



# **NTEC Acquisition of Cloud Peak Energy**



# **Section 1**

## **The Current Global Market for Coal**

## THE REALITIES OF GLOBAL COAL CONSUMPTION ARE OFTEN Overlooked



- World coal consumption increased by 1.4% in 2018, the fastest growth since 2013
- Production increased by 3.2%, the fastest growth since 2011
- The thermal coal price in most regions in the US increased in 2018. The price for Northern and Central Appalachian coal, driven by strong international demand for both metallurgical and thermal coal, increased 42% and 38% in 2018, respectively.
- Coal production in the US rose by 6.9% in 2018 despite declines in domestic consumption. The increase was driven by exports to Asia.
- The percentage consumption of non-fossil fuel (36%) and coal (38%) in the fuel mix used in global power systems remains virtually unchanged from their levels 20 years ago.

- Source: BP Statistical Review of World Energy 2019 (68<sup>th</sup> Ed.)



# **Section 2**

## **Cloud Peak Bankruptcy and Acquisition Opportunity**

# Cloud Peak Energy Bankruptcy and Asset Sale



- Cloud Peak was forced to sell all assets due to substantial losses and debts incurred in prior years (over 400M). The significant debt was accumulated over the course of a highly-leveraged purchase of new assets.
- The key aspect of any bankruptcy sale of assets is that all assets are sold free and clear of pre-existing debts or encumbrances.
- Accordingly, NTEC will purchase three operating mines and all associated assets without the debt that forced them into bankruptcy.

# “Snapshot” of CPE Assets



- Surface ownership of approximately 90,000 acres of land with appraised value of \$66,000,000.
- Equipment Fleet
- Mainline rail and coal storage capacity for Cordero Rojo, Antelope, and Spring Creek of 45M tpy, 35M tpy, 18M tpy respectively.
- Approximately 1,250 employees with an experienced operational management team and technical staff.

# Summary of Active Mining Operations

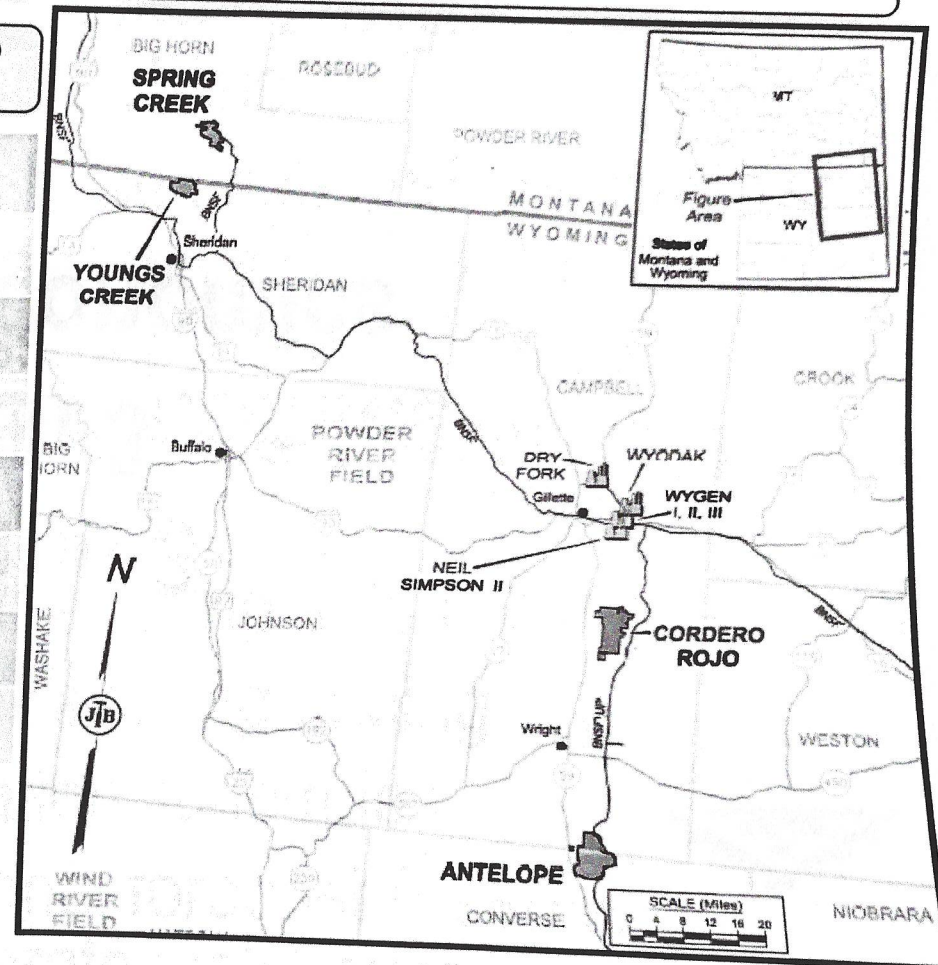


## Overview of Key Mining Operations

		Antelope	Spring Creek	Cordero Rojo
End Market	Domestic	✓	✓	✓
	Export		✓	
FY 2018 (excl. CPEL)	Production (M tons)	23.2	13.8	12.6
	Revenue (M \$)	\$298.2	\$179.6	\$136.4
Reserve Quality (Btu / lb)		8,875	9,350	8,425
Sulfur Content (%)		0.22%	0.34%	0.28%
Proven & Probable Reserves (M tons)		472.4	219.6	285.4
Mine Life		20 years	16 years	23 years

The Company also has two development projects, Youngs Creek with ~284M tons and Big Metal with an estimated ~1.387B tons of Tribal land coal

## Map of Operations





# **Section 3**

## **Proforma Economics**



# Base Case Assumptions



- Any economic or business forecast begins with, and is based on, certain key assumptions
- In preparing our business base case and our forecast of the value of the potential acquisition, NTEC utilized extremely conservative assumptions:
  1. No material improvements over current operating costs
  2. No material increase over existing sales volumes
  3. No material increase over existing pricing
  4. Aggressive mine reclamation schedules
  5. A limited 10-year operational forecast (despite extensive reserves to operate well beyond that)



# NTEC Final Bid

## August 15<sup>th</sup> Auction

- **NTEC's Final Bid**

Description	\$Millions
Cash Bid Consideration	\$ 15.70
Par Amount of Take Back Debt	\$ 40.00
CPE's Total Tax Liability (paid out over 18 - 60 months)	\$ 93.92
Post Petition Accounts Payable (can be negotiated)	<u>\$ 20.00</u>
<b>Total Consideration</b>	<b>\$169.82</b>

- *By comparison, NTEC's original purchase price for the Navajo Mine (producing only 5M tons of coal annually) was \$85 million rising to over \$135 million in some years.*

# Final Bid and Projected Performance



- As noted, the considerable majority of NTEC's bid is simply based on assuming existing liabilities of CPE - primarily tax and royalty obligations that can be paid over 5 years.
- Based on our base case model and fully taking into account all costs associated with the acquisitions, we forecast annual annual combined EBITDA in excess of 120M. We project annual revenues from the CPE assets to average over 900M per year.
- Furthermore our projected rate of return on our investment of \$170M for the purchase of CPE (in just 10 years) is 38%

# Benefits to the Nation



- A Navajo owned entity has become the 3<sup>rd</sup> largest coal company in America
- A great return on investment
- First rate operations, extensive reserves and ready access to national and global markets
- Ability to fund increased dividend payments to the Nation
- Significant and sustained increase in available funding to support scholarships, community grants and community development projects
- Significant and sustained increase in available funding to continue diversification and expansion of the Navajo Nation's energy portfolio

# NTEC Continues to Fulfill its Transitional Energy Mandate

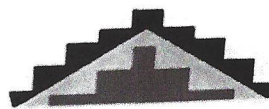


- **Round Top Rare Earth Investment**

- NTEC acquired 20% of TMRC and 4.8% of USA Rare Earths. NTEC's total investment in both companies is \$6.09 million.
- Rare Earth minerals are vital to all battery and green energy technologies

- **Navajo Mine Solar Car Port**

- NTEC has signed Pre-Purchase Power Agreement with Shondenah Energy (NACoal Subsidiary Company). NTEC's investment in this renewable project is approx. \$1.5 million
- All power that is produced will be utilized by Bisti's Navajo Mine office.



# Section 4

## Transitional Energy



# NTEC Continues to Fulfill its Transitional Energy Mandate



- **Beneficial Uses of Coal Ash**

- We are working with two companies that are trying to develop demonstration projects for creating products/metals from coal ash.
- With NTEC's investment and access to coal ash, the companies plan to build a demonstration project to prove out their technology.

- **Carbon Technologies**

- NTEC has been provided an MOU by the Uinta Group to work on developing a pilot plant in Farmington that will investigate possible Carbon technologies. The Uinta Group is affiliated with the University of Utah.
- Plan is to use Navajo Mine coal to make carbon pitch. Carbon pitch is the precursor to products like carbon fiber, carbon foam, graphene, needle coke, etc.

# NTEC Continues to Fulfill its Transitional Energy Mandate



- **Solar Projects Continue to be a challenge due to lack of tax or rate rebate credits available to NTEC to make them economically viable.**
  - We understand that 28 solar projects have been attempted or evaluated by the Nation in just the past few years without success.
  - We are currently assessing a 200 MW solar project to be built inside the Navajo Mine's current permit boundary.
  - Estimated construction cost of the facility is \$200 million.
  - But the projected return on investment over a 20 year period is less than 3% (compared to a 38% return on a \$170M investment in CPE).
  - Solar farms provide almost no employment and will have sizeable decommissioning and disposable costs in 20yrs due to the hazardous materials in the solar panels.