NACCO INDUSTRIES, INC. ANNOUNCES FALKIRK MINE EXPECTED TO CONTINUE OPERATING AFTER 2022 AS A RESULT OF PENDING SALE OF COAL CREEK STATION

CLEVELAND, June 30, 2021 /PRNewswire/ -- NACCO Industries, Inc.® (NYSE: NC) announced today that its wholly owned subsidiary, The Falkirk Mining Company, has entered into a new Coal Sales Agreement ("CSA") with Rainbow Energy Center, LLC that becomes effective concurrent with Rainbow Energy's acquisition of the Coal Creek Station power plant in Underwood, North Dakota, from Great River Energy ("GRE"). Falkirk operates the Falkirk Mine, which is adjacent to and the sole supplier of lignite coal to the Coal Creek Station power plant.

During 2020, GRE announced its intent to retire the Coal Creek Station power plant in the second half of 2022, but noted it was also willing to consider opportunities to sell the power plant. On June 30, 2021, GRE entered into an agreement to sell Coal Creek Station and the adjacent high-voltage direct current transmission line to Bismarck, North Dakota-based Rainbow Energy Center, LLC and its affiliates. Certain owners of Rainbow Energy control other entities that engage in several aspects of the energy industry, including oil and gas production and exploration, natural gas and power marketing, crude oil marketing and other oil and gas midstream projects. Rainbow Energy intends to operate Coal Creek Station as a strategic part of its energy marketing, sales and trading businesses. Rainbow Energy also plans to pursue carbon capture and sequestration at Coal Creek Station.

The transaction between GRE and Rainbow Energy is subject to the satisfaction of certain conditions, including regulatory approvals associated with the sale of Coal Creek Station and the related transmission assets, and the posting of a performance bond related to final mine reclamation. If the conditions are satisfied, the transaction is expected to close before the end of 2021.

Upon completion of the sale of Coal Creek Station, the existing Coal Sales Agreement, the existing Mortgage and Security Agreement and the existing Option Agreement between GRE and Falkirk will be terminated. Falkirk and GRE will enter into a termination and release of claims agreement, under which GRE will pay Falkirk $14.0 million in cash, as well as transfer ownership of an office building located in Bismarck, and convey membership units in Midwest AgEnergy to another wholly owned and consolidated subsidiary of NACCO. NACCO currently owns a modest investment in Midwest AgEnergy, which operates two ethanol facilities in North Dakota.

Falkirk's new CSA with Rainbow Energy will become effective and Falkirk will begin supplying all coal requirements of Coal Creek Station concurrent with Rainbow Energy's acquisition of the power plant. Falkirk will be paid a management fee and Rainbow Energy will be responsible for funding all mine operating costs and directly or indirectly providing all of the capital required to operate the mine. Falkirk will perform final mine reclamation, which will be funded in its entirety by Rainbow Energy. The initial production period is expected to run ten years from the effective date of the CSA, but the CSA may be extended or terminated early under certain circumstances. If Rainbow Energy terminates the CSA and closes Coal Creek Station before 2027, Falkirk will be entitled to an additional payment from GRE under the terms of the termination and release of claims agreement. The additional payment amount ranges from $8 million if the closure occurs before 2024 to $2 million if the closure occurs in 2026. To support the transfer to new ownership, Falkirk has agreed to a reduction in the current per ton management fee from the effective date of the new CSA through May 31, 2024. After May 31, 2024, the per ton management fee increases to a higher base in line with current fee levels, and thereafter adjusts annually according to specific indices which track broad measures of U.S. inflation.

Falkirk delivered a total of 7.2 million tons of lignite coal during 2020. Coal deliveries in the remainder of 2021 and in 2022 are anticipated to be approximately 7 million tons annualized based on initial forecasts. Annual delivery levels from 2023 forward depend on a number of factors, including Rainbow Energy's ability to sell energy and capacity related to the power plant and Rainbow Energy's successful implementation of carbon capture and storage at Coal Creek Station, all of which are out of Falkirk's primary control.

Forward-looking Statements Disclaimer

The statements contained in this news release that are not historical facts are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are made subject to certain risks and uncertainties, which could cause actual results to differ materially from those presented. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Among the factors that could cause plans, actions and results to differ materially from current expectations are, without limitation: (1) changes to or termination of customer or other third-party contracts, or a customer or other third party default under a contract, (2) a significant reduction in purchases by the Company's customers, including changes in coal consumption patterns of U.S. electric power generators, or changes in the power industry that would affect demand for the Company's coal and other mineral reserves, (3) the ability of the Company to access credit in the current economic environment, or obtain financing at reasonable rates, or at all, and to maintain surety bonds for mine reclamation as a result of current market sentiment for fossil fuels, (4) failure to obtain adequate insurance coverages at reasonable rates, (5) the impact of the COVID-19 pandemic, (6) changes in tax laws or regulatory requirements, including the elimination of, or reduction in, the percentage depletion tax deduction, changes in mining or power plant emission regulations and health, safety or environmental legislation, (7) changes in costs related to geological and geotechnical conditions, repairs and maintenance, new equipment and replacement parts, fuel or other similar items, (8) regulatory actions, changes in mining permit requirements or delays in obtaining mining permits that could affect deliveries to customers, (9) weather conditions, extended power plant outages, liquidity events or other events that would change the level of customers' coal or aggregates requirements, (10) weather or equipment problems that could affect deliveries to customers, (11) failure or delays by the Company's lessees in achieving expected production of natural gas and other hydrocarbons; the availability and cost of transportation and processing services in the areas where the Company's oil and gas reserves are located; federal and state legislative and regulatory initiatives relating to hydraulic fracturing; and the ability of lessees to obtain capital or financing needed for well development operations and leasing and development of oil and gas reserves on federal lands, (12) changes in the costs to reclaim mining areas, (13) costs to pursue and develop new mining and value-added service opportunities, (14) delays or reductions in coal or aggregates deliveries, (15) changes in the prices of hydrocarbons, particularly diesel fuel, natural gas and oil, (16) the ability to successfully evaluate investments and achieve intended financial results in new business and growth initiatives, (17) the effects of investors' and other stakeholders' increasing attention to environmental, social and governance ("ESG") matters, and (18) disruptions from natural or human causes, including severe weather, accidents, fires, earthquakes and terrorist acts, any of which could result in suspension of operations or harm to people or the environment.

About NACCO Industries, Inc.

NACCO Industries, Inc.®, through a portfolio of mining and natural resources businesses, operates under three business segments: Coal Mining, North American Mining and Minerals Management. The Coal Mining segment operates surface coal mines under long-term contracts with power generation companies and an activated carbon producer pursuant to a service-based business model. The North American Mining segment provides value-added contract mining and other services for producers of aggregates, lithium and other minerals. The Minerals Management segment acquires and promotes the development of oil, gas and coal mineral interests, generating income primarily from royalty-based lease payments from third parties. In addition, the Company's Mitigation Resources of North America ® business provides stream and wetland mitigation solutions. For more information about NACCO Industries, visit the Company's website at www.nacco.com .

View original content to download multimedia:https://www.prnewswire.com/news-releases/nacco-industries-inc-announces-falkirk-mine-expected-to-continue-operating-after-2022-as-a-result-of-pending-sale-of-coal-creek-station-301323546.html

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