Freedom Mine)	1	\$ 1,238	—	—	—
Falkirk (Falkirk Mine)	—	924	—	—	—
Sabine (South Hallsville No. 1 Mine)	—	—	—	—	—
Demery (Five Forks Mine)	—	—	—	—	—
Caddo Creek (Marshall Mine)	—	—	—	—	—
Coyote Creek (Coyote Creek Mine)	—	—	—	—	—
MLMC (Red Hills Mine)	—	—	—	—	—
North American Mining Operations:	—	—	—	—	—
Alico Quarry	—	—	—	—	—
Center Hill Quarry	—	—	—	—	—
FEC Quarry	—	—	—	—	—
Inglis Quarry	—	—	—	—	—
Krome Quarry	—	—	—	—	—
SCL Quarry	—	—	—	—	—
St. Catherine Quarry	—	—	—	—	—
Seven Diamonds Quarry	—	—	—	—	—
Central State Aggregates Quarry	—	—	—	—	—
Johnson County Quarry	—	—	—	—	—
Little River Quarry	—	—	—	—	—
Mid Coast Aggregates Quarry	—	—	—	—	—
Newberry Quarry	—	—	—	—	—
County Line Quarry	—	—	—	—	—
Palm Beach Aggregates Quarry	—	—	—	—	—
Perry Quarry	—	—	—	—	—
Queenfield Mine	—	—	—	—	—
Rosser Quarry	—	—	—	—	—
SDI Aggregates Quarry	—	—	—	—	—
West Florida Aggregates Quarry	—	—	—	—	—
Titan Corkscrew Quarry	—	—	—	—	—
White Rock Quarry - North	1	1,970	—	—	—
Ash Grove	—	—	—	—	—
<b>Total</b>	<b>2</b>	<b>\$ 4,132</b>	<b>—</b>	<b>—</b>	<b>—</b>

<sup>(1)</sup> Bellaire's, Centennial's, Liberty's and Camino Real's closed mines are not included in the table above and did not receive any of the indicated citations.

<sup>(2)</sup> Mine Act section 104(a) significant and substantial citations are for alleged violations of a mining safety standard or regulation where there exists a reasonable likelihood that the hazard contributed to or will result in an injury or illness of a reasonably serious nature.