

NATURAL RESOURCE PARTNERS LP  
Form 10-Q  
May 09, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended March 31, 2018

or

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

Commission file number: 001-31465

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NATURAL RESOURCE PARTNERS L.P.  
(Exact name of registrant as specified in its charter)

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Delaware 35-2164875  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
1201 Louisiana Street, Suite 3400  
Houston, Texas 77002  
(Address of principal executive offices)  
(Zip Code)  
(713) 751-7507  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large Accelerated Filer  Accelerated Filer   
Non-accelerated Filer  (Do not check if a smaller reporting company) 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

At May 1, 2018 there were 12,245,920 Common Units outstanding.



NATURAL RESOURCE PARTNERS, L.P.  
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## PART I. FINANCIAL INFORMATION

## ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

NATURAL RESOURCE PARTNERS L.P.  
CONSOLIDATED BALANCE SHEETS

|   | March 31,<br>2018<br>(Unaudited) | December<br>31,<br>2017 |
|---|----------------------------------|-------------------------|
| (In thousands, except unit data)  |                                  |                         |
| <b>ASSETS</b>   |                                  |                         |
| Current assets  |                                  |                         |
| Cash and cash equivalents   | \$21,152                         | \$29,827                |
| Accounts receivable, net  | 55,651                           | 47,026                  |
| Accounts receivable—affiliates  | 94                               | 161                     |
| Inventory   | 8,071                            | 7,553                   |
| Prepaid expenses and other  | 3,088                            | 5,838                   |
| Current assets of discontinued operations   | 991                              | 991                     |
| Total current assets  | 89,047                           | 91,396                  |
| Land  | 24,809                           | 25,247                  |
| Plant and equipment, net  | 47,237                           | 46,170                  |
| Mineral rights, net   | 878,845                          | 883,885                 |
| Intangible assets, net  | 48,769                           | 49,554                  |
| Equity in unconsolidated investment   | 241,679                          | 245,433                 |
| Long-term contracts receivable  | 40,331                           | 40,776                  |
| Other assets  | 6,489                            | 6,547                   |
| Other assets—affiliate  | —                                | 156                     |
| Total assets  | \$1,377,206                      | \$1,389,164             |
| <b>LIABILITIES AND CAPITAL</b>  |                                  |                         |
| Current liabilities   |                                  |                         |
| Accounts payable  | \$5,911                          | \$6,957                 |
| Accounts payable—affiliates   | 2,093                            | 562                     |
| Accrued liabilities   | 11,409                           | 16,890                  |
| Accrued liabilities—affiliates  | —                                | 515                     |
| Accrued interest  | 5,706                            | 15,484                  |
| Current portion of deferred revenue   | 1,554                            | —                       |
| Current portion of long-term debt, net  | 79,723                           | 79,740                  |
| Current liabilities of discontinued operations  | 3                                | 401                     |
| Total current liabilities   | 106,399                          | 120,549                 |
| Deferred revenue  | 14,622                           | 100,605                 |
| Long-term debt, net   | 724,854                          | 729,608                 |
| Other non-current liabilities   | 2,492                            | 2,808                   |
| Other non-current liabilities—affiliate   | —                                | 346                     |
| Total liabilities   | 848,367                          | 953,916                 |
| Commitments and contingencies (see Note 15)   |                                  |                         |
| Class A Convertible Preferred Units (250,000 and 258,844 units issued and outstanding at March 31, 2018 and December 31, 2017, respectively, at \$1,000 par value per unit; | 164,587                          | 173,431                 |

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|   |             |             |
|---|-------------|-------------|
| liquidation preference of \$1,500 per unit)   |             |             |
| Partners' capital   |             |             |
| Common unitholders' interest (12,245,920 and 12,232,006 units issued and outstanding at March 31, 2018 and December 31, 2017, respectively) | 301,344     | 199,851     |
| General partner's interest  | 3,924       | 1,857       |
| Warrant holders' interest   | 66,816      | 66,816      |
| Accumulated other comprehensive loss  | (4,438      | ) (3,313 )  |
| Total partners' capital   | 367,646     | 265,211     |
| Non-controlling interest  | (3,394      | ) (3,394 )  |
| Total capital   | 364,252     | 261,817     |
| Total liabilities and capital   | \$1,377,206 | \$1,389,164 |

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

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

| (In thousands, except per unit data)                              | Three Months Ended |            |
|---|--------------------|------------|
|   | March 31,          |            |
|   | 2018               | 2017       |
| Revenues and other income   |                    |            |
| Coal royalty and other  | \$45,973           | \$34,994   |
| Coal royalty and other—affiliates                                 | 237                | 11,505     |
| Transportation and processing services                            | 5,383              | —          |
| Transportation and processing services—affiliate                  | —                  | 4,639      |
| Construction aggregates   | 26,424             | 25,483     |
| Road construction and asphalt paving services                     | 728                | 1,738      |
| Equity in earnings of Ciner Wyoming                               | 9,621              | 10,294     |
| Gain on asset sales, net  | 660                | 44         |
| Total revenues and other income                                   | \$89,026           | \$88,697   |
| Operating expenses  |                    |            |
| Operating and maintenance expenses                                | \$29,968           | \$29,628   |
| Operating and maintenance expenses—affiliates                     | 2,465              | 2,555      |
| Depreciation, depletion and amortization                          | 7,957              | 9,724      |
| Amortization expense—affiliate                                    | —                  | 768        |
| General and administrative  | 3,405              | 6,078      |
| General and administrative—affiliates                             | 931                | 1,124      |
| Asset impairments   | 242                | 1,778      |
| Total operating expenses  | \$44,968           | \$51,655   |
| Income from operations  | \$44,058           | \$37,042   |
| Other income (expense)  |                    |            |
| Interest expense  | \$(18,006)         | \$(23,141) |
| Debt modification expense   | —                  | (7,807 )   |
| Interest income   | 36                 | 17         |
| Other expense, net  | \$(17,970)         | \$(30,931) |
| Net income from continuing operations                             | \$26,088           | \$6,111    |
| Loss from discontinued operations                                 | (14 )              | (207 )     |
| Net income  | \$26,074           | \$5,904    |
| Less: income attributable to preferred unitholders                | (7,500 )           | (2,500 )   |
| Net income attributable to common unitholders and general partner | \$18,574           | \$3,404    |
| Net income attributable to common unitholders                     | \$18,203           | \$3,404    |
| Net income attributable to the general partner                    | 371                | —          |
| Income from continuing operations per common unit (see Note 5)    |                    |            |
| Basic   | \$1.49             | \$0.30     |
| Diluted   | 1.16               | 0.30       |

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Net income per common unit (see Note 5)

|  |          |          |
|--|----------|----------|
| Basic  | \$1.49   | \$0.28   |
| Diluted  | 1.15     | 0.28     |
| Net income   | \$26,074 | \$5,904  |
| Add: comprehensive loss from unconsolidated investment and other | (1,125 ) | (1,132 ) |
| Comprehensive income   | \$24,949 | \$4,772  |

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

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

| (In thousands)  | Common Unitholders |           | General Partner | Warrant Holders | Accumulated Other Comprehensive Loss | Partners' Capital Excluding Non-Controlling Interest | Non-Controlling Interest | Total Capital |
|---|--------------------|-----------|-----------------|-----------------|--------------------------------------|--|--------------------------|---------------|
|   | Units              | Amounts   |                 |                 |                                      |  |                          |               |
| Balance at December 31, 2017                                      | 12,232             | \$199,851 | \$1,857         | \$66,816        | \$ (3,313 )                          | \$ 265,211   | \$ (3,394 )              | \$261,817     |
| Cumulative effect of adoption of accounting standard (See Note 2) | —                  | 88,448    | 1,805           | —               | —                                    | 90,253   | —                        | 90,253        |
| Net income <sup>(1)</sup>   | —                  | 25,553    | 521             | —               | —                                    | 26,074   | —                        | 26,074        |
| Distributions to common unitholders and general partner           | —                  | (5,505 )  | (112 )          | —               | —                                    | (5,617 )   | —                        | (5,617 )      |
| Distributions to preferred unitholders                            | —                  | (7,610 )  | (155 )          | —               | —                                    | (7,765 )   | —                        | (7,765 )      |
| Issuance of unit-based awards                                     | 14                 | 410       | —               | —               | —                                    | 410  | —                        | 410           |
| Unit-based awards amortization and vesting                        | —                  | 197       | —               | —               | —                                    | 197  | —                        | 197           |
| Comprehensive loss from unconsolidated investment and other       | —                  | —         | 8               | —               | (1,125 )                             | (1,117 )   | —                        | (1,117 )      |
| Balance at March 31, 2018   | 12,246             | \$301,344 | \$3,924         | \$66,816        | \$ (4,438 )                          | \$ 367,646   | \$ (3,394 )              | \$364,252     |

(1) Net income includes \$7.5 million attributable to Preferred Unitholders that accumulated during the period, of which \$7.4 million is allocated to the common unitholders and \$0.2 million is allocated to the general partner.

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



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

| (In thousands)   | Three Months<br>Ended March 31, |            |
|--|---------------------------------|------------|
|  | 2018                            | 2017       |
| Cash flows from operating activities   |                                 |            |
| Net income   | \$26,074                        | \$5,904    |
| Adjustments to reconcile net income to net cash provided by operating activities of continuing operations: |                                 |            |
| Depreciation, depletion and amortization   | 7,957                           | 9,724      |
| Amortization expense—affiliate   | —                               | 768        |
| Distributions from unconsolidated investment   | 10,153                          | 12,250     |
| Equity earnings from unconsolidated investment   | (9,621 )                        | (10,294 )  |
| Gain on asset sales, net   | (660 )                          | (44 )      |
| Debt modification expense  | —                               | 7,807      |
| Loss from discontinued operations  | 14                              | 207        |
| Asset impairments  | 242                             | 1,778      |
| Unit-based compensation expense  | 792                             | 257        |
| Amortization of debt issuance costs and other  | 771                             | 973        |
| Other, net—affiliates  | (190 )                          | 135        |
| Change in operating assets and liabilities:  |                                 |            |
| Accounts receivable  | (5,189 )                        | (1,267 )   |
| Accounts receivable—affiliates   | 67                              | (196 )     |
| Accounts payable   | (845 )                          | 986        |
| Accounts payable—affiliates  | 1,531                           | 256        |
| Accrued liabilities  | (5,169 )                        | (7,948 )   |
| Accrued liabilities—affiliates   | (515 )                          | —          |
| Accrued interest   | (9,777 )                        | (271 )     |
| Deferred revenue   | 2,346                           | 1,077      |
| Deferred revenue—affiliates  | —                               | (2,897 )   |
| Other items, net   | 2,230                           | 1,284      |
| Net cash provided by operating activities of continuing operations   | \$20,211                        | \$20,489   |
| Net cash used in operating activities of discontinued operations   | (412 )                          | (284 )     |
| Net cash provided by operating activities  | \$19,799                        | \$20,205   |
| Cash flows from investing activities   |                                 |            |
| Distributions from unconsolidated investment in excess of cumulative earnings                              | \$2,097                         | \$—        |
| Proceeds from sale of assets   | 687                             | (387 )     |
| Return of long-term contract receivable  | 487                             | —          |
| Return of long-term contract receivable—affiliate  | —                               | 414        |
| Acquisition of plant and equipment and other   | (3,444 )                        | (2,095 )   |
| Net cash used in investing activities of continuing operations   | \$(173 )                        | \$(2,068 ) |
| Net cash provided by investing activities of discontinued operations                                       | —                               | 29         |
| Net cash used in investing activities  | \$(173 )                        | \$(2,039 ) |



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

| (In thousands)   | Three Months Ended |            |
|--|--------------------|------------|
|  | 2018               | 2017       |
| Cash flows from financing activities   |                    |            |
| Proceeds from issuance of preferred units and warrants, net                  | \$—                | \$242,100  |
| Proceeds from issuance of 2022 Senior Notes, net                             | —                  | 103,688    |
| Borrowings on credit facility  | 35,000             | —          |
| Repayments of loans  | (40,800 )          | (251,010 ) |
| Redemption of preferred units paid in kind                                   | (8,844 )           | —          |
| Distributions to common unitholders and general partner                      | (5,617 )           | (5,615 )   |
| Distributions to preferred unitholders                                       | (7,765 )           | —          |
| Contributions to discontinued operations                                     | (412 )             | (255 )     |
| Debt issue costs and other   | (275 )             | (34,755 )  |
| Net cash provided by (used in) financing activities of continuing operations | \$(28,713)         | \$54,153   |
| Net cash provided by financing activities of discontinued operations         | 412                | 255        |
| Net cash provided by (used in) financing activities                          | \$(28,301)         | \$54,408   |
| Net increase (decrease) in cash and cash equivalents                         | \$(8,675 )         | \$72,574   |
| Cash and cash equivalents at beginning of period                             | 29,827             | 40,371     |
| Cash and cash equivalents at end of period                                   | \$21,152           | \$112,945  |
| Supplemental cash flow information:  |                    |            |
| Cash paid during the period for interest from continuing operations          | \$26,023           | \$19,851   |
| Non-cash investing and financing activities:                                 |                    |            |
| Issuance of 2022 Senior Notes in exchange for 2018 Senior Notes              | \$—                | \$240,638  |

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

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

1. Basis of Presentation

Nature of Business

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

Principles of Consolidation and Reporting

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

Recently Adopted Accounting Standards

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

A majority of NRP's coal and aggregates royalty revenue continues to be recognized over the lease term based on production. For coal and aggregates royalty leases for which NRP expects consideration from minimum payments to be greater than consideration from production over the lease term, royalty revenue is now recognized straight-line over the lease term based on the minimum payment consideration amount, opposed to when the recoupment period for that minimum payment expired under the previous guidance.

The cumulative effects of the changes made to our Consolidated Balance Sheet at January 1, 2018 for the adoption of the new revenue standard were as follows:

| (In thousands) | Balance<br>at<br>December<br>31, 2017 | Adjustments<br>due to<br>ASC 606 | Balance<br>at<br>January<br>1, 2018 |
|----------------|---------------------------------------|----------------------------------|-------------------------------------|
|                |                                       |                                  |                                     |

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|                                     |            |           |           |
|-------------------------------------|------------|-----------|-----------|
| Assets                              |            |           |           |
| Accounts receivable, net            | \$47,026   | \$ 3,479  | \$50,505  |
| Liabilities                         |            |           |           |
| Current portion of deferred revenue | \$—        | \$ 1,973  | \$1,973   |
| Deferred revenue                    | 100,605    | (88,747 ) | 11,858    |
| Partners' capital                   |            |           |           |
| Common unitholders' interest        | \$ 199,851 | \$ 88,448 | \$288,299 |
| General partner's interest          | 1,857      | 1,805     | 3,662     |
| Total partners' capital             | 265,211    | 90,253    | 355,464   |

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

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

| (In thousands)                        | For the Three Months ended<br>March 31, 2018 |   |                     |
|---------------------------------------|--|---|---------------------|
|                                       | As<br>Reported                               | Amounts<br>without<br>Adoption<br>of ASC<br>606 | Effect of<br>Change |
| Coal royalty and other revenues       | \$45,973                                     | \$ 47,671                                       | \$(1,698)           |
| Net income from continuing operations | 26,088                                       | 27,786  | (1,698 )            |
| Net income                            | 26,074                                       | 27,772  | (1,698 )            |
| Net income per common unit (basic)    | 1.49   | 1.63  | (0.14 )             |
| Net income per common unit (diluted)  | 1.15   | 1.23  | (0.08 )             |

| (In thousands)           | As of March 31, 2018 |  |                        |
|--------------------------|----------------------|--|------------------------|
|                          | As<br>Reported       | Balances<br>without<br>Adoption<br>of ASC<br>606 | Effect<br>of<br>Change |
| Assets                   |                      |  |                        |
| Accounts receivable, net | \$55,651             | \$ 48,556  | \$ 7,095               |
| Total assets             | 1,377,206            | 1,370,111  | 7,095                  |

|                                     |           |           |          |
|-------------------------------------|-----------|-----------|----------|
| Liabilities and capital             |           |           |          |
| Current portion of deferred revenue | \$1,554   | \$ —      | \$1,554  |
| Deferred revenue                    | 14,622    | 97,636    | (83,014) |
| Total liabilities                   | 848,367   | 929,827   | (81,460) |
| Common unitholders' interest        | 301,344   | 214,560   | 86,784   |
| General partner's interest          | 3,924     | 2,153     | 1,771    |
| Total partners' capital             | 367,646   | 279,091   | 88,555   |
| Total liabilities and capital       | 1,377,206 | 1,370,111 | 7,095    |

#### Recently Issued Accounting Standards

Leases. In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new standard requires a lessee to recognize assets and liabilities on the balance sheet for the present value of the rights and obligations created by all leases with terms of more than 12 months. This standard does not apply to leases that explore for or use minerals, oil, natural gas and similar non-regenerative resources, including the intangible right to explore for those natural resources and rights to use the land in which those natural resources are contained. The guidance also requires disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. The guidance is effective for annual and interim periods beginning after December 31, 2018. The Partnership is currently evaluating the impact of the provisions of this guidance on its consolidated financial statements.



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

2. Revenue Recognition

Coal Royalty and Other Segment

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

|   | Three<br>Months<br>Ended<br>March<br>31,<br>2018 |
|---|--|
| (In thousands)  |  |
| Coal royalty revenue  | \$28,691   |
| Production lease minimum revenue  | 425  |
| Minimum lease straight-line revenue   | 6,760  |
| Wheelage revenue  | 1,974  |
| Coal overriding royalty revenue   | 2,872  |
| Aggregates royalty revenue  | 1,091  |
| Oil and gas royalty revenue   | 2,898  |
| Property tax revenue  | 1,182  |
| Other revenue   | 317  |
| Coal royalty and other revenues (including affiliates)  | \$46,210   |
| Transportation and processing services revenue <sup>(1)</sup>   | 2,989  |
| Gain on asset sales, net  | 651  |
| Total coal royalty and other revenues and other income (including affiliates) from contracts with customers | \$49,850   |

Total transportation and processing services revenue on the Partnership's Consolidated Statement of Comprehensive Income was \$5.4 million for the three months ended March 31, 2018. The \$3.0 million represented (1) above relates to contracts with customers where NRP is responsible for operating and maintaining certain rail load out transportation assets. The remaining \$2.4 million revenue relates to other NRP-owned infrastructure leased to and operated by third party operators accounted for under ASC 840, Leases.

Discussion of the Partnership's Coal Royalty and Other segment revenues are as follows:

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

Historically, NRP recognized all coal and aggregates royalty revenue over the lease term based on coal or aggregates production. The recognition of revenue from minimum payments was deferred until either recoupment occurred or the



recoupment period expired.

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

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

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

**Production Leases:** Leases for which the Partnership expects that consideration from production will be greater than consideration from minimums over the lease term. Revenue recognition for these leases is recognized as Coal royalty revenue or Aggregates royalty revenue, as applicable, over time based on production. Deferred revenue is recognized as royalty revenue either when recoupment occurs or as Production lease minimum revenue when the recoupment period expires or when NRP determines that recoupment is remote. Each reporting period, NRP will evaluate the likelihood of recoupment and recognize deferred revenue if it concludes that recoupment is remote.

**Minimum Leases:** Leases for which the Partnership expects that consideration from minimums will be greater than consideration from production over the lease term. Revenue recognition for these leases is recognized straight-line over the lease term based on the minimum payment consideration amount and is recognized in Minimum lease straight-line revenue.

Additionally, minimum payments due are recognized in Accounts receivable, net, with an offset to deferred revenue, and minimum payments received are recorded as deferred revenue on NRP 's Consolidated Balance Sheets.

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

**Wheelage.** Revenue related to fees collected to transport foreign coal across property owned by the Partnership that is recognized over time per ton of coal transported.

**Other revenue.** Other revenue consists primarily of rental payments and surface damage fees related to certain land the Partnership owns that is recognized as revenue straight-line over time as they are earned and property tax revenues, which are recognized on a gross basis as earned over time.

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

#### Contract modifications

Contract modifications that impact the overall economics of the lease's potential future cash flows are evaluated in accordance with ASC 606. A majority of our contract modifications pertain to our coal and aggregates royalty contracts and include, but are not limited to, extending the lease term, changes to royalty rates, floor prices or minimum payments, assignment of the contract or termination due to the exhaustion of merchantable and mineable reserves. In accordance with the contract modification guidance in paragraphs 606-10-25-12 and 25-13, revenues from contracts that were modified before January 1, 2018 were not retrospectively restated for those modifications and instead reflected the aggregate effect of those modifications when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligation. During the three months ended March 31, 2018, there was no material impact to revenues recognized resulting from contract modifications occurring during the period.



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

Contract Assets and Liabilities

The following table details the Partnership's Coal Royalty and Other segment receivables from contracts with customers and contract liabilities:

|   | March<br>31,<br>2018 | January<br>1,<br>2018 |
|---|----------------------|-----------------------|
| (In thousands)  |                      |                       |
| Receivables   |                      |                       |
| Total accounts receivable, net (including affiliates) | \$32,225             | \$24,047              |
| Prepaid expenses and other <sup>(1)</sup>             | 458                  | 2,830                 |
| Contract liabilities                                  |                      |                       |
| Current portion of deferred revenue                   | \$1,554              | \$1,973               |
| Deferred revenue                                      | 14,622               | 11,858                |

1) Prepaid expenses and other include notes receivable from contracts with customers.

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

| (In thousands)   | Three<br>Months<br>Ended<br>March 31,<br>2018 |
|--|---|
| Balance at December 31, 2017   | \$100,605                                     |
| Cumulative adjustment for change in accounting principle recognized in partners' capital | (86,774 )                                     |
| Balance at January 1, 2018 (current and non-current)                                     | \$13,831                                      |
| Production Leases - Revenue Impact   |   |
| Production lease minimum revenue   | (372 )  |
| Recoupments recognized in Coal and aggregates royalty revenue                            | (2,265 )                                      |
| Minimum Leases - Revenue Impact  |   |
| Minimum lease amortization recognized in Minimum lease straight-line revenue             | (953 )  |
| Cash received for minimum payments   | 5,935   |
| Balance at March 31, 2018 (current and non-current)                                      | \$16,176                                      |

Remaining Performance Obligations

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

| Lease Term <sup>(1)</sup> | Weighted Average Remaining Years as of March 31, 2018 | Annual<br>Minimum<br>Payments<br>(In<br>thousands) |
|---------------------------|---|--|
| 1 - 5 years               | 0.3   | \$ 6,762   |

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|              |      |           |
|--------------|------|-----------|
| 6 - 10 years | 1.6  | 15,761    |
| 10+ years    | 8.9  | 41,009    |
| Total        | 10.8 | \$ 63,532 |

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

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

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

Soda Ash Segment

NRP owns a non-controlling 49% interest in Ciner Wyoming LLC, ("Ciner Wyoming"), a trona ore mining operation that produces natural soda ash. NRP accounts for its investing in Ciner Wyoming using the equity method of accounting. The Partnership accounts for its investment in Ciner Wyoming using the equity method of accounting. Revenues and other income related to our equity investment in Ciner Wyoming were \$9.6 million during the three months ended March 31, 2018.

Construction Aggregates Segment

The following table represents the Partnership's Construction Aggregates segment revenues from contracts with customers by major source:

| (In thousands)  | Three<br>Months<br>Ended<br>March<br>31,<br>2018 |
|---|--|
| Crushed stone, sand and gravel                                  | \$13,739   |
| Delivery and fuel income  | 10,083   |
| Other revenues  | 2,602  |
| Total construction aggregates revenues                          | \$26,424   |
| Road construction and asphalt paving services                   | 728  |
| Gain on asset sales, net  | 9  |
| Total construction aggregates segment revenues and other income | \$27,161   |

The majority of the Construction Aggregates segment revenues is recognized at a point in time. Additional discussion of the Partnership's major sources of Construction Aggregates segment revenue are as follows:

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

**Delivery and fuel income.** Revenue related to pass through transportation and fuel costs the Partnership incurs and pays for delivery of its products to customers. The related costs are recognized when incurred and are included in Operating and maintenance expenses on the Consolidated Statements of Comprehensive Income.

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

costs for each contract. The majority of the Partnership's construction contracts have an original expected duration of one year or less. As such, the Partnership has elected to apply the practical expedient for disclosing remaining performance obligations for contracts with an original expected duration of one year or less.

The Partnership had \$19.4 million and \$23.0 million in receivables from Construction Aggregates segment related contracts with customers including in Accounts receivable, net on its Consolidated Balance Sheets at of March 31, 2018 and January 1, 2018, respectively.

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

### 3. Class A Convertible Preferred Units

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

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

Activity related to the Preferred Units is as follows from December 31, 2017 to March 31, 2018:

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

### 4. Common and Preferred Unit Distributions

The Partnership makes cash distributions to common unitholders on a quarterly basis, subject to approval by the Board of Directors. The Partnership also makes distributions to the preferred unitholders at a rate of 12% per year, up to one half of which NRP may pay in additional Preferred Units (such additional Preferred Units, the "PIK Units"), subject to approval by the Board of Directors. NRP recognizes both Common and Preferred Unit distributions on the date the distribution is declared.

#### Common Unit Distributions

Distributions made on the common units and the general partner's general partner interest are made on a pro-rata basis in accordance with their relative percentage interests in the Partnership. The general partner is entitled to receive 2% of such distributions. The following table shows the distributions declared and paid to common unitholders during the three months ended March 31, 2018 and 2017:

| Date Paid         | Period Covered by Distribution | Distribution<br>per<br>Common<br>Unit | Total Distributions (in<br>thousands) |                |         |
|-------------------|--------------------------------|---------------------------------------|---------------------------------------|----------------|---------|
|                   |                                |                                       | Common<br>Units                       | GP<br>Interest | Total   |
| 2018              |                                |                                       |                                       |                |         |
| February 14, 2018 | October 1 - December 31, 2017  | \$ 0.45                               | \$5,505                               | \$ 112         | \$5,617 |



2017

February 14, 2017 October 1 - December 31, 2016 \$ 0.45 \$5,503 \$ 112 \$5,615

Preferred Unit Distributions

The following table shows the distributions declared and paid to Preferred Unitholders during the three months ended March 31, 2018:

| Date Paid        | Period Covered by Distribution | Distribution<br>per<br>Preferred<br>Unit | Cash<br>Distributions | Total<br>Distribution<br>Declared |
|------------------|--------------------------------|--|-----------------------|-----------------------------------|
| February 7, 2018 | October 1 - December 31, 2017  | \$ 30.00                                 | \$ 7,765              | \$ 7,765                          |

Income available to common unitholders and the general partner is reduced by Preferred Unit distributions that accumulated during the period. During the three months ended March 31, 2018, NRP reduced net income attributable to common unitholders

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

and the general partner by \$7.5 million as a result of accumulated Preferred Unit distributions to be paid during the three months ended June 30, 2018.

5. Net Income Per Common Unit

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

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

The dilutive effect of the Warrants is calculated using the treasury stock method, which assumes that the proceeds from the exercise of these instruments are used to purchase common units at the average market price for the period. The calculation of the dilutive effect of the Warrants for the three months ended March 31, 2018 and 2017 did not include the net settlement of Warrants to purchase 2.25 million common units with a strike price of \$34.00 because the impact would have been anti-dilutive.

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

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

|   | Three Months<br>Ended<br>March 31, |          |
|---|------------------------------------|----------|
| (In thousands, except per unit data)  | 2018                               | 2017     |
| Allocation of net income:   |                                    |          |
| Net income from continuing operations   | \$26,088                           | \$6,111  |
| Less: income attributable to preferred unitholders  | 7,500                              | 2,500    |
| Less: net income from continuing operations and income attributable to preferred unitholders allocated to the general partner | 371                                | 4        |
| Net income from continuing operations attributable to common unitholders  | \$18,217                           | \$3,607  |
| Net loss from discontinued operations   | \$(14 )                            | \$(207 ) |
| Less: net loss from discontinued operations attributable to the general partner   | —                                  | (4 )     |
| Net loss from discontinued operations attributable to common unitholders  | \$(14 )                            | \$(203 ) |
| Net income  | \$26,074                           | \$5,904  |
| Less: income attributable to preferred unitholders  | 7,500                              | 2,500    |
| Less: net income and income attributable to preferred unitholders allocated to the general partner                            | 371                                | —        |
| Net income attributable to common unitholders   | \$18,203                           | \$3,404  |
| Basic income (loss) per common unit:  |                                    |          |
| Weighted average common units—basic   | 12,238                             | 12,232   |
| Basic net income from continuing operations per common unit   | \$1.49                             | \$0.30   |
| Basic net loss from discontinued operations per common unit   | —                                  | (0.02 )  |
| Basic net income per common unit  | \$1.49                             | \$0.28   |
| Diluted income (loss) per common unit:  |                                    |          |
| Weighted average common units—basic   | 12,238                             | 12,232   |
| Plus: dilutive effect of Warrants   | 424                                | 322      |
| Plus: dilutive effect of Preferred Units  | 9,463                              | 2,391    |
| Weighted average common units—diluted   | 22,125                             | 14,945   |
| Net income from continuing operations   | \$26,088                           | \$6,111  |
| Less: net income from continuing operations allocated to the general partner  | 521                                | 53       |
| Diluted net income from continuing operations attributable to common unitholders  | \$25,567                           | \$6,058  |
| Diluted net loss from discontinued operations attributable to common unitholders  | \$(14 )                            | \$(203 ) |
| Net income  | \$26,074                           | \$5,904  |
| Less: net income allocated to the general partner   | 521                                | 49       |
| Diluted net income attributable to common unitholders   | \$25,553                           | \$5,855  |

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|   |        |         |
|---|--------|---------|
| Diluted net income from continuing operations per common unit | \$1.16 | \$0.30  |
| Diluted net loss from discontinued operations per common unit | —      | (0.02 ) |
| Diluted net income per common unit                            | \$1.15 | \$0.28  |

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

6. Segment Information

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

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

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

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

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

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

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

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

| (In thousands)   | Operating Segments              |           |                            |                               | Total       |   |
|--|---------------------------------|-----------|----------------------------|-------------------------------|-------------|---|
|  | Coal<br>Royalty<br>and<br>Other | Soda Ash  | Construction<br>Aggregates | Corporate<br>and<br>Financing |             |   |
| Three Months Ended March 31, 2018                                  |                                 |           |                            |                               |             |   |
| Revenues (including affiliates)                                    | \$51,593                        | \$9,621   | \$ 27,152                  | \$ —                          | \$88,366    |   |
| Intersegment revenues (expenses)                                   | 41                              | —         | (41                        | ) —                           | —           |   |
| Gain on asset sales, net   | 651                             | —         | 9                          | —                             | 660         |   |
| Operating and maintenance expenses<br>(including affiliates)       | 6,215                           | —         | 26,218                     | —                             | 32,433      |   |
| General and administrative (including affiliates)                  | —                               | —         | —                          | 4,336                         | 4,336       |   |
| Depreciation, depletion and amortization                           | 5,100                           | —         | 2,857                      | —                             | 7,957       |   |
| Asset impairment   | 242                             | —         | —                          | —                             | 242         |   |
| Other expense, net   | —                               | —         | 20                         | 17,950                        | 17,970      |   |
| Net income (loss) from continuing operations                       | 40,728                          | 9,621     | (1,975                     | ) (22,286                     | ) 26,088    |   |
| Loss from discontinued operations                                  | —                               | —         | —                          | —                             | (14         | ) |
| Three Months Ended March 31, 2017                                  |                                 |           |                            |                               |             |   |
| Revenues (including affiliates)                                    | \$51,138                        | \$10,294  | \$ 27,221                  | \$ —                          | \$88,653    |   |
| Intersegment revenues (expenses)                                   | 62                              | —         | (62                        | ) —                           | —           |   |
| Gain on asset sales, net   | 29                              | —         | 15                         | —                             | 44          |   |
| Operating and maintenance expenses<br>(including affiliates)       | 7,384                           | —         | 24,799                     | —                             | 32,183      |   |
| General and administrative (including affiliates)                  | —                               | —         | —                          | 7,202                         | 7,202       |   |
| Depreciation, depletion and amortization<br>(including affiliates) | 6,973                           | —         | 3,519                      | —                             | 10,492      |   |
| Asset impairment   | 1,778                           | —         | —                          | —                             | 1,778       |   |
| Other expense, net   | —                               | —         | 395                        | 30,536                        | 30,931      |   |
| Net income (loss) from continuing operations                       | 35,094                          | 10,294    | (1,539                     | ) (37,738                     | ) 6,111     |   |
| Loss from discontinued operations                                  | —                               | —         | —                          | —                             | (207        | ) |
| As of March 31, 2018   |                                 |           |                            |                               |             |   |
| Total assets of continuing operations                              | \$943,334                       | \$241,679 | \$ 186,346                 | \$ 4,856                      | \$1,376,215 |   |
| Total assets of discontinued operations                            | —                               | —         | —                          | —                             | 991         |   |
| As of December 31, 2017  |                                 |           |                            |                               |             |   |
| Total assets of continuing operations                              | \$945,237                       | \$245,433 | \$ 191,374                 | \$ 6,129                      | \$1,388,173 |   |
| Total assets of discontinued operations                            | —                               | —         | —                          | —                             | 991         |   |

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

7. Equity Investment

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

| (In thousands)                                    | Three Months Ended |           |
|---|--------------------|-----------|
|   | March 31,          |           |
|   | 2018               | 2017      |
| Balance at beginning of period                    | \$245,433          | \$255,901 |
| Income allocation to NRP's equity interests       | 10,832             | 11,480    |
| Amortization of basis difference                  | (1,211 )           | (1,186 )  |
| Comprehensive loss from unconsolidated investment | (1,125 )           | (1,142 )  |
| Distribution                                      | (12,250 )          | (12,250 ) |
| Balance at end of period                          | \$241,679          | \$252,803 |

The following table represents summarized financial information for Ciner Wyoming as derived from the respective unaudited financial statements for the three months ended March 31, 2018 and 2017, respectively:

| (In thousands) | Three Months |           |
|----------------|--------------|-----------|
|                | Ended        |           |
|                | March 31,    |           |
|                | 2018         | 2017      |
| Sales          | \$121,219    | \$126,572 |
| Gross profit   | 28,222       | 28,697    |
| Net Income     | 22,107       | 23,428    |

8. Plant and Equipment

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

| (In thousands)                 | March     | December  |
|--------------------------------|-----------|-----------|
|                                | 31,       | 31,       |
|                                | 2018      | 2017      |
| Plant and equipment            | \$87,197  | \$84,173  |
| Construction in process        | 1,169     | 803       |
| Less accumulated depreciation  | (41,129 ) | (38,806 ) |
| Total plant and equipment, net | \$47,237  | \$46,170  |

Depreciation expense related to the Partnership's plant and equipment totaled \$2.4 million and \$3.0 million for the three months ended March 31, 2018 and 2017, respectively, and is included in Depreciation, depletion and amortization on the Partnership's Consolidated Statements of Comprehensive Income.

9. Mineral Rights

The Partnership's mineral rights consist of the following:

| (In thousands) | March 31, 2018 |
|----------------|----------------|
|----------------|----------------|

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|                                | Carrying<br>Value | Accumulated<br>Depletion | Net Book<br>Value |
|--------------------------------|-------------------|--------------------------|-------------------|
| Coal properties                | \$1,169,861       | \$ (440,599 )            | \$729,262         |
| Aggregates properties          | 150,642           | (17,754 )                | 132,888           |
| Oil and gas royalty properties | 12,395            | (7,375 )                 | 5,020             |
| Other                          | 13,163            | (1,488 )                 | 11,675            |
| Total                          | \$1,346,061       | \$ (467,216 )            | \$878,845         |

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

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

Depletion expense related to the Partnership's mineral rights totaled \$4.8 million and \$6.6 million for the three months ended March 31, 2018 and 2017, respectively, and is included in Depreciation, depletion and amortization on the Partnership's Consolidated Statements of Comprehensive Income.

In April 2018, Foresight Energy LP ("Foresight Energy") made a filing with the SEC indicating its intent to permanently close the Deer Run mine operated by its subsidiary Hillsboro Energy LLC ("Hillsboro") if the coal mining lease is terminated by the Court in connection with the ongoing litigation relating thereto. Refer to [Note 15. Commitments and Contingencies—Legal](#)—Foresight Energy Disputes for more information on this litigation. In addition, Foresight Energy stated its intent to impair certain long-lived assets in the second quarter of 2018, including mineral reserves, buildings and structures, machinery and equipment, and other related assets that are not expected to generate future positive cash flows at the Deer Run mine.

The Partnership has evaluated the impact of this announcement by Foresight Energy on its estimate of future cash flows from its Hillsboro property. To the extent the Partnership is unable to generate sufficient cash flow, the carrying value of the Partnership's reserves could be impaired. However, NRP believes there is no basis for termination of the lease, and the lease will remain in full force and effect unless the Court allows Hillsboro to bring its counterclaim and ultimately declares the lease terminated. Further, NRP believes that the approximately 179 million tons of estimated coal reserves at the Deer Run mine have substantial economic value. As a result, the Partnership has concluded there is no impairment of the \$235 million net book value as of March 31, 2018 of the Partnership's reserves at the Deer Run mine. NRP will continue to assess the expected cash flow from this property in future periods.

#### 10. Intangible Assets

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

| (In thousands)                 | March    | December |
|--------------------------------|----------|----------|
|                                | 31, 2018 | 31, 2017 |
| Intangible assets              | \$86,336 | \$86,336 |
| Less: accumulated amortization | (37,567) | (36,782) |
| Total intangible assets, net   | \$48,769 | \$49,554 |

As of May 9, 2017, Foresight Energy is no longer deemed to be an affiliate of the Partnership. Refer to Note 13. Related Party Transactions for additional details. Amortization expense included in Depreciation, depletion and amortization on the Consolidated Statements of Comprehensive Income was \$0.8 million and \$0.2 million for the three months ended March 31, 2018 and 2017, respectively. Amortization expense included in amortization expense—affiliates on the Partnership's Consolidated Statements of Comprehensive Income was \$0.8 million for the three months ended March 31, 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—CONTINUED  
(Unaudited)

11. Debt

The Partnership's debt consists of the following:

| (In thousands)  | March 31,<br>2018 | December<br>31,<br>2017 |
|---|-------------------|-------------------------|
| NRP LP debt:  |                   |                         |
| 10.500% senior notes, with semi-annual interest payments in March and September, due March 2022, \$241 million issued at par and \$105 million issued at 98.75% | \$345,638         | \$345,638               |
| Opco debt:  |                   |                         |
| Revolving credit facility   | 95,000            | 60,000                  |
| Senior notes  |                   |                         |
| 4.91% with semi-annual interest payments in June and December, with annual principal payments in June, due June 2018  | 4,586             | 4,586                   |
| 8.38% with semi-annual interest payments in March and September, with annual principal payments in March, due March 2019  | 21,334            | 42,670                  |
| 5.05% with semi-annual interest payments in January and July, with annual principal payments in July, due July 2020   | 22,946            | 22,946                  |
| 5.55% with semi-annual interest payments in June and December, with annual principal payments in June, due June 2023  | 16,115            | 16,115                  |
| 4.73% with semi-annual interest payments in June and December, with annual principal payments in December, due December 2023                                    | 44,693            | 44,693                  |
| 5.82% with semi-annual interest payments in March and September, with annual principal payments in March, due March 2024  | 89,589            | 104,520                 |
| 8.92% with semi-annual interest payments in March and September, with annual principal payments in March, due March 2024  | 27,200            | 31,733                  |
| 5.03% with semi-annual interest payments in June and December, with annual principal payments in December, due December 2026                                    | 120,547           | 120,547                 |
| 5.18% with semi-annual interest payments in June and December, with annual principal payments in December, due December 2026                                    | 34,396            | 34,396                  |
| Total debt at face value  | \$822,044         | \$827,844               |
| Net unamortized debt discount   | (1,562 )          | (1,661 )                |
| Net unamortized debt issuance costs   | (15,905 )         | (16,835 )               |
| Total debt, net   | \$804,577         | \$809,348               |
| Less: current portion of long-term debt   | 79,723            | 79,740                  |
| Total long-term debt, net   | \$724,854         | \$729,608               |

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

NRP LP Debt

2022 Senior Notes

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

Opco Debt

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

Opco Credit Facility

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

The weighted average interest rates for the borrowings outstanding under the Opco Credit Facility for three months ended March 31, 2018 and 2017 were 5.91% and 5.22%, respectively. Debt issue cost related to the Opco credit facility were \$3.9 million and \$4.6 million at March 31, 2018 and December 31, 2017, respectively, and have been capitalized and included in Other assets on the Partnership's Consolidated Balance Sheets.

The Opco Credit Facility is collateralized and secured by liens on certain of Opco's assets with carrying values of \$646.3 million and \$649.7 million classified as Land, Plant and equipment and Mineral rights on the Partnership's Consolidated Balance Sheet as of March 31, 2018 and December 31, 2017, respectively.

Opco Senior Notes

As of March 31, 2018 and December 31, 2017, the private placement senior notes ("Opco Senior Notes") had cumulative principal balances of \$381.4 million and \$422.2 million, respectively. Opco made mandatory principal payments of \$40.8 million during both the three months ended March 31, 2018 and 2017.

The 8.38% and 8.92% Opco Senior Notes also provide that in the event that Opco's leverage ratio of consolidated indebtedness to consolidated EBITDDA (as defined in the Note Purchase Agreements) exceeds 3.75 to 1.00 at the end of any fiscal quarter, then in addition to all other interest accruing on these notes, additional interest in the amount of 2.00% per annum shall accrue on the notes for the two succeeding quarters and for as long thereafter as the leverage ratio remains above 3.75 to 1.00. Opco has not exceeded the 3.75 to 1.00 ratio at the end of any fiscal quarter through March 31, 2018.

12. Fair Value Measurements

#### Fair Value of Financial Instruments

The Partnership's financial instruments consist of cash and cash equivalents, accounts receivable, contracts receivable, accounts payable, debt, Preferred Units and warrants. The carrying amounts reported on the Consolidated Balance Sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short-term nature. There were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy during the three months ended March 31, 2018 or 2017.

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

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

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

| (In thousands)   | March 31, 2018 |                      | December 31, 2017 |                      |
|--|----------------|----------------------|-------------------|----------------------|
|  | Carrying Value | Estimated Fair Value | Carrying Value    | Estimated Fair Value |
| <b>Debt:</b>   |                |                      |                   |                      |
| NRP 2022 Senior Notes <sup>(1)</sup>                       | \$331,309      | \$371,561            | \$330,404         | \$366,376            |
| Opco Senior Notes <sup>(2)</sup>                           | 378,268        | 410,011              | 418,944           | 447,538              |
| Opco Revolving Credit Facility <sup>(3)</sup>              | 95,000         | 95,000               | 60,000            | 60,000               |
| <b>Assets:</b>   |                |                      |                   |                      |
| Contracts receivable, current and long-term <sup>(4)</sup> | \$43,312       | \$30,332             | \$43,826          | \$30,517             |

(1) The Level 1 fair value is based upon quotations obtained for identical instruments on the closing trading prices near period end.

(2) Due to no observable quoted prices on these instruments, the Level 3 fair value is estimated by management using quotations obtained for the NRP Senior Notes on the closing trading prices near period end.

The Level 3 fair value approximates the outstanding borrowing amount because the interest rates are variable and (3) reflective of market rates and the terms of the credit facility allow the Partnership to repay this debt at any time without penalty.

(4) The Level 3 fair value is determined based on the present value of future cash flow projections related to the underlying assets.

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

### 13. Related Party Transactions

#### Cline Affiliates and Foresight Energy L.P.

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

affiliated with Chris Cline, including Foresight Energy, are considered to be third party transactions.

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

Coal Royalty and Other revenues

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

|  | Three Months<br>Ended<br>March 31, |        |
|--|------------------------------------|--------|
| (In thousands)                             | 2018                               | 2017   |
| Coal royalty and other revenue             | \$7,048                            | \$ —   |
| Coal royalty and other—affiliates revenue— |                                    | 11,152 |

Transportation and Processing Services Revenues and Expenses

The Partnership owns transportation and processing infrastructure related to certain of our coal properties, including loadout and other transportation assets at Foresight Energy's Williamson and Macoupin mines in the Illinois Basin. In addition, NRP owns rail loadout and associated infrastructure at the Sugar Camp mine, an Illinois Basin mine also operated by a subsidiary of Foresight Energy LP. While the Partnership owns coal reserves at the Williamson and Macoupin mines, it does not own coal reserves at the Sugar Camp mine. This infrastructure is leased to third parties and NRP collects throughput fees, which are included in the Partnership's Consolidated Statements of Comprehensive Income as follows:

|   | Three<br>Months<br>Ended<br>March 31, |       |
|---|---------------------------------------|-------|
| (In thousands)                                    | 2018                                  | 2017  |
| Transportation and processing services            | \$5,383                               | \$ —  |
| Transportation and processing services—affiliate— |                                       | 4,639 |

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

|   | Three<br>Months<br>Ended<br>March 31, |       |
|---|---------------------------------------|-------|
| (In thousands)                                | 2018                                  | 2017  |
| Operating and maintenance expense             | \$401                                 | \$—   |
| Operating and maintenance expense—affiliates— |                                       | 335   |
| Total   | \$401                                 | \$335 |



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

|                              | March       | December    |
|------------------------------|-------------|-------------|
| (In thousands)               | 31,<br>2018 | 31,<br>2017 |
| Projected remaining payments | \$70,225    | \$ 71,452   |
| Unearned income              | 27,526      | 28,366      |

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

Reimbursements to Affiliates of our General Partner

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

The Partnership had Accounts payable—affiliates on its Consolidated Balance Sheets to QMC of \$1.1 million and WPPLP of \$1.0 million as of March 31, 2018 and to QMC of \$0.4 million and WPPLP of \$0.1 million as of December 31, 2017.

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

|   | Three Months |         |
|---|--------------|---------|
|   | Ended        |         |
| (In thousands)                                | March 31,    |         |
|   | 2018         | 2017    |
| Operating and maintenance expenses—affiliates | \$1,907      | \$2,135 |
| General and administrative—affiliates         | 931          | 1,124   |

Quintana Capital Group GP, Ltd.

Corbin J. Robertson, Jr. is a principal in Quintana Capital Group GP, Ltd. ("Quintana Capital"), which controls several private equity funds focused on investments in the energy business. In connection with the formation of Quintana Capital, the Partnership adopted a formal conflicts policy that establishes the opportunities that will be pursued by the Partnership and those that will be pursued by Quintana Capital. The governance documents of Quintana Capital's affiliated investment funds reflect the guidelines set forth in the Partnership's conflicts policy. At March 31, 2018, a fund controlled by Quintana Capital owned a substantial interest in Corsa Coal Corp. ("Corsa"), a coal mining company traded on the TSX Venture Exchange that is one of the Partnership's lessees in Tennessee. Corbin J. Robertson III, one of the Partnership's directors, was Chairman of the Board of Corsa through May 10, 2017.

Coal related revenues from Corsa totaled \$0.2 million and \$0.4 million for the three months ended March 31, 2018 and 2017, respectively. At March 31, 2018 and December 31, 2017, the Partnership had Accounts receivable—affiliates totaling \$0.1 million and \$0.2 million from Corsa on its Consolidated Balance Sheets, respectively.

WPPLP Production Royalty and Overriding Royalty

During the three months ended March 31, 2018 and 2017, the Partnership recorded \$0.6 million and \$0.1 million in Operating and maintenance expenses—affiliates, respectively, on its Statements of Comprehensive Income related to a non-participating production royalty payable to WPPLP pursuant to a conveyance agreement entered into in 2007. The Partnership had Other assets—affiliate from WPPLP of \$0.2 million at December 31, 2017 on its Consolidated Balance Sheets related to a non-production royalty receivable from WPPLP for overriding royalty interest on a mine.

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

14. Major Customers

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

|                  | Three Months Ended March 31, |         |          |         |
|------------------|------------------------------|---------|----------|---------|
|                  | 2018                         | 2017    |          |         |
| (In thousands)   | Revenues                     | Percent | Revenues | Percent |
| Foresight Energy | \$12,431                     | 14.0 %  | \$15,791 | 17.8 %  |

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

15. Commitments and Contingencies

Legal

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

Anadarko Contingent Consideration Payment Dispute

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

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

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

prevails and is awarded the full damages it seeks.

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

### Foresight Energy Disputes

In November 2015, NRP filed a lawsuit against Hillsboro and has subsequently named Foresight Energy and certain of its other subsidiaries in that lawsuit. The lawsuit alleges, among other items, breach of contract by Hillsboro resulting from a wrongful declaration of force majeure at Hillsboro's Deer Run mine, as well as alter-ego and tortious interference claims against Foresight Energy. In late March 2015, elevated carbon monoxide readings were detected at the Deer Run mine, and coal production at the mine was idled. In July 2015, Hillsboro declared a force majeure event under its lease with us, and Hillsboro has failed to make its contractually obligated minimum quarterly payments of \$7.5 million since then. NRP believes the force majeure declaration by Hillsboro has no merit and is vigorously pursuing recovery against Hillsboro as well as against Foresight Energy and certain of its other subsidiaries. In April 2018, Hillsboro filed a motion with the Court asking to be allowed to file a counterclaim seeking a declaration that the lease terminated retroactively effective March 26, 2015. We believe there is no basis for termination of the lease, and the lease will remain in full force and effect unless the Court allows Hillsboro to bring its counterclaim and ultimately declares the lease terminated. Hillsboro has failed to make \$83.5 million of required quarterly minimum payments to NRP to date, and such amount will continue to increase by \$7.5 million for each quarter with respect to which payment is not made. Additionally, approximately \$12.8 million of interest on the unpaid amounts has accrued to date.

In April 2016, NRP filed a lawsuit against Macoupin Energy, LLC ("Macoupin"), a subsidiary of Foresight Energy, in Macoupin County, Illinois. The lawsuit alleges that Macoupin has failed to comply with the terms of its coal mining, rail loadout and rail loop leases by incorrectly recouping previously paid minimum royalties. As a result, Macoupin owes NRP approximately \$9.5 million in improperly recouped minimum royalties through March 31, 2018.

## 16. Unit-Based Compensation

### 2017 Long-Term Incentive Plan

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

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

### Unit-Based Awards

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

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

A summary of the activity during three months ended March 31, 2018 is as follows:

| (In thousands)                 | Common<br>Units | Weighted                     |
|--------------------------------|-----------------|------------------------------|
|                                |                 | Average<br>Exercise<br>Price |
| Outstanding at January 1, 2018 | —               | \$ —                         |
| Granted                        | 75              | \$ 29.16                     |
| Fully vested and issued        | (14 )           | \$ 29.44                     |
| Forfeitures                    | —               | \$ —                         |
| Outstanding at March 31, 2018  | 61              | \$ 29.10                     |

The awards granted in the first quarter of 2018 were valued using the closing price of NRP's units as of the grant date. The grant date fair value of the 2017 LTIP awards granted during the period was \$2.2 million, including awards granted to board members with a grant date fair value of \$0.6 million which immediately vested and were issued. Unit-based compensation expense associated with these awards was \$0.6 million for the three months ended March 31, 2018 and is included in General and administrative expense and Operating and maintenance expense in the Partnership's Consolidated Statements of Comprehensive Income. The unamortized cost associated with unvested outstanding grants as of March 31, 2018 is \$1.6 million recognized over a weighted-average period of 2.9 years.

#### 17. Subsequent Events

The following represents material events that have occurred subsequent to March 31, 2018 through the time of the Partnership's filing of its Quarterly Report on Form 10-Q with the SEC:

##### Distributions Declared

On April 25, 2018, the Board of Directors of GP Natural Resource Partners LLC declared a distribution of \$0.45 per common unit to be paid by the Partnership on May 14, 2018 to common unitholders of record on May 7, 2018. In addition, the Board declared a distribution on NRP's 12.0% Class A Convertible Preferred Units with respect to the first quarter totaling \$7.5 million in cash.



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

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

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

### INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

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

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

#### Introduction

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

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



## Executive Overview

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

Our business is organized into three operating segments:

**Coal Royalty and Other**—consists primarily of coal royalty properties and coal-related transportation and processing assets. Other assets include aggregate, industrial mineral and oil and gas royalty properties and timber. Our coal reserves are primarily located in Appalachia, the Illinois Basin and the Western United States. Our aggregates and industrial minerals are primarily located in Pennsylvania, West Virginia, Tennessee, Kentucky and Louisiana. Our oil and gas royalty assets are primarily located in Louisiana and Pennsylvania.

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

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

Our consolidated financial results are as follows:

| (In thousands)  | Three<br>Months<br>Ended<br>March 31,<br>2018 |
|---|---|
| Revenues and other income                             | \$89,026                                      |
| Net income from continuing operations                 | \$26,088                                      |
| Adjusted EBITDA <sup>(1)</sup>                        | \$54,886                                      |
| Operating cash flow provided by continuing operations | \$20,211                                      |
| Investing cash flow used in continuing operations     | \$(173 )                                      |
| Financing cash flow used in continuing operations     | \$(28,713)                                    |
| Distributable Cash Flow ("DCF") <sup>(1)</sup>        | \$20,845                                      |

<sup>(1)</sup> See "Results of Operations" below for additional information regarding non-GAAP financial measures and reconciliations to the most comparable GAAP financial measures.



## Current Results/Market Commentary

## Coal Royalty and Other Business Segment

Our Coal Royalty and Other business segment financial results are as follows:

| (In thousands)  | Three<br>Months<br>Ended<br>March<br>31,<br>2018 |
|---|--|
| Revenues and other income                             | \$52,244   |
| Net income from continuing operations                 | \$40,728   |
| Adjusted EBITDA <sup>(1)</sup>                        | \$46,070   |
| Operating cash flow provided by continuing operations | \$38,793   |
| Investing cash flow provided by continuing operations | \$1,143  |
| DCF <sup>(1)</sup>                                    | \$39,936   |

(1) See "Results of Operations" below for additional information regarding non-GAAP financial measures and reconciliations to the most comparable GAAP financial measures.

Our first quarter of 2018 Coal Royalty and Other segment results continued the trend we saw throughout the second half of 2017. Metallurgical coal prices were approximately 35% higher during the first quarter of 2018 as compared to the prior year's first quarter, driven by continued supply constraints and worldwide steel production growth. Increased steel demand combined with a reduction in Chinese steel exports has led to higher steel prices and steel producer profit margins internationally, which supports higher prices for raw material inputs such as metallurgical coal and coke. Benefiting from higher metallurgical coal prices, we derived approximately 67% of our coal royalty revenues and approximately 53% of our coal royalty production from metallurgical coal during the first quarter of 2018. For the remainder of 2018, we expect metallurgical coal markets to remain stable due to continued global economic growth and supportive steel industry fundamentals combined with logistical and operational supply constraints across the industry.

Thermal coal prices in Appalachia improved over the prior year primarily as a result of increased export demand from Asia and northern Europe whereas Illinois Basin thermal prices remained relatively flat year over year. Coal's relative share of the electricity generation mix is expected to decline modestly over the course of 2018 due to low natural gas prices, continued coal fired power plant retirements, and the availability of renewable generation. As a result, domestic thermal markets are expected to remain oversupplied throughout 2018 despite the relative strength in export demand and shrinking utility inventory stockpiles.

## Soda Ash Business Segment

Our Soda Ash business segment financial results are as follows:

| (In thousands) | Three<br>Months<br>Ended |
|----------------|--------------------------|
|----------------|--------------------------|

|   | March<br>31,<br>2018 |
|---|----------------------|
| Revenues and other income                             | \$9,621              |
| Net income from continuing operations                 | \$9,621              |
| Adjusted EBITDA <sup>(1)</sup>                        | \$12,250             |
| Operating cash flow provided by continuing operations | \$10,153             |
| Investing cash flow provided by continuing operations | \$2,097              |
| DCF <sup>(1)</sup>                                    | \$12,250             |

(1) See "Results of Operations" below for additional information regarding non-GAAP financial measures and reconciliations to the most comparable GAAP financial measures.

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

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

Ciner Wyoming expects to grow its domestic market share in the near future while also remaining focused on international markets.

#### Construction Aggregates Business Segment

Our construction aggregates business segment financial results are as follows:

| (In thousands)  | Three<br>Months<br>Ended<br>March<br>31, 2018 |
|---|---|
| Revenues and other income                             | \$27,161                                      |
| Net income from continuing operations                 | \$(1,975 )                                    |
| Adjusted EBITDA <sup>(1)</sup>                        | \$902   |
| Operating cash flow provided by continuing operations | \$2,797                                       |
| Investing cash flow used in continuing operations     | \$(3,413 )                                    |
| Financing cash flow used in continuing operations     | \$(49 )                                       |
| DCF <sup>(1)</sup>                                    | \$191   |

(1) See "Results of Operations" below for additional information regarding non-GAAP financial measures and reconciliations to the most comparable GAAP financial measures.

Our construction aggregates business is largely dependent on the strength of the local markets that it serves. In particular, key drivers of performance in the regions of our operations include: 1) natural gas drilling customers in the Marcellus shale, 2) traditional construction markets of Southwest Pennsylvania and Northern West Virginia, 3) energy-related and infrastructure spending in the Louisiana market, and 4) military spending in the Clarksville, Tennessee market. The business is also seasonal, with lower production and sales during the first quarter each year. Additionally, our first quarter of 2018 results were impacted by unfavorable weather conditions and increased fuel costs.





## Results of Operations

## First Three Months of 2018 and 2017 Compared

## Revenues and Other Income

Revenues and other income increased \$0.3 million, from \$88.7 million in the three months ended March 31, 2017 to \$89.0 million in the three months ended March 31, 2018. The following table shows our revenues and other income by business segment for the three months ended March 31, 2018 and 2017:

| Business Segment (In thousands) | For the Three                     |          | Increase<br>(Decrease) | Percentage<br>Change |
|---------------------------------|-----------------------------------|----------|------------------------|----------------------|
|                                 | Months Ended<br>March 31,<br>2018 | 2017     |                        |                      |
| Coal Royalty and Other          | \$52,244                          | \$51,167 | \$ 1,077               | 2 %                  |
| Soda Ash                        | 9,621                             | 10,294   | (673)                  | (7)%                 |
| Construction Aggregates         | 27,161                            | 27,236   | (75)                   | — %                  |
| Total                           | \$89,026                          | \$88,697 | \$ 329                 | — %                  |

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

## Coal Royalty and Other

Revenues and other income related to our Coal Royalty and Other segment increased \$1.1 million, or 2%, from \$51.2 million in the three months ended March 31, 2017 to \$52.2 million in the three months ended March 31, 2018 despite lower production across most regions. The table below presents coal production, coal royalty revenue per ton and coal royalty revenues (including affiliates) derived from our major coal producing regions and the significant categories of other revenues:

| (In thousands, except per ton data)                       | For the Three<br>Months Ended<br>March 31, |          | Increase<br>(Decrease) | Percentage<br>Change |   |
|---|--|----------|------------------------|----------------------|---|
|   | 2018                                       | 2017     |                        |                      |   |
| Coal production (tons)                                    |  |          |                        |                      |   |
| Appalachia  |  |          |                        |                      |   |
| Northern  | 225  | 1,206    | (981 )                 | (81 )                | % |
| Central   | 3,545                                      | 3,699    | (154 )                 | (4 )                 | % |
| Southern  | 546  | 562      | (16 )                  | (3 )                 | % |
| Total Appalachia  | 4,316                                      | 5,467    | (1,151 )               | (21 )                | % |
| Illinois Basin  | 743  | 2,017    | (1,274 )               | (63 )                | % |
| Northern Powder River Basin                               | 1,233                                      | 950      | 283                    | 30                   | % |
| Total coal production                                     | 6,292                                      | 8,434    | (2,142 )               | (25 )                | % |
| Coal royalty revenue per ton                              |  |          |                        |                      |   |
| Appalachia  |  |          |                        |                      |   |
| Northern  | \$4.73                                     | \$0.50   | \$ 4.23                | 846                  | % |
| Central   | 5.71                                       | 5.46     | 0.25                   | 5                    | % |
| Southern  | 7.16                                       | 6.46     | 0.70                   | 11                   | % |
| Illinois Basin  | 4.14                                       | 3.30     | 0.84                   | 25                   | % |
| Northern Powder River Basin                               | 2.24                                       | 2.63     | (0.39 )                | (15 )                | % |
| Combined average coal royalty revenue per ton             | 4.93                                       | 3.98     | 0.95                   | 24                   | % |
| Coal royalty revenues                                     |  |          |                        |                      |   |
| Appalachia  |  |          |                        |                      |   |
| Northern  | \$1,066                                    | \$607    | \$ 459                 | 76                   | % |
| Central   | 20,232                                     | 20,184   | 48                     | —                    | % |
| Southern  | 3,914                                      | 3,632    | 282                    | 8                    | % |
| Total Appalachia  | 25,212                                     | 24,423   | 789                    | 3                    | % |
| Illinois Basin  | 3,075                                      | 6,646    | (3,571 )               | (54 )                | % |
| Northern Powder River Basin                               | 2,765                                      | 2,498    | 267                    | 11                   | % |
| Unadjusted coal royalty revenue                           | 31,052                                     | 33,567   | (2,515 )               | (7 )                 | % |
| Coal royalty adjustment for minimum leases <sup>(1)</sup> | (2,361 )                                   | —        | (2,361 )               | (100 )               | % |
| Total coal royalty revenue                                | \$28,691                                   | \$33,567 | \$(4,876 )             | (15 )                | % |
| Other revenues  |  |          |                        |                      |   |
| Production lease minimum revenue <sup>(1)</sup>           | \$425                                      | \$5,196  | \$(4,771 )             | (92 )                | % |
| Minimum lease straight line revenue <sup>(1)</sup>        | 6,760                                      | —        | 6,760                  | 100                  | % |
| Property tax revenue                                      | 1,182                                      | 2,698    | (1,516 )               | (56 )                | % |
| Wheelage revenue  | 1,974                                      | 1,267    | 707                    | 56                   | % |
| Coal overriding royalty revenue                           | 2,872                                      | 824      | 2,048                  | 249                  | % |
| Aggregates royalty revenues                               | 1,091                                      | 1,244    | (153 )                 | (12 )                | % |
| Oil and gas royalty revenues                              | 2,898                                      | 1,491    | 1,407                  | 94                   | % |
| Other   | 317  | 212      | 105                    | 50                   | % |
| Total other revenues                                      | \$17,519                                   | \$12,932 | \$ 4,587               | 35                   | % |
| Coal royalty and other income                             | 46,210                                     | 46,499   | (289 )                 | (1 )                 | % |

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|  |          |          |          |       |   |
|--|----------|----------|----------|-------|---|
| Transportation and processing services                         | 5,383    | 4,639    | 744      | 16    | % |
| Gain on coal royalty and other segment asset sales             | 651      | 29       | 622      | 2,145 | % |
| Total coal royalty and other segment revenues and other income | \$52,244 | \$51,167 | \$ 1,077 | 2     | % |

These line items were impacted by the adoption of the new revenue recognition standard in the first quarter of 2018. The total impact of the adoption of this standard was a net decrease of \$1.7 million in coal royalty and other income as follows: (1) \$6.8 million increase to minimum lease straight line revenue; (2) \$6.1 million decrease to production lease minimum revenue; and (3) \$2.4 million decrease to coal royalty revenues for minimum leases. Refer to Note 1. Basis of Presentation for the overall impact on our consolidated financial statements and Note 2. Revenue Recognition for further discussion on changes in our revenue recognition policies.

### Coal Royalty Revenue

Coal royalty revenues decreased \$2.5 million, or 7%, from \$33.6 million in the three months ended March 31, 2017 to \$31.1 million in the three months ended March 31, 2018 driven by the following:

**Appalachia:** Coal royalty revenue decreased \$0.8 million in this region as a result of lower production, partially offset by higher metallurgical coal prices.

**Illinois Basin:** Lower production in this region led to a \$3.6 million decrease in coal royalty revenue. The decreased production was primarily a result of the temporary relocation of certain production off of NRP's coal reserves.

However, the decrease in coal royalty revenue was partially offset by a \$2.2 million increase in overriding royalty revenue and wheelage primarily associated with the production of non-NRP coal.

### Other Revenues

Total other revenues increased \$4.6 million in the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily as a result of the temporary relocation of certain production off of NRP's coal reserves in the Illinois Basin as described above, in exchange for overriding royalty revenue and wheelage from the production of non-NRP coal.

### Transportation and Processing Services Revenue

Transportation and processing services revenue increased \$0.7 million, or 16%, in the three months ended March 31, 2018 compared to the three months ended March 31, 2017 primarily as a result of higher throughput volumes.

### Soda Ash

Revenues and other income related to our Soda Ash segment decreased \$0.7 million, or 7%, from \$10.3 million in the three months ended March 31, 2017 to \$9.6 million in the three months ended March 31, 2018. This decrease was primarily as a result of lower international sales and higher selling, general and administrative costs.

### Construction Aggregates

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

| (In thousands)  | For the Three                     |          | Increase<br>(Decrease) | Percentage<br>Change |
|---|-----------------------------------|----------|------------------------|----------------------|
|   | Months Ended<br>March 31,<br>2018 | 2017     |                        |                      |
| Crushed stone, sand and gravel                          | \$13,739                          | \$13,506 | \$ 233                 | 2 %                  |
| Delivery and fuel income                                | 10,083                            | 8,701    | 1,382                  | 16 %                 |
| Other   | 2,602                             | 3,276    | (674 )                 | (21 )%               |
| Total construction aggregates revenues                  | \$26,424                          | \$25,483 | \$ 941                 | 4 %                  |
| Road construction and asphalt paving services           | 728                               | 1,738    | (1,010 )               | (58 )%               |
| Gain on asset sales, net                                | 9                                 | 15       | (6 )                   | (40 )%               |
| Total construction aggregates revenues and other income | \$27,161                          | \$27,236 | \$ (75 )               | — %                  |

Total construction aggregates revenues and other income was essentially flat in the three months ended March 31, 2018 as compared to the three months ended March 31, 2017. While delivery and fuel income increased \$1.4 million,

this revenue was fully offset by increased delivery and fuel costs. Our road construction and asphalt paving services revenue decreased \$1.0 million as a result of unfavorable weather during the first quarter of 2018.

## Operating and Other Expenses

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

| (In thousands)                               | For the Three<br>Months Ended |            | Increase<br>(Decrease) | Percentage<br>Change |   |
|--|-------------------------------|------------|------------------------|----------------------|---|
|  | March 31,<br>2018             | 2017       |                        |                      |   |
| Operating expenses                           |                               |            |                        |                      |   |
| Operating and maintenance expenses           | \$29,968                      | \$29,628   | \$ 340                 | 1                    | % |
| Operating and maintenance expenses—affiliate | 2,465                         | 2,555      | (90 )                  | (4 )                 | % |
| Depreciation, depletion and amortization     | 7,957                         | 9,724      | (1,767 )               | (18 )                | % |
| Amortization expense—affiliate               | —                             | 768        | (768 )                 | (100 )               | % |
| General and administrative                   | 3,405                         | 6,078      | (2,673 )               | (44 )                | % |
| General and administrative—affiliates        | 931                           | 1,124      | (193 )                 | (17 )                | % |
| Asset impairments                            | 242                           | 1,778      | (1,536 )               | (86 )                | % |
| Total operating expenses                     | \$44,968                      | \$51,655   | \$ (6,687 )            | (13 )                | % |
| Interest expense                             | \$(18,006)                    | \$(23,141) | \$ 5,135               | 22                   | % |
| Debt modification expense                    | —                             | (7,807 )   | 7,807                  | 100                  | % |
| Interest income                              | 36                            | 17         | 19                     | 112                  | % |

Total operating expenses decreased \$6.7 million, or 13%, for three months ended March 31, 2018 as compared to the three months ended March 31, 2017 due to the following:

Operating and maintenance expenses (including affiliate) include the costs to operate our Construction Aggregates business (primarily production costs, repair and maintenance, fuel and delivery, utilities and labor costs) and costs to manage our Coal Royalty business (primarily property taxes, royalty, legal and employee related costs). There was no significant variance in total costs as an increase in Construction Aggregates delivery and fuel costs due to higher diesel costs was offset by lower Coal Royalty property tax expense.

Depreciation, Depletion and Amortization ("DD&A") Expense decreased primarily due to lower coal production in the Illinois Basin.

General and Administrative ("G&A") Expense (including affiliates) includes corporate headquarters, financing and centralized treasury and accounting. These costs decreased primarily due to performance-based awards that vested in March 2017 following the completion of our recapitalization transactions.

Asset impairments in the first quarter of 2017 related to our timber assets.

Interest Expense (including affiliates) decreased primarily due to lower debt balances during the first quarter of 2018 as a result of progress made to repay debt.

Debt Modification Expense in the first three months ended March 31, 2017 resulted from the exchange of \$241 million of our 2018 Senior Notes for 2022 Senior Notes.

## Adjusted EBITDA (Non-GAAP Financial Measure)

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

Adjusted EBITDA should not be considered an alternative to, or more meaningful than, net income or loss, net income or loss attributable to partners, operating income, cash flows from operating activities or any other measure of financial performance presented in accordance with GAAP as measures of operating performance, liquidity or ability to service debt obligations. There are significant limitations to using Adjusted EBITDA as a measure of performance, including the inability to analyze the effect of certain recurring items that materially affect our net income (loss), the lack of comparability of results of operations of different companies and the different methods of calculating Adjusted EBITDA reported by different companies. In addition, Adjusted EBITDA presented below is not calculated or presented on the same basis as Consolidated EBITDA as defined in our partnership agreement or Consolidated EBITDDA as defined in Opco's debt agreements. See Note 11. Debt to the consolidated financial statements for a description of Opco's debt agreements.

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

The following table reconciles net income (loss) from continuing operations (the most comparable GAAP financial measure) to Adjusted EBITDA by business segment for the three months ended March 31, 2018 and 2017:

| For the Three Months Ended (In thousands)               | Operating Segments |           |                         |                         | Total     |
|---|--------------------|-----------|-------------------------|-------------------------|-----------|
|   | Royalty and Other  | Soda Ash  | Construction Aggregates | Corporate and Financing |           |
| March 31, 2018  |                    |           |                         |                         |           |
| Net income (loss) from continuing operations            | \$40,728           | \$9,621   | \$ (1,975 )             | \$(22,286 )             | \$26,088  |
| Less: equity earnings from unconsolidated investment    | —                  | (9,621 )  | —                       | —                       | (9,621 )  |
| Add: total distributions from unconsolidated investment | —                  | 12,250    | —                       | —                       | 12,250    |
| Add: interest expense                                   | —                  | —         | 20                      | 17,950                  | 17,970    |
| Add: depreciation, depletion and amortization           | 5,100              | —         | 2,857                   | —                       | 7,957     |
| Add: asset impairments                                  | 242                | —         | —                       | —                       | 242       |
| Adjusted EBITDA   | \$46,070           | \$12,250  | \$ 902                  | \$(4,336 )              | \$54,886  |
| March 31, 2017  |                    |           |                         |                         |           |
| Net income (loss) from continuing operations            | \$35,094           | \$10,294  | \$ (1,539 )             | \$(37,738 )             | \$6,111   |
| Less: equity earnings from unconsolidated investment    | —                  | (10,294 ) | —                       | —                       | (10,294 ) |
| Add: total distributions from unconsolidated investment | —                  | 12,250    | —                       | —                       | 12,250    |
| Add: interest expense                                   | —                  | —         | 395                     | 22,746                  | 23,141    |
| Add: debt modification expense                          | —                  | —         | —                       | 7,807                   | 7,807     |
| Add: depreciation, depletion and amortization           | 6,973              | —         | 3,519                   | —                       | 10,492    |
| Add: asset impairments                                  | 1,778              | —         | —                       | —                       | 1,778     |

Adjusted EBITDA \$43,845 \$12,250 \$ 2,375 \$(7,185 ) \$51,285

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Adjusted EBITDA increased \$3.6 million, or 7%, from \$51.3 million in the three months ended March 31, 2017 to \$54.9 million in the three months ended March 31, 2018 primarily as a result of the following:

• Corporate and Financing Adjusted EBITDA increased \$2.8 million as a result of the decrease in general and administrative expenses as discussed above.

• Coal Royalty and Other Adjusted EBITDA increased \$2.2 million primarily as a result of the increase in revenues and other income as discussed above in addition to lower property tax expense quarter-over-quarter.

• Construction Aggregates segment Adjusted EBITDA decreased \$1.5 million as a result of unfavorable weather and higher repair and maintenance and fuel costs.

#### Distributable Cash Flow (Non-GAAP Financial Measure)

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

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

| For the Three Months Ended (In thousands)                                    | Operating Segments     |          |                         |                         | Total     |
|--|------------------------|----------|-------------------------|-------------------------|-----------|
|  | Coal Royalty and Other | Soda Ash | Construction Aggregates | Corporate and Financing |           |
| <b>March 31, 2018</b>  |                        |          |                         |                         |           |
| Net cash provided by (used in) operating activities of continuing operations | \$38,793               | \$10,153 | \$ 2,797                | \$(31,532)              | \$20,211  |
| Net cash provided by (used in) investing activities of continuing operations | 1,143                  | 2,097    | (3,413)                 | ) —                     | (173 )    |
| Net cash used in financing activities of continuing operations               | —                      | —        | (49)                    | ) (28,664)              | (28,713 ) |
| <b>March 31, 2017</b>  |                        |          |                         |                         |           |
| Net cash provided by (used in) operating activities of continuing operations | \$37,932               | \$12,250 | \$ 4,046                | \$(33,739)              | \$20,489  |
| Net cash provided by (used in) investing activities of continuing operations | 6                      | —        | (2,074)                 | ) —                     | (2,068 )  |
| Net cash provided by (used in) financing activities of continuing operations | 16                     | —        | (96)                    | ) 54,233                | 54,153    |



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

| For the Three Months Ended (In thousands)  | Operating Segments              |             |                            |                               | Total    |
|--|---------------------------------|-------------|----------------------------|-------------------------------|----------|
|  | Coal<br>Royalty<br>and<br>Other | Soda<br>Ash | Construction<br>Aggregates | Corporate<br>and<br>Financing |          |
| March 31, 2018   |                                 |             |                            |                               |          |
| Net cash provided by (used in) operating activities of continuing operations       | \$38,793                        | \$10,153    | \$ 2,797                   | \$(31,532 )                   | \$20,211 |
| Add: distributions from unconsolidated investment in excess of cumulative earnings | —                               | 2,097       | —                          | —                             | 2,097    |
| Add: proceeds from sale of assets  | 656                             | —           | 31                         | —                             | 687      |
| Add: return on long-term contract receivables                                      | 487                             | —           | —                          | —                             | 487      |
| Less: maintenance capital expenditures   | —                               | —           | (2,637 )                   | —                             | (2,637 ) |
| Distributable Cash Flow  | \$39,936                        | \$12,250    | \$ 191                     | \$(31,532 )                   | \$20,845 |
| March 31, 2017   |                                 |             |                            |                               |          |
| Net cash provided by (used in) operating activities of continuing operations       | \$37,932                        | \$12,250    | \$ 4,046                   | \$(33,739 )                   | \$20,489 |
| Add: proceeds from sale of assets  | (409 )                          | —           | 22                         | —                             | \$(387 ) |
| Add: return on long-term contract receivables—affiliate                            | 414                             | —           | —                          | —                             | \$414    |
| Less: maintenance capital expenditures   | —                               | —           | (1,969 )                   | —                             | (1,969 ) |
| Distributable Cash Flow  | \$37,937                        | \$12,250    | \$ 2,099                   | \$(33,739 )                   | \$18,547 |

DCF increased \$2.3 million million in the three months ended March 31, 2018 as compared to the three months ended March 31, 2017. This increase is due primarily to the following:

- Corporate and Financing increased \$2.2 million primarily as a result of lower G&A costs, partially offset by increased interest payments.

- Coal Royalty and Other segment increased \$2.0 million as a result of increased cash from natural gas royalty properties and proceeds from asset sales.

- Construction Aggregates segment decreased \$1.9 million as a result of higher days sales outstanding and increased operating costs and maintenance capital expenditures.

## Liquidity and Capital Resources

### Current Liquidity

As of March 31, 2018, we had total liquidity of \$76.2 million, consisting of \$21.2 million of cash and cash equivalents and \$55.0 million in borrowing capacity under our Opco Credit Facility. We remain focused on further reducing our debt and improving our credit metrics.

### Cash Flows

Cash flows provided by operating activities decreased \$0.4 million, from \$20.2 million in the three months ended March 31, 2017 to \$19.8 million in the three months ended March 31, 2018 primarily related to higher cash outflows for interest, lower cash provided by operating activities in our Construction Aggregates segment as a result of higher costs and higher days sales outstanding, and lower cash provided by operating activities in our Soda Ash segment as a result of a portion of our distribution from Ciner Wyoming being classified as an investing activity. These decreases were partially offset by increased operating cash flows in our Coal Royalty and Other segment and lower G&A payments at Corporate.

Cash flows used in investing activities decreased \$1.9 million, from \$2.0 million in the three months ended March 31, 2017 to \$0.2 million in the three months ended March 31, 2018 primarily due to the classification of a portion of our distribution from Ciner Wyoming as a return of equity during the first quarter of 2018.

Cash flows used in financing activities increased \$82.7 million, from \$54.4 million provided by financing activities in the three months ended March 31, 2017 to \$28.3 million used in financing activities in the three months ended March 31, 2018. This increase in cash flows used is primarily due to the net proceeds received related to the March 2017 recapitalization transactions as compared to net debt payments in the first quarter of 2018. Additionally, we paid \$7.8 million in preferred unit distributions and redeemed all of the outstanding PIK Units for \$8.8 million in the three months ended March 31, 2018. These increases in financing cash outflows were partially offset by a decrease in debt issue costs due to the fees incurred in the first quarter of 2017 related to the March 2017 recapitalization transactions.

### Capital Expenditures

A portion of the capital expenditures associated with our construction aggregates segment are maintenance capital expenditures, which are capital expenditures made to maintain the long-term production capacity of those businesses. Expansion capital expenditures are made to increase productive capacity. We deduct maintenance capital expenditures when calculating DCF.

### Capital Resources and Obligations

#### Indebtedness

We had the following indebtedness:

| (In thousands)                         | March<br>31, 2018 | December<br>31, 2017 |
|--|-------------------|----------------------|
| Current portion of long-term debt, net | \$79,723          | \$79,740             |
| Long-term debt, net                    | 724,854           | 729,608              |

Total debt, net \$804,577 \$809,348

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

#### Off-Balance Sheet Transactions

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

#### Related Party Transactions

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

#### Summary of Critical Accounting Estimates

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

#### Recent Accounting Standards

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

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

#### Commodity Price Risk

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

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

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

#### Interest Rate Risk

Our exposure to changes in interest rates results from our borrowings under the Opco Credit Facility, which is subject to variable interest rates based upon LIBOR. At March 31, 2018, we had \$95.0 million million outstanding in variable interest rate debt. If interest rates were to increase by 1%, annual interest expense would increase approximately \$1.0 million, assuming the same principal amount remained outstanding during the year.

#### ITEM 4. CONTROLS AND PROCEDURES

##### Evaluation of Disclosure Controls and Procedures

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

##### Changes in the Partnership's Internal Control Over Financial Reporting

There were no material changes in the Partnership's internal control over financial reporting during the first three months of 2018 that materially affected, or were reasonably likely to materially affect, the Partnership's internal control over financial reporting.



## PART II

### ITEM 1. LEGAL PROCEEDINGS

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

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

### ITEM 1A. RISK FACTORS

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

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

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

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

### ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

\* Filed herewith

\*\* Furnished herewith

SIGNATURES

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

NATURAL RESOURCE PARTNERS L.P.

By: NRP (GP) LP, its general partner

By: GP NATURAL RESOURCE  
PARTNERS LLC, its general partner

Date: May 9, 2018

By: /s/ CORBIN J. ROBERTSON, JR.  
Corbin J. Robertson, Jr.  
Chairman of the Board and  
Chief Executive Officer  
(Principal Executive Officer)

Date: May 9, 2018

By: /s/ CHRISTOPHER J. ZOLAS  
Christopher J. Zolas  
Chief Financial Officer and Treasurer  
(Principal Financial Officer)

Date: May 9, 2018

By: /s/ JENNIFER L. ODINET  
Jennifer L. Odinet  
Chief Accounting Officer  
(Principal Accounting Officer)