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 June 30, 2021

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to .

Commission file number: 1-13105

Arch Resources, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**43-0921172** (I.R.S. Employer Identification Number)
One CityPlace Drive **Suite 300** **St. Louis** **Missouri** (Address of principal executive offices)	**63141** (Zip code)

Registrant's telephone number, including area code: **(314) 994-2700**

(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
Common stock, $.01 par value	ARCH	New York Stock Exchange

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ☒

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

At July 19, 2021 there were 15,294,065 shares of the registrant's common stock outstanding.

TABLE OF CONTENTS

Part I
FINANCIAL INFORMATION

Item 1. Financial Statements.

Arch Resources, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except per share data)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
	(Unaudited)		(Unaudited)	
Revenues	$ 450,389	$ 319,521	$ 807,932	$ 724,753
Costs, expenses and other operating				
Cost of sales (exclusive of items shown separately below)	355,329	316,348	665,235	691,347
Depreciation, depletion and amortization	27,884	30,167	53,681	61,475
Accretion on asset retirement obligations	5,437	4,986	10,874	9,992
Change in fair value of coal derivatives and coal trading activities, net	8,762	(129)	9,290	614
Selling, general and administrative expenses	24,119	19,738	45,599	42,483
Costs related to proposed joint venture with Peabody Energy	—	7,851	—	11,515
Asset impairment and restructuring	—	7,437	—	13,265
Gain on property insurance recovery related to Mountain Laurel longwall	—	(14,518)	—	(23,518)
Gain on divestitures	—	(1,369)	—	(1,369)
Other operating income, net	(4,347)	(5,704)	(9,615)	(11,874)
	417,184	364,807	775,064	793,930
Income (loss) from operations	33,205	(45,286)	32,868	(69,177)
Interest expense, net				
Interest expense	(2,941)	(3,523)	(7,069)	(6,911)
Interest and investment income	147	1,793	474	3,052
	(2,794)	(1,730)	(6,595)	(3,859)
Income (loss) before nonoperating expenses	30,411	(47,016)	26,273	(73,036)
Nonoperating (expenses) income				
Non-service related pension and postretirement benefit costs	(539)	(1,102)	(2,066)	(2,198)
Reorganization items, net	—	—	—	26
	(539)	(1,102)	(2,066)	(2,172)
Income (loss) before income taxes	29,872	(48,118)	24,207	(75,208)
Provision for (benefit from) income taxes	2,006	1,206	2,383	(585)
Net income (loss)	$ 27,866	$ (49,324)	$ 21,824	$ (74,623)
Net income (loss) per common share				
Basic earnings (loss) per share	$ 1.82	$ (3.26)	$ 1.43	$ (4.93)
Diluted earnings (loss) per share	$ 1.66	$ (3.26)	$ 1.31	$ (4.93)
Weighted average shares outstanding				
Basic weighted average shares outstanding	15,294	15,145	15,289	15,142
Diluted weighted average shares outstanding	16,756	15,145	16,598	15,142
Dividends declared per common share	$ —	$ —	$ —	$ 0.50

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

Arch Resources, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
Net income (loss)	$ 27,866	$ (49,324)	$ 21,824	$ (74,623)
Derivative instruments				
Comprehensive income (loss) before tax	637	363	1,327	(2,306)
Income tax benefit (provision)	—	—	—	—
	637	363	1,327	(2,306)
Pension, postretirement and other post-employment benefits				
Comprehensive income (loss) before tax	3,963	(2,336)	4,510	(16,603)
Income tax benefit (provision)	—	—	—	—
	3,963	(2,336)	4,510	(16,603)
Available-for-sale securities				
Comprehensive income (loss) before tax	(16)	533	84	66
Income tax benefit (provision)	—	—	—	—
	(16)	533	84	66
Total other comprehensive income (loss)	4,584	(1,440)	5,921	(18,843)
Total comprehensive income (loss)	$ 32,450	$ (50,764)	$ 27,745	$ (93,466)

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

Arch Resources, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except per share data)

	June 30, 2021	December 31, 2020
Assets	(Unaudited)	
Current assets		
Cash and cash equivalents	$ 153,516	$ 187,492
Short-term investments	33,256	96,765
Restricted cash	7,104	5,953
Trade accounts receivable (net of $0 allowance at June 30, 2021 and December 31, 2020)	160,154	110,869
Other receivables	3,336	3,053
Inventories	162,531	126,008
Other current assets	35,149	58,000
Total current assets	555,046	588,140
Property, plant and equipment, net	1,102,570	1,007,303
Other assets		
Equity investments	74,974	71,783
Other noncurrent assets	62,356	55,246
Total other assets	137,330	127,029
Total assets	$ 1,794,946	$ 1,722,472
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 116,042	$ 103,743
Accrued expenses and other current liabilities	166,287	155,256
Current maturities of debt	133,812	31,097
Total current liabilities	416,141	290,096
Long-term debt	402,076	477,215
Asset retirement obligations	213,387	230,732
Accrued pension benefits	2,274	2,879
Accrued postretirement benefits other than pension	95,491	94,388
Accrued workers' compensation	249,256	244,695
Other noncurrent liabilities	97,792	98,906
Total liabilities	1,476,417	1,438,911
Stockholders' equity		
Common stock, $0.01 par value, authorized 300,000 shares, issued 25,382 and 25,323 shares at June 30, 2021 and December 31, 2020, respectively	254	253
Paid-in capital	774,665	767,484
Retained earnings	400,771	378,906
Treasury stock, 10,088 shares at June 30, 2021 and December 31, 2020, respectively, at cost	(827,381)	(827,381)
Accumulated other comprehensive loss	(29,780)	(35,701)
Total stockholders' equity	318,529	283,561
Total liabilities and stockholders' equity	$ 1,794,946	$ 1,722,472

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

Arch Resources, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in thousands)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Operating activities	(Unaudited)	
Net income (loss)	$ 21,824	$ (74,623)
Adjustments to reconcile to cash from operating activities:		
Depreciation, depletion and amortization	53,681	61,475
Accretion on asset retirement obligations	10,874	9,992
Deferred income taxes	11	13,880
Employee stock-based compensation expense	8,498	8,936
Amortization relating to financing activities	3,110	1,946
Gain on property insurance recovery related to Mountain Laurel longwall	—	(23,518)
Gain on disposals and divestitures, net	(413)	(3,180)
Reclamation work completed	(28,218)	(6,207)
Changes in:		
Receivables	(49,568)	55,817
Inventories	(36,523)	(23,792)
Accounts payable, accrued expenses and other current liabilities	14,590	(42,889)
Income taxes, net	2,337	22,918
Other	25,906	25,167
Cash provided by operating activities	26,109	25,922
Investing activities		
Capital expenditures	(147,957)	(148,561)
Minimum royalty payments	(1,124)	(1,124)
Proceeds from disposals and divestitures	438	562
Purchases of short-term investments	—	(17,707)
Proceeds from sales of short-term investments	68,986	86,079
Investments in and advances to affiliates, net	(1,114)	(1,059)
Proceeds from property insurance recovery related to Mountain Laurel longwall	—	23,518
Cash used in investing activities	(80,771)	(58,292)
Financing activities		
Payments on term loan	(1,500)	(1,500)
Proceeds from equipment financing	—	53,611
Proceeds from tax exempt bonds	44,985	—
Net payments on other debt	(18,795)	(13,592)
Debt financing costs	(1,537)	(1,171)
Dividends paid	—	(7,645)
Payments for taxes related to net share settlement of equity awards	(1,316)	(331)
Cash provided by financing activities	21,837	29,372
Decrease in cash and cash equivalents, including restricted cash	(32,825)	(2,998)
Cash and cash equivalents, including restricted cash, beginning of period	$ 193,445	$ 153,020
Cash and cash equivalents, including restricted cash, end of period	$ 160,620	$ 150,022
Cash and cash equivalents, including restricted cash, end of period		
Cash and cash equivalents	$ 153,516	$ 150,022
Restricted Cash	7,104	—
	$ 160,620	$ 150,022

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

Arch Resources, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (loss)	Total
			(In thousands)			
Balances, January 1, 2021	$ 253	$ 767,484	$ 378,906	$ (827,381)	$ (35,701)	$ 283,561
Total comprehensive income (loss)	—	—	(6,042)	—	1,337	(4,705)
Employee stock-based compensation	—	3,885	18	—	—	3,903
Issuance of 59,166 shares of common stock under long-term incentive plan	1	—	—	—	—	1
Common stock withheld related to net share settlement of equity awards	—	(1,317)	—	—	—	(1,317)
Balances at March 31, 2021	$ 254	$ 770,052	$ 372,882	$ (827,381)	$ (34,364)	$ 281,443
Total comprehensive income (loss)	—	—	27,866	—	4,584	32,450
Employee stock-based compensation	—	4,613	23	—	—	4,636
Balances at June 30, 2021	$ 254	$ 774,665	$ 400,771	$ (827,381)	$ (29,780)	$ 318,529

	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (loss)	Total
			(In thousands)			
Balances, January 1, 2020	$ 252	$ 730,551	$ 731,425	$ (827,381)	$ 5,689	$ 640,536
Dividends on common shares ($0.50/share)	—	—	(7,834)	—	—	(7,834)
Total comprehensive income (loss)	—	—	(25,299)	—	(17,403)	(42,702)
Employee stock-based compensation	—	3,962	—	—	—	3,962
Common stock withheld related to net share settlement of equity awards	—	(198)	—	—	—	(198)
Balances at March 31, 2020	$ 252	$ 734,315	$ 698,292	$ (827,381)	$ (11,714)	$ 593,764
Total comprehensive income (loss)	—	—	(49,324)	—	(1,440)	(50,764)
Employee stock-based compensation	—	4,891	—	—	—	4,891
Common stock withheld related to net share settlement of equity awards	—	(50)	—	—	—	(50)
Dividend Equivalents earned on RSU grants	—	—	(59)	—	—	(59)
Balances at June 30, 2020	$ 252	$ 739,156	$ 648,909	$ (827,381)	$ (13,154)	$ 547,782

Arch Resources, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Arch Resources, Inc. (“Arch Resources”) and its subsidiaries (“Arch” or the “Company”). Unless the context indicates otherwise, the terms “Arch” and the “Company” are used interchangeably in this Quarterly Report on Form 10-Q. The Company’s primary business is the production of metallurgical and thermal coal from underground and surface mines located throughout the United States, for sale to steel producers, utility companies, and industrial accounts both in the United States and around the world. The Company currently operates mining complexes in West Virginia, Wyoming and Colorado. All subsidiaries are wholly owned. Intercompany transactions and accounts have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and U.S. Securities and Exchange Commission regulations. In the opinion of management, all adjustments, consisting of normal, recurring accruals considered necessary for a fair presentation, have been included. Results of operations for the three and six months ended June 30, 2021 are not necessarily indicative of results to be expected for the year ending December 31, 2021. These financial statements should be read in conjunction with the audited financial statements and related notes as of and for the year ended December 31, 2020 included in the Company’s Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission.

2. Accounting Policies

Recently Adopted Accounting Guidance

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference the London interbank offered rate (“LIBOR”) or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. We are currently evaluating our contracts and the optional expedients provided by the new standard.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes.” ASU 2019-12 eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The ASU is effective for public companies for fiscal years beginning after December 15, 2020, and interim periods therein with early adoption permitted. The Company adopted this ASU with minimal impact to the Company’s financial statements.

Recent Accounting Guidance Issued Not Yet Effective

In August 2020, the FASB issued ASU 2020-06**,** Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)—Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. ASU 2020-06 reduces the number of accounting models for convertible debt instruments and convertible preferred stock. For convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, *Derivatives and Hedging*, or that do not result in substantial premiums accounted for as paid-in capital, the embedded conversion features no longer are separated from the host contract. ASU 2020-06 also removes certain conditions that should be considered in the derivatives scope exception evaluation under Subtopic 815-40, *Derivatives and Hedging—Contracts in Entity's Own Equity*, and clarify the scope and certain requirements under Subtopic 815-40. In addition, ASU 2020-06 improves the guidance related to the disclosures and earnings-per-share (EPS) for convertible instruments and contract in entity's own equity. ASU 2020-06 is effective for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The FASB specified that an entity should adopt the guidance as of the beginning of its annual fiscal year. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

3. Joint Venture with Peabody Energy

The Company incurred expenses of $7.9 million and $11.5 million for the three and six months ended June 30, 2020, respectively, associated with the regulatory approval process related to the proposed joint venture with Peabody that was terminated jointly by the parties due to the Federal Trade Commission blocking the joint venture during the third quarter of 2020. No amounts related to the joint venture were incurred for the three and six months ended June 30, 2021.

4. Gain on Property Insurance Recovery Related to Mountain Laurel Longwall

The Company recorded gains of $14.5 million and $23.5 million related to a property insurance recovery at its Mountain Laurel operation during the three and six months ended June 30, 2020, respectively. As a result of geologic conditions in the final longwall panel, Mountain Laurel was unable to recover 123 of the longwall system's 176 hydraulic shields. No amounts related to the property insurance recovery were incurred for the three and six months ended June 30, 2021.

5. Asset Impairment and Restructuring

The Company recorded $7.4 million and $13.3 million of employee severance expense related to a voluntary separation plan that was accepted by 53 members of the corporate staff and 201 employees from the Company's thermal operations during the three and six months ended June 30, 2020. No amounts related to the employee severance expense were incurred for the three and six months ended June 30, 2021.

6. Divestitures

During the second quarter of 2020, various Dal-Tex and Briar Branch properties in West Virginia were sold to Condor Holdings, LLC. No consideration was received for the sale and a gain of $1.4 million was recorded representing the net liabilities sold.

7. Accumulated Other Comprehensive Income (Loss)

The following items are included in accumulated other comprehensive income (loss) ("AOCI"), net of tax:

	Derivative Instruments	Pension, Postretirement and Other Post-Employment Benefits	Available-for-Sale Securities	Accumulated Other Comprehensive Income (loss)
		(In thousands)		
Balance at December 31, 2020	$ (3,891)	$ (31,459)	$ (351)	$ (35,701)
Unrealized losses	71	4,404	108	4,583
Amounts reclassified from accumulated other comprehensive income (loss)	1,256	106	(24)	1,338
Balance at June 30, 2021	$ (2,564)	$ (26,949)	$ (267)	$ (29,780)

The following amounts were reclassified out of AOCI:

Details About AOCI Components	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Line Item in the Condensed Consolidated Statements of Operations
		(In thousands)			
Coal hedges	$ —	$ 196	$ —	$ 196	
Interest rate hedges	(632)	(648)	(1,256)	(864)	Interest expense
	—	—	—	—	Provision for (benefit from) income taxes
	$ (632)	$ (452)	$ (1,256)	$ (668)	Net of tax
Pension, postretirement and other post-employment benefits					
Amortization of actuarial gains (losses), net [1]	$ (590)	$ 232	$ (1,181)	$ 466	Non-service related pension and postretirement benefit (costs) credits
Amortization of prior service credits	43	27	87	54	Non-service related pension and postretirement benefit (costs) credits
Pension settlement	988	134	988	130	Non-service related pension and postretirement benefit (costs) credits
	—	—	—	—	Provision for (benefit from) income taxes
	$ 441	$ 393	$ (106)	$ 650	Net of tax
Available-for-sale securities [2]	$ 14	$ 141	$ 24	$ 140	Interest and investment income
	—	—	—	—	Provision for (benefit from) income taxes
	$ 14	$ 141	$ 24	$ 140	Net of tax

[1] Production-related benefits and workers' compensation costs are included in costs to produce coal.
[2] The gains and losses on sales of available-for-sale-securities are determined on a specific identification basis.

8. Inventories

Inventories consist of the following:

	June 30, 2021	December 31, 2020
	(In thousands)	
Coal	$ 79,620	$ 49,436
Repair parts and supplies	82,911	76,572
	$ 162,531	$ 126,008

The repair parts and supplies are stated net of an allowance for slow-moving and obsolete inventories of $0.7 million at June 30, 2021 and $0.6 million at December 31, 2020.

9. Investments in Available-for-Sale Securities

The Company has invested in marketable debt securities, primarily highly liquid U.S. Treasury securities and investment grade corporate bonds. These investments are held in the custody of a major financial institution. These securities are classified as available-for-sale securities and, accordingly, the unrealized gains and losses are recorded through other comprehensive income.

The Company's investments in available-for-sale marketable securities are as follows:

	June 30, 2021				
		Gross Unrealized		Allowance for - Credit	Fair
	Cost Basis	Gains	Losses	Losses	Value
			(In thousands)		
Available-for-sale:					
U.S. government and agency securities	$ 11,174	$ —	$ (91)	$ —	$ 11,083
Corporate notes and bonds	22,349	—	(176)	—	22,173
Total Investments	$ 33,523	$ —	$ (267)	$ —	$ 33,256

	December 31, 2020				
		Gross Unrealized		Allowance for - Credit	Fair
	Cost Basis	Gains	Losses	Losses	Value
			(In thousands)		
Available-for-sale:					
U.S. government and agency securities	$ 57,299	$ 11	$ (86)	$ —	$ 57,224
Corporate notes and bonds	39,817	1	(277)	—	39,541
Total Investments	$ 97,116	$ 12	$ (363)	$ —	$ 96,765

The aggregate fair value of investments with unrealized losses that were owned for less than a year was $32.3 million and $45.3 million at June 30, 2021 and December 31, 2020, respectively. The aggregate fair value of investments with unrealized losses that were owned for over a year was $0.0 million and $8.1 million at June 30, 2021 and December 31, 2020, respectively. The unrealized losses in the Company's portfolio at June 30, 2021 are the result of normal market fluctuations. The Company does not currently intend to sell these investments before recovery of their amortized cost base.

The debt securities outstanding at June 30, 2021 have maturity dates ranging from the third quarter of 2021 through the first quarter of 2022. The Company classifies its investments as current based on the nature of the investments and their availability to provide cash for use in current operations.

10. Derivatives

Interest rate risk management

The Company has entered into interest rate swaps to reduce the variability of cash outflows associated with interest payments on its variable rate term loan. These swaps have been designated as cash flow hedges. For additional information on these arrangements, see Note 12, "Debt and Financing Arrangements," in the Condensed Consolidated Financial Statements.

Diesel fuel price risk management

The Company is exposed to price risk with respect to diesel fuel purchased for use in its operations. The Company anticipates purchasing approximately 30 to 35 million gallons of diesel fuel for use in its operations during 2021. To protect the Company's cash flows from increases in the price of diesel fuel for its operations, the Company uses forward physical diesel purchase contracts and purchased heating oil call options. At June 30, 2021, the Company had no heating oil call options outstanding.

Coal price risk management positions

The Company may sell or purchase forward contracts, swaps and options in the over-the-counter coal market in order to manage its exposure to coal prices. The Company has exposure to the risk of fluctuating coal prices related to forecasted, index-priced sales or purchases of coal or to the risk of changes in the fair value of a fixed price physical sales contract. Certain derivative contracts may be designated as hedges of these risks.

At June 30, 2021, the Company held derivatives for risk management purposes that are expected to settle in the following years:

(Tons in thousands)	2021	2022	Total
Coal sales	535	33	568
Coal purchases	121	33	154

Coal trading positions

The Company may sell or purchase forward contracts, swaps and options in the over-the-counter coal market for trading purposes. The Company is exposed to the risk of changes in coal prices on the value of its coal trading portfolio. The unrecognized gains of $0.2 million in the trading portfolio are expected to be realized during the remainder of 2021.

Tabular derivatives disclosures

The Company has master netting agreements with all of its counterparties which allow for the settlement of contracts in an asset position with contracts in a liability position in the event of default or termination. Such netting arrangements reduce the Company's credit exposure related to these counterparties. For classification purposes, the Company records the net fair value of all the positions with a given counterparty as a net asset or liability in the Condensed Consolidated Balance Sheets. The amounts shown in the table below represent the fair value position of individual contracts, and not the net position presented in the accompanying Condensed Consolidated Balance Sheets.

The fair value and location of derivatives reflected in the accompanying Condensed Consolidated Balance Sheets are as follows:

Fair Value of Derivatives (In thousands)	June 30, 2021 Asset Derivative	June 30, 2021 Liability Derivative		December 31, 2020 Asset Derivative	December 31, 2020 Liability Derivative	
Derivatives Designated as Hedging Instruments						
Coal	$ —	$ —		$ —	$ —	
Derivatives Not Designated as Hedging Instruments						
Heating oil -- diesel purchases	—	—		237	—	
Coal -- held for trading purposes	5,394	(5,234)		1,914	(1,595)	
Coal -- risk management	4,059	(13,059)		1,094	(804)	
Total	$ 9,453	$ (18,293)		$ 3,245	$ (2,399)	
Total derivatives	$ 9,453	$ (18,293)		$ 3,245	$ (2,399)	
Effect of counterparty netting	(9,453)	9,453		(2,392)	2,392	
Net derivatives as classified in the balance sheets	$ —	$ (8,840)	$ (8,840)	$ 853	$ (7)	$ 846

		June 30, 2021	December 31, 2020
Net derivatives as reflected on the balance sheets (in thousands)			
Heating Oil and coal	Other current assets	$ —	$ 853
Coal	Accrued expenses and other current liabilities	(8,840)	(7)
		$ (8,840)	$ 846

The Company had a current asset representing cash collateral posted to a margin account for derivative positions primarily related to coal derivatives of $10.5 million and $1.4 million at June 30, 2021 and December 31, 2020, respectively. These amounts are not included with the derivatives presented in the table above and are included in “other current assets” in the accompanying Condensed Consolidated Balance Sheets.

The effects of derivatives on measures of financial performance are as follows:

Derivatives used in Cash Flow Hedging Relationships (in thousands)

Three Months Ended June 30,

		Gain (Loss) Recognized in Other Comprehensive Income 2021	Gain (Loss) Recognized in Other Comprehensive Income 2020	Gains (Losses) Reclassified from Other Comprehensive Income into Income 2021	Gains (Losses) Reclassified from Other Comprehensive Income into Income 2020
Coal sales	(1)	$ —	$ 440	$ —	$ (902)
Coal purchases	(2)	—	(439)	—	706
Totals		$ —	$ 1	$ —	$ (196)

At June 30, 2021, the Company did not have any derivative contracts designated as hedging instruments.

Derivatives Not Designated as Hedging Instruments (in thousands)

Three Months Ended June 30,

		Gain (Loss) Recognized 2021	Gain (Loss) Recognized 2020
Coal trading — realized and unrealized	(3)	$ —	$ —
Coal risk management — unrealized	(3)	(8,762)	129
Natural gas trading— realized and unrealized	(3)	—	—
Change in fair value of coal derivatives and coal trading activities, net total		$ (8,762)	$ 129
Coal risk management— realized	(4)	$ (651)	$ 2,756
Heating oil — diesel purchases	(4)	$ —	$ 328

Location in statement of operations:

(1) — Revenues
(2) — Cost of sales
(3) — Change in fair value of coal derivatives and coal trading activities, net
(4) — Other operating (income) expense, net

Derivatives used in Cash Flow Hedging Relationships (in thousands)

Six Months Ended June 30,

		Gain (Loss) Recognized in Other Comprehensive Income		Gains (Losses) Reclassified from Other Comprehensive Income into Income	
		2021	2020	2021	2020
Coal sales	(1)	$ —	$ 599	$ —	$ (902)
Coal purchases	(2)	—	(595)	—	706
Totals		$ —	$ 4	$ —	$ (196)

At June 30, 2021, the Company did not have any derivative contracts designated as hedging instruments.

Derivatives Not Designated as Hedging Instruments (in thousands)

Six Months Ended June 30,

		Gain (Loss) Recognized 2021	Gain (Loss) Recognized 2020
Coal trading— realized and unrealized	(3)	$ —	$ 221
Coal risk management— unrealized	(3)	(9,290)	(911)
Natural gas trading — realized and unrealized	(3)	—	76
Change in fair value of coal derivatives and coal trading activities, net total		$ (9,290)	$ (614)
Coal risk management — realized	(4)	$ (513)	$ 4,357
Heating oil — diesel purchases	(4)	$ —	$ (705)

Location in statement of operations:

(1) — Revenues
(2) — Cost of sales
(3) — Change in fair value of coal derivatives and coal trading activities, net
(4) — Other operating (income) expense, net

11. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	June 30, 2021	December 31, 2020
	(In thousands)	
Payroll and employee benefits	$ 48,230	$ 39,443
Taxes other than income taxes	52,750	56,232
Interest	3,125	2,795
Workers' compensation	13,712	15,259
Asset retirement obligations	27,032	27,032
Other	21,438	14,495
	$ 166,287	$ 155,256

12. Debt and Financing Arrangements

	June 30, 2021	December 31, 2020
	(In thousands)	
Term loan due 2024 ($287.3 million face value)	$ 286,638	$ 288,033
Tax Exempt Bonds ($98.1 million face value)	98,075	53,090
Convertible Debt ($155.3 million face value)	118,394	115,367
Other	43,948	62,695
Debt issuance costs	(11,167)	(10,873)
	535,888	508,312
Less: current maturities of debt	133,812	31,097
Long-term debt	$ 402,076	$ 477,215

Term Loan Facility

In 2017, the Company entered into a senior secured term loan credit agreement in an aggregate principal amount of $300 million (the "Term Loan Debt Facility") with Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and the other financial institutions from time to time party thereto (collectively, the "Lenders"). The Term Loan Debt Facility was issued at 99.50% of the face amount and will mature on March 7, 2024. The term loans provided under the Term Loan Debt Facility (the "Term Loans") are subject to quarterly principal amortization payments in an amount equal to $750,000. The interest rate on the Term Loan Debt Facility is, at the option of Arch Resources, either (i) LIBOR plus an applicable margin of 2.75%, subject to a 1.00% LIBOR floor, or (ii) a base rate plus an applicable margin of 1.75%.

The Term Loan Debt Facility is guaranteed by all existing and future wholly owned domestic subsidiaries of the Company (collectively, the "Subsidiary Guarantors" and, together with Arch Resources, the "Loan Parties"), subject to customary exceptions, and is secured by first priority security interests on substantially all assets of the Loan Parties, including 100% of the voting equity interests of directly owned domestic subsidiaries and 65% of the voting equity interests of directly owned foreign subsidiaries, subject to customary exceptions.

Accounts Receivable Securitization Facility

On September 30, 2020, the Company amended and extended its existing trade accounts receivable securitization facility provided to Arch Receivable Company, LLC, a special-purpose entity that is a wholly owned subsidiary of Arch Resources ("Arch Receivable") (the "Securitization Facility"), which supports the issuance of letters of credit and requests for cash advances. The amendment to the Securitization Facility reduced the size of the facility from $160 million to $110 million of borrowing capacity and extended the maturity date to September 29, 2023.

Under the Securitization Facility, Arch Receivable, Arch Resources and certain of Arch Resources's subsidiaries party to the Securitization Facility have granted to the administrator of the Securitization Facility a first priority security interest in eligible trade accounts receivable generated by such parties from the sale of coal and all proceeds thereof. As of June 30, 2021, letters of credit totaling $58.3 million were outstanding under the facility with $37.0 million available for borrowings.

Inventory-Based Revolving Credit Facility

On September 30, 2020, Arch Resources amended the senior secured inventory-based revolving credit facility in an aggregate principal amount of $50 million (the "Inventory Facility") with Regions Bank ("Regions") as administrative agent and collateral agent, as lender and swingline lender (in such capacities, the "Lender") and as letter of credit issuer. Availability under the Inventory Facility is subject to a borrowing base consisting of (i) 85% of the net orderly liquidation value of eligible coal inventory, plus (ii) the lesser of (x) 85% of the net orderly liquidation value of eligible parts and supplies inventory and (y) 35% of the amount determined pursuant to clause (i), plus (iii) 100% of Arch Resources's Eligible Cash (defined in the Inventory Facility), subject to reduction for reserves imposed by Regions.

The amendment of the Inventory Facility extended the maturity of the facility to September 29, 2023; eliminated the provision that accelerated maturity upon Liquidity (as defined in the Inventory Facility) falling below a specified level; and reduced the minimum Liquidity requirement from $175 million to $100 million. Additionally, the amendment included provisions that reduce the advance rates for coal inventory and parts and supplies, depending on "Liquidity" as defined as of any date of determination, the sum of, without duplication, (a) unrestricted cash or Permitted Investments as of such date of the Parent and its Subsidiaries (other than the Securitization Subsidiaries and Bonding Subsidiaries) that are not Foreign Subsidiaries, (b) withdrawable funds from brokerage accounts of Borrowers as of such date, (c) Availability as of such date, and (d) any unused commitments that are available to be drawn as of such date by the Parent pursuant to the terms of any Permitted Receivables Financing.

The Company entered into an amendment during the quarter ended June 30, 2021 to temporarily suspend certain of the Liquidity requirements within the existing facility through the filing of the September 2021 borrowing base.

The Inventory Facility contains certain customary affirmative and negative covenants; events of default, subject to customary thresholds and exceptions; and representations, including certain cash management and reporting requirements that are customary for asset-based credit facilities. The Inventory Facility also includes a requirement to maintain Liquidity equal to or exceeding $100 million at all times. As of June 30, 2021, letters of credit totaling $32.0 million were outstanding under the facility with $18.0 million available for borrowings.

Equipment Financing

On March 4, 2020, the Company entered into an equipment financing arrangement accounted for as debt ("Equipment Financing"). The Company received $53.6 million in exchange for conveying an interest in certain equipment in operation at its Leer Mine and entered into a master lease arrangement for that equipment. The financing arrangement contains customary terms and events of default and provides for 48 monthly payments with an average interest rate of 6.34% maturing on March 4, 2024. Upon maturity, all interests in the subject equipment will revert back to the Company.

Tax Exempt Bonds

On July 2, 2020, the West Virginia Economic Development Authority (the "Issuer") issued $53.1 million aggregate principal amount of Solid Waste Disposal Facility Revenue Bonds (Arch Resources Project), Series 2020 (the "Tax Exempt Bonds") pursuant to an Indenture of Trust dated as of June 1, 2020 (the "Indenture of Trust") between the Issuer and Citibank, N.A., as trustee (the "Trustee"). On March 4, 2021, the Issuer issued an additional $45.0 million of Series 2021 Tax Exempt Bonds. The proceeds of the Tax Exempt Bonds were loaned to the Company pursuant to a Loan Agreement dated as of June 1, as supplemented by a First Amendment to Loan Agreement dated as of March 1, 2021 (collectively, the "Loan Agreement"), each between the Issuer and the Company. The Tax Exempt Bonds are payable solely from payments to be made by the Company under the Loan Agreement as evidenced by a Note from the Company to the Trustee. The proceeds of the Tax Exempt Bonds are being used to finance certain costs of the acquisition, construction, reconstruction, and equipping of solid waste disposal facilities at the Company's Leer South development, and for capitalized interest and certain costs related to issuance of the Tax Exempt Bonds.

The Tax Exempt Bonds will bear interest payable each January 1 and July 1, commencing January 1, 2021 for the Series 2020 and July 1, 2021 for the Series 2021, and have a final maturity of July 1, 2045; however, the Tax Exempt Bonds are subject to mandatory tender on July 1, 2025 at a purchase price equal to 100% of the principal amount of the Tax Exempt Bonds, plus accrued interest to July 1, 2025. The Series 2020 and Series 2021 Tax Exempt Bonds bear interest of 5% and 4.125%, respectively.

The Tax Exempt Bonds are subject to redemption (i) in whole or in part at any time on or after January 1, 2025 at the option of the Issuer, upon the Company's direction at a redemption price of par, plus interest accrued to the redemption date; and (ii) at par plus interest accrued to the redemption date from certain excess Tax Exempt Bonds proceeds as further described in the Indenture of Trust.

The Company's obligations under the Loan Agreement are (i) except as otherwise described below, secured by first priority liens on and security interests in substantially all of the Company's and Subsidiary Guarantors' real property and other assets, subject to certain customary exceptions and permitted liens, and in any event excluding our accounts receivable and inventory; and (ii) jointly and severally guaranteed by the Subsidiary Guarantors, subject to customary exceptions.

The collateral securing the Company's obligations under the Loan Agreement is substantially the same as the collateral securing the obligations under the Term Loan Debt Facility other than with respect to variances in certain real property collateral. The real property securing the Company's obligations under the Loan Agreement includes a subset of the real property collateral securing the obligations under the Term Loan Debt Facility and includes only mortgages on substantially all of the Company's revenue generating real property and assets.

The Loan Agreement contains certain affirmative covenants and representations, including but not limited to: (i) maintenance of a rating on the Tax Exempt Bonds; (ii) maintenance of proper books of records and accounts; (iii) agreement to add additional guarantors to guarantee the obligations under the Loan Agreement in certain circumstances; (iv) procurement of customary insurance; and (v) preservation of legal existence and certain rights, franchises, licenses and permits. The Loan Agreement also contains certain customary negative covenants, which, among other things, and subject to certain exceptions, include restrictions on (i) release of collateral securing the Company's obligations under the Loan Agreement; (ii) mergers and consolidations and disposition of assets, and (iii) restrictions on actions that may jeopardize the tax-exempt status of the Tax Exempt Bonds.

The Loan Agreement contains customary events of default, subject to customary thresholds and exceptions, including, among other things; (i) nonpayment of principal, purchase price, interest and other fees (subject to certain cure periods); (ii) bankruptcy or insolvency proceedings relating to us; (iii) material inaccuracy of a representation or warranty at the time made; (iv) cross-events of default to indebtedness of at least $50 million; and (v) cross defaults to the Indenture of Trust, the guaranty related to the Tax Exempt Bonds or any related security documents.

As of June 30, 2021, Arch has utilized $91.0 million of the total Tax Exempt Bond proceeds. The remaining $7.1 million is held in trust and is recorded on the balance sheet as restricted cash. The remainder of the funds will be released as qualified expenditures are made.

Convertible Debt

On November 3, 2020, the Company issued $155.3 million in aggregate principal amount of 5.25% convertible senior notes due 2025 ("Convertible Notes " or "Convertible Debt"). The net proceeds from the issuance of the Convertible Notes, after deducting offering related costs of $5.1 million and cost of a "Capped Call Transaction" as defined below of $17.5 million, were approximately $132.7 million. The Convertible Notes bear interest at the annual rate of 5.25%, payable semiannually in arrears on May 15 and November 15 of each year, beginning on May 15, 2021, and will mature on November 15, 2025, unless earlier converted, redeemed or repurchased by the Company.

The Convertible Notes will be convertible into cash, shares of the Company’s common stock or a combination thereof, at the Company’s election, at an initial conversion rate of 26.7917 shares of common stock per $1,000 principal amount of Convertible Notes, which is equivalent to an initial conversion price of approximately $37.325 per share, subject to adjustment pursuant to the terms of the indenture governing the Convertible Notes (the "Indenture"). Before July 15, 2025, noteholders will have the right to convert their Convertible Notes only upon the occurrence of certain events. From and after July 15, 2025, noteholders may convert their Convertible Notes at any time until the close of business on the second scheduled trading day immediately before the maturity date.

The conversion rate of the Convertible Notes may be adjusted in certain circumstances, including in connection with a conversion of the Convertible Notes made following certain fundamental changes and under other circumstances set forth in the Indenture. It is the Company’s current intent and policy to settle any conversions of notes through a combination of cash and shares.

The Convertible Notes will be redeemable, in whole and not part, at the Company’s option at any time on or after November 20, 2023 and on or before the 40th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, but only if the last reported sale price per share of the Company’s common stock exceeds 130% of the conversion price on: (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice; and (ii) the trading day immediately before the date the Company sends such notice. In addition, calling the Convertible Notes for redemption will constitute a Make-Whole Fundamental Change, which will result in an increase to the conversion rate in certain circumstances for a specified period of time. No sinking fund is provided for the Convertible Notes.

During the second quarter of 2021, the common stock sale condition of the Convertible Notes was satisfied. As described in the Indenture, this condition is satisfied when the closing stock price exceeds 130% of the conversion price of $37.325 per share for at least 20 trading days of the last 30 trading days prior to quarter end. As a result, the Convertible Notes are currently convertible at the election of noteholders during the third quarter. Due to the Company’s stated intent to settle the principal value in cash, the liability portion of $114.5 million of the convertible notes was reflected in current maturities of debt on the Company’s Condensed Consolidated Balance Sheet at June 30, 2021.

As of June 30, 2021, all of the Convertible Notes remained outstanding. In addition, from July 1, 2021 to the date of this filing, the Company has not received any conversion requests for Convertible Notes and do not anticipate receiving any conversion requests in the near term as the market value of the Convertible Notes exceeds the conversion value of the Convertible Notes. As of June 30, 2021, the if-converted value of the Convertible Notes exceeded the principal amount by $81.8 million.

Total interest expense related to the Convertible Debt for the three months ended June 30, 2021 was $3.8 million and was comprised of $2.0 million related to the contractual interest coupon and $1.8 million related to the amortization of the discount on the liability component. Total interest expense related to the Convertible Debt for the six months ended June 30, 2021 was $7.5 million and was comprised of $4.1 million related to the contractual interest coupon and $3.4 million related to the amortization of the discount on the liability component.

Capped Call Transactions

In connection with the offering of the Convertible Notes, the Company entered into privately negotiated convertible note hedge transactions (collectively, the “Capped Call Transactions”). The Capped Call Transactions cover, subject to customary anti-dilution adjustments, the number of shares of the Company’s common stock that initially underlie the Convertible Notes.

The Capped Call Transactions are expected generally to reduce the potential dilution and/or offset any cash payments the Company is required to make in excess of the principal amount due upon conversion of the Convertible

Notes in the event that the market price of the Company's common stock is greater than the strike price of the Capped Call Transactions, which was initially $37.325 per share (subject to adjustment under the terms of the Capped Call Transactions). The strike price of $37.325 corresponds to the initial conversion price of the Convertible Notes. The number of shares underlying the Capped Call Transactions is 4.2 million.

The cap price of the Capped Call Transactions is $52.2550 per share, which represents a premium of 75% over the last reported sale price of the Company's common stock on October 29, 2020. The cost of the Capped Call Transactions was approximately $17.5 million.

The Capped Call Transactions are separate transactions, in each case entered into between the Company and the respective Option Counterparty, and are not part of the terms of the Convertible Notes and will not affect any holder's rights under the Convertible Notes. Holders of the Convertible Notes will not have any rights with respect to the Capped Call Transactions. Additionally, the cost of the Capped Call Transactions is not expected to be tax deductible as the Company did not elect to integrate the Capped Call Transactions into the notes for tax purposes.

Accounting Treatment of the Convertible Notes and Related Hedge Transactions

As the Capped Call Transactions meet certain accounting criteria, the Capped Call Transactions were classified as equity and are not accounted for as derivatives. The proceeds from the offering of the Convertible Notes were separated into liability and equity components. On the date of issuance, the liability and equity components of the Convertible Notes were calculated to be approximately $114.5 million and $40.8 million, respectively. The initial $114.5 million liability component was determined based on the fair value of similar debt instruments excluding the conversion feature assuming a hypothetical interest rate of 12.43%. The inputs and assumptions used in the calculated fair value of the liability component of the convertible debt fall within level 2 of the fair value hierarchy. The initial $40.8 million equity component represents the difference between the fair value of the initial $114.5 million in debt and the $155.3 million of gross proceeds. The equity component is included in additional paid-in capital in the Condensed Consolidated Balance Sheets and will not be subsequently remeasured as long as it continues to meet the conditions for equity classification. The related initial debt discount of $40.8 million is being amortized over the life of the Convertible Notes as non-cash interest expense using the effective interest method.

In connection with the above-noted transactions, the Company incurred approximately $5.9 million of debt issuance costs. These offering expenses were allocated to the liability and equity components in proportion to the allocation of proceeds and accounted for as debt and equity issuance costs, respectively. The Company allocated $4.4 million of debt issuance costs to the liability component, which were capitalized as deferred financing costs within long-term debt. These costs are being amortized as interest expense over the term of the debt (which coincides with the five year life of the Convertible Notes) using the effective interest method. The remaining $1.5 million of transaction costs allocated to the equity component were recorded as a reduction of the equity component.

Interest Rate Swaps

The Company has entered into a series of interest rate swaps to fix a portion of the LIBOR interest payments due under the Term Loan Debt Facility. The interest rate swaps qualify for cash flow hedge accounting treatment and as such, the change in the fair value of the interest rate swaps is recorded on the Company's Condensed Consolidated Balance Sheet as an asset or liability with the effective portion of the gains or losses reported as a component of accumulated other comprehensive income and the ineffective portion reported in earnings. As interest payments are made on the Term Loan, amounts in accumulated other comprehensive income will be reclassified into earnings through interest expense to reflect a net interest on the Term Loan equal to the effective yield of the fixed rate of the swap plus 2.75% which is the spread on the revised Term Loan. In the event that an interest rate swap is terminated prior to maturity, gains or losses in accumulated other comprehensive income will remain deferred and be reclassified into earnings in the periods which the hedged forecasted transaction affects earnings.

Below is a summary of the Company's outstanding interest rate swap agreements designated as hedges as of June 30, 2021:

Notional Amount (in millions)	Effective Date	Fixed Rate	Receive Rate	Expiration Date
$ 100.0	June 30, 2021	2.315 %	1-month LIBOR	June 30, 2023

The fair value of the interest rate swaps at June 30, 2021 is a liability of $2.6 million, which is recorded within Other noncurrent liabilities, with the offset to accumulated other comprehensive income on the Company's Condensed Consolidated Balance Sheet. The Company realized $1.3 million and $0.6 million of losses during the three and six months ended June 30, 2021 and June 30, 2020, respectively, related to settlements of the interest rate swaps which were recorded to interest expense on the Company's Condensed Consolidated Statement of Operations. The interest rate swaps are classified as Level 2 within the fair value hierarchy.

13. Income Taxes

A reconciliation of the federal income tax provision at the statutory rate to the actual provision for (benefit from) income taxes follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(In thousands)			
Income tax provision (benefit) at statutory rate	$ 6,273	$ (10,105)	$ 5,083	$ (15,794)
Percentage depletion and other perm items	(4,038)	(11,768)	(2,956)	(5,600)
State taxes, net of effect of federal taxes	1,180	(1,584)	888	(1,502)
Change in valuation allowance	(3,242)	19,531	(2,830)	20,381
Current expense associated with uncertain tax positions	1,848	5,132	2,209	3,101
AMT sequestration refund	—	—	—	(1,171)
Other, net	(15)	—	(11)	—
Provision for (benefit from) income taxes	$ 2,006	$ 1,206	$ 2,383	$ (585)

14. Fair Value Measurements

The hierarchy of fair value measurements assigns a level to fair value measurements based on the inputs used in the respective valuation techniques. The levels of the hierarchy, as defined below, give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 is defined as observable inputs such as quoted prices in active markets for identical assets. Level 1 assets include U.S. Treasury securities, U.S. government agency securities, and coal swaps and futures that are submitted for clearing on the New York Mercantile Exchange.

- Level 2 is defined as observable inputs other than Level 1 prices. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's level 2 assets and liabilities include Corporate debt securities, coal commodity contracts, and interest rate swaps with fair values derived from quoted prices in over-the-counter markets or from prices received from direct broker quotes.

- Level 3 is defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. These include the Company's commodity option contracts (coal, natural gas and heating oil) valued using modeling techniques, such as Black-Scholes, that require the use of inputs, particularly volatility, that are rarely observable.

The table below sets forth, by level, the Company's financial assets and liabilities that are recorded at fair value in the accompanying Condensed Consolidated Balance Sheet:

	June 30, 2021			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Assets:				
Investments in marketable securities	$ 33,256	$ 11,083	$ 22,173	$ —
Derivatives	—	—	—	—
Total assets	$ 33,256	$ 11,083	$ 22,173	$ —
Liabilities:				
Derivatives	$ 11,405	$ 7,418	$ 3,987	$ —

The Company's contracts with its counterparties allow for the settlement of contracts in an asset position with contracts in a liability position in the event of default or termination. For classification purposes, the Company records the net fair value of all the positions with these counterparties as a net asset or liability. Each level in the table above displays the underlying contracts according to their classification in the accompanying Condensed Consolidated Balance Sheet, based on this counterparty netting.

There were no financial instruments categorized as Level 3 instruments at June 30, 2021.

Fair Value of Long-Term Debt

At June 30, 2021 and December 31, 2020, the fair value of the Company's debt, including amounts classified as current, was $648.3 million and $533.8 million, respectively. Fair values are based upon observed prices in an active market, when available, or from valuation models using market information, which fall into Level 2 in the fair value hierarchy.

15. Earnings (Loss) per Common Share

The Company computes basic net income (loss) per share using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed using the weighted average number of common shares and the effect of potentially dilutive securities outstanding during the period. Potentially dilutive securities may consist of warrants, restricted stock units or other contingently issuable shares. The dilutive effect of outstanding warrants, restricted stock units, convertible debt, and other contingently issuable shares is reflected in diluted earnings per share by application of the treasury stock method. The weighted average share impact of warrants and restricted stock units that were excluded from the calculation of diluted shares due to the Company incurring a net loss for the three and six months ending June 30, 2020 were 94,333 and 165,167 shares, respectively.

The following table provides the basic and diluted earnings per share by reconciling the denominators of the computations:

(In Thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Weighted average shares outstanding:				
Basic weighted average shares outstanding	15,294	15,145	15,289	15,142
Effect of dilutive securities	1,462	—	1,309	—
Diluted weighted average shares outstanding	16,756	15,145	16,598	15,142

The Company expects to settle the principal amount of Convertible Notes in cash, but settle the conversion premium in shares. As a result, only the amount by which the conversion value exceeds the aggregate principal amount of the Convertible Debt (the “conversion premium”) is considered in the diluted earnings per share calculation. The conversion premium has a potentially dilutive effect on diluted net income per share when the average market price of the Company’s common stock for a given period exceeds the initial conversion price of $37.325 per share for the Convertible Notes. The Company calculates the number of shares needed to satisfy the conversion premium by using an average monthly stock price for each month; and the resulting dilutive impact for the quarter is 1,159,000 shares.

The Capped Call Transaction is anti-dilutive and is excluded from the calculation of diluted earnings per share.

16. Workers Compensation Expense

The Company is liable under the Federal Mine Safety and Health Act of 1969, as subsequently amended, to provide for pneumoconiosis (occupational disease) benefits to eligible employees, former employees and dependents. The Company currently provides for federal claims principally through a self-insurance program. The Company is also liable under various state workers’ compensation statutes for occupational disease benefits. The occupational disease benefit obligation represents the present value of the actuarially computed present and future liabilities for such benefits over the employees’ applicable years of service.

In October 2019, the Company filed an application with the Office of Workers’ Compensation Programs (“OWCP”) within the Department of Labor for reauthorization to self-insure federal black lung benefits. In February 2020, the Company received a reply from the OWCP confirming Arch’s status to remain self-insured contingent upon posting additional collateral of $71.1 million within 30 days of receipt of the letter. The Company is currently appealing the ruling from the OWCP and has received an extension to self-insure during the appeal process. The Company is evaluating alternatives to self-insurance, including the purchase of commercial insurance to cover these claims.

In addition, the Company is liable for workers’ compensation benefits for traumatic injuries which are calculated using actuarially-based loss rates, loss development factors and discounted based on a risk free rate. Traumatic workers’ compensation claims are insured with varying retentions/deductibles, or through state-sponsored workers’ compensation programs.

Workers’ compensation expense consists of the following components:

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
	(In thousands)			
Self-insured occupational disease benefits:				
Service cost	$ 1,949	$ 1,891	$ 3,898	$ 3,782
Interest cost[1]	1,111	1,399	2,220	2,798
Net amortization[1]	590	298	1,181	595
Total occupational disease	$ 3,650	$ 3,588	$ 7,299	$ 7,175
Traumatic injury claims and assessments	1,865	2,100	3,670	4,282
Total workers’ compensation expense	$ 5,515	$ 5,688	$ 10,969	$ 11,457

(1) In accordance with the adoption of ASU 2017-07, "Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," these costs are recorded within Nonoperating expenses in the Condensed Consolidated Statement of Operations on the line item "Non-service related pension and postretirement benefit costs."

17. Employee Benefit Plans

The following table details the components of pension benefit costs (credits):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(In thousands)			
Interest cost[1]	$ 1,067	$ 1,483	$ 2,135	$ 3,087
Expected return on plan assets[1]	(1,824)	(2,023)	(3,648)	(4,311)
Pension settlement[1]	(988)	(134)	(988)	(130)
Amortization of prior service costs (credits) [1]	(43)	(27)	(87)	(54)
Net benefit credit	$ (1,788)	$ (701)	$ (2,588)	$ (1,408)

The following table details the components of other postretirement benefit costs:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(In thousands)			
Service cost	$ 85	$ 106	$ 170	$ 212
Interest cost[1]	528	653	1,056	1,306
Amortization of other actuarial losses (gains)[1]	—	(529)	—	(1,059)
Net benefit cost	$ 613	$ 230	$ 1,226	$ 459

(1) In accordance with the adoption of ASU 2017-07, "Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," these costs are recorded within Nonoperating expenses in the Condensed Consolidated Statement of Operations on the line item "Non-service related pension and postretirement benefit costs."

18. Commitments and Contingencies

The Company accrues for costs related to contingencies when a loss is probable and the amount is reasonably determinable. Disclosure of contingencies is included in the financial statements when it is at least reasonably possible that a material loss or an additional material loss in excess of amounts already accrued may be incurred.

In addition, the Company is a party to numerous other claims and lawsuits with respect to various matters. The ultimate resolution of any such legal matter could result in outcomes that may be materially different from amounts the Company has accrued for such matters. The Company believes it has recorded adequate reserves for these matters.

19. Segment Information

On December 31, 2020, the Company sold its Viper operation. As a result, the Company revised its reportable segments beginning in the first quarter of 2021 to reflect the manner in which the chief operating decision maker (CODM) views the Company's businesses going forward for purposes of reviewing performance, allocating resources and assessing future prospects and strategic execution. Prior to the first quarter of 2021, the Company had three reportable segments: MET, Powder River Basin (PRB), and Other Thermal. After the divestment of Viper, the Company has three remaining active thermal mines: West Elk, Black Thunder, and Coal Creek. With two distinct lines of business, metallurgical and thermal, the movement to two segments aligns with how the Company makes decisions and allocates resources. No changes were made to the MET Segment and the three remaining thermal mines are now reported as the "Thermal Segment". The prior periods have been restated to reflect the change in reportable segments.

The Company's reportable business segments are based on two distinct lines of business, metallurgical and thermal, and may include a number of mine complexes. The Company manages its coal sales by market, not by individual mining complex. Geology, coal transportation routes to customers, and regulatory environments also have a significant impact on the Company's marketing and operations management. Mining operations are evaluated based on Adjusted EBITDA, per-ton cash operating costs (defined as including all mining costs except depreciation, depletion, amortization, accretion on asset retirement obligations, and pass-through transportation expenses, divided by segment tons sold), and on other non-financial measures, such as safety and environmental performance. Adjusted EBITDA is not a measure of financial performance in accordance with generally accepted accounting principles, and items excluded from Adjusted EBITDA are significant in understanding and assessing the Company's financial condition. Therefore, Adjusted EBITDA should not be considered in isolation, nor as an alternative to net income (loss), income (loss) from operations, cash flows from operations or as a measure of our profitability, liquidity or performance under generally accepted accounting principles. The Company uses Adjusted EBITDA to measure the operating performance of its segments and allocate resources to the segments. Furthermore, analogous measures are used by industry analysts and investors to evaluate the Company's operating performance. Investors should be aware that the Company's presentation of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies. The Company reports its results of operations primarily through the following reportable segments: Metallurgical (MET) segment, containing the Company's metallurgical operations in West Virginia, and the Thermal segment containing the Company's thermal operations in Wyoming and Colorado.

Reporting segment results for the three and six months ended June 30, 2021 and 2020 are presented below. The Corporate, Other, and Eliminations grouping includes these charges: idle operations; change in fair value of coal derivatives and coal trading activities, net; corporate overhead; land management activities; other support functions; and the elimination of intercompany transactions.

(In thousands)	MET	Thermal	Corporate, Other and Eliminations	Consolidated
Three Months Ended June 30, 2021				
Revenues	$ 219,448	$ 230,759	$ 182	$ 450,389
Adjusted EBITDA	61,246	41,772	(36,492)	66,526
Depreciation, depletion and amortization	22,654	4,993	237	27,884
Accretion on asset retirement obligation	507	4,419	511	5,437
Total assets	941,843	191,164	661,939	1,794,946
Capital expenditures	66,823	575	3,801	71,199
Three Months Ended June 30, 2020				
Revenues	$ 138,951	$ 174,393	$ 6,177	$ 319,521
Adjusted EBITDA	20,910	(10,114)	(21,528)	(10,732)
Depreciation, depletion and amortization	22,289	7,616	262	30,167
Accretion on asset retirement obligation	486	3,842	658	4,986
Total assets	740,451	356,228	705,710	1,802,389
Capital expenditures	57,514	2,100	1,258	60,872
Six Months Ended June 30, 2021				
Revenues	$ 398,231	$ 408,297	$ 1,404	$ 807,932
Adjusted EBITDA	102,843	54,853	(60,273)	97,423
Depreciation, depletion and amortization	43,536	9,682	463	53,681
Accretion on asset retirement obligation	1,016	8,837	1,021	10,874
Total assets	941,843	191,164	661,939	1,794,946
Capital expenditures	142,843	864	4,250	147,957
Six Months Ended June 30, 2020				
Revenues	$ 321,605	$ 384,589	$ 18,559	$ 724,753
Adjusted EBITDA	63,630	(12,016)	(49,431)	2,183
Depreciation, depletion and amortization	44,807	15,161	1,507	61,475
Accretion on asset retirement obligation	972	7,685	1,335	9,992
Total assets	740,451	356,228	705,710	1,802,389
Capital expenditures	136,162	8,813	3,586	148,561

A reconciliation of net income (loss) to adjusted EBITDA and segment Adjusted EBITDA from coal operations follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2021	2020	2021	2020
Net income (loss)	$ 27,866	$ (49,324)	$ 21,824	$ (74,623)
Provision for (benefit from) income taxes	2,006	1,206	2,383	(585)
Interest expense, net	2,794	1,730	6,595	3,859
Depreciation, depletion and amortization	27,884	30,167	53,681	61,475
Accretion on asset retirement obligations	5,437	4,986	10,874	9,992
Costs related to proposed joint venture with Peabody Energy	—	7,851	—	11,515
Asset impairment and restructuring	—	7,437	—	13,265
Gain on property insurance recovery related to Mountain Laurel longwall	—	(14,518)	—	(23,518)
Gain on divestitures	—	(1,369)	—	(1,369)
Non-service related pension and postretirement benefit costs	539	1,102	2,066	2,198
Reorganization items, net	—	—	—	(26)
Adjusted EBITDA	$ 66,526	$ (10,732)	$ 97,423	$ 2,183
EBITDA from idled or otherwise disposed operations	3,997	2,696	7,563	7,795
Selling, general and administrative expenses	24,119	19,738	45,599	42,483
Other	8,376	(906)	7,112	(847)
Segment Adjusted EBITDA from coal operations	$ 103,018	$ 10,796	$ 157,697	$ 51,614

20. Revenue Recognition

ASC 606-10-50-5 requires that entities disclose disaggregated revenue information in categories (such as type of good or service, geography, market, type of contract, etc.) that depict how the nature, amount, timing, and uncertainty of revenue and cash flow are affected by economic factors. ASC 606-10-55-89 explains that the extent to which an entity's revenue is disaggregated depends on the facts and circumstances that pertain to the entity's contracts with customers and that some entities may need to use more than one type of category to meet the objective for disaggregating revenue.

In general, the Company's business segmentation is aligned according to the nature and economic characteristics of its coal and customer relationships and provides meaningful disaggregation of each segment's results. The Company has further disaggregated revenue between North America and Seaborne revenues which depicts the pricing and contract differences between the two. North America revenue is characterized by contracts that typically have a term of one year or longer and typically the pricing is fixed; whereas Seaborne revenue generally is derived by spot or short term contracts with pricing determined at the time of shipment or based on a market index.

	MET	Thermal	Corporate, Other and Eliminations	Consolidated
		(in thousands)		
Three Months Ended June 30, 2021				
North America revenues	$ 47,290	$ 200,239	$ 182	$ 247,711
Seaborne revenues	172,158	30,520	—	202,678
Total revenues	$ 219,448	$ 230,759	$ 182	$ 450,389
Three Months Ended June 30, 2020				
North America revenues	$ 40,137	$ 164,245	$ 6,177	$ 210,559
Seaborne revenues	98,814	10,148	—	108,962
Total revenues	$ 138,951	$ 174,393	$ 6,177	$ 319,521
Six Months Ended June 30, 2021				
North America revenues	$ 72,127	$ 364,450	$ 1,404	$ 437,981
Seaborne revenues	326,104	43,847	—	369,951
Total revenues	$ 398,231	$ 408,297	$ 1,404	$ 807,932
Six Months Ended June 30, 2020				
North America revenues	$ 69,860	$ 371,108	$ 18,559	$ 459,527
Seaborne revenues	251,745	13,481	—	265,226
Total revenues	$ 321,605	$ 384,589	$ 18,559	$ 724,753

As of June 30, 2021, the Company has outstanding performance obligations for the remainder of 2021 of 31.3 million tons of fixed price contracts and 4.4 million tons of variable price contracts. Additionally, the Company has outstanding performance obligations beyond 2021 of approximately 52.9 million tons of fixed price contracts and 1.3 million tons of variable price contracts.

21. Leases

The Company has operating and financing leases for mining equipment, office equipment, office space and transloading terminals with remaining lease terms ranging from less than one year to approximately six years. Some of these leases include both lease and non-lease components which are accounted for as a single lease component as the Company has elected the practical expedient to combine these components for all leases. As most of the leases do not provide an implicit rate, the Company calculated the "right-of-use" ("ROU") assets and lease liabilities using its secured incremental borrowing rate at the lease commencement date.

As of June 30, 2021 and December 31, 2020, the Company had the following ROU assets and lease liabilities within the Company's Condensed Consolidated Balance Sheets:

		June 30, 2021	December 31, 2020
Assets	**Balance Sheet Classification**		
Operating lease right-of-use assets	Other noncurrent assets	$ 15,744	$ 17,069
Financing lease right-of-use assets	Other noncurrent assets	4,863	5,512
Total Lease Assets		$ 20,607	$ 22,581
Liabilities	**Balance Sheet Classification**		
Financing lease liabilities - current	Accrued expenses and other current liabilities	$ 888	$ 860
Operating lease liabilities - current	Accrued expenses and other current liabilities	2,486	2,454
Financing lease liabilities - long-term	Other noncurrent liabilities	4,563	5,014
Operating lease liabilities - long-term	Other noncurrent liabilities	13,942	15,278
		$ 21,879	$ 23,606
Weighted average remaining lease term in years			
Operating leases		5.49	
Finance leases		3.75	
Weighted average discount rate			
Operating leases		5.5%	
Finance leases		6.4%	

Information related to leases was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(In thousands)		(In thousands)	
Operating lease information:				
Operating lease cost	$ 846	$ 905	$ 1,692	$ 1,928
Operating cash flows from operating leases	826	885	1,686	1,927
Financing lease information:				
Financing lease cost	$ 393	$ 393	$ 786	$ 393
Operating cash flows from financing leases	303	303	606	303

Future minimum lease payments under non-cancellable leases as of June 30, 2021 were as follows:

Year	Operating Leases	Finance Leases
	(In thousands)	
2021	$ 1,681	$ 606
2022	3,317	1,210
2023	3,285	1,210
2024	3,200	1,210
2025	3,185	2,111
Thereafter	4,613	—
Total minimum lease payments	$ 19,281	$ 6,347
Less imputed interest	(2,853)	(896)
Total lease liabilities	$ 16,428	$ 5,451

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

Unless the context otherwise requires, all references in this report to "Arch", "we", "us", or "our" are to Arch Resources, Inc. and its subsidiaries.

Cautionary Notice Regarding Forward-Looking Statements

This report contains "forward-looking statements" - that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "should," "appears," "expects," "anticipates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties arise from the COVID-19 pandemic, including its adverse effects on businesses, economies, and financial markets worldwide; from the impact of COVID-19 on efficiency, costs and production; from changes in the demand for our coal by the steel production and electricity generation industries; from our ability to access the capital markets on acceptable terms and conditions; from policy, legislation and regulations relating to the Clean Air Act, greenhouse gas emissions, incentives for alternative energy sources, and other environmental initiatives; from competition within our industry and with producers of competing energy sources; from our ability to successfully acquire or develop coal reserves, including the development of our Leer South mine; from operational, geological, permit, labor, transportation, and weather-related factors; from the effects of foreign and domestic trade policies, actions or disputes; from fluctuations in the amount of cash we generate from operations, which could impact, among other things, our ability to service our outstanding indebtedness and fund capital expenditures; from our ability to successfully integrate the operations that we acquire; from our ability to generate significant revenue to make payments required by, and to comply with restrictions related to, our indebtedness, including our ability to repurchase our convertible notes; from additional demands for credit support by third parties; from the loss of, or significant reduction in, purchases by our largest customers; from the development of future technology to replace coal with hydrogen in the steelmaking process; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. For a description of some of the risks and uncertainties that may affect our future results, you should see the "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 and subsequent Form 10-Q filings.

COVID-19

In the first quarter of 2020, COVID-19 emerged as a global level pandemic. The continuing responses to the COVID-19 outbreak include actions that have a significant impact on domestic and global economies, including travel restrictions, gathering bans, stay at home orders, and many other restrictive measures. All of our operations have been classified as essential in the states in which we operate. We instituted many policies and procedures, in alignment with CDC guidelines along with state and local mandates, to protect our employees during the COVID-19 outbreak. These policies and procedures included, but were not limited to, staggering shift times to limit the number of people in common areas at one time, limiting meetings and meeting sizes, continual cleaning and disinfecting of high touch and high traffic areas, including door handles, bath rooms, bath houses, access elevators, mining equipment, and other areas, limiting contractor access to our properties, limiting business travel, and instituting work from home for administrative employees. During the second quarter of 2021, as infection rates declined and vaccination rates increased among our workforce, we modified our COVID-19 response procedures in alignment with CDC guidelines along with state and local mandates. These modifications include, increasing allowed meeting sizes, business travel, and contractor access to our properties. We plan to continually evaluate these policies and procedures, in accordance with CDC, state, and local guidelines, and make any necessary adjustments to respond to the particular circumstances in the areas in which we operate.

We recognize that the COVID-19 outbreak and responses thereto also continue to impact both our customers and suppliers. To date, we have not had any significant issues with critical suppliers, and we continue to communicate with them and closely monitor their developments to ensure we have access to the goods and services required to maintain our operations and continue our Leer South development. Our customers have reacted, and continue to react, in various ways and to varying degrees to changes in demand for their products. Our current view of our customer demand situation is discussed in greater detail in the "Overview" section below.

Overview

Our results for the second quarter of 2021 benefited from continued improvement in metallurgical and thermal coal markets. During the second quarter of 2021, global economic growth continued to accelerate as increased availability of vaccines for COVID-19 has allowed the relaxation of restrictions in some jurisdictions around the world, particularly domestically. While some countries, like India, increased restrictions to combat localized increases in COVID-19 infection rates during the second quarter of 2021, these events did not have a negative impact on our business.

Throughout the second quarter of 2021, domestic steel prices remained at historically high levels and international steel prices remained at levels that allow steel producers to generate healthy margins. However, the return of overall industrial production to pre-COVID-19 levels remains a lengthy process and, as we saw in the fourth quarter of 2020, is subject to setbacks should COVID-19, or its variants, become resurgent. Despite increased coking coal prices, North American coking coal supply remains somewhat constrained compared to pre-COVID-19 levels. Much previously curtailed production has returned, and some new supplies have been added to the market. However, some of the high cost coking coal mine idlings announced during 2020 remain in place, and new supply disruptions also constrain supply. The duration of specific supply disruptions is unknown, but even with the recent strengthening of coking coal prices, we believe that under investment in the sector in recent years will constrain any supply response. Longer term, we believe continued limited global capital investment in new coking coal production capacity, economic pressure on higher cost production sources, normal reserve depletion, and accelerating economic growth will provide support to coking coal markets as demand continues to return to the steel production supply chain.

During the fourth quarter of 2020, a major political dispute that manifested itself as a trade dispute escalated between China, a major importer of coking coal, and Australia, the world's largest exporter of coking coal. Specifically, China has effectively banned the import of coking coal, among other export products, from Australia. Historical trade patterns remain disrupted, and pricing volatility continues as new trade patterns emerge in the international coking coal markets. Indices for United States (US) East Coast coking coal continued to increase during the second quarter of 2021, as strong demand, including from China, had a positive impact on these markets. Australian Premium Low Volatile ("PLV") coking coal prices began the quarter well below US East Coast prices, but have recently increased significantly as demand outside of China has increased. Uncertainty and volatility in pricing and pricing relationships are likely until the larger political dispute between China and Australia is settled. While most of our committed but unpriced coking coal volume is linked to the United States East Coast indices, we do have some volume of committed but unpriced coking coal linked to the PLV or other Asia/Pacific indices for 2021.

Domestic thermal coal consumption increased in the second quarter of 2021, compared to the second quarter of 2020, due to increased natural gas prices and economic recovery. Long term, thermal coal demand remains pressured by continuing increases in subsidized renewable generation sources, particularly wind and solar, and planned retirements of coal fueled generating facilities. However, increased natural gas prices led to increases in the percentage of coal fired generation to total generation in the second quarter of 2021 compared to the second quarter of 2020. We believe coal generator stockpiles likely declined during the current quarter, but expect they have remained above historical averages based on days of burn. During the second quarter of 2021, international thermal coal market pricing increased to decadal highs that economically support exports from our thermal operations. We have layered in additional thermal export commitments for the current year. While we are currently seeing improvement in thermal coal demand due to accelerating economic growth and elevated natural gas pricing, longer term we expect domestic and global thermal markets to remain challenged.

On September 29, 2020, the U.S. District Court ruled against our proposal with Peabody to form a joint venture that would have combined our Powder River Basin and Colorado mining operations with Peabody's, and we subsequently announced the termination of our joint venture efforts. We continue to pursue other strategic alternatives for our thermal assets, including, among other things, potential divestiture. We are concurrently shrinking our operational footprint at our thermal operations. In particular, during the first half of 2021, we have completed approximately $25.8 million of Asset Retirement Obligation (ARO) work at these operations, compared to approximately $2.0 million in the first half of 2020. We are also planning to establish self-funding mechanisms for these long-term reclamation liabilities at those operations. Operationally, we will maintain our focus on aligning our thermal production rates with the secular decline in domestic thermal coal demand, while adjusting our thermal operating plans to minimize future cash requirements and maintain flexibility to react to short-term market fluctuations as we have done in the current quarter. We continue to streamline our entire organizational structure to reflect our long-term strategic direction as a leading producer of metallurgical products for the steelmaking industry.

Results of Operations

Three Months Ended June 30, 2021 and 2020

Revenues. Our revenues include sales to customers of coal produced at our operations and coal purchased from third parties. Transportation costs are included in cost of coal sales and amounts billed by us to our customers for transportation are included in revenues.

Coal Sales. The following table summarizes information about our coal sales during the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		
	2021	2020	(Decrease) / Increase
		(In thousands)	
Coal sales	$ 450,389	$ 319,521	$ 130,868
Tons sold	17,214	13,258	3,956

On a consolidated basis, coal sales in the second quarter of 2021 were approximately $130.9 million, or 41.0%, more than in the second quarter of 2020, while tons sold increased approximately 4.0 million tons, or 29.8%. Coal sales from Metallurgical operations increased approximately $80.5 million due to increased pricing and volume. Thermal coal sales increased approximately $56.4 million, primarily due to increased volume. In the prior year quarter, our Viper operation, which was sold in December 2020, provided approximately $7.2 million in coal sales and 0.2 million tons sold. See the discussion in “Operational Performance” for further information about segment results.

Costs, expenses and other. The following table summarizes costs, expenses and other components of operating income during the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		
	2021	2020	Increase (Decrease) in Net Income
		(In thousands)	
Cost of sales (exclusive of items shown separately below)	$ 355,329	$ 316,348	$ (38,981)
Depreciation, depletion and amortization	27,884	30,167	2,283
Accretion on asset retirement obligations	5,437	4,986	(451)
Change in fair value of coal derivatives and coal trading activities, net	8,762	(129)	(8,891)
Selling, general and administrative expenses	24,119	19,738	(4,381)
Costs related to proposed joint venture with Peabody Energy	—	7,851	7,851
Asset impairment and restructuring	—	7,437	7,437
Gain on property insurance recovery related to Mountain Laurel longwall	—	(14,518)	(14,518)
Gain on divestitures	—	(1,369)	(1,369)
Other operating income, net	(4,347)	(5,704)	(1,357)
Total costs, expenses and other	$ 417,184	$ 364,807	$ (52,377)

Cost of sales. Our cost of sales for the second quarter of 2021 increased approximately $39.0 million, or 12.3%, versus the second quarter of 2020. In the prior year quarter, our Viper operation, which was sold in December 2020, accounted for approximately $11.6 million in cost of sales. The increase in cost of sales at ongoing operations consists of increased transportation costs of approximately $21.9 million, increased operating taxes and royalties of approximately $16.1 million, increased compensation costs of approximately $11.3 million, a small decrease in coal inventory valuation versus an increase in the prior year quarter impacting cost of sales approximately $10.7 million, and increased repairs and supplies costs of approximately $8.4 million. These cost increases were partially offset by an increase in credit for ARO reclamation work completed primarily at our Thermal operations of approximately $13.1 million and a decrease in purchased coal cost of approximately $7.0 million. See discussion in “Operational Performance” for further information about segment results.

Depreciation, depletion, and amortization. The decrease in depreciation, depletion, and amortization in the second quarter of 2021 versus the second quarter of 2020 is primarily due to the reduced depreciation expense relating to the asset impairment we recorded in the third quarter of 2020 in our Thermal segment of approximately $2.6 million.

Accretion on asset retirement obligations. The increase in accretion expense in the second quarter of 2021 versus the second quarter of 2020 is primarily related to the changes in the planned timing of reclamation work to be completed at our Thermal operations, specifically at the Coal Creek mine.

Change in fair value of coal derivatives and coal trading activities, net. The cost in the second quarter of 2021 and the benefit in the second quarter of 2020 are primarily related to mark-to-market gains/losses on coal derivatives into which we had entered to hedge our price risk for planned international thermal coal shipments.

Selling, general and administrative expenses. Selling, general and administrative expenses in the second quarter of 2021 increased versus the second quarter of 2020 due to increased compensation costs of approximately $4.4 million, primarily related to higher incentive compensation accruals recorded in the second quarter of 2021.

Costs related to proposed joint venture with Peabody Energy. We incurred expenses of $7.9 million in the second quarter of 2020 associated with the regulatory approval process related to the proposed joint venture with Peabody that was terminated jointly by the parties following the Federal Trade Commission’s successful lawsuit to block the joint venture.

Asset impairment and restructuring. We recorded $7.4 million of employee severance expense related to a voluntary separation plan that was accepted by 201 employees from our Thermal operations during the second quarter of 2020.

Gain on property insurance recovery related to Mountain Laurel longwall. We recorded a $14.5 million gain related to a property insurance recovery on the longwall shields at our Mountain Laurel operation during the second quarter of 2020.

Gain on divestitures. We recorded a $1.4 million gain on the sale of our idle Dal-Tex and Briar Branch properties during the second quarter of 2020.

Other operating income, net. The decrease in other operating income, net in the second quarter of 2021 versus the second quarter of 2020 consists primarily of the net unfavorable impact of certain coal derivative settlements of approximately $3.4 million, partially offset by increased income from equity investments of approximately $1.6 million.

Nonoperating expenses. The following table summarizes our nonoperating expenses during the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		
	2021	2020	Increase (Decrease) in Net Income
		(In thousands)	
Non-service related pension and postretirement benefit costs	$ (539)	$ (1,102)	$ 563

Non-service related pension and postretirement benefit costs. The reduction in non-service related pension and postretirement benefit costs in the second quarter of 2021 versus the second quarter of 2020 is primarily due to the increased pension settlement recorded in the second quarter of 2021, partially offset by the postretirement benefit gain amortization in the second quarter of 2020.

Provision for income taxes. The following table summarizes our provision for income taxes during the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		
	2021	2020	Increase (Decrease) in Net Income
		(In thousands)	
Provision for income taxes	$ 2,006	$ 1,206	$ (800)

See Note 13, “Income Taxes” to the Condensed Consolidated Financial Statements for a reconciliation of the federal income tax provision at the statutory rate to the actual provision for income taxes.

Six Months Ended June 30, 2021 and 2020

Revenues. Our revenues include sales to customers of coal produced at our operations and coal purchased from third parties. Transportation costs are included in cost of coal sales and amounts billed by us to our customers for transportation are included in revenues.

Coal Sales. The following table summarizes information about our coal sales during the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,		
	2021	2020	(Decrease) / Increase
		(In thousands)	
Coal sales	$ 807,932	$ 724,753	$ 83,179
Tons sold	31,257	30,239	1,018

On a consolidated basis, coal sales in the first half of 2021 were approximately $83.2 million, or 11.5%, more than in the first half of 2020, while tons sold increased approximately 1.0 million, tons or 3.4%. Coal sales from Metallurgical operations increased approximately $76.6 million due to increased pricing and volume. Thermal coal sales increased approximately $23.7 million due to increased pricing and volume. In the prior year period, our Viper operation, which was sold in December 2020, provided approximately $17.1 million in coal sales and 0.4 million tons sold. See the discussion in "Operational Performance" for further information about segment results.

Costs, expenses and other. The following table summarizes costs, expenses and other components of operating income during the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,		
	2021	2020	Increase (Decrease) in Net Income
		(In thousands)	
Cost of sales (exclusive of items shown separately below)	$ 665,235	$ 691,347	$ 26,112
Depreciation, depletion and amortization	53,681	61,475	7,794
Accretion on asset retirement obligations	10,874	9,992	(882)
Change in fair value of coal derivatives and coal trading activities, net	9,290	614	(8,676)
Selling, general and administrative expenses	45,599	42,483	(3,116)
Costs related to proposed joint venture with Peabody Energy	—	11,515	11,515
Asset impairment and restructuring	—	13,265	13,265
Gain on property insurance recovery related to Mountain Laurel longwall	—	(23,518)	(23,518)
Gain on divestitures	—	(1,369)	(1,369)
Other operating income, net	(9,615)	(11,874)	(2,259)
Total costs, expenses and other	$ 775,064	$ 793,930	$ 18,866

Cost of sales. Our cost of sales for the first half of 2021 decreased approximately $26.1 million, or 3.8%, versus the first half of 2020. In the prior year period, our Viper operation, which was sold in December 2020, accounted for approximately $22.1 million in cost of sales. The decrease in cost of sales at ongoing operations consists of an increase in credit for ARO reclamation work completed primarily at our Thermal operations of approximately $22.3 million, a decrease in purchased coal cost of approximately $13.9 million, and reduced repairs and supplies costs of approximately $13.3 million. These cost decreases were partially offset by increased transportation costs of approximately $25.3 million, increased operating taxes and royalties of approximately $10.6 million, and increased compensation costs of approximately $5.1 million. See discussion in "Operational Performance" for further information about segment results.

Depreciation, depletion, and amortization. The decrease in depreciation, depletion, and amortization in the first half of 2021 versus the first half of 2020 is primarily due to the reduced depreciation expense relating to the asset impairment we recorded in the third quarter of 2020 in our Thermal segment of approximately $5.5 million and reduced depletion expense from lower depletion rates in our Metallurgical segment of approximately $1.3 million.

Accretion on asset retirement obligations. The increase in accretion expense in the first half of 2021 versus the first half of 2020 is primarily related to the changes in the planned timing of reclamation work to be completed at our Thermal operations, specifically at the Coal Creek mine.

Change in fair value of coal derivatives and coal trading activities, net. The cost in both the first half of 2021 and 2020 is primarily related to mark-to-market gains/losses on coal derivatives into which we had entered to hedge our price risk for planned international thermal coal shipments.

Selling, general and administrative expenses. Selling, general and administrative expenses in the first half of 2021 increased versus the first half of 2020 due to increased compensation costs of approximately $3.5 million, primarily related to higher incentive compensation accruals recorded in the first half of 2021.

Costs related to proposed joint venture with Peabody Energy. During the first half of 2020 we incurred expenses of $11.5 million associated with the regulatory approval process related to the proposed joint venture with Peabody that was terminated jointly by the parties following the Federal Trade Commission's successful lawsuit to block the joint venture.

Asset impairment and restructuring. During the first half of 2020 we recorded $13.3 million of employee severance expense related to voluntary separation plans that were accepted by 53 employees of the corporate staff and 201 employees of our Thermal operations.

Gain on property insurance recovery related to Mountain Laurel longwall. During the first half of 2020, we recorded a $23.5 million benefit from insurance proceeds related to the loss of certain longwall shields at our Mountain Laurel operation.

Gain on divestitures. During the first half of 2020, we recorded a $1.4 million gain on the sale of our idle Dal-Tex and Briar Branch properties.

Other operating income, net. The decrease in other operating income, net in the first half of 2021 versus the first half of 2020 consists primarily of the net unfavorable impact of certain coal derivative settlements of approximately $4.9 million, partially offset by increased income from equity investments of approximately $2.2 million.

Nonoperating expenses. The following table summarizes our nonoperating expenses during the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,		
	2021	2020	Increase (Decrease) in Net Income
		(In thousands)	
Non-service related pension and postretirement benefit costs	$ (2,066)	$ (2,198)	$ 132
Reorganization items, net	—	26	(26)
Total nonoperating expenses	$ (2,066)	$ (2,172)	$ 106

Non-service related pension and postretirement benefit costs. The reduction in non-service related pension and postretirement benefit costs in the first half of 2021 versus the first half of 2020 is primarily due to the increased pension settlement recorded in the first half of 2021, partially offset by the postretirement benefit gain amortization in the first half of 2020.

Provision for (benefit from) income taxes. The following table summarizes our provision for (benefit from) income taxes during the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,		
	2021	2020	Increase (Decrease) in Net Income
		(In thousands)	
Provision for (benefit from) income taxes	$ 2,383	$ (585)	$ (2,968)

See Note 13, “Income Taxes” to the Condensed Consolidated Financial Statements for a reconciliation of the federal income tax provision (benefit) at the statutory rate to the actual provision for (benefit from) income taxes.

Operational Performance

Three and Six Months Ended June 30, 2021 and 2020

On December 31, 2020, we sold our Viper operation. As a result, we revised our reportable segments beginning in the first quarter of 2021 to better reflect the manner in which the chief operating decision maker (CODM) views our businesses going forward for purposes of reviewing performance, allocating resources and assessing future prospects and strategic execution. Prior to the first quarter of 2021, we had three reportable segments: MET, Powder River Basin (PRB), and Other Thermal. After the divestment of Viper, we have three remaining active thermal mines: West Elk, Black Thunder, and Coal Creek. With two distinct lines of business, metallurgical and thermal, the movement to two segments better aligns with how we make decisions and allocate resources. No changes were made to the MET Segment and the three remaining thermal mines have been combined as the "Thermal Segment". The prior periods have been restated to reflect the change in reportable segments.

Our mining operations are evaluated based on Adjusted EBITDA, per-ton cash operating costs (defined as including all mining costs except depreciation, depletion, amortization, accretion on asset retirements obligations, and pass-through transportation expenses, divided by segment tons sold), and on other non-financial measures, such as safety and environmental performance. Adjusted EBITDA is defined as net income (loss) attributable to us before the effect of net interest expense, income taxes, depreciation, depletion and amortization, the accretion on asset retirement obligations and nonoperating expenses. Adjusted EBITDA may also be adjusted for items that may not reflect the trend of future results by excluding transactions that are not indicative of our core operating performance. Adjusted EBITDA is not a measure of financial performance in accordance with generally accepted accounting principles, and items excluded from Adjusted EBITDA are significant in understanding and assessing our financial condition. Therefore, Adjusted EBITDA should not be considered in isolation, nor as an alternative to net income (loss), income (loss) from operations, cash flows from operations or as a measure of our profitability, liquidity or performance under generally accepted accounting principles. Furthermore, analogous measures are used by industry analysts and investors to evaluate our operating performance. Investors should be aware that our presentation of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies.

The following table shows results by operating segment for the three and six months ended June 30, 2021 and June 30, 2020.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Variance	2021	2020	Variance
Metallurgical						
Tons sold (in thousands)	2,007	1,475	532	3,727	3,254	473
Coal sales per ton sold	$ 89.71	$ 76.17	$ 13.54	$ 86.97	$ 79.55	$ 7.42
Cash cost per ton sold	$ 59.37	$ 61.95	$ 2.58	$ 59.49	$ 60.02	$ 0.53
Cash margin per ton sold	$ 30.34	$ 14.22	$ 16.12	$ 27.48	$ 19.53	$ 7.95
Adjusted EBITDA (in thousands)	$ 61,246	$ 20,910	$ 40,336	$ 102,843	$ 63,630	$ 39,213
Thermal						
Tons sold (in thousands)	15,204	11,603	3,601	27,496	26,518	978
Coal sales per ton sold	$ 13.50	$ 13.87	$ (0.37)	$ 13.35	$ 13.61	$ (0.26)
Cash cost per ton sold	$ 10.88	$ 14.86	$ 3.98	$ 11.46	$ 14.18	$ 2.72
Cash margin per ton sold	$ 2.62	$ (0.99)	$ 3.61	$ 1.89	$ (0.57)	$ 2.46
Adjusted EBITDA (in thousands)	$ 41,772	$ (10,114)	$ 51,886	$ 54,853	$ (12,016)	$ 66,869

This table reflects numbers reported under a basis that differs from U.S. GAAP. See "Reconciliation of Non-GAAP measures" below for explanation and reconciliation of these amounts to the nearest GAAP measures. Other companies may calculate these per ton amounts differently, and our calculation may not be comparable to other similarly titled measures.

Metallurgical — Adjusted EBITDA for the three and six months ended June 30, 2021 increased from the three and six months ended June 30, 2020 due to increased sales volume and prices, and decreased cash cost of sales per ton. The improvement in the current year periods over the prior year periods is largely due to the difference in trajectory of the COVID-19 pandemic during the respective periods in time. During the first half of 2021, increasing vaccine availability and decreasing infection rates led to accelerating economic growth, improving prompt coking coal index prices, and increasing steel demand and pricing. In contrast, during the first half of 2020, coking coal prices fell as large scale industrial shutdowns were initiated in response to the emergence of COVID-19.

As of the end of the second quarter of 2021, our Leer South longwall development project remains on schedule, with initial longwall production anticipated in August of 2021. All primary longwall equipment has been delivered to the mine site, and we are currently in the planned thirty day shutdown required for the final tie in of the new longwall operation to the surface coal preparation and loading facilities. The addition of this second longwall operation to our Metallurgical Segment is expected to significantly increase our volumes and strengthen our low average segment cost structure.

Our Metallurgical segment sold 1.8 million tons of coking coal and 0.2 million tons of associated thermal coal in the three months ended June 30, 2021, compared to 1.3 million tons of coking coal and 0.2 million tons of associated thermal coal in the three months ended June 30, 2020. In the six months ended June 30, 2021, we sold 3.3 million tons of coking coal and 0.4 million tons of associated thermal coal compared to 2.8 million tons of coking coal and 0.4 million tons of associated thermal coal in the six months ended June 30, 2020. Longwall operations accounted for approximately 64% and 61% of our shipment volume in the three and six months ended June 30, 2021, respectively, compared to approximately 56% and 61% of our shipment volume in the three and six months ended June 30, 2020, respectively.

Thermal — Adjusted EBITDA for the three and six months ended June 30, 2021 increased versus the three and six months ended June 30, 2020, due to increased sales volume and decreased cash cost per ton sold, partially offset by decreased coal sales per ton sold. The improvement in the current year periods over the prior year periods is largely due to increased domestic utility coal burn, resulting from higher natural gas pricing and improved economic growth. The reduction in both coal sales per ton sold and cash cost per ton sold is driven by the increased percentage of volume from our lower cost and lower priced Black Thunder operation. Our cash cost per ton sold also benefited from our operational flexibility to take advantage of increasing demand, despite the substantial progress we have made on our efforts to align production levels with the secular decline in domestic thermal coal demand. Also, contributing to the decreases in cost and price is the inclusion of approximately 0.4 million tons sold from our former Viper operation in the six months ended June 30, 2020. During the first half of 2021, we completed approximately $25.8 million of ARO work at our current Thermal operations, compared to $2.0 million during the first half of 2020.

Reconciliation of Non-GAAP measures

Segment coal sales per ton sold

Non-GAAP Segment coal sales per ton sold is calculated as segment coal sales revenues divided by segment tons sold. Segment coal sales revenues are adjusted for transportation costs, and may be adjusted for other items that, due to generally accepted accounting principles, are classified in “other income” on the statement of operations, but relate to price protection on the sale of coal. Segment coal sales per ton sold is not a measure of financial performance in accordance with generally accepted accounting principles. We believe segment coal sales per ton sold provides useful information to investors as it better reflects our revenue for the quality of coal sold and our operating results by including all income from coal sales. The adjustments made to arrive at these measures are significant in understanding and assessing our financial condition. Therefore, segment coal sales revenues should not be considered in isolation, nor as an alternative to coal sales revenues under generally accepted accounting principles.

Three Months Ended June 30, 2021 **(In thousands)**	**Metallurgical**	**Thermal**	**Idle and Other**	**Consolidated**
GAAP Revenues in the Condensed Consolidated Statements of Operations	$ 219,448	$ 230,759	$ 182	$ 450,389
Less: Adjustments to reconcile to Non-GAAP Segment coal sales revenue				
Coal risk management derivative settlements classified in "other income"	—	651	—	651
Coal sales revenues from idled or otherwise disposed operations not included in segments	—	—	181	181
Transportation costs	39,348	24,899	1	64,248
Non-GAAP Segment coal sales revenues	$ 180,100	$ 205,209	$ —	$ 385,309
Tons sold	2,007	15,204		
Coal sales per ton sold	$ 89.71	$ 13.50		

Three Months Ended June 30, 2020 **(In thousands)**	**Metallurgical**	**Thermal**	**Idle and Other**	**Consolidated**
GAAP Revenues in the Condensed Consolidated Statements of Operations	$ 138,951	$ 174,393	$ 6,177	$ 319,521
Less: Adjustments to reconcile to Non-GAAP Segment coal sales revenue				
Coal risk management derivative settlements classified in "other income"	(259)	(2,486)	—	(2,745)
Coal sales revenues from idled or otherwise disposed operations not included in segments	—	—	6,143	6,143
Transportation costs	26,848	15,950	34	42,832
Non-GAAP Segment coal sales revenues	$ 112,362	$ 160,929	$ —	$ 273,291
Tons sold	1,475	11,603		
Coal sales per ton sold	$ 76.17	$ 13.87		

Six Months Ended June 30, 2021 **(In thousands)**	**Metallurgical**	**Thermal**	**Idle and Other**	**Consolidated**
GAAP Revenues in the Condensed Consolidated Statements of Operations	$ 398,231	$ 408,297	$ 1,404	$ 807,932
Less: Adjustments to reconcile to Non-GAAP Segment coal sales revenue				
Coal risk management derivative settlements classified in "other income"	(690)	1,203		513
Coal sales revenues from idled or otherwise disposed operations not included in segments			1,397	1,397
Transportation costs	74,837	40,065	7	114,909
Non-GAAP Segment coal sales revenues	$ 324,084	$ 367,029	$ —	$ 691,113
Tons sold	3,727	27,496		
Coal sales per ton sold	$ 86.97	$ 13.35		

Six Months Ended June 30, 2020 **(In thousands)**	**Metallurgical**	**Thermal**	**Idle and Other**	**Consolidated**
GAAP Revenues in the Condensed Consolidated Statements of Operations	$ 321,605	$ 384,589	$ 18,559	$ 724,753
Less: Adjustments to reconcile to Non-GAAP Segment coal sales revenue				
Coal risk management derivative settlements classified in "other income"	(520)	(3,814)	—	(4,334)
Coal sales revenues from idled or otherwise disposed operations not included in segments	—	—	18,492	18,492
Transportation costs	63,236	27,423	67	90,726
Non-GAAP Segment coal sales revenues	$ 258,889	$ 360,980	$ —	$ 619,869
Tons sold	3,254	26,518		
Coal sales per ton sold	$ 79.55	$ 13.61		

Segment cash cost per ton sold

Non-GAAP Segment cash cost per ton sold is calculated as segment cash cost of coal sales divided by segment tons sold. Segment cash cost of coal sales is adjusted for transportation costs, and may be adjusted for other items that, due to generally accepted accounting principles, are classified in “other income” on the statement of operations, but relate directly to the costs incurred to produce coal. Segment cash cost per ton sold is not a measure of financial performance in accordance with generally accepted accounting principles. We believe segment cash cost per ton sold better reflects our controllable costs and our operating results by including all costs incurred to produce coal. The adjustments made to arrive at these measures are significant in understanding and assessing our financial condition. Therefore, segment cash cost of coal sales should not be considered in isolation, nor as an alternative to cost of sales under generally accepted accounting principles.

Three Months Ended June 30, 2021 **(In thousands)**	**Metallurgical**	**Thermal**	**Idle and Other**	**Consolidated**
GAAP Cost of sales in the Condensed Consolidated Statements of Operations	$ 158,539	$ 190,245	$ 6,545	$ 355,329
Less: Adjustments to reconcile to Non-GAAP Segment cash cost of coal sales				
Transportation costs	39,348	24,899	1	64,248
Cost of coal sales from idled or otherwise disposed operations not included in segments	—	—	4,354	4,354
Other (operating overhead, certain actuarial, etc.)	—	—	2,190	2,190
Non-GAAP Segment cash cost of coal sales	$ 119,191	$ 165,346	$ —	$ 284,537
Tons sold	2,007	15,204		
Cash Cost Per Ton Sold	$ 59.37	$ 10.88		

Three Months Ended June 30, 2020 **(In thousands)**	**Metallurgical**	**Thermal**	**Idle and Other**	**Consolidated**
GAAP Cost of sales in the Condensed Consolidated Statements of Operations	$ 118,238	$ 187,408	$ 10,702	$ 316,348
Less: Adjustments to reconcile to Non-GAAP Segment cash cost of coal sales				
Diesel fuel risk management derivative settlements classified in "other income"	—	(1,011)	—	(1,011)
Transportation costs	26,848	15,950	34	42,832
Cost of coal sales from idled or otherwise disposed operations not included in segments	—	—	9,068	9,068
Other (operating overhead, certain actuarial, etc.)	—	—	1,600	1,600
Non-GAAP Segment cash cost of coal sales	$ 91,390	$ 172,469	$ —	$ 263,859
Tons sold	1,475	11,603		
Cash Cost Per Ton Sold	$ 61.95	$ 14.86		

Six Months Ended June 30, 2021 (In thousands)	Metallurgical	Thermal	Idle and Other	Consolidated
GAAP Cost of sales in the Condensed Consolidated Statements of Operations	$ 296,541	$ 355,185	$ 13,509	$ 665,235
Less: Adjustments to reconcile to Non-GAAP Segment cash cost of coal sales				
Transportation costs	74,837	40,065	7	114,909
Cost of coal sales from idled or otherwise disposed operations not included in segments	—	—	9,572	9,572
Other (operating overhead, certain actuarial, etc.)	—	—	3,930	3,930
Non-GAAP Segment cash cost of coal sales	$ 221,704	$ 315,120	$ —	$ 536,824
Tons sold	3,727	27,496		
Cash Cost Per Ton Sold	$ 59.49	$ 11.46		

Six Months Ended June 30, 2020 (In thousands)	Metallurgical	Thermal	Idle and Other	Consolidated
GAAP Cost of sales in the Condensed Consolidated Statements of Operations	$ 258,570	$ 401,793	$ 30,984	$ 691,347
Less: Adjustments to reconcile to Non-GAAP Segment cash cost of coal sales				
Diesel fuel risk management derivative settlements classified in "other income"	—	(1,698)	—	(1,698)
Transportation costs	63,237	27,423	67	90,727
Cost of coal sales from idled or otherwise disposed operations not included in segments	—	—	26,954	26,954
Other (operating overhead, certain actuarial, etc.)	—	—	3,963	3,963
Non-GAAP Segment cash cost of coal sales	$ 195,333	$ 376,068	$ —	$ 571,401
Tons sold	3,254	26,518		
Cash Cost Per Ton Sold	$ 60.02	$ 14.18		

Reconciliation of Segment Adjusted EBITDA to Net Income (Loss)

The discussion in “Results of Operations” above includes references to our Adjusted EBITDA for each of our reportable segments. Adjusted EBITDA is defined as net income (loss) attributable to us before the effect of net interest expense, income taxes, depreciation, depletion and amortization, the accretion on asset retirement obligations and nonoperating expenses. Adjusted EBITDA may also be adjusted for items that may not reflect the trend of future results by excluding transactions that are not indicative of our core operating performance. We use Adjusted EBITDA to measure the operating performance of our segments and allocate resources to our segments. Adjusted EBITDA is not a measure of financial performance in accordance with generally accepted accounting principles, and items excluded from Adjusted EBITDA are significant in understanding and assessing our financial condition. Therefore, Adjusted EBITDA should not be considered in isolation, nor as an alternative to net income (loss), income (loss) from operations, cash flows from operations or as a measure of our profitability, liquidity or performance under generally accepted accounting principles. Investors should be aware that our presentation of Adjusted EBITDA may not be comparable to similarly titled measures used by other companies. The table below shows how we calculate Adjusted EBITDA.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(In thousands)			
Net income (loss)	$ 27,866	$ (49,324)	$ 21,824	$ (74,623)
Provision for (benefit from) income taxes	2,006	1,206	2,383	(585)
Interest expense, net	2,794	1,730	6,595	3,859
Depreciation, depletion and amortization	27,884	30,167	53,681	61,475
Accretion on asset retirement obligations	5,437	4,986	10,874	9,992
Costs related to proposed joint venture with Peabody Energy	—	7,851	—	11,515
Asset impairment and restructuring	—	7,437	—	13,265
Gain on property insurance recovery related to Mountain Laurel longwall	—	(14,518)	—	(23,518)
Gain on divestitures	—	(1,369)	—	(1,369)
Non-service related pension and postretirement benefit costs	539	1,102	2,066	2,198
Reorganization items, net	—	—	—	(26)
Adjusted EBITDA	66,526	(10,732)	97,423	2,183
EBITDA from idled or otherwise disposed operations	3,997	2,696	7,563	7,795
Selling, general and administrative expenses	24,119	19,738	45,599	42,483
Other	8,376	(906)	7,112	(847)
Segment Adjusted EBITDA from coal operations	$ 103,018	$ 10,796	$ 157,697	$ 51,614

Other includes primarily income from our equity investments, certain changes in fair value of heating oil and diesel fuel derivatives we use to manage our exposure to diesel fuel pricing, certain changes in the fair value of coal derivatives and coal trading activities, EBITDA provided by our land company, and certain miscellaneous revenue.

Liquidity and Capital Resources

Our primary sources of liquidity are proceeds from coal sales to customers and certain financing arrangements. Excluding significant investing activity, we intend to satisfy our working capital requirements and fund capital expenditures and debt-service obligations with cash generated from operations and cash on hand. As we continue to evaluate the impacts of COVID-19 and the responses thereto on our business, we remain focused on prudently managing costs, including capital expenditures, maintaining a strong balance sheet, and ensuring adequate liquidity.

Given the volatile nature of coal markets, and the significant challenges and uncertainty surrounding COVID-19, we believe it is increasingly important to take a prudent approach to managing our balance sheet and liquidity, as demonstrated by the suspension of our dividend and share repurchases. Due to the current economic uncertainties related to COVID-19 and the related disruption in the financial markets, we may be limited in accessing capital markets or obtaining additional bank financing or the cost of accessing this financing could become more expensive. We believe our current liquidity level is sufficient to fund our business and complete our Leer South development. In the future, we will continue to evaluate our capital allocation initiatives in light of the current state of, and our outlook for coal markets; the amount of our planned production that has been committed and priced; the capital needs of the business; other strategic opportunities; and developments in the COVID-19 outbreak and the responses thereto.

On March 7, 2017, we entered into a senior secured term loan credit agreement in an aggregate principal amount of $300 million (the “Term Loan Debt Facility”) with Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent and the other financial institutions from time to time party thereto. The Term Loan Debt Facility was issued at 99.50% of the face amount and will mature on March 7, 2024. The term loans provided under the Term Loan Debt Facility (the “Term Loans”) are subject to quarterly principal amortization payments in an amount equal to $750,000. Proceeds from the Term Loan Debt Facility were used to repay all outstanding obligations under our previously existing term loan credit agreement, dated as of October 5, 2016. The interest rate on the Term Loan is, at our option, either (i) the London interbank offered rate (“LIBOR”) plus an applicable margin of 2.75%, subject to a 1.00% LIBOR floor, or (ii) a base rate plus an applicable margin of 1.75%. For further information regarding the Term Loan Debt Facility, see Note 12, “Debt and Financing Arrangements” to the Condensed Consolidated Financial Statements.

We have entered into a series of interest rate swaps to fix a portion of the LIBOR interest payments due under the Term Loans. As interest payments are made on the Term Loans, amounts in accumulated other comprehensive income will be reclassified into earnings through interest expense to reflect a net interest on the Term Loans equal to the effective yield of the fixed rate of the swap plus 2.75%, which is the spread on the Term Loans as amended. For further information regarding the interest rate swaps, see Note 12, “Debt and Financing Arrangements” to the Condensed Consolidated Financial Statements.

On September 30, 2020, we extended and amended our existing trade accounts receivable securitization facility provided to Arch Receivable Company, LLC, a special-purpose entity that is a wholly owned subsidiary of Arch Resources (“Arch Receivable”) (the “Securitization Facility”), which supports the issuance of letters of credit and requests for cash advances. The amendment to the Securitization Facility reduced the facility size from $160 million to $110 million and extended the maturity date to September 29, 2023. For further information regarding the Securitization Facility see Note 12, “Debt and Financing Arrangements” to the Condensed Consolidated Financial Statements.

On September 30, 2020, we amended the senior secured inventory-based revolving credit facility in an aggregate principal amount of $50 million (the “Inventory Facility”) with Regions Bank (“Regions”) as administrative agent and collateral agent, as lender and swingline lender (in such capacities, the “Lender”) and as letter of credit issuer. Availability under the Inventory Facility is subject to a borrowing base consisting of (i) 85% of the net orderly liquidation value of eligible coal inventory, plus (ii) the lesser of (x) 85% of the net orderly liquidation value of eligible parts and supplies inventory and (y) 35% of the amount determined pursuant to clause (i), plus (iii) 100% of our Eligible Cash (defined in the Inventory Facility), subject to reduction for reserves imposed by Regions. The amendment of the Inventory Facility extended the maturity date to September 29, 2023, eliminated the provision that accelerated maturity of the facility upon falling below a specified level of liquidity, and reduced the minimum liquidity requirement from $175 million to $100 million. Additionally, the amendment includes provisions that reduce the advance rates for coal inventory and parts and supplies, depending on liquidity. During the second quarter of 2021, we entered into an amendment to temporarily suspend certain of the Liquidity requirements within the existing facility through the filing of the September 2021 borrowing base. For further information regarding the Inventory Facility, see Note 12, "Debt and Financing Arrangements" to the Condensed Consolidated Financial Statements.

On July 2, 2020, the West Virginia Economic Development Authority (the "Issuer") issued $53.1 million aggregate principal amount of Solid Waste Disposal Facility Revenue Bonds (Arch Resources Project), Series 2020 (the "Tax Exempt Bonds") pursuant to an Indenture of Trust dated as of June 1, 2020 (the "Indenture of Trust") between the Issuer and Citibank, N.A., as trustee (the "Trustee"). As a follow-on to our $53.1 million offering, on March 4, 2021, the Issuer issued an additional $45.0 million in Series 2021 Tax Exempt Bonds. The proceeds of the Tax Exempt Bonds are loaned to us as we make qualifying expenditures pursuant to a Loan Agreement dated as of June 1, 2020, as supplemented by a First Amendment to the Loan Agreement dated March 1, 2021 (collectively, the "Loan Agreement"), each between the Issuer and us. The Tax Exempt Bonds are payable solely from payments to be made by us under the Loan Agreement as evidenced by a Note from us to the Trustee. The proceeds of the Tax Exempt Bonds were used to finance certain costs of the acquisition, construction, reconstruction, and equipping of solid waste disposal facilities at our Leer South development, and for capitalized interest and certain costs related to issuance of the Tax Exempt Bonds. As of June 30, 2021, we have received $91.0 million of the total Tax Exempt Bonds proceeds. The remaining $7.1 million is held in trust and is recorded on our balance sheet as restricted cash. The remainder of the funds will be released as qualified expenditures are made. For further information regarding the Tax Exempt Bonds, see Note 12, "Debt and Financing Arrangements" to the Condensed Consolidated Financial Statements.

In November, 2020, we issued $155.3 million in aggregate principal amount of 5.25% convertible senior notes due 2025 ("Convertible Notes" or "Convertible Debt"). The net proceeds from the issuance of the Convertible Notes, after deducting offering related costs of $5.1 million and cost of a capped call transaction of $17.5 million, were approximately $132.7 million. The Convertible Notes bear interest at the annual rate of 5.25%, payable semiannually in arrears on May 15 and November 15 of each year, and will mature on November 15, 2025, unless earlier converted, redeemed or repurchased by us.

During the second quarter of 2021, the common stock price condition of the Convertible Notes was satisfied, as the closing stock price exceeded 130% of the conversion price of approximately $37.325 for at least 20 trading days of the last 30 trading days prior to quarter end. As a result, the Convertible Notes are convertible at the election of the noteholders during the third quarter, and due to our stated intent to settle the principal value in cash, the liability portion of $114.5 million of the Convertible Notes was reflected in current maturities of debt on our Condensed Consolidated Balance Sheet at June 30, 2021. As of the date of this Quarterly Report on Form 10-Q, we have not received any conversion requests for the Convertible Notes and do not anticipate receiving any conversion requests in the near term as the market value of the Convertible Notes exceeds the conversion value of the Convertible Notes. As of June 30, 2021, the if-converted value of the Convertible Notes exceeded the principal amount by $81.8 million. For further information regarding the Convertible Notes and the capped call transactions, see Note 12, "Debt and Financing Arrangements" to the Condensed Consolidated Financial Statements.

On April 27, 2017, our Board of Directors authorized a capital return program consisting of a share repurchase program and a quarterly cash dividend. The share repurchase plan has a total authorization of $1.05 billion of which we have used $827.4 million. During the three months ended June 30, 2021, we did not repurchase any shares of our stock. On April 23, 2020 we announced the suspension of our quarterly dividend due to the significant economic uncertainty surrounding the COVID-19 virus and the steps being taken to control the virus. During the three months ended June 30, 2021, we did not pay any dividends on shares of our stock. The timing and amount of any future dividends or of any future share purchases and the ultimate number of shares to be purchased will depend on a number of factors, including business and market conditions, our future financial performance, and other capital priorities. Any shares acquired would be in the open market or through private transactions in accordance with Securities and Exchange Commission requirements.

On June 30, 2021 we had total liquidity of approximately $242 million, including $187 million in unrestricted cash and equivalents, and short-term investments in debt securities, with the remainder provided by availability under our credit facilities, and funds withdrawable from brokerage accounts. The table below summarizes our availability under our credit facilities as of June 30, 2021:

	Face Amount	Borrowing Base	Letters of Credit Outstanding	Availability	Contractual Expiration
			(Dollars in thousands)		
Securitization Facility	$ 110,000	$ 95,300	$ 58,323	$ 36,977	September 29, 2023
Inventory Facility	50,000	50,000	31,950	18,050	September 29, 2023
Total	$ 160,000	$ 145,300	$ 90,273	$ 55,027	

The above standby letters of credit outstanding have primarily been issued to satisfy certain insurance-related collateral requirements. The amount of collateral required by counterparties is based on their assessment of our ability to satisfy our obligations and may change at the time of policy renewal or based on a change in their assessment. Future increases in the amount of collateral required by counterparties would reduce our available liquidity.

The following is a summary of cash provided by or used in each of the indicated types of activities during the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,	
	2021	2020
(In thousands)		
Cash provided by (used in):		
Operating activities	$ 26,109	$ 25,922
Investing activities	(80,771)	(58,292)
Financing activities	21,837	29,372

Cash Flow

Cash provided by operating activities increased slightly in the six months ended June 30, 2021 versus the six months ended June 30, 2020 mainly due to the improvement in results from operations discussed in the “Overview” and “Operational Performance” sections above, partially offset by a greater increase in working capital requirements of approximately $61 million in the current year period, primarily in receivables; receipt of an approximately $38 million income tax refund in the prior year period; and an increase in reclamation work completed of approximately $22 million in the current year period.

Cash used in investing activities increased in the six months ended June 30, 2021 versus the six months ended June 30, 2020 primarily due to the approximately $24 million in property insurance proceeds received on our Mountain Laurel longwall claim in the six months ended June 30, 2020. Capital spending in the six months ended June 30, 2021 includes approximately $110 million related to our Leer South mine development and approximately $14 million in capitalized interest.

Cash provided by financing activities decreased in the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to proceeds of approximately $54 million from our Equipment Financing in the first half of 2020 and approximately $5 million more in net payments on other debt in the first half of 2021, partially offset by approximately $45 million in proceeds from our follow on issuance of Tax Exempt Bonds in the first half of 2021 and a dividend payment of approximately $8 million in the first half of 2020. For further information regarding the Equipment Financing arrangement and Tax Exempt Bonds, see Note 12, “Debt and Financing Arrangements” to the Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We manage our commodity price risk for our non-trading, thermal coal sales through the use of long-term coal supply agreements, and to a limited extent, through the use of derivative instruments. Sales commitments in the metallurgical coal market are typically not long term in nature, and we are therefore subject to fluctuations in market pricing.

Our sales commitments for 2021 were as follows as of June 30, 2021:

	2021		
	Tons	$per ton	
Metallurgical	(in millions)		
Committed, North America Priced Coking	1.8	$	90.79
Committed, North America Unpriced Coking	—		
Committed, Seaborne Priced Coking	3.1		97.00
Committed, Seaborne Unpriced Coking	2.2		
Committed, Priced Thermal	0.7		21.98
Committed, Unpriced Thermal	0.2		
Thermal			
Committed, Priced	56.6	$	13.39
Committed, Unpriced	1.2		

We have exposure to price risk for supplies that are used directly or indirectly in the normal course of production, such as diesel fuel, steel, explosives and other items. We manage our risk for these items through strategic sourcing contracts in normal quantities with our suppliers. We may sell or purchase forward contracts, swaps and options in the over-the-counter market in order to manage its exposure to price risk related to these items.

We are exposed to market risk associated with interest rates due to our existing level of indebtedness. At June 30, 2021, of our $584.5 million principal amount of debt outstanding, approximately $287.3 million of outstanding borrowings have interest rates that fluctuate based on changes in the market rates. An increase in the interest rates related to these borrowings of 25 basis points would not result in a material annualized increase in interest expense based on interest rates in effect at June 30, 2021, because we have fixed a significant portion of the LIBOR portion of the interest rate on our Term Loans using interest rate swaps. As of June 30, 2021, the LIBOR rate was well below the 1% floor established in our Term Loan Debt Facility. See Note 12, “Debt and Financing Arrangements” to the Condensed Consolidated Financial Statements for additional information on the interest rate swaps.

Item 4. Controls and Procedures

We performed an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2021. Based on that evaluation, our management, including our chief executive officer and chief financial officer, concluded that the disclosure controls and procedures were effective as of such date. There were no changes in our internal control over financial reporting during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various claims and legal actions arising in the ordinary course of business, including employee injury claims. After conferring with counsel, it is the opinion of management that the ultimate resolution of these claims, to the extent not previously provided for, will not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

Item 1A. Risk Factors

There have been no material changes to the “Risk Factors” disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020.

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

On April 17, 2019, the Board of Directors authorized an additional $300 million to the share repurchase program, bringing the total authorization since the program’s launch to $1.05 billion. The timing of any future share purchases, and the ultimate number of shares to be purchased, will depend on a number of factors, including business and market conditions, our future financial performance, and other capital priorities. The shares will be acquired in the open market or through private transactions in accordance with Securities and Exchange Commission requirements. The share repurchase program has no termination date, but may be amended, suspended or discontinued at any time and does not commit us to repurchase shares of our common stock. The actual number and value of the shares to be purchased will depend on the performance of our stock price and other market conditions. We did not purchase any shares of our common stock under this program for the quarter ended June 30, 2021.

As of June 30, 2021, we had approximately $223 million remaining authorized for stock repurchases under this program.

Item 4. Mine Safety Disclosures

The statement 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 to this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021.

Item 6. Exhibits

2.1	Debtors' Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (incorporated by reference to Exhibit 2.2 of Arch Resources's Current Report on Form 8-K filed on September 15, 2016).
2.2	Order Confirming Debtors' Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code on September 13, 2016 (incorporated by reference to Exhibit 2.1 of Arch Resources's Current Report on Form 8-K filed on September 15, 2016).
3.1	Restated Certificate of Incorporation of Arch Resources, Inc. (incorporated by reference to Exhibit 3.2 of Arch Resources's registration statement on Form 8-K filed on May 15, 2020).
3.2	Restated Bylaws of Arch Resources, Inc. (incorporated by reference to Exhibit 3.3 of Arch Resources's Current Report on Form 8-K filed on May 15, 2020).
4.1	Form of specimen Class A Common Stock certificate (incorporated by reference to Exhibit 4.1 of Arch Resources's Current Report on Form 8-K filed on October 11, 2016).
4.2	Form of specimen Class B Common Stock certificate (incorporated by reference to Exhibit 4.2 of Arch Resources's Current Report on Form 8-K filed on October 11, 2016).
4.3	Form of specimen Series A Warrant certificate (incorporated by reference to Exhibit A of Exhibit 10.5 of Arch Resources's Current Report on Form 8-K filed on October 11, 2016).
4.4	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (incorporated by reference to Exhibit 4.4 of Arch Resources's Current Report on Form 10-K filed for the year ended 2019).
4.5	Indenture, dated as of November 3, 2020, between Arch Resources, Inc. and UMB Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 of Arch Resources's Current Report on Form 8-K filed on November 4, 2020).
4.6	Form of certificate representing the 5.25% Convertible Senior Notes due 2025 (incorporated by reference to Exhibit 4.2 of Arch Resources's Current Report on Form 8-K filed on November 4, 2020).
10.1	Credit Agreement, dated as of March 7, 2017, among Arch Resources, Inc. as borrower, the lenders from time to time party thereto and Credit Suisse AG, Cayman Islands Branch, in its capacities as administrative agent and as collateral agent (incorporated by reference to Exhibit 10.1 of Arch Resources's Current Report on Form 8-K filed on March 8, 2017).
10.2	First Amendment to Credit Agreement, dated as of September 25, 2017, among Arch Resources, Inc. as borrower, the lenders from time to time party thereto and Credit Suisse AG, Cayman Islands Branch, in its capacities as administrative agent and as collateral agent (incorporated by reference to Exhibit 10.1 of Arch Resources's Current Report on Form 8-K filed on September 25, 2017).
10.3	Second Amendment to Credit Agreement, dated as of April 3, 2018, among Arch Resources, Inc. as borrower, the lenders from time to time party thereto and Credit Suisse AG, Cayman Islands Branch, in its capacities as administrative agent and as collateral agent (incorporated by reference to Exhibit 10.1 of Arch Resources's Current Report on Form 8-K filed on April 3, 2018).
10.4	Credit Agreement, dated as of April 27, 2017, among Arch Resources, Inc. and certain of its subsidiaries, as borrowers, the lenders from time to time party thereto and Regions Bank, in its capacities as administrative agent and as collateral agent (incorporated by reference to Exhibit 10.1 of Arch Resources's Current Report on Form 8-K filed on May 2, 2017).

10.5	First Amendment to Credit Agreement dated November 19, 2018 by and among Arch Resources, Inc. and certain of its subsidiaries, as borrowers, the lenders from time to time party thereto and Regions Bank, in its capacities as administrative agent and as collateral agent (incorporated by reference to Exhibit 10.5 to Arch Resources's Annual Report on Form 10-K for the year ended 2018).
10.6	Waiver Letter Agreement and Second Amendment to Credit Agreement dated June 17, 2020 by and among Arch Resources, Inc. and certain of its subsidiaries, as borrowers, the lenders from time to time party thereto and Regions Bank, in its capacities as administrative agent and as collateral agent (incorporated by reference to Exhibit 10.6 of Arch Resources's Quarterly Report on Form 10-Q for the period ended September 30, 2020).
10.7	Third Amendment to Credit Agreement dated September 30, 2020, by and among Arch Resources, Inc. and certain of its subsidiaries, as borrowers, the lenders from time to time party thereto Regions Bank, in its capacities as administrative agent and as collateral agent (incorporated by reference to Exhibit 10.7 of Arch Resources's Quarterly Report on Form 10-Q for the period ended September 30, 2020).
10.8	Fourth Amendment to Credit Agreement dated May 27, 2021, by and among Arch Resources, Inc. and certain of its subsidiaries, as borrowers, the lenders from time to time party thereto and Regions Bank, in its capacities as administrative agent and as collateral agent.
10.9	Third Amended and Restated Receivables Purchase Agreement among Arch Receivable Company, LLC, as seller, Arch Coal Sales Company, Inc., as initial servicer, PNC Bank, National Association as administrator and issuer of letters of credit thereunder and the other parties party thereto, as securitization purchasers (incorporated by reference to Exhibit 10.2 of Arch Resources's Current Report on Form 8-K filed on October 11, 2016).
10.10	First Amendment to Third Amended and Restated Receivables Purchase Agreement, dated as of April 27, 2017, among Arch Receivable Company, LLC, as seller, Arch Coal Sales Company, Inc., as servicer, PNC Bank, National Association as administrator and issuer of letters of credit thereunder and the other parties party thereto, as securitization purchasers (incorporated by reference to Exhibit 10.2 of Arch Resources's Current Report on Form 8-K filed on May 2, 2017).
10.11	Second Amendment to Third Amended and Restated Receivables Purchase Agreement, dated as of August 27, 2018, among Arch Receivable Company, LLC, as seller, Arch Coal Sales Company, Inc., as servicer, PNC Bank, National Association as administrator and issuer of letters of credit thereunder and the other parties party thereto, as securitization purchasers (incorporated by reference to Exhibit 10.7 of Arch Resources's Quarterly Report on Form 10-Q for the period ended September 30, 2018).
10.12	Third Amendment to Third Amended and Restated Receivables Purchase Agreement, dated as of May 1, 2019, among Arch Receivable Company, LLC, as seller, Arch Coal Sales Company, Inc., as servicer, PNC Bank, National Association as administrator and issuer of letters of credit thereunder and the other parties party thereto, as securitization purchasers (incorporated by reference to Exhibit 10.9 of Arch Resources's Quarterly Report on Form 10-Q for the period ended June 30, 2019).
10.13	Fourth Amendment to Third Amended and Restated Receivables Purchase Agreement, dated September 30, 2020, among Arch Receivable Company, LLC, as seller, Arch Coal Sales Company, Inc., as servicer, PNC Bank, National Association as administrator and issuer of letters of credit thereunder and the other parties party thereto, as securitization purchasers (incorporated by reference to Exhibit 10.12 of Arch Resources's Quarterly Report on Form 10-Q for the period ended September 30, 2020).
10.14	Fifth Amendment to Third Amended and Restated Receivables Purchase Agreement dated as of December 4, 2020 among Arch Receivable Company, LLC, as seller, Arch Coal Sales Company, Inc., as servicer, PNC Bank, National Association as administrator and issuer of letters of credit thereunder and the other parties party thereto, as securitization purchasers (incorporated by reference to Exhibit 10.13 of Arch Resources's Quarterly Report on Form 10-Q for the period ended March 31, 2021).

10.15	Second Amended and Restated Purchase and Sale Agreement among Arch Resources, Inc. and certain subsidiaries of Arch Resources, Inc., as originators (incorporated by reference to Exhibit 10.3 of Arch Resources's Current Report on Form 8-K filed on October 11, 2016).
10.16	First Amendment to the Second Amended and Restated Purchase and Sale Agreement, dated as of December 21, 2016, among Arch Resources, Inc. and certain subsidiaries of Arch Resources, Inc., as originators (incorporated by reference to Exhibit 10.7 of Arch Resources's Current Report on Form 8-K filed for the period ended September 30, 2017).
10.17	Second Amendment to the Second Amended and Restated Purchase and Sale Agreement, dated as of April 27, 2017, among Arch Resources, Inc. and certain subsidiaries of Arch Resources, Inc., as originators (incorporated by reference to Exhibit 10.3 of Arch Resources's Current Report on Form 8-K filed on May 2, 2017).
10.18	Third Amendment to Second Amended and Restated Purchase and Sale Agreement, dated as of September 14, 2017, among Arch Resources, Inc. and certain subsidiaries of Arch Resources, Inc., as originators (incorporated by reference to Exhibit 10.16 of Arch Resources's Annual Report on Form 10-K for the year ended December 31, 2020).
10.19	Fourth Amendment to Second Amended and Restated Purchase and Sale Agreement, dated as of December 13, 2019, among Arch Resources, Inc. and certain subsidiaries of Arch Resources, Inc., as originators (incorporated by reference to Exhibit 10.17 of Arch Resources's Annual Report on Form 10-K for the year ended December 31, 2020).
10.20	Fifth Amendment and Waiver to Second Amended and Restated Purchase and Sale Agreement dated June 17, 2020, among Arch Resources, Inc. and certain subsidiaries of Arch Resources, Inc., as originators (incorporated by reference to Exhibit 10.18 of Arch Resources's Annual Report on Form 10-K for the year ended December 31, 2020).
10.21	Sixth Amendment to Second Amended and Restated Purchase and Sale Agreement dated December 31, 2020, among Arch Resources, Inc. and certain subsidiaries of Arch Resources, Inc., as originators (incorporated by reference to Exhibit 10.19 of Arch Resources's Annual Report on Form 10-K for the year ended December 31, 2020).
10.22	Second Amended and Restated Sale and Contribution Agreement between Arch Resources, Inc., as the transferor, and Arch Receivable Company, LLC (incorporated by reference to Exhibit 10.4 of Arch Resources's Current Report on Form 8-K filed on October 11, 2016).
10.23	First Amendment to the Second Amended and Restated Sale and Contribution Agreement, dated as of April 27, 2017, between Arch Resources, Inc., as the transferor, and Arch Receivable Company, LLC (incorporated by reference to Exhibit 10.4 of Arch Resources's Current Report on Form 8-K filed on May 2, 2017).
10.24	Warrant Agreement, dated as of October 5, 2016, between Arch Resources, Inc. and American Stock Transfer & Trust Company, LLC, as Warrant Agent (incorporated by reference to Exhibit 10.5 of Arch Resources's Current Report on Form 8-K filed on October 11, 2016).
10.25	Indemnification Agreement between Arch Resources, Inc. and the directors and officers of Arch Resources, Inc. and its subsidiaries (form) (incorporated by reference to Exhibit 10.6 of Arch Resources's Current Report on Form 8-K filed on October 11, 2016).
10.26	Registration Rights Agreement between Arch Resources, Inc. and Monarch Alternative Capital LP and certain other affiliated funds (incorporated by reference to Exhibit 10.1 of Arch Resources's Current Report on Form 8-K filed on November 21, 2016)

10.27	Coal Lease Agreement dated as of March 31, 1992, among Allegheny Land Company, as lessee, and UAC and Phoenix Coal Corporation, as lessors, and related guarantee (incorporated by reference to the Current Report on Form 8-K filed by Ashland Coal, Inc. on April 6, 1992).
10.28	Federal Coal Lease dated as of January 24, 1996 between the U.S. Department of the Interior and the Thunder Basin Coal Company (incorporated by reference to Exhibit 10.20 to Arch Resources's Annual Report on Form 10-K for the year ended December 31, 1998).
10.29	Federal Coal Lease dated as of November 1, 1967 between the U.S. Department of the Interior and the Thunder Basin Coal Company (incorporated by reference to Exhibit 10.21 to Arch Resources's Annual Report on Form 10-K for the year ended December 31, 1998).
10.30	Federal Coal Lease effective as of May 1, 1995 between the U.S. Department of the Interior and Mountain Coal Company (incorporated by reference to Exhibit 10.22 to Arch Resources's Annual Report on Form 10-K for the year ended December 31, 1998).
10.31	Federal Coal Lease dated as of January 1, 1999 between the Department of the Interior and Ark Land Company (incorporated by reference to Exhibit 10.23 to Arch Resources's Annual Report on Form 10-K for the year ended December 31, 1998).
10.32	Federal Coal Lease effective as of March 1, 2005 by and between the United States of America and Ark Land LT, Inc. covering the tract of land known as "Little Thunder" in Campbell County, Wyoming (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K filed by Arch Resources on February 10, 2005).
10.33	Modified Coal Lease (WYW71692) executed January 1, 2003 by and between the United States of America, through the Bureau of Land Management, as lessor, and Triton Coal Company, LLC, as lessee, covering a tract of land known as "North Rochelle" in Campbell County, Wyoming (incorporated by reference to Exhibit 10.24 to Arch Resources's Annual Report on Form 10-K for the year ended December 31, 2004).
10.34	Coal Lease (WYW127221) executed January 1, 1998 by and between the United States of America, through the Bureau of Land Management, as lessor, and Triton Coal Company, LLC, as lessee, covering a tract of land known as "North Roundup" in Campbell County, Wyoming (incorporated by reference to Exhibit 10.25 to Arch Resources's Annual Report on Form 10-K for the year ended December 31, 2004).
10.35*	Form of Employment Agreement for Executive Officers of Arch Resources, Inc. (incorporated by reference to Exhibit 10.4 to Arch Resources's Annual Report on Form 10-K for the year ended December 31, 2011).
10.36*	Arch Resources, Inc. Deferred Compensation Plan (incorporated by reference to Exhibit 10.26 to Arch Resources's Annual Report on Form 10-K for the year ended December 31, 2014).
10.37	Arch Resources, Inc. Outside Directors' Deferred Compensation Plan (incorporated by reference to Exhibit 10.4 of Arch Resources's Current Report on Form 8-K filed on December 12, 2008).
10.38*	Arch Resources, Inc. Supplemental Retirement Plan (as amended on December 5, 2008) (incorporated by reference to Exhibit 10.2 to Arch Resources's Current Report on Form 8-K filed on December 12, 2008).
10.39*	Arch Resources, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 99.1 to Arch Resources's Registration Statement on Form S-8 filed on November 1, 2016).
10.40*	Form of Restricted Stock Unit Contract (Time-Based Vesting) (incorporated by reference to Exhibit 10.1 to Arch Resources's Current Report on Form 8-K filed on November 30, 2016).
10.41*	Form of Restricted Stock Unit Contract (Performance-Based Vesting) (incorporated by reference to Exhibit 10.2 to Arch Resources's Current Report on Form 8-K filed on November 30, 2016).

10.42	Stock Repurchase Agreement dated September 13, 2017, among Arch Resources, Inc. and Monarch Alternative Solutions Master Fund Ltd, Monarch Capital Master Partners III LP, MCP Holdings Master LP, Monarch Debt Recovery Master Fund Ltd and P Monarch Recovery Ltd. (incorporated by reference to Exhibit 10.1 of Arch Resources's Current Report on Form 8-K filed on September 19, 2017).
10.43	Stock Repurchase Agreement dated December 8, 2017, among Arch Resources, Inc. and Monarch Alternative Solutions Master Fund Ltd, Monarch Capital Master Partners III LP, MCP Holdings Master LP, and Monarch Debt Recovery Master Fund Ltd (incorporated by reference to Exhibit 10.1 of Arch Resources's Current Report on Form 8-K filed on December 11, 2017).
10.44*	Form of Cash Retention Award Agreement for the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of the Company (incorporated by reference to Exhibit 10.37 to Arch Resources's Annual Report on Form 10-K for the year ended 2018).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Paul A. Lang.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Matthew C. Giljum.
32.1	Section 1350 Certification of Paul A. Lang.
32.2	Section 1350 Certification of Matthew C. Giljum.
95	Mine Safety Disclosure Exhibit.
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in Inline XBRL: (1) Condensed Consolidated Statement of Operations, (2) Condensed Consolidated Statements of Comprehensive Income (Loss), (3) Condensed Consolidated Balance Sheets, (4) Condensed Consolidated Statements of Cash Flows, (5) Condensed Consolidated Statements of Stockholders' Equity and (6) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Denotes a management contract or compensatory plan or arrangement.

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.

Arch Resources, Inc.

By: /s/ Matthew C. Giljum
Matthew C. Giljum
Senior Vice President and Chief Financial Officer (On behalf of the registrant and as Principal Financial Officer)

July 27, 2021

FOURTH AMENDMENT TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is made and entered into on May 27, 2021, by and among **ARCH RESOURCES, INC.**, a Delaware corporation ("Arch"), the direct and indirect subsidiaries of Arch identified on the signature pages hereto as "Borrowers" (together with Arch, collectively, "Borrowers", and each individually a "Borrower"), **REGIONS BANK**, as agent (in its capacity as agent, the "Administrative Agent") for certain financial institutions (collectively, the "Lenders"), and the Lenders.

Recitals:

Borrowers, Administrative Agent and Lenders are parties to a certain Credit Agreement dated April 27, 2017 (as at any time amended, restated, modified or supplemented, the "Credit Agreement"), pursuant to which Lenders have made certain loans and other financial accommodations to Borrowers.

Borrowers, Administrative Agent and Lenders desire to amend the Credit Agreement on the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, for TEN DOLLARS ($10.00) in hand paid and other good and valuable consideration, the receipt and sufficiency of which are hereby severally acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. **Definitions.** Capitalized terms used in this Amendment, unless otherwise defined herein, have the respective meanings ascribed to such terms in the Credit Agreement.

2. **Amendments to Credit Agreement.** The Credit Agreement is hereby amended as follows:

(a) By adding the following new definitions to Section 1.1 of the Credit Agreement in the appropriate alphabetical order:

"Fourth Amendment Date" means May 27, 2021.

"Temporary Modification Period" means the period commencing on the Fourth Amendment Date and continuing through and including the date on which Administrative Agent receives the Borrowing Base Certificate with respect to the Fiscal Month of September 2021.

(b) By amending the definition of "Account Control Period" in Section 1.1 of the Credit Agreement to (i) delete the references to "$250,000,000" set forth therein and substitute in lieu thereof, in each case, a reference to "$250,000,000 (or, solely during the Temporary Modification Period, $210,000,000)" and (ii) insert the following proviso at the end of such definition: "; provided that it is acknowledged and agreed that no Account Control Period has commenced or is in effect as of the Fourth Amendment Date".

(c) By deleting the references to "$225,000,000" set forth in the definition of "Borrowing Base Adjustment Period (Level 1)" in Section 1.1 of the Credit Agreement and by substituting in lieu thereof, in each case, a reference to "$225,000,000 (or, solely during the Temporary Modification Period, $175,000,000).

(d) By deleting the definition of "Borrowing Base Adjustment Period (Level 2)" in Section 1.1 of the Credit Agreement and by substituting in lieu thereof the following:

> "Borrowing Base Adjustment Period (Level 2)" means the first day on which Administrative Agent receives any Borrowing Base Certificate indicating that Liquidity has fallen below $200,000,000 (but is equal to or greater than $175,000,000) at any time (an "Initial Level 2 Adjustment Event"), and all subsequent days in which Liquidity is less than $200,000,000 but equal to or greater than $175,000,000 as shown on the most recent Borrowing Base Certificate received by Administrative Agent; provided, that, if Administrative Agent receives such a Borrowing Base Certificate during the Temporary Modification Period, such receipt shall be deemed not to constitute an Initial Level 2 Adjustment Event or to have commenced a Borrowing Base Adjustment Period (Level 2) at the time of such receipt. Instead, a Borrowing Base Adjustment Period (Level 2) resulting from such circumstances will commence only if Liquidity remains below $200,000,000 (but equal to or greater than $175,000,000) at the expiration of the Temporary Modification Period. In such case, the applicable Borrowing Base Adjustment Period (Level 2) will be deemed to have commenced upon the expiration of the Temporary Modification Period and will continue for all subsequent days in which Liquidity is less than $200,000,000 but equal to or greater than $175,000,000 as shown on the most recent Borrowing Base Certificate received by Administrative Agent.

3. Ratification and Reaffirmation. Each Borrower hereby ratifies and reaffirms the Obligations, each of the Loan Documents, and all of such Borrower's covenants, duties, indebtedness and liabilities under the Loan Documents.

4. Acknowledgments and Stipulations. Each Borrower acknowledges and stipulates that this Amendment and each other Loan Document to which such Borrower is party constitutes a legal, valid and binding obligation of such Borrower that is enforceable against such Borrower in accordance with the terms hereof or thereof, as applicable, except to the extent that enforceability of any portion hereof or thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforceability of creditors' rights generally or limiting the right of specific performance; that all of the Obligations are owing and payable, in each case to the extent provided in the Loan Documents, without defense, offset or counterclaim (and to the extent there exists any such defense, offset or counterclaim on the date hereof, the same is hereby knowingly and voluntarily waived by each Borrower); that the security interests and Liens granted by such Borrower in favor of Administrative Agent are fully perfected first priority security interests and Liens (subject only to Permitted Liens) in and to the assets of the Loan Parties that constitute ABL Priority Collateral and second priority Liens (subject only to Permitted Liens) in and to the assets of the Loan Parties that constitute Term Loan Priority Collateral (in each case, subject to any remaining actions that may be required in accordance with Section 9.20 of the Credit Agreement); that the unpaid principal amount of the Loans and outstanding Letters of Credit on and as of May 24, 2021, totaled $31,949,760; and that the Borrowing Base Certificate delivered with respect to the month of April 2021 indicated that Liquidity had fallen below $250,000,000, and that Agent and Required Lenders previously agreed that, solely for the period commencing on the date of such delivery and ending concurrently with the effectiveness of the amendments contained in Section 2 hereof, such change in Liquidity would not cause the commencement of an Account Control Period.

5. Representations and Warranties. Each Borrower represents and warrants to Administrative Agent and the Lenders, to induce each to enter into this Amendment, that no Default or Event of Default exists on the date hereof; that the execution, delivery and performance of this Amendment have been duly authorized by all requisite corporate or company action on the part of such Borrower and this Amendment has been duly executed and delivered by such Borrower; and that all of the representations and warranties made by such Borrower in the Credit Agreement are true and correct in all material respects on the effective date hereof (provided that any representation or warranty that is qualified as to "materiality," "Material Adverse Change" or similar language shall be true and correct (after giving effect to such qualification) in all respects on such effective date), except for those representations and warranties that expressly relate to an earlier date, in which case, they shall have been true and correct in all material respects as of such earlier date.

6. **Reference to Credit Agreement.** Upon the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement," "hereunder," or words of like import shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

7. **Loan Document Pursuant to Credit Agreement.** This Amendment is a Loan Document executed pursuant to the Credit Agreement and shall be construed, administered and applied in accordance with all of the terms and provisions of the Credit Agreement. A breach of any representation or warranty in this Amendment shall constitute an Event of Default as provided in Section 12.1 of the Credit Agreement.

8. **Conditions Precedent.** The effectiveness of the amendments contained in Section 2 hereof is subject to the satisfaction of each of the following conditions precedent, in form and substance satisfactory to Administrative Agent, unless satisfaction thereof is specifically waived in writing by Administrative Agent:

(a) Administrative Agent shall have received each of the following:

(i) counterparts of this Amendment, duly executed by each Borrower and each of the Lenders; and

(ii) counterparts of a Fee Letter relating to this Amendment (the "Fourth Amendment Fee Letter"), in form and substance satisfactory to Administrative Agent, duly executed by each Borrower; and

(b) No Default or Event of Default shall exist.

9. **Fees and Expenses.** Borrowers jointly and severally agree to pay all out-of-pocket expenses incurred by the Administrative Agent in connection with the preparation, negotiation, execution, delivery and enforcement of this Amendment and the other documents and instruments referred to herein or contemplated hereby, including, but not limited to, the fees and disbursements of Administrative Agent's legal counsel, in each case, to the extent provided in the Credit Agreement.

10. **Governing Law.** THIS AMENDMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAW PRINCIPLES OR OTHER RULE OF LAW WHICH WOULD CAUSE THE APPLICATION OF THE LAW OF ANY JURISDICTION OTHER THAN THE LAW OF THE STATE OF NEW YORK.

11. **No Novation, etc.** Except as otherwise expressly provided in this Amendment, nothing herein shall be deemed to amend or modify any provision of the Credit Agreement or any of the other Loan Documents, each of which shall remain in full force and effect. This Amendment is not intended to be, nor shall it be construed to create, a novation or accord and satisfaction, and the Credit Agreement as herein modified shall continue in full force and effect.

12. **Successors and Assigns.** This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns as provided in Section 14.1 of the Credit Agreement.

13. **Entire Agreement.** This Amendment constitutes the entire understanding among the parties hereto with respect to the subject matter hereof and supersedes any prior agreements, written or oral, with respect thereto. **THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.**

14. **Miscellaneous.** This Amendment may be executed in any number of counterparts and by different parties to this Amendment on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any manually executed signature page to this Amendment delivered by a party by facsimile or other electronic transmission shall be deemed to be an original signature hereto. Section titles and references used in this Amendment shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreements among the parties hereto.

15. **Waiver of Jury Trial. To the fullest extent permitted by applicable law, each party hereby waives the right to trial by jury in any action, suit, counterclaim or proceeding arising out of or related to this Amendment**.

16. **Release of Claims. In consideration of Administrative Agent's and Lenders' agreement to amend the Credit Agreement as provided herein, each Borrower hereby RELEASES, ACQUITS AND FOREVER DISCHARGES Administrative Agent, each LC Issuer and each Lender, and each of their respective officers, directors, agents, employees, representatives, Affiliates and trustees and any successors and assigns of any of the foregoing (each, a "Releasee", and collectively, the "Releasees"), from any and all liabilities, claims, demands, actions or causes of action of any kind or nature (if there be any), whether absolute or contingent, disputed or undisputed, at law or in equity, or known or unknown, that any Borrower now has or ever had against any of the Releasees arising under or in connection with the Loan Documents, based in whole or in part on facts, whether or not now known, existing on or before the date of this Amendment (collectively, "Claims"). Each Borrower hereby represents and warrants to the Releasees that no Borrower has transferred or assigned to any person or entity of any kind any Claim that such Borrower ever had or claimed to have against any Releasee.**

[Remainder of page intentionally left blank;
signatures begin on the following page.]

IN WITNESS WHEREOF, the signatories hereto have caused this Amendment to be executed by their respective duly authorized officers as of the day and year first above written.

ARCH RESOURCES, INC.
as “Borrower Agent” and as a “Borrower”

By: /s/ John T. Drexler
Name: John T. Drexler
Title: Senior Vice President and Chief Operating Officer

ALLEGHENY LAND LLC
ARCH COAL GROUP, LLC
ARCH COAL OPERATIONS LLC
ARCH COAL WEST, LLC
ARCH OF WYOMING, LLC
ARCH RECLAMATION SERVICES LLC
ARCH WESTERN ACQUISITION CORPORATION
ARCH WESTERN ACQUISITION, LLC
ARCH WESTERN BITUMINOUS GROUP, LLC
ARCH WESTERN RESOURCES, LLC
BRONCO MINING COMPANY LLC
CATENARY COAL HOLDINGS LLC
HAWTHORNE COAL COMPANY LLC
HUNTER RIDGE COAL LLC
HUNTER RIDGE HOLDINGS, INC.
HUNTER RIDGE LLC
ICG BECKLEY, LLC
ICG EAST KENTUCKY, LLC
ICG EASTERN LAND, LLC
ICG EASTERN, LLC
ICG NATURAL RESOURCES, LLC
ICG TYGART VALLEY, LLC
ICG, LLC
INTERNATIONAL ENERGY GROUP, LLC
JULIANA MINING COMPANY LLC
KING KNOB COAL CO. LLC
MAIDSVILLE LANDING TERMINAL, LLC
MARINE COAL SALES LLC
MEADOW COAL HOLDINGS, LLC
as “Borrowers”

By: /s/ John T. Drexler
Name: John T. Drexler
Title: President

[Signatures continued on following page.]

MELROSE COAL COMPANY LLC
MINGO LOGAN COAL LLC
MOUNTAIN COAL COMPANY, L.L.C.
MOUNTAIN GEM LAND LLC
MOUNTAIN MINING LLC
MOUNTAINEER LAND LLC
OTTER CREEK COAL, LLC
PATRIOT MINING COMPANY LLC
PRAIRIE HOLDINGS, INC.
SHELBY RUN MINING COMPANY, LLC
THUNDER BASIN COAL COMPANY, L.L.C.
TRITON COAL COMPANY, LLC
UPSHUR PROPERTY LLC
VINDEX ENERGY LLC
WESTERN ENERGY RESOURCES LLC
WHITE WOLF ENERGY LLC
WOLF RUN MINING LLC
as “Borrowers”

By: /s/ John T. Drexler
Name: John T. Drexler
Title: President

ACI TERMINAL, LLC
ARCH COAL SALES COMPANY, INC.
ARCH ENERGY RESOURCES, LLC
ARCH LAND LLC
ARK LAND LLC
ARK LAND KH LLC
ARK LAND LT LLC
ARK LAND WR LLC
ASHLAND TERMINAL, INC.
COALQUEST DEVELOPMENT LLC
as “Borrowers”

By: /s/ John T. Drexler
Name: John T. Drexler
Title: Vice President

[Signatures continued on following page.]

REGIONS BANK
as “Administrative Agent”, “LC Issuer,” and as the sole “Lender”

By: /s/ Mark A. Kassis
Name: Mark A. Kassis
Title: Managing Director

Certification

I, Paul A. Lang, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arch Resources, 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.

/s/ Paul A. Lang

Paul A. Lang
Chief Executive Officer, Director
Date: July 27, 2021

Certification

I, Matthew C. Giljum, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Arch Resources, 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.

/s/ Matthew C. Giljum
Matthew C. Giljum
Senior Vice President and Chief Financial Officer
Date: July 27, 2021

EXHIBIT 32.1

Certification of Periodic Financial Reports

I, Paul A. Lang, Chief Executive Officer, Director of Arch Resources, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (the “Periodic Report”) which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Arch Resources, Inc.

/s/ Paul A. Lang

Paul A. Lang
Chief Executive Officer, Director
Date: July 27, 2021

EXHIBIT 32.2

Certification of Periodic Financial Reports

I, Matthew C. Giljum, Senior Vice President and Chief Financial Officer of Arch Resources, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (the “Periodic Report”) which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Arch Resources, Inc.

/s/ Matthew C. Giljum
Matthew C. Giljum
Senior Vice President and Chief Financial Officer
Date: July 27, 2021

Mine Safety and Health Administration Safety Data

We believe that Arch Resources, Inc. ("Arch Resources") is one of the safest coal mining companies in the world. Safety is a core value at Arch Resources and at our subsidiary operations. We have in place a comprehensive safety program that includes extensive health & safety training for all employees, site inspections, emergency response preparedness, crisis communications training, incident investigation, regulatory compliance training and process auditing, as well as an open dialogue between all levels of employees. The goals of our processes are to eliminate exposure to hazards in the workplace, ensure that we comply with all mine safety regulations, and support regulatory and industry efforts to improve the health and safety of our employees along with the industry as a whole.

The operation of our mines is subject to regulation by the Federal Mine Safety and Health Administration (MSHA) under the Federal Mine Safety and Health Act of 1977 (Mine Act). MSHA inspects our mines on a regular basis and issues various citations, orders and violations when it believes a violation has occurred under the Mine Act. We present information below regarding certain mining safety and health violations, orders and citations, issued by MSHA and related assessments and legal actions and mine-related fatalities with respect to our coal mining operations. In evaluating the above information regarding mine safety and health, investors should take into account factors such as: (i) the number of citations and orders will vary depending on the size of a coal mine, (ii) the number of citations issued will vary from inspector to inspector and mine to mine, and (iii) citations and orders can be contested and appealed, and in that process are often reduced in severity and amount, and are sometimes dismissed or vacated.

The table below sets forth for the three months ended June 30, 2021 for each active MSHA identification number of Arch Resources and its subsidiaries, the total number of: (i) violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the Mine Act for which the operator received a citation from MSHA; (ii) orders issued under section 104(b) of the Mine Act; (iii) citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the Mine Act; (iv) flagrant violations under section 110(b)(2) of the Mine Act; (v) imminent danger orders issued under section 107(a) of the Mine Act; (vi) proposed assessments from MHSA (regardless of whether Arch Coal has challenged or appealed the assessment); (vii) mining-related fatalities; (viii) notices from MSHA of a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of the Mine Act; (ix) notices from MSHA regarding the potential to have a pattern of violations as referenced in (viii) above; and (x) pending legal actions before the Federal Mine Safety and Health Review Commission (as of June 30, 2021) involving such coal or other mine, as well as the aggregate number of legal actions instituted and the aggregate number of legal actions resolved during the reporting period.

Mine or Operating Name / MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (in thousands) ($)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104(e) (Yes/No)	Received Notice of Potential to Have Pattern of Violations Under Section 104(e) (Yes/No)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)	Legal Actions Pending as of Last Day of Period(1) (#)
Active Operations												
Vindex Cabin Run / 18-00133	—	—	—	—	—	—	—	No	No	—	—	—
Vindex Bismarck / 46-09369	—	—	—	—	—	—	—	No	No	—	—	—
Vindex Jackson Mt. / 18-00170	—	—	—	—	—	—	—	No	No	—	—	—
Vindex Wolf Den Run / 18-00790	—	—	—	—	—	—	—	No	No	—	—	—
Vindex Energy / Vindex / 46-02151	—	—	—	—	—	—	—	No	No	—	—	—
Vidnex Energy / Carlos Surface / 18-00769	—	—	—	—	—	—	—	No	No	—	—	—
Vindex Energy / Douglas Island / 18-00749	—	—	—	—	—	—	—	No	No	—	—	—
Vindex Energy / Dobbin Ridge Prep Plant / 46-07837	—	—	—	—	—	—	—	No	No	—	—	—
Vindex Energy / Frostburg Blend Yard / 18-00709	—	—	—	—	—	—	—	No	No	—	—	—
Beckley Pocahontas Mine / 46-05252	13	—	—	—	—	45.9	—	No	No	2	2	3
Beckley Pocahontas Plant / 46-09216	—	—	—	—	—	0.7	—	No	No	1	—	1
Coal Mac Holden #22 Prep Plant / 46-05909	—	—	—	—	—	—	—	No	No	—	—	—
Coal Mac Ragland Loadout / 46-08563	—	—	—	—	—	—	—	No	No	—	—	—
Coal Mac Holden #22 Surface / 46-08984	—	—	—	—	—	—	—	No	No	—	—	—
Eastern Birch River Mine / 46-07945	—	—	—	—	—	—	—	No	No	—	—	—
Sentinel Mine /	25	2	—	—	—	94.3	—	No	No	—	1	—

46-04168												
Sentinel Prep Plant / 46-08777	2	—	—	—	—	0.2	—	No	No	—	—	—
Mingo Logan Mountaineer II / 46-09029	29	—	5	—	—	60.1	—	No	No	4	4	4
Mingo Logan Cardinal Prep Plant / 46-09046	—	—	—	—	—	1.6	—	No	No	1	—	2
Mingo Logan Daniel Hollow / 46-09047	—	—	—	—	—	—	—	No	No	—	—	—
Leer #1 Mine / 46-09192	6	—	—	—	—	12.1	—	No	No	—	—	—
Arch of Wyoming Elk Mountain / 48-01694	—	—	—	—	—	—	—	No	No	—	—	—
Black Thunder / 48-00977	—	—	—	—	—	6.3	—	No	No	—	—	—
Coal Creek / 48-01215	1	—	—	—	—	—	—	No	No	—	—	—
West Elk Mine / 05-03672	12	—	—	—	—	29.7	—	No	No	—	—	—
Leer #1 Prep Plant / 46-09191	—	—	—	—	—	0.2	—	No	No	—	—	—
Wolf Run Mining – Sawmill Run Prep Plant / 46-05544	—	—	—	—	—	—	—	No	No	—	—	—
Wolf Run Mining / Imperial / 46-09115	—	—	—	—	—	—	—	No	No	—	—	—
Wolf Run Mining / Upshur / 46-05823	—	—	—	—	—	0.1	—	No	No	—	—	—

(1) See table below for additional details regarding Legal Actions Pending as of June 30, 2021.

Mine or Operating Name/MSHA Identification Number	Contests of Citations, Orders (as of June 30, 2021)	Contests of Proposed Penalties (as of June 30, 2021)	Complaints for Compensation (as of June 30, 2021)	Complaints of Discharge, Discrimination or Interference (as of June 30, 2021)	Applications for Temporary Relief (as of June 30, 2021)	Appeals of Judges' Decisions or Orders (as of June 30, 2021)
Beckley Pocahontas Mine / 46-05252	—	3	—	—	—	—
Mingo Logan Mountaineer II / 46-09029	—	4	—	—	—	—
Mingo Logan/Cardinal Prep/49-09046	—	2	—	—	—	—
Beckley Pocahontas Plant / 46-09216	—	1	—	—	—	—