

NATURAL RESOURCE PARTNERS LP
Form 10-Q
May 06, 2016

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

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, 2016
or
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934
Commission file number: 001-31465

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

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)

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 or a smaller reporting company. See definition of "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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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, 2016 there were 12.2 million Common Units outstanding.

NATURAL RESOURCE PARTNERS, L.P.
TABLE OF CONTENTS

	Page
<u>Part I. Financial Information</u>	
<u>Item 1. Consolidated Financial Statements</u>	
<u>Consolidated Balance Sheets</u>	<u>1</u>
<u>Consolidated Statements of Comprehensive Income</u>	<u>2</u>
<u>Consolidated Statements of Cash Flows</u>	<u>3</u>
<u>Consolidated Statements of Partners' Capital</u>	<u>3</u>
<u>Notes to Consolidated Financial Statements</u>	<u>5</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>37</u>
<u>Item 4. Controls and Procedures</u>	<u>37</u>
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	<u>39</u>
<u>Item 1A. Risk Factors</u>	<u>39</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>39</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>39</u>
<u>Item 4. Mine Safety Disclosure</u>	<u>39</u>
<u>Item 5. Other Information</u>	<u>39</u>
<u>Item 6. Exhibits</u>	<u>40</u>
<u>Signatures</u>	<u>41</u>

PART I. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

NATURAL RESOURCE PARTNERS L.P.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per unit data)

	March 31, 2016	December 31, 2015
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$52,097	\$51,773
Accounts receivable, net	48,154	50,167
Accounts receivable—affiliates	7,525	6,864
Inventory	7,406	7,835
Prepaid expenses and other	3,835	4,490
Total current assets	119,017	121,129
Land	25,022	25,022
Plant and equipment, net	57,444	61,239
Mineral rights, net	1,060,829	1,094,027
Intangible assets, net	3,701	3,930
Intangible assets, net—affiliate	52,274	52,997
Equity in unconsolidated investment	258,939	261,942
Long-term contracts receivable—affiliate	45,931	47,359
Other assets	1,204	1,266
Other assets—affiliate	532	1,124
Total assets	\$1,624,893	\$1,670,035
LIABILITIES AND CAPITAL		
Current liabilities:		
Accounts payable	\$7,595	\$8,465
Accounts payable—affiliates	1,227	1,464
Accrued liabilities	40,004	45,735
Current portion of long-term debt, net	154,441	80,745
Total current liabilities	203,267	136,409
Deferred revenue	76,750	80,812
Deferred revenue—affiliates	81,868	82,853
Long-term debt, net	1,146,958	1,270,281
Long-term debt, net—affiliate	19,936	19,930
Other non-current liabilities	5,839	6,808
Commitments and contingencies (see Note 10)		
Partners' capital:		
Common unitholders' interest (12.2 million units outstanding)	96,615	79,094
General partner's interest	(249) (606)
Accumulated other comprehensive loss	(2,697) (2,152)
Total partners' capital	93,669	76,336

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Non-controlling interest	(3,394)	(3,394)
Total capital	90,275		72,942	
Total liabilities and capital	\$1,624,893		\$1,670,035	

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

1

NATURAL RESOURCE PARTNERS L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except per unit data)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenues and other income:		
Coal, hard mineral royalty and other	\$28,476	\$34,449
Coal, hard mineral royalty and other—affiliates	10,569	19,061
VantaCore	24,682	26,799
Oil and gas	7,298	14,779
Equity in earnings of Ciner Wyoming	9,801	12,523
Gain on asset sales	21,925	2,066
Total revenues and other income	102,751	109,677
Operating expenses:		
Operating and maintenance expenses	30,902	37,421
Operating and maintenance expenses—affiliates, net	3,748	3,076
Depreciation, depletion and amortization	14,021	24,554
Amortization expense—affiliate	722	838
General and administrative	3,235	2,287
General and administrative—affiliates	937	1,084
Asset impairments	2,030	—
Total operating expenses	55,595	69,260
Income from operations	47,156	40,417
Other income (expense)		
Interest expense	(23,748)	(22,943)
Interest income	19	15
Other expense, net	(23,729)	(22,928)
Net income	\$23,427	\$17,489
Net income attributable to partners:		
Limited partners	23,024	17,139
General partner	403	350
Basic and diluted net income per common unit	\$1.88	\$1.40
Weighted average number of common units outstanding	12,230	12,230
Net income	\$23,427	\$17,489
Add: comprehensive loss from unconsolidated investment and other	(545)	(965)
Comprehensive income	\$22,882	\$16,524

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

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

	Common Unitholders		General Partner	Accumulated Other Comprehensive Loss	Partners' Capital Excluding Non-Controlling Interest	Non-Controlling Interest	Total Capital
	Units	Amounts					
Balance at December 31, 2015	12,230	\$79,094	\$(606)	\$ (2,152)	\$ 76,336	\$ (3,394)	\$72,942
Distributions to unitholders	—	(5,503)	(113)	—	(5,616)	—	(5,616)
Net income	—	23,024	403	—	23,427	—	23,427
Non-cash contributions	—	—	67	—	67	—	67
Comprehensive loss from unconsolidated investment and other	—	—	—	(545)	(545)	—	(545)
Balance at March 31, 2016	12,230	\$96,615	\$(249)	\$ (2,697)	\$ 93,669	\$ (3,394)	\$90,275

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

NATURAL RESOURCE PARTNERS L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income	\$23,427	\$17,489
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	14,021	24,554
Amortization expense—affiliates	722	838
Distributions from equity earnings from unconsolidated investments	12,250	10,903
Asset impairment	2,030	—
Gain on asset sales	(21,925)	(2,066)
Equity earnings from unconsolidated investment	(9,801)	(12,523)
Other, net	1,887	1,056
Other, net—affiliates	664	7
Change in operating assets and liabilities:		
Accounts receivable	5,782	15,110
Accounts receivable—affiliates	(661)	3,643
Accounts payable	(48)	(2,642)
Accounts payable—affiliates	(237)	(14)
Accrued liabilities	(5,900)	(5,354)
Deferred revenue	(4,063)	5,845
Deferred revenue—affiliates	(985)	(738)
Other items, net	1,146	103
Other items, net—affiliates	1,119	(739)
Net cash provided by operating activities	19,428	55,472
Cash flows from investing activities:		
Acquisition of mineral rights	(2,725)	(16,788)
Acquisition of plant and equipment and other	(2,221)	(1,365)
Proceeds from sale of plant and equipment and other	3	905
Proceeds from sale of oil and gas properties	32,848	3,395
Proceeds from sale of coal and hard mineral royalty properties	9,802	866
Return of long-term contract receivables—affiliate	309	1,137
Net cash provided by (used in) investing activities	38,016	(11,850)
Cash flows from financing activities:		
Proceeds from loans	—	25,000
Repayments of loans	(51,166)	(41,166)
Distributions to partners	(5,616)	(43,678)
Distributions to non-controlling interest	—	(662)
Debt issue costs and other	(338)	83
Net cash used in financing activities	(57,120)	(60,423)
Net increase (decrease) in cash and cash equivalents	324	(16,801)
Cash and cash equivalents at beginning of period	51,773	50,076

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Cash and cash equivalents at end of period	\$52,097	\$33,275
Supplemental cash flow information:		
Cash paid during the period for interest	\$13,812	\$14,344
Plant, equipment and mineral rights funded with accounts payable or accrued liabilities	811	3,761

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

4

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, trona and soda ash, oil and gas, construction aggregates, frac sand 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.

Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. As described in "Note 2. Segment Information", we recasted certain prior period amounts to conform to the way we internally manage and monitor segment performance. In particular, prior year general and administrative charges that were allocated to operating segments have been reclassified to Operating and maintenance expenses and Operating and maintenance expenses—affiliates on the Consolidated Statements of Comprehensive Income. The prior period reclassifications for new segments had no impact on the Partnership's consolidated financial position, net income (loss) or cash flows. On January 1, 2016, the Partnership adopted a new accounting standard using a retrospective approach that required the presentation of the Partnership's debt issuance costs as a direct deduction from the related debt liability, rather than recorded as an asset. The adoption resulted in a reclassification that reduced other current assets and short-term debt by \$0.2 million and reduced other assets and long-term debt (including affiliate) by \$13.8 million on the Partnership's Consolidated Balance Sheet at December 31, 2015.

In our opinion, all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation, have been included. The interim financial statements should be read in conjunction with the audited financial statements and related notes included in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2015. Interim results are not necessarily indicative of the results for a full year.

Management's Forecast, Strategic Plan and Going Concern Analysis

While NRP has a diversified portfolio of assets and a history and continued forecast of profitable operations with positive operating cash flows, its operating results and credit metrics continue to be impacted by demand challenges for coal and excess worldwide supply of oil and gas. In particular, as described in Note 7. Debt and Debt—Affiliate, NRP Oil and Gas LLC ("NRP Oil and Gas") and NRP Operating LLC ("Opco"), both wholly owned subsidiaries of NRP, have debt agreements that contain customary financial covenants, including maintenance covenants, and other covenants. In addition, NRP has issued \$425 million of 9.125% Senior Notes that are governed by an indenture (the "Indenture") containing customary incurrence-based financial covenants and other covenants, but not maintenance covenants. The following discussion presents management's going concern analysis in light of management's outlook and strategic plan to address its debt covenant compliance and maturities.

Opco

As of March 31, 2016, Opco had \$290.0 million of indebtedness outstanding under its revolving credit facility due October 2017 (the "Opco Credit Facility") and \$544.9 million outstanding under several series of Private Placement Notes (the "Opco Private Placement Notes") (collectively referred to as the "Opco Debt agreements"). The maximum leverage ratio under the Opco Debt agreements is required to be below 4.0x through March 31, 2016. Commencing with respect to the period ending June 30, 2016, the maximum leverage ratio reduces to 3.75x and reduces again to 3.5x commencing with respect to the period ending June 30, 2017. In addition, the Opco Debt agreements contain certain additional customary negative covenants that, among other items, restrict Opco's ability to incur additional debt, grant liens on its assets, make investments, sell assets and engage in business combinations. Opco's leverage ratio was 3.09x at March 31, 2016.

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

While we forecast that we will be in compliance with all of the covenants under the Opco Debt agreements through March 31, 2017, our forecast is sensitive to commodity pricing and counterparty risk. Breaches of the Opco Debt agreement covenants that are not waived or cured, to the extent possible, would result in an event of default under the Opco Debt agreements, and if such debt is accelerated by the lenders thereunder, such acceleration would also result in a cross-default under the Indenture. We are currently pursuing or considering a number of actions in order to mitigate the effects of further commodity price and market deterioration which could otherwise cause us to breach financial covenants under the Opco Debt agreements. These actions include (i) dispositions of assets, (ii) actively managing our debt capital structure through a number of potential alternatives, including exchange offers and non-traditional debt financing, (iii) minimizing our capital expenditures, (iv) obtaining waivers or amendments from our lenders, (v) effectively managing our working capital and (vi) improving our cash flows from operations.

NRP Oil and Gas

NRP Oil and Gas had \$75.0 million outstanding under its senior secured, reserve-based revolving credit facility (the "RBL Facility") as of March 31, 2016. The facility is secured by a first priority lien on substantially all of NRP Oil and Gas' assets and is not guaranteed by NRP or any other subsidiary of NRP.

In March 2016, NRP Oil and Gas entered into an amendment to the RBL Facility (the "Fourth Amendment") that included a \$10.0 million repayment of principal, a \$13.0 million reduction in borrowing capacity, and the easing or temporary easing of certain covenant requirements. Please see "Note 7. Debt and Debt—Affiliate" for further detail of the Fourth Amendment. While the Fourth Amendment alleviated certain covenant compliance issues, it did not change the fact that our current forecast indicates that NRP Oil and Gas may not be able to meet its leverage ratio during the next 12 months and that the borrowing base under the RBL Facility will be reduced by an amount greater than what NRP Oil and Gas would have the ability to pay within the required period of time. As a result, we believe there is substantial doubt about the ability of NRP Oil and Gas to continue as a going concern through March 31, 2017. In order to address this issue, we have initiated a process to sell all of NRP Oil and Gas' non-operating working interest properties in the Williston Basin within the next twelve months. As of March 31, 2016, we have classified the RBL Facility as Current portion of long-term debt, net on the Partnership's Consolidated Balance Sheets.

An event of default under the RBL Facility and subsequent acceleration of that debt by the lenders thereunder would not result in a cross-default under the Indenture. NRP Oil and Gas is designated as an "Unrestricted Subsidiary" for purposes of the Indenture, which prevents an event of default under the RBL Facility and subsequent acceleration of that debt from triggering an event of default under the Indenture. In addition, there are no cross-defaults under the Opco Debt agreements as a result of a default under the RBL Facility. As a result, there would be no default or acceleration of indebtedness under the Indenture or under the Opco Debt agreements in the event NRP Oil and Gas is in default under the RBL Facility.

Reverse Unit Split

On January 26, 2016, the board of directors of our general partner approved a 1-for-10 reverse split on our common units, effective following market close on February 17, 2016. Pursuant to the authorization provided, the Partnership completed the 1-for-10 reverse unit split and its common units began trading on a reverse unit split-adjusted basis on the New York Stock Exchange on February 18, 2016. As a result of the reverse unit split, every 10 outstanding common units were combined into one common unit. The reverse unit split reduced the number of common units

outstanding from 122.3 million units to 12.2 million units. All unit and per unit data included in these consolidated financial statements has been retroactively restated to reflect the reverse unit split.

Recently Issued Accounting Standards Not Yet Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") amended its guidance on revenue recognition. The core principle of this amendment is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted for reporting periods beginning after December 15, 2016, including interim reporting periods within that period. This guidance can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. The Partnership is currently evaluating the impact of the provisions of this guidance on its consolidated financial position, results of operations and cash flows.

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

In August 2014, the FASB issued guidance on management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The guidance is effective for interim and annual periods ending after December 15, 2016 and early adoption is permitted. The new guidance will require a formal assessment of going concern by management based on criteria prescribed in the new guidance, but will not impact the Partnership's financial position or results of operations. The Partnership is reviewing its policies and processes to ensure compliance with this new guidance.

In July 2015, the FASB issued authoritative guidance which intended to simplify the measurement of inventory. This guidance requires an entity to measure inventory at the lower of cost or net realizable value. The amendments do not apply to inventory that is measured using last-in, first-out or the retail inventory method. This guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with early adoption permitted. This guidance should be applied on a prospective basis. The Partnership is currently evaluating the impact of the provisions of this guidance on its consolidated financial position, results of operations and cash flows.

In February 2016, the FASB issued authoritative lease guidance that establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The main difference between the current requirement under GAAP and the ROU model is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Partnership is currently evaluating the impact of the provisions of this guidance on its consolidated financial position, results of operations and cash flows.

2. Segment Information

Due to acquisitions that diversified our natural resource asset base, effective for the quarter ended December 31, 2015, management revised the Partnership's operating segments to align with its management structure and organizational responsibilities and revised the information that its chief operating decision maker regularly reviews for purposes of allocating resources and assessing performance. As a result, effective for the quarter ended December 31, 2015, we reported our financial performance based on the new segments as described below.

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

Coal, Hard Mineral Royalty and Other—consists primarily of coal royalty, coal related transportation and processing assets, aggregate and industrial minerals royalty assets and timber. Our coal reserves are primarily located in Appalachia, the Illinois Basin and the Western United States. Our aggregates and industrial minerals are located in a number of states across the United States. In February 2016, we sold aggregates reserves and related royalty rights at three aggregates operations located in Texas, Georgia and Tennessee.

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, our operating partner, mines the trona, processes it into soda ash, and distributes the soda ash both domestically and internationally into the glass and chemicals industries. We receive regular quarterly distributions from this business.

VantaCore—consists of our construction materials business acquired in October 2014 that operates hard rock quarries, an underground limestone mine, sand and gravel plants, asphalt plants and marine terminals. VantaCore operates in Pennsylvania, West Virginia, Tennessee, Kentucky and Louisiana.

Oil and Gas—consists of our non-operated working interests, royalty interests and overriding royalty interests in oil and natural gas properties. Our primary interests in oil and natural gas producing properties are non-operated working interests located in the Williston Basin in North Dakota and Montana. We also own fee mineral, royalty or overriding royalty interests in oil and gas properties in Oklahoma and Louisiana. In February 2016, we sold royalty and overriding royalty interests in several producing properties located in the Appalachian Basin.

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

Direct segment costs and certain costs incurred at a corporate level that are identifiable and that benefit the Partnership's segments are allocated to the operating segments. These allocated costs include costs of: 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. Prior year general and administrative charges that are allocated to the operating segments have been reclassified to operating and maintenance expenses. 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 corporate headquarters and overhead, financing, centralized treasury and accounting and other corporate-level activity not specifically allocated to a segment.

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

For the Three Months Ended	Operating Segments					Corporate and Financing	Total
	Coal, Hard Mineral Royalty and Other	Soda Ash	VantaCore	Oil and Gas			
For the three months ended March 31, 2016							
Revenues (including affiliates)	\$39,045	\$9,801	\$24,682	\$7,298	\$ —	\$80,826	
Intersegment revenues (expenses)	21	—	(21)	—	—	—	
Gain on asset sales	1,590	—	—	20,335	—	21,925	
Operating and maintenance expenses (including affiliates)	7,380	—	22,156	5,114	—	34,650	
Depreciation, depletion and amortization	6,762	—	3,562	4,419	—	14,743	
Asset impairment	1,893	—	—	137	—	2,030	
Interest expense, net	—	—	—	—	(23,729)	(23,729)	
Net income (loss)	24,600	9,801	(1,036)	17,963	(27,901)	23,427	
For the three months ended March 31, 2015							
Revenues (including affiliates)	\$53,510	\$12,523	\$26,799	\$14,779	\$ —	\$107,611	
Gain on asset sales	1,615	—	—	451	—	2,066	
Operating and maintenance expenses (including affiliates)	8,414	—	25,434	6,649	—	40,497	
Depreciation, depletion and amortization	10,016	—	3,856	11,520	—	25,392	
Interest expense, net	—	—	—	—	(22,928)	(22,928)	
Net income (loss)	36,695	12,523	(2,491)	(2,939)	(26,299)	17,489	
Total assets							
March 31, 2016	1,016,827	258,939	196,720	132,324	20,083	1,624,893	
December 31, 2015	1,047,922	261,942	200,348	158,862	961	1,670,035	

3. Equity Investment

We account for our 49% investment in Ciner Wyoming LLC ("Ciner Wyoming", and formerly "OCI Wyoming LLC") using the equity method of accounting. Ciner Wyoming distributed \$12.3 million and \$10.9 million to us in the three months ended March 31, 2016 and 2015, respectively.

The difference between the amount at which the investment in Ciner Wyoming is carried and the amount of underlying equity in Ciner Wyoming's net assets was \$153.6 million and \$154.8 million as of March 31, 2016 and December 31, 2015, respectively. This excess basis relates to plant, property and equipment and right to mine assets. The excess basis difference that relates to property, plant and equipment is being amortized into income using the straight-line method over a weighted average of

8

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

28 years. The excess basis difference that relates to right to mine assets is being amortized into income using the units of production method.

Our equity in the earnings of Ciner Wyoming is summarized as follows (in thousands):

	Three Months Ended March 31, 2016 2015 (Unaudited)	
Income allocation to NRP's equity interests	\$10,996	\$13,727
Amortization of basis difference	(1,195)	(1,204)
Equity in earnings of unconsolidated investment	\$9,801	\$12,523

The results of Ciner Wyoming's operations are summarized as follows (in thousands):

	Three Months Ended March 31, 2016 2015 (Unaudited)	
Sales	\$114,384	\$120,430
Gross profit	28,251	32,724
Net Income	22,441	28,014

The financial position of Ciner Wyoming is summarized as follows (in thousands):

	March 31, 2016 (Unaudited)	December 31, 2015
Current assets	\$139,185	\$144,695
Noncurrent assets	233,236	233,845
Current liabilities	46,881	43,018
Noncurrent liabilities	110,518	116,808

The purchase agreement for the acquisition of the Partnership's interest in Ciner Wyoming, formerly OCI Wyoming, required the Partnership to pay additional contingent consideration to Anadarko to the extent certain performance criteria described in the purchase agreement were met by Ciner Wyoming in any of the years 2013, 2014 or 2015. During the first quarters of 2014, 2015 and 2016, the Partnership paid contingent consideration of \$0.5 million, \$3.8 million and \$7.2 million, respectively, in contingent consideration to Anadarko for performance criteria met by Ciner Wyoming in 2013, 2014 and 2015, respectively. The Partnership has no further contingent consideration payments due to Anadarko under the purchase agreement.

4. Plant and Equipment

The Partnership's plant and equipment consist of the following (in thousands):

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	March 31, 2016	December 31, 2015
	(Unaudited)	
Plant and equipment at cost	\$ 77,565	\$92,203
Construction in process	1,323	1,074
Less accumulated depreciation	(21,444)	(32,038)
Total plant and equipment, net	\$ 57,444	\$61,239

Depreciation expense related to the Partnership's plant and equipment totaled \$3.4 million and \$4.5 million for the three months ended March 31, 2016 and 2015, respectively.

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

5. Mineral Rights

The Partnership's mineral rights consist of the following (in thousands):

	March 31, 2016 (Unaudited)		
	Carrying Value	Accumulated Depletion	Net Book Value
Coal, Hard Mineral Royalty and Other	\$ 1,269,633	\$ (437,628)	\$ 832,005
VantaCore	112,700	(3,475)	109,225
Oil and Gas	136,392	(16,793)	119,599
Total	\$ 1,518,725	\$ (457,896)	\$ 1,060,829
	December 31, 2015		
	Carrying Value	Accumulated Depletion	Net Book Value
Coal, Hard Mineral Royalty and Other	\$ 1,278,274	\$ (432,260)	\$ 846,014
VantaCore	112,700	(3,082)	109,618
Oil and Gas	155,293	(16,898)	138,395
Total	\$ 1,546,267	\$ (452,240)	\$ 1,094,027

Depletion expense related to the Partnership's mineral rights totaled \$10.3 million and \$19.9 million for the three months ended March 31, 2016 and 2015, respectively.

Sales of Royalty Properties

As discussed in Note 1. "Basis of Presentation," we are currently pursuing or considering a number of actions, including dispositions of assets, in order to mitigate the effects of further commodity price and market deterioration which could otherwise cause us to breach financial covenants under our debt agreements. As part of this plan, the Partnership sold the following assets during the three months ended March 31, 2016:

- 1) Oil and gas royalty and overriding royalty interests in several producing properties located in the Appalachian Basin for \$37.5 million. The effective date of the sale was January 1, 2016, and the Partnership recorded a \$20.3 million gain from this sale included in Gain on asset sales on its Consolidated Statement of Comprehensive Income.
- 2) Hard mineral reserves and related royalty rights at three aggregate operations located in Texas, Georgia and Tennessee for \$10.0 million. The effective date of the sale was February 1, 2016, and the Partnership recorded a \$1.6 million gain from this sale included in Gain on asset sales on its Consolidated Statement of Comprehensive Income.

6. Intangible Assets (Including Affiliate)

The Partnership's intangible assets—affiliate relate to above market coal transportation contracts with subsidiaries of Foresight Energy LP ("Foresight Energy") in which we receive throughput fees for the handling and transportation of coal.

	March 31, 2016	December 31, 2015
	(Unaudited)	

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Intangible assets—affiliate	\$ 81,109	\$ 81,109
Less accumulated amortization—affiliate	(28,835)	(28,112)
Total intangible assets, net—affiliate	\$ 52,274	\$ 52,997

Amortization expense related to the Partnership's intangible assets—affiliate totaled \$0.7 million and \$0.8 million for the three months ended March 31, 2016 and 2015, respectively.

10

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

The Partnership's intangible assets consist of permits, aggregate-related trade names and other agreements as follows (in thousands):

	March 31, 2016	December 31, 2015
	(Unaudited)	
Intangible assets	5,076	5,076
Less accumulated amortization	(1,375)	(1,146)
Total intangible assets, net	\$ 3,701	\$ 3,930

Amortization expense related to the Partnership's intangible assets totaled \$0.2 million for both the three months ended March 31, 2016 and 2015.

7. Debt and Debt—Affiliate

As of March 31, 2016 and December 31, 2015, debt and debt—affiliate consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
	(Unaudited)	
NRP LP debt:		
9.125% senior notes, with semi-annual interest payments in April and October, due October 2018, \$300 million issued at 99.007% and \$125 million issued at 99.5%	\$425,000	\$425,000
Opco debt (1):		
\$300 million floating rate revolving credit facility, due October 2017	290,000	290,000
4.91% senior notes, with semi-annual interest payments in June and December, with annual principal payments in June, due June 2018	13,850	13,850
8.38% senior notes, with semi-annual interest payments in March and September, with annual principal payments in March, due March 2019	64,286	85,714
5.05% senior notes, with semi-annual interest payments in January and July, with annual principal payments in July, due July 2020	38,462	38,462
5.31% utility local improvement obligation, with annual principal and interest payments in February, due March 2021	960	1,153
5.55% senior notes, with semi-annual interest payments in June and December, with annual principal payments in June, due June 2023	21,600	21,600
4.73% senior notes, with semi-annual interest payments in June and December, with annual principal payments in December, due December 2023	60,000	60,000
5.82% senior notes, with semi-annual interest payments in March and September, with annual principal payments in March, due March 2024	120,000	135,000
8.92% senior notes, with semi-annual interest payments in March and September, with annual principal payments in March, due March 2024	36,364	40,909
5.03% senior notes, with semi-annual interest payments in June and December, with annual principal payments in December, due December 2026	148,077	148,077
	42,308	42,308

5.18% senior notes, with semi-annual interest payments in June and December, with annual principal payments in December, due December 2026

NRP Oil and Gas debt:

Reserve-based revolving credit facility due November 2019	75,000	85,000
Total debt at face value	\$1,335,907	\$1,387,073
Net unamortized debt discount	(1,889)	(2,077)
Net unamortized debt issuance costs (1)	(12,683)	(14,040)
Total debt, net	\$1,321,335	\$1,370,956
Less: current portion of long-term debt	154,441	80,745
Total long-term debt	\$1,166,894	\$1,290,211

(1) See Note 1. " Basis of Presentation" for discussion of debt issuance costs reclassification upon adoption of new accounting standard on January 1, 2016.

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

NRP Debt

NRP Senior Notes

In September 2013, NRP, together with NRP Finance Corporation ("NRP Finance"), a wholly owned subsidiary of NRP, as co-issuer, issued \$300.0 million of 9.125% Senior Notes due 2018 at an offering price of 99.007% of par (the "NRP Senior Notes"). Net proceeds after expenses from the issuance of NRP Senior Notes were approximately \$289.0 million. The NRP Senior Notes call for semi-annual interest payments on April 1 and October 1 of each year, and will mature on October 1, 2018.

In October 2014, NRP, together with NRP Finance as co-issuer, issued an additional \$125.0 million of the NRP Senior Notes at an offering price of 99.5% of par. The additional issuance constituted the same series of securities as the existing NRP Senior Notes. Net proceeds of \$122.6 million from the additional issuance of the NRP Senior Notes were used to fund a portion of the purchase price of NRP's acquisition of non-operated working interests in oil and gas assets located in the Williston Basin in North Dakota.

NRP and NRP Finance have the option to redeem the NRP Senior Notes, in whole or in part, at any time on or after April 1, 2016, at fixed redemption prices specified in the indenture governing the NRP Senior Notes (the "Indenture"). The Indenture contains covenants that, among other things, limit the ability of NRP and certain of its subsidiaries to incur or guarantee additional indebtedness. Under the Indenture, NRP and certain of its subsidiaries generally are not permitted to incur additional indebtedness unless, on a consolidated basis, the fixed charge coverage ratio (as defined in the indenture) is at least 2.0 to 1.0 for the four preceding full fiscal quarters. The ability of NRP and certain of its subsidiaries to incur additional indebtedness is further limited in the event the amount of indebtedness of NRP and certain of its subsidiaries that is senior to NRP's unsecured indebtedness exceeds certain thresholds. As of March 31, 2016 and December 31, 2015, NRP was in compliance with the terms of the covenants contained under the Indenture.

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 further described below. As of March 31, 2016 and December 31, 2015, Opco was in compliance with the terms of the financial covenants contained in its debt agreements.

Revolving Credit Facility

In June 2015, Opco entered into a \$300.0 million Third Amended and Restated Credit Agreement (the "A&R Revolving Credit Facility"), which amended and restated Opco's \$300.0 million Second Amended and Restated Credit Agreement due August 2016. The A&R Revolving Credit Facility matures on October 2, 2017, is guaranteed by all of Opco's wholly owned subsidiaries, and is secured by liens on certain of the assets of Opco and its subsidiaries, as further described below.

Initially, indebtedness under the A&R Revolving Credit Facility bore interest, at Opco's option, at a rate of either: the higher of (i) the prime rate as announced by the agent bank; (ii) the federal funds rate plus 0.50%; or (iii) LIBOR plus 1%, in each case plus 2.375%; or

a rate equal to LIBOR plus 3.375%

Subsequent to the delivery of financial statements for the year ended December 31, 2015 to the lenders in March 2016, indebtedness under the A&R Revolving Credit Facility bears interest, at Opco's option, at a rate of either: the higher of (i) the prime rate as announced by the agent bank; (ii) the federal funds rate plus 0.50%; or (iii) LIBOR plus 1%, in each case plus an applicable margin ranging from 1.50% to 2.50% or

a rate equal to LIBOR plus an applicable margin ranging from 2.50% to 3.50%

The weighted average interest rates for the borrowings outstanding under the A&R Revolving Credit Facility for the three months ended March 31, 2016 and 2015 were 3.80% and 1.94%, respectively.

Opco will incur a commitment fee on the unused portion of the revolving credit facility at a rate of 0.50% per annum. Opco may prepay all amounts outstanding under the A&R Revolving Credit Facility at any time without penalty.

12

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

The A&R Revolving Credit Facility contains financial covenants requiring Opco to maintain:
• a leverage ratio of consolidated indebtedness to consolidated EBITDDA (as defined in the A&R Revolving Credit Facility) not to exceed:
4.0 to 1.0 for each fiscal quarter ending on or before March 31, 2016;
3.75 to 1.0 for each subsequent fiscal quarter ending on or before March 31, 2017; and
3.5 to 1.0 for each fiscal quarter ending on or after June 30, 2017; and
• a ratio of consolidated EBITDDA to consolidated fixed charges (consisting of consolidated interest expense and consolidated lease expense) of not less than 3.5 to 1.0.

As of March 31, 2016, Opco's leverage ratio was 3.09x, and fixed charge coverage ratio was 5.43x.

The A&R Revolving Credit Facility contains certain additional customary negative covenants that, among other items, restrict Opco's ability to incur additional debt, grant liens on its assets, make investments, sell assets and engage in business combinations. Included in the investment covenant are restrictions upon Opco's ability to acquire assets where Opco does not maintain certain levels of liquidity. The A&R Revolving Credit Facility also contains customary events of default, including cross-defaults under Opco's senior notes (as described below).

The A&R Revolving Credit Facility is collateralized and secured by liens on certain of Opco's assets with a carrying values of \$698.1 million and \$709.9 million classified as Land, Mineral rights and Plant and equipment on the Partnership's Consolidated Balance Sheet as of March 31, 2016 and December 31, 2015, respectively. The collateral includes (1) the equity interests in all of Opco's wholly owned subsidiaries, other than NRP Trona LLC (which owns a 49% non-controlling equity interest in Ciner Wyoming), (2) the personal property and fixtures owned by Opco's wholly owned subsidiaries, other than NRP Trona LLC, (3) Opco's material coal royalty revenue producing properties, (4) real property associated with certain of VantaCore's construction aggregates mining operations, and (5) certain of Opco's coal-related infrastructure assets.

Opco Senior Notes

Opco has issued several series of private placement senior notes (the "Opco Senior Notes") with various interest rates and principal due dates. As of March 31, 2016, and December 31, 2015, the Opco Senior Notes had cumulative principal balances of \$544.9 million and \$585.9 million, respectively. Opco made principal payments of \$41.0 million on the Opco Senior Notes during each of the three months ended March 31, 2016 and 2015.

The Note Purchase Agreements relating to the Opco Senior Notes contain covenants requiring Opco to:
• maintain a ratio of consolidated indebtedness to consolidated EBITDDA (as defined in the note purchase agreement) of no more than 4.0 to 1.0 for the four most recent quarters;