

CNX Coal Resources LP  
Form 10-Q  
November 01, 2016

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

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FORM 10-Q

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(Mark One)

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-14901

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CNX Coal Resources LP  
(Exact name of registrant as specified in its charter)

Delaware 47-3445032  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

1000 CONSOL Energy Drive  
Canonsburg, PA 15317-6506  
(724) 485-4000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

CNX Coal Resources LP had 11,618,456 common units, 11,611,067 subordinated units, 3,956,496 Class A Preferred Units and a 1.7% general partner interest outstanding at October 31, 2016.



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Significant Relationships and Other Terms Referenced in this Quarterly Report

“CNX Coal Resources LP,” our “Partnership,” “we,” “our,” “us” and similar terms, when used in a historical context, refer to CNX Coal Resources LP, a Delaware limited partnership, and its subsidiaries;

“CNX Operating” refers to CNX Operating LLC, a Delaware limited liability company and a direct, wholly-owned subsidiary of the Partnership;

“CNX Thermal Holdings” refers to CNX Thermal Holdings LLC, a Delaware limited liability company and a direct, wholly-owned subsidiary of CNX Operating; subsequent to the PA Mining Acquisition, CNX Thermal Holdings owns a 25% undivided interest in the assets, liabilities, revenues and expenses comprising the Pennsylvania Mining Complex;

“CONSOL Energy” and our “sponsor” refer to CONSOL Energy Inc., a Delaware corporation and the parent of our general partner, and its subsidiaries other than our general partner, us and our subsidiaries;

“CPCC” refers to CONSOL Pennsylvania Coal Company LLC, a Delaware limited liability company and a wholly-owned subsidiary of CONSOL Energy;

“Conrhein” refers to Conrhein Coal Company, a Pennsylvania general partnership and a wholly-owned subsidiary of CONSOL Energy;

the “Pennsylvania Mining Complex” refers to coal mines, coal reserves and related assets and operations, located primarily in southwestern Pennsylvania, subsequent to the PA Mining Acquisition, owned 75% by CONSOL Energy and 25% by CNX Thermal Holdings, as of September 30, 2016;

“PA Mining Acquisition” refers to the transaction on September 30, 2016, where the Partnership and its wholly owned subsidiary, CNX Thermal, entered into a Contribution Agreement with CONSOL Energy, CPCC and Conrhein and together with CPCC, under which CNX Thermal acquired an undivided 6.25% of the Contributing Parties’ right, title and interest in and to the Pennsylvania mining complex (which represents an aggregate 5% undivided interest in and to the Pennsylvania Mining Complex);

“IPO” refers to the completion of the Partnership's initial public offering on July 7, 2015; and

our “general partner” refers to CNX Coal Resources GP LLC, a Delaware limited liability company and our general partner.

PART I : FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS  
CNX COAL RESOURCES LP  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Dollars in thousands, except unit data)  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Coal Revenue	\$66,922	\$ 80,793	\$ 186,103	\$ 256,651
Freight Revenue	2,407	302	8,473	1,571
Other Income	485	343	2,254	813
Total Revenue and Other Income	69,814	81,438	196,830	259,035
Operating and Other Costs <sup>1</sup>	45,531	46,936	130,066	153,654
Depreciation, Depletion and Amortization	10,592	10,788	31,332	34,057
Freight Expense	2,407	302	8,473	1,571
Selling, General and Administrative Expenses <sup>2</sup>	2,660	2,616	6,558	8,913
Interest Expense <sup>3</sup>	2,223	1,872	6,277	7,758
Total Costs	63,413	62,514	182,706	205,953
Net Income	\$6,401	\$ 18,924	\$ 14,124	\$ 53,082
Less: Net Income Attributable to CONSOL Energy, Pre-IPO and Pre-PA Mining Acquisition	1,379	4,241	3,995	38,399
Net Income Attributable to General and Limited Partner Ownership	\$5,022	\$ 14,683	\$ 10,129	\$ 14,683
Interest in CNX Coal Resources <sup>4</sup>	100	294	202	294
Less: General Partner Interest in Net Income	4,922	14,389	9,927	14,389
Limited Partner Interest in Net Income	—	—	119	—
Less: Effect of Subordinated Distribution Suspension	—	—	—	—
Net Income Allocable to Limited Partner Units - Basic & Diluted	\$4,922	\$ 14,389	\$9,808	\$ 14,389
Net Income per Limited Partner Unit - Basic	\$0.21	\$ 0.62	\$0.42	\$ 0.62
Net Income per Limited Partner Unit - Diluted	\$0.21	\$ 0.62	\$0.42	\$ 0.62
Limited Partner Units Outstanding - Basic	23,226,712	23,222,134	23,223,671	23,222,134
Limited Partner Units Outstanding - Diluted	23,469,612	23,222,592	23,344,554	23,222,592
Cash Distributions Declared per Unit <sup>5</sup>				
Common Unit	\$0.5125	\$ 0.4791	\$ 1.5375	\$ 0.4791
Subordinated Unit	\$0.5125	\$ 0.4791	\$ 1.0250	\$ 0.4791

<sup>1</sup> Related Party of \$854 and \$2,736 for the three months ended and \$3,390 and \$5,177 for the nine months ended September 30, 2016 and September 30, 2015, respectively.

<sup>2</sup> Related Party of \$856 and \$2,598 for the three months ended and \$3,090 and \$6,904 for the nine months ended September 30, 2016 and September 30, 2015, respectively.

<sup>3</sup> Related Party of \$6,050 for the nine months ended September 30, 2015.

<sup>4</sup> Represents the general and limited partner interest in net income since closing of IPO.

<sup>5</sup> Represents the cash distributions declared related to the period presented. See Note 14 - Subsequent Events.

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

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CNX COAL RESOURCES LP  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Dollars in thousands)  
 (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	\$6,401	\$18,924	\$14,124	\$53,082
Actuarially Determined Long-Term Liability Adjustments:				
Amortization of prior service credits	—	(995 )	—	(8,703 )
Recognized net actuarial (gain) loss	(22 )	90	(70 )	1,260
Other comprehensive income before reclassifications	—	889	—	5,691
Total Actuarially Determined Long-Term Liability Adjustments	(22 )	(16 )	(70 )	(1,752 )
Other Comprehensive Loss	(22 )	(16 )	(70 )	(1,752 )
Comprehensive Income	\$6,379	\$18,908	\$14,054	\$51,330

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

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CNX COAL RESOURCES LP  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)  
(unaudited)

	September 30, 2016	December 31, 2015	
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 6,314	\$ 6,534	
Trade Receivables	21,001	19,398	
Other Receivables	200	471	
Inventories	11,580	12,238	
Prepaid Expenses	4,739	5,089	
Total Current Assets	43,834	43,730	
Property, Plant and Equipment:			
Property, Plant and Equipment	873,767	865,527	
Less—Accumulated Depreciation, Depletion and Amortization	432,106	400,911	
Total Property, Plant and Equipment—Net	441,661	464,616	
Other Assets:			
Other	21,302	17,598	
Total Other Assets	21,302	17,598	
<b>TOTAL ASSETS</b>	<b>\$ 506,797</b>	<b>\$ 525,944</b>	
<b>LIABILITIES AND PARTNERS' CAPITAL</b>			
Current Liabilities:			
Accounts Payable		\$ 18,095	\$ 17,405
Accounts Payable—Related Party		1,320	4,310
Other Accrued Liabilities		41,186	37,281
Total Current Liabilities		60,601	58,996
Long-Term Debt:			
Revolver, net of debt issuance and financing fees		204,619	180,946
Capital Lease Obligations		166	124
Total Long-Term Debt		204,785	181,070
Deferred Credits and Other Liabilities:			
Pneumoconiosis Benefits		2,537	1,934
Workers' Compensation		3,133	2,929
Asset Retirement Obligations		9,271	8,499
Other		648	713
Total Deferred Credits and Other Liabilities		15,589	14,075
<b>TOTAL LIABILITIES</b>		<b>280,975</b>	<b>254,141</b>
Partners' Capital:			
Preferred Units (3,956,496 units outstanding at September 30, 2016 and no units outstanding at December 31, 2015)	67,300		—
Common Units (11,618,456 units outstanding at September 30, 2016 and 11,611,067 units outstanding at December 31, 2015)	141,800		154,309
Subordinated Units (11,611,067 Units Outstanding at September 30, 2016 and December 31, 2015)	(6,518)		6,188
General Partner Interest		12,319	13,081
Parent Net Investment		—	87,234
Accumulated Other Comprehensive Income		10,921	10,991

Total Partners' Capital	225,822	271,803
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$506,797	\$525,944

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

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CNX COAL RESOURCES LP  
CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL  
(Dollars in thousands)  
(unaudited)

	Limited Partners					General Partner	Accumulated Other Comprehensive Income	Total
	Parent Net Investment	Preferred Class A	Common	Subordinated				
Balance at December 31, 2015	\$ 87,234	\$—	\$ 154,309	\$ 6,188		\$ 13,081	\$ 10,991	\$ 271,803
Net Income	3,995	—	4,965	4,962		202	—	14,124
Other Comprehensive Loss	—	—	—	—		—	(70 )	(70 )
Issuance of Preferred Units	—	67,300	—	—		—	—	67,300
Net Working Capital Advances to the Partnership	(8,953 )	—	—	—		—	—	(8,953 )
Net Asset Acquired in Pennsylvania Mining Complex	(82,276 )	—	—	—		—	—	(82,276 )
Purchase Price in Excess of Net Assets Acquired	—	—	(522 )	(5,767 )		(235 )	—	(6,524 )
Unitholder Distributions	—	—	(17,856 )	(11,901 )		(729 )	—	(30,486 )
Unit Based Compensation	—	—	904	—		—	—	904
Balance at September 30, 2016	\$ —	\$ 67,300	\$ 141,800	\$ (6,518 )		\$ 12,319	\$ 10,921	\$ 225,822

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

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CNX COAL RESOURCES LP  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars in thousands)  
(unaudited)

	Nine Months Ended September 30, 2016		2015	
Cash Flows from Operating Activities:				
Net Income	\$	14,124	\$	53,082
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:				
Depreciation, Depletion and Amortization	31,332		34,057	
(Gain) Loss on Sale of Assets	10		(45	)
Unit Based Compensation	904		15	
Other Adjustments to Net Income	679		202	
Changes in Operating Assets:				
Accounts and Notes Receivable	(1,332	)	(28,974	)
Inventories	658		(2,521	)
Prepaid Expenses	350		(1,372	)
Changes in Other Assets	(3,704	)	(7,997	)
Changes in Operating Liabilities:				
Accounts Payable	1,468		(119	)
Accounts Payable—Related Party	(2,990	)	355	
Other Operating Liabilities	3,876		5,376	
Changes in Other Liabilities	1,949		(4,594	)
Net Cash Provided by Operating Activities	47,324		47,465	
Cash Flows from Investing Activities:				
Capital Expenditures	(9,569	)	(25,712	)
PA Mining Acquisition	(21,500	)	—	
Proceeds from Sales of Assets	21		70	
Net Cash Used in Investing Activities	(31,048	)	(25,642	)

Cash Flows from			
Financing Activities:			
Proceeds from			
(Payments on)			
Miscellaneous	(57	)	6,005
Borrowings			
Proceeds from Revolver,	23,000		180,000
Net of Payments			
Proceeds from Issuance			
of Common Units, Net	—		148,359
of Offering Costs			
Distribution of Proceeds	—		(342,711
Payments for Unitholder	(30,486	)	—
Distributions			
Debt Issuance and			
Financing Fees	—		(4,329
Net Change in Parent	(8,953	)	(6,144
Advances			)
Net Cash Used In	(16,496	)	(18,820
Financing Activities			)
Net (Decrease) Increase	(220	)	3,003
in Cash			
Cash at Beginning of	6,534		4
Period			
Cash at End of Period	\$	6,314	\$
			3,007

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

CNX COAL RESOURCES LP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

NOTE 1—BASIS OF PRESENTATION:

The accompanying unaudited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

On September 30, 2016, the Partnership and its wholly owned subsidiary, CNX Thermal, entered into a Contribution Agreement (the "Contribution Agreement") with CONSOL Energy, CPCC and Conrhein and together with CPCC, (the "Contributing Parties"), under which CNX Thermal acquired an undivided 6.25% of the Contributing Parties' right, title and interest in and to the Pennsylvania Mining Complex (which represents an aggregate 5% undivided interest in and to the Pennsylvania Mining Complex). The PA Mining Acquisition was a transaction between entities under common control; therefore, the partnership recorded the assets and liabilities of the acquired 5% of Pennsylvania Mining Complex at their carrying amounts to CONSOL Energy on the date of the transaction. The difference between CONSOL Energy's net carrying amount and the total consideration paid to CONSOL Energy was recorded as a capital transaction with CONSOL Energy, which resulted in a reduction in partners' capital. The Partnership recast its historical consolidated financial statements to retrospectively reflect the additional 5% interest in Pennsylvania Mining Complex as if the business was owned for all periods presented; however, the consolidated financial statements are not necessarily indicative of the results of operations that would have occurred if the Partnership had owned it during the periods reported.

For the three and nine months ended September 30, 2016 and the three months ended September 30, 2015, the unaudited consolidated financial statements include the accounts of CNX Coal Resources LP and subsidiaries, and separate records maintained by CONSOL Energy, CPCC and Conrhein related to the acquired 5% of the Pennsylvania Mining Complex.

For the nine months ended September 30, 2015, the unaudited consolidated financial statements were prepared from separate records maintained by CONSOL Energy, CPCC and Conrhein and may not necessarily be indicative of the conditions that would have existed, or the results of operations, if CPCC and Conrhein had been operated as unaffiliated entities. As these unaudited consolidated financial statements represent the combination of two separate legal entities wholly owned by CONSOL Energy, the net assets of the Partnership have been presented as a Parent Net Investment. Parent Net Investment is primarily comprised of the Partnership's undivided interest in (i) CONSOL Energy's initial investment in CPCC and Conrhein (and any subsequent adjustments thereto); (ii) the accumulated net earnings; (iii) net transfers to or from CONSOL Energy, including those related to cash management functions performed by CONSOL Energy; (iv) non-cash changes in financing arrangements, including the conversion of certain related party liabilities into Parent Net Investment; and (v) corporate cost allocations. Transactions between the Partnership and CONSOL Energy or CONSOL Energy's other subsidiaries have been identified in the financial statements as transactions between related parties.

Reclassifications:

Certain amounts have been reclassified to conform with the current reporting classifications with no effect on previously reported net income or partners' capital.

Recent Accounting Pronouncements:

In August 2016, the FASB issued Update 2016-15 - Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments. This update seeks to reduce the existing diversity in practice of the presentation and classification of specific cash flow issues. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Management is currently evaluating the impact this guidance may have on the Partnership's financial statements.

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09 "Revenue from Contracts with Customers (Topic 606)", which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. The objective of the amendments in this update is to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The core principle of the guidance 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 and should disclose sufficient information, both qualitative and quantitative, to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The following updates to Topic 606 were made during 2016:

In March 2016, the FASB updated Topic 606 by issuing ASU 2016-08 "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which clarifies how an entity determines whether it is a principal or an agent for goods or services promised to a customer as well as the nature of the goods or services promised to their customers.

In April 2016, the FASB issued Update 2016-10 - Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which seeks to address implementation issues in the areas of identifying performance obligations and licensing.

In May 2016, the FASB issued Update 2016-12 - Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients. The update, which was issued in response to feedback received by the FASB-IASB joint revenue recognition transition resource group (TRG), seeks to address implementation issues in the areas of collectibility, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition.

The new standards are effective for annual reporting periods beginning after December 15, 2018, with the option to adopt as early as annual reporting periods beginning after December 15, 2016. Management is currently evaluating the method of adoption as it relates to ASU 2014-09 and the impacts that these standards will have on the Partnership's financial statements.

In March 2016, the FASB issued Update 2016-09 - Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The update simplifies several aspects of the accounting for share-based payment transactions including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. In addition to those simplifications, the amendments eliminate the guidance in Topic 718 that was indefinitely deferred shortly after the issuance of FASB Statement No. 123 (revised 2004), Share-Based Payment. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early application of the amendments in this update is permitted for all entities. Management is currently evaluating the impact this guidance may have on the Partnership's financial statements.

In February 2016, the FASB issued Update 2016-02 - Leases (Topic 842). This update is intended to improve financial reporting about leasing transactions. This update will require lessees to recognize all leases with terms greater than 12 months on their balance sheet as lease liabilities with a corresponding right-of-use asset. This update maintains the dual model for lease accounting, requiring leases to be classified as either operating or finance, with lease classification determined in a manner similar to existing lease guidance. The basic principle is that leases of all types convey the right to direct the use and obtain substantially all the economic benefits of an identified asset, meaning they create an asset and liability for lessees. Lessees will classify leases as either finance leases (comparable to current capital leases) or operating leases (comparable to current operating leases). Costs for a finance lease will be split between amortization and interest expense, with a single lease expense reported for operating leases. This update also will require both qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the amendments in this update is permitted for all entities. Management is currently evaluating the impact this guidance may have on the Partnership's financial statements.

**NOTE 2—NET INCOME PER LIMITED PARTNER AND GENERAL PARTNER INTEREST:**

The Partnership allocates net income among our general partner and limited partners using the two-class method in accordance with applicable authoritative accounting guidance. Under the two-class method, we allocate our net income to our limited partners and our general partner in accordance with the terms of our partnership agreement. We

also allocate any earnings in excess of distributions to our limited partners and our general partner in accordance with the terms of our partnership agreement. We allocate any distributions in excess of earnings for the period to our general partner and our limited partners based on their respective proportionate ownership interests in us, after taking into account distributions to be paid with respect to the incentive distribution rights, as set forth in the partnership agreement. Net income attributable the PA Mining Acquisition for periods prior to September 30, 2016 was not allocated to the limited partners for purposes of calculating net income per limited partner unit.

Diluted net income per limited partner unit reflects the potential dilution that could occur if securities or agreements to issue common units, such as awards under the long-term incentive plan, were exercised, settled or converted into common units. When it is determined that potential common units resulting from an award subject to performance or market conditions should be included in the diluted net income per limited partner unit calculation, the impact is reflected by applying the treasury stock method. Diluted net income per limited partner unit also reflects the potential dilution that could occur if the preferred

units of the partnership were converted to common units. If certain conditions are met, Preferred units can be converted by election of the holder, partnership, or by change in control.

The following table illustrates the Partnership's calculation of net income per unit for common and subordinated partner units (in thousands, except for per unit information):

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Net Income Attributable to General and Limited Partner Ownership Interest in CNX Coal Resources	\$ 6,401	\$ 18,924	\$ 14,124	\$ 53,082
Less: Net (Loss) Income Attributable to CONSOL Energy, Pre-IPO	—	(18 )	—	27,307
Less: Net Income Attributable to CONSOL Energy, Pre-PA Mining Acquisition	1,379	4,259	3,995	11,092
Less: General Partner Interest in Net Income	100	294	202	294
Less: Effect of Subordinated Distribution Suspension	—	—	119	—
Net Income Allocable to Limited Partner Units - Basic & Diluted	\$ 4,922	\$ 14,389	\$ 9,808	\$ 14,389
Limited Partner Interest in Net Income - Common Units	\$ 2,462	\$ 7,194	\$ 4,965	\$ 7,194
Effect of Subordinated Distribution Suspension - Common Units	—	—	2,917	—
Net Income Allocable to Common Units - Basic & Diluted	\$ 2,462	\$ 7,194	\$ 7,882	\$ 7,194
Limited Partner Interest in Net Income - Subordinated Units	\$ 2,460	\$ 7,195	\$ 4,962	\$ 7,195
Effect of Subordinated Distribution Suspension - Subordinated Units	—	—	(3,036 )	—
Net Income Allocable to Subordinated Units - Basic & Diluted	\$ 2,460	\$ 7,195	\$ 1,926	\$ 7,195
Weighted Average Limited Partner Units Outstanding - Basic				
Common Units	11,615,645	11,611,067	11,612,604	11,611,067
Subordinated Units	11,611,067	11,611,067	11,611,067	11,611,067
Total	23,226,712	23,222,134	23,223,671	23,222,134
Weighted Average Limited Partner Units Outstanding - Diluted				
Common Units	11,858,548	11,611,525	11,733,487	11,611,525
Subordinated Units	11,611,067	11,611,067	11,611,067	11,611,067
Total	23,469,615	23,222,592	23,344,554	23,222,592
Net Income Per Limited Partner Unit - Basic				
Common Units	\$ 0.21	\$ 0.62	\$ 0.68	\$ 0.62
Subordinated Units	\$ 0.21	\$ 0.62	\$ 0.17	\$ 0.62
Net Income Per Limited Partner Unit - Diluted				
Common Units	\$ 0.21	\$ 0.62	\$ 0.67	\$ 0.62
Subordinated Units	\$ 0.21	\$ 0.62	\$ 0.17	\$ 0.62

There were no phantom units or preferred units excluded from the computation of the diluted earnings per share because their effect would be anti-dilutive for all periods presented.

## NOTE 3—ACQUISITION:

On September 30, 2016, the Partnership and its wholly owned subsidiary, CNX Thermal, entered into a Contribution Agreement with CONSOL Energy, CPCC and Conrhein and together with CPCC, under which CNX Thermal acquired an undivided 6.25% of the Contributing Parties' right, title and interest in and to the Pennsylvania Mining Complex (which represents an aggregate 5% undivided interest in and to the Pennsylvania Mining Complex), in exchange for (i) cash consideration in the amount of \$21,500 and (ii) the Partnership's issuance of 3,956,496 Class A Preferred Units representing limited partner interests in the Partnership at an issue price of \$17.01 per Class A Preferred Unit (the "Class A Preferred Unit Issue Price"), or an aggregate \$67,300 in equity consideration. The Class A Preferred Unit Issue Price was calculated as the volume-weighted average trading price of the Partnership's common units over the trailing 15-day trading period ending on September 29, 2016 (or \$14.79), plus a 15% premium. The PA Mining Acquisition was consummated on September 30, 2016.

Following the PA Mining Acquisition and including interests it held previously, CNX Thermal holds an aggregate 25% undivided interest in and to the Pennsylvania Mining Complex. The Contribution Agreement contains customary representations, warranties, agreements and covenants of the parties. The Partnership and CNX Thermal, on the one hand, and CONSOL Energy, CPCC and Conrhein, on the other hand, have agreed to indemnify each other and their respective affiliates, directors, officers, employees, agents and representatives against certain losses resulting from any breach of their representations, warranties, agreements or covenants contained in the Contribution Agreement, subject to certain limitations. The Conflicts Committee of the board of directors of our general partner, and the board unanimously approved the terms of the Acquisition.

The PA Mining Acquisition was a transaction between entities under common control; therefore, the Partnership recorded the assets and liabilities of the acquired 5% undivided interest in the Pennsylvania Mining Complex at their carrying amounts to CONSOL Energy on the date of the transaction. The difference between CONSOL Energy's net carrying amount and the total consideration paid to CONSOL Energy was recorded as a capital transaction with CONSOL Energy, which resulted in a reduction in partners' capital. The \$67,300 in equity consideration was a non-cash transaction, which impacted the investing and financing activities of the Partnership, by \$6,524 of excess consideration paid over the net carrying amount and \$60,776 of carrying amount paid from equity consideration. The Partnership recast its historical consolidated financial statements to retrospectively reflect the Acquisition as if the assets and liabilities were owned for all periods presented; however, the consolidated financial statements are not necessarily indicative of the results of operations that would have occurred if the Partnership had owned the assets during the periods reported.

## NOTE 4—INVENTORIES:

	September 30,	December 31,
	2016	2015
Coal	\$ 2,092	\$ 1,165
Supplies	9,488	11,073
Total Inventories	\$ 11,580	\$ 12,238

Inventories are stated at the lower of cost or net realizable value. The cost of coal inventories is determined by the first-in, first-out (FIFO) method. Coal inventory costs include labor, supplies, equipment costs, operating overhead, depreciation, depletion and amortization, and other related costs. The cost of supplies inventory is determined by the average cost method and includes operating and maintenance supplies to be used in our coal operations.

## NOTE 5—PROPERTY, PLANT AND EQUIPMENT:

	September 30, December 31,	
	2016	2015
Coal and other plant and equipment	\$ 575,163	\$ 571,044
Coal properties and surface lands	120,985	120,912
Airshafts	92,008	87,967
Mine development	81,538	81,538
Coal advance mining royalties	4,073	4,066
Total property, plant and equipment	873,767	865,527
Less: Accumulated depreciation, depletion and amortization	432,106	400,911
Total Net Property, Plant and Equipment	\$ 441,661	\$ 464,616

Coal reserves are controlled either through fee ownership or by lease. The duration of the leases vary; however, the lease terms generally are extended automatically to the exhaustion of economically recoverable reserves, as long as active mining continues. Coal interests held by lease provide the same rights as fee ownership for mineral extraction and are legally considered real property interests.

As of September 30, 2016 and December 31, 2015, property, plant and equipment includes gross assets under capital lease of \$639 and \$481, respectively. Accumulated amortization for capital leases was \$380 and \$296 at September 30, 2016 and December 31, 2015, respectively. Amortization expense for assets under capital leases approximated \$22 and \$15 for the three months ended, and \$53 and \$37 for the nine months ended September 30, 2016 and 2015, respectively, and is included in Depreciation, Depletion and Amortization in the accompanying Consolidated Statements of Operations.

## NOTE 6—OTHER ACCRUED LIABILITIES:

	September 30, December	
	2016	31, 2015
Subsidence liability	\$ 25,199	\$ 22,403
Accrued payroll and benefits	3,640	3,552
Litigation	2,600	2,138
Equipment lease rental	2,495	2,442
Accrued other taxes	2,057	807
Other	2,886	2,287
Current portion of long-term liabilities:		
Workers' compensation	1,383	1,431
Asset retirement obligations	591	1,913
Long-term disability	191	204
Capital leases	90	61
Pneumoconiosis benefits	54	43
Total Other Accrued Liabilities	\$ 41,186	\$ 37,281

## NOTE 7—REVOLVING CREDIT FACILITY:

	September 30, December 31,	
	2016	2015
Revolver, carrying amount	\$ 208,000	\$ 185,000
Less: Debt issuance and financing fees	3,381	4,054
Revolver, net	\$ 204,619	\$ 180,946



## Revolving Credit Facility

Obligations under our \$400,000 senior secured revolving credit facility with certain lenders and PNC Bank N.A, as administrative agent, are guaranteed by our subsidiaries and are secured by substantially all of our and our subsidiaries' assets pursuant to a security agreement and various mortgages. CONSOL Energy is not a guarantor of our obligations under our revolving credit facility.

The unused portion of our revolving credit facility is subject to a commitment fee of 0.50% per annum. Interest on outstanding indebtedness under our revolving credit facility accrues, at our option, at a rate based on either:

The highest of (i) PNC Bank N.A.'s prime rate, (ii) the federal funds open rate plus 0.50%, and (iii) the one-month LIBOR rate plus 1.0%, in each case, plus a margin ranging from 1.50% to 2.50% depending on the total leverage ratio; or

the LIBOR rate plus a margin ranging from 2.50% to 3.50% depending on the total leverage ratio.

As of September 30, 2016, the revolving credit facility had \$208,000 of borrowings outstanding, leaving \$192,000 of unused capacity. At December 31, 2015, the revolving credit facility had \$185,000 of borrowings outstanding, leaving \$215,000 unused capacity. Interest on outstanding borrowings under the revolving credit facility at September 30, 2016 was accrued at 3.78% based on a LIBOR rate of 0.53%, plus a margin of 3.25%. Interest on outstanding borrowings under the revolving credit facility at December 31, 2015 was accrued at 3.17% based on a LIBOR rate of 0.42%, plus a margin of 2.75%.

Our revolving credit facility matures on July 7, 2020 and requires compliance with conditions precedent that must be satisfied prior to any borrowing as well as ongoing compliance with certain affirmative and negative covenants. The revolving credit facility requires that the Partnership maintain a minimum interest coverage ratio of at least 3.00 to 1.00, which is calculated as the ratio of trailing 12 months Adjusted EBITDA, as defined in the credit agreement, to cash interest expense of the Partnership, measured quarterly. The Partnership must also maintain a maximum total leverage ratio not greater than 3.50 to 1.00, which is calculated as the ratio of total consolidated indebtedness to trailing 12 months Adjusted EBITDA, as defined in the credit agreement, measured quarterly. At September 30, 2016, the interest coverage ratio was 9.93 to 1.00 and the total leverage ratio was 2.67 to 1.00.

## NOTE 8—COMPONENTS OF OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS NET PERIODIC BENEFIT COSTS:

Prior to the IPO, the Partnership was obligated to CONSOL Energy for a portion of the medical and life insurance benefits to certain retired employees of CPCC (the "OPEB" plans). On May 31, 2015, the Salaried OPEB and Production and Maintenance ("P&M") OPEB plans were remeasured to reflect an announced plan amendment resulting in a reduction in the OPEB liability and an increase in Other Comprehensive Income of \$4,713. In conjunction with the IPO, on July 7, 2015, the OPEB liability and related accumulated other comprehensive income were retained by CONSOL Energy, and the Partnership has no further OPEB obligation as of such date. Therefore, no OPEB payments have been made for the nine months ended September 30, 2016.

Three	Nine
Months	Months
Ended	Ended
September	September

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	30, 2015	30, 2015
Interest cost	\$ —	\$ 58
Amortization of prior service credits	(995 )	(8,703 )
Recognized net actuarial loss	105	1,304
Net periodic benefit cost	\$ (890 )	\$ (7,341 )



**NOTE 9—COMPONENTS OF COAL WORKERS' PNEUMOCONIOSIS (CWP) AND WORKERS' COMPENSATION NET PERIODIC BENEFIT COSTS:**

The Partnership is obligated to CONSOL Energy for medical and disability benefits to certain CPCC employees and their dependents resulting from occurrences of coal workers' pneumoconiosis disease and is also obligated to CONSOL Energy to compensate certain individuals who are entitled benefits under workers' compensation laws.

	CWP				Workers' Compensation			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015	2016	2015	2016	2015
Service cost	\$204	\$64	\$598	\$192	\$325	\$414	\$974	\$1,242
Interest cost	18	16	54	48	33	37	99	110
Amortization of actuarial (gain)	(20 )	(18 )	(62 )	(53 )	(5 )	—	(16 )	(1 )
State administrative fees and insurance bond premiums	—	—	—	—	53	4	129	185
Net periodic benefit cost	\$202	\$62	\$590	\$187	\$406	\$455	\$1,186	\$1,536

The Partnership does not expect to contribute to CONSOL Energy's CWP plan in 2016 as it intends to pay benefit claims as they become due. For the nine months ended September 30, 2016, \$39 of CWP benefit claims have been paid.

The Partnership does not expect to contribute to CONSOL Energy's Workers' Compensation plan in 2016 as it intends to pay benefit claims as they become due. For the nine months ended September 30, 2016, \$1,000 of Workers' Compensation benefits, state administrative fees and surety bond premiums have been paid.

**NOTE 10—FAIR VALUE OF FINANCIAL INSTRUMENTS:**

The Partnership determines the fair value of assets and liabilities based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The fair values are based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. The fair value hierarchy is based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources (including LIBOR-based discount rates), while unobservable inputs reflect the Partnership's own assumptions of what market participants would use.

The fair value hierarchy includes three levels of inputs that may be used to measure fair value as described below.

Level One - Quoted prices for identical instruments in active markets.

Level Two - The fair value of the assets and liabilities included in Level 2 are based on standard industry income approach models that use significant observable inputs, including LIBOR-based discount rates.

Level Three - Unobservable inputs significant to the fair value measurement supported by little or no market activity. The significant unobservable inputs used in the fair value measurement of the Partnership's third party guarantees are the credit risk of the third party and the third party surety bond markets.

In those cases when the inputs used to measure fair value meet the definition of more than one level of the fair value hierarchy, the lowest level input that is significant to the fair value measurement in its totality determines the applicable level in the fair value hierarchy.

The following methods and assumptions were used to estimate the fair value for which the fair value option was not elected:

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Long-term debt: The fair value of long-term debt is measured using unadjusted quoted market prices or estimated using discounted cash flow analyses. The discounted cash flow analyses are based on current market rates for instruments with similar cash flows.

The carrying amounts and fair values of financial instruments for which the fair value option was not elected are as follows:

	September 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revolving Credit Facility	\$208,000	\$208,000	\$185,000	\$185,000

The Partnership's debt obligations are valued through reference to the applicable underlying benchmark rate and, as a result, constitute Level 2 fair value measurements.

**NOTE 11—COMMITMENTS AND CONTINGENT LIABILITIES:**

The Partnership is subject to various lawsuits and claims with respect to such matters as personal injury, wrongful death, damage to property, exposure to hazardous substances, governmental regulations (including environmental remediation), employment and contract disputes and other claims and actions arising out of the normal course of business. We accrue the estimated loss for these lawsuits and claims when the loss is probable and can be estimated. Our current estimated accruals related to these pending claims, individually and in the aggregate, are immaterial to the financial position, results of operations or cash flows of the Partnership. It is possible that the aggregate loss in the future with respect to these lawsuits and claims could ultimately be material to the financial position, results of operations or cash flows of the Partnership; however, such amounts cannot be reasonably estimated.

CONSOL Energy received from the U.S. Environmental Protection Agency (the "EPA") on April 8, 2011, a request for information relating to National Pollutant Discharge Elimination System (NPDES) Permit compliance at the Partnership's Bailey and Enlow Fork Mines. In response, CPCC submitted water discharge monitoring and other data to the EPA. In early 2013, the case was referred to the U.S. Department of Justice (DOJ), and Pennsylvania Department of Environmental Protection (PA DEP) also became involved. On December 18, 2014, the DOJ provided CONSOL Energy a proposed Consent Decree to resolve certain Clean Water Act and Clean Streams Law claims against CONSOL Energy, Inc. and CPCC with respect to the Bailey Mine Complex. After negotiations, the parties reached an agreement in principle on the terms of a Consent Decree naming CONSOL Energy Inc., CPCC and CNX Coal Resources LP as defendants. On August 4, 2016, EPA and PA DEP filed a Complaint and Notice of Lodging of the proposed Consent Decree before the public comment period closed. On September 14, 2016, the Court signed the Consent Decree and entered final judgment in this matter. The Consent Decree imposed on defendants a civil penalty of \$750 and various compliance requirements. The Partnership has established an accrual to cover its liability in this matter. This accrual is immaterial to the overall financial position of the Partnership and is included in Other Accrued Liabilities on the Consolidated Balance Sheets.

At September 30, 2016, the Partnership is contractually obligated to CONSOL Energy for financial guarantees and letters of credit to certain third parties which were issued by CONSOL Energy on behalf of the Partnership. The maximum potential total of future payments that we could be required to make under these instruments is \$73,850. The instruments are comprised of \$719 employee-related and other letters of credit expiring in the next three years, \$63,903 of environmental surety bonds expiring within the next three years, and \$9,228 of employee-related and other surety bonds expiring within the next three years. Employee-related financial guarantees have primarily been provided to support various state workers' compensation and federal black lung self-insurance programs. Environmental financial guarantees have primarily been provided to support various performance bonds related to reclamation and other environmental issues. Other guarantees have been extended to support insurance policies, legal matters, full and timely payments of mining equipment leases, and various other items necessary in the normal course of business. These amounts have not been reduced for potential recoveries under recourse or collateralization provisions.

Generally, recoveries under reclamation bonds would be limited to the extent of the work performed at the time of the default. No amounts related to these financial guarantees and letters of credit are recorded as liabilities on the financial statements. The Partnership's management believes that these guarantees will expire without being funded, and therefore the commitments will not have a material adverse effect on the financial condition of the Partnership.

The Partnership enters into long-term unconditional purchase obligations for the acquisition of certain specialized machinery and equipment. These purchase obligations are not recorded on the Consolidated Balance Sheets. As of September 30, 2016, the Partnership had \$245 of purchase obligations, all of which are due in less than one year.

NOTE 12—RELATED PARTY:

CONSOL Energy

The Consolidated Statements of Operations include expense allocations for certain corporate functions historically performed by CONSOL Energy prior to the IPO, including allocations of general corporate expenses related to stock-based compensation, legal, treasury, human resources, information technology and other administrative services. Those allocations were based primarily on specific identification, head counts and coal tons produced. Also, centralized cash management activities for CONSOL Energy were utilized for collections and payments related to normal course of business accounts receivable and payments for goods and services. The balance of receivables/payables from CONSOL Energy and other affiliates are presented as contributions/distributions in these consolidated financial statements. Management believes the assumptions underlying the Consolidated Financial Statements, including the assumptions regarding allocating general corporate expenses from CONSOL Energy are reasonable. Nevertheless, these statements may not include all of the actual expenses that would have been incurred by the Partnership and may not reflect our Consolidated Statements of Operations, Balance Sheets and Cash Flows had we been a stand-alone company during the periods presented. Actual costs that would have been incurred if the Partnership had been a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure.

In conjunction with the IPO, the Partnership entered into several agreements, including an omnibus agreement, with CONSOL Energy. In connection with PA Mining Acquisition described in Note 3, on September 30, 2016, the General Partner and the Partnership entered into the First Amended and Restated Omnibus Agreement (the “Amended Omnibus Agreement”) with CONSOL Energy and certain of its subsidiaries. Under the Amended Omnibus Agreement, CONSOL Energy will indemnify the Partnership for certain liabilities, including those relating to:

all tax liabilities attributable to the assets contributed to the Partnership in connection with the PA Mining Acquisition (the “First Drop Down Assets”) arising prior to the closing of the PA Mining Acquisition or otherwise related to the Contributing Parties’ contribution of the First Drop Down Assets to the Partnership in connection with the PA Mining Acquisition; and

certain operational and title matters related to the First Drop Down Assets, including the failure to have (i) the ability to operate under any governmental license, permit or approval or (ii) such valid title to the First Drop Down Assets, in each case, that is necessary for the Partnership to own or operate the First Drop Down Assets in substantially the same manner as owned or operated by the Contributing Parties prior to the Acquisition. The Partnership will indemnify CONSOL Energy for certain liabilities relating to the First Drop Down Assets, including those relating to:

the use, ownership or operation of the First Drop Down Assets; and

the Partnership’s operation of the First Drop Down Assets under permits and/or bonds, letters of credit, guarantees, deposits and other pre-payments held by CONSOL Energy.

The Amended Omnibus Agreement also amended the Partnership’s obligations to CONSOL Energy with respect to the payment of an annual administrative support fee and reimbursement for the provision of certain management and operating services provided by CONSOL Energy, in each case to reflect structural changes in how those services are provided to the Partnership by CONSOL Energy.

Charges for services from CONSOL Energy include the following:

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	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Operating and Other Costs	\$854	\$2,736	\$3,390	\$5,177
Selling, General and Administrative Expenses	856	2,598	3,090	6,904
Total Service from CONSOL Energy	\$1,710	\$5,334	\$6,480	\$12,081

At September 30, 2016 and December 31, 2015, the Partnership had a net payable to CONSOL Energy in the amount of \$1,320 and \$4,310, respectively. This payable includes reimbursements for business expenses, executive fees, stock-based compensation and other items under the omnibus agreement.

#### CFI Loan

CPCC had several related party long-term notes with CONSOL Financial Inc. ("CFI"), a wholly owned subsidiary of CONSOL Energy, as of September 30, 2015, pursuant to which CPCC was the obligor. The loan represented multiple 10-year term notes between CPCC and CFI at the applicable federal funds rates in effect upon execution, which were due at various future dates throughout the year. In conjunction with the IPO, these notes were excluded from the Partnership's liabilities. Payments for these notes were \$16,991 for the nine months ended September 30, 2015 and proceeds from additional notes were \$16,991 for the nine months ended September 30, 2015. Interest expense related to these notes were \$6,050 for the nine months ended September 30, 2015 and are included in Interest Expense in the accompanying Consolidated Statements of Operations.

#### NOTE 13—LONG-TERM INCENTIVE PLAN:

Under the CNX Coal Resources LP 2015 Long-Term Incentive Plan (the "LTIP"), our general partner may issue long-term equity based awards to directors, officers and employees of our general partner or its affiliates, or to any consultants, affiliates of our general partner or other individuals who perform services for us. These awards are intended to compensate the recipients thereof based on the performance of our common units and their continued service during the vesting period, as well as to align their long-term interests with those of our unitholders. We are responsible for the cost of awards granted under the LTIP and all determinations with respect to awards to be made under the LTIP are made by the board of directors of our general partner or any committee thereof that may be established for such purpose or by any delegate of the board of directors or such committee, subject to applicable law, which we refer to as the plan administrator.

The LTIP limits the number of units that may be delivered pursuant to vested awards to 2,300,000 common units, subject to proportionate adjustment in the event of unit splits and similar events. Common units subject to awards that are canceled, forfeited, withheld to satisfy exercise prices or tax withholding obligations or otherwise terminated without delivery of the common units will be available for delivery pursuant to other awards.

The Partnership's general partner has granted equity-based phantom units that vest over a period of continued service with the Partnership. The phantom units will be paid in common units upon vesting or an amount of cash equal to the fair market value of a unit based on the vesting date. The awards may accelerate upon change in control of the Partnership. Compensation expense is recognized on a straight-line basis over a requisite service period, which is generally the vesting term. The Partnership recognized \$289 and \$904 of compensation expense for the three and nine months ended September 30, 2016, which is included in Selling, General and Administrative Expenses in the Consolidated Statements of Operations. As of September 30, 2016, there is \$2,173 of unearned compensation that will vest over a weighted average period of 2.21 years. The following represents the nonvested phantom units and their corresponding weighted average grant date fair value:

Number of Units	Weighted Average Grant Date Fair
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		Value per Unit
Nonvested at December 31, 2015	6,456	\$ 14.39
Granted	392,688	\$ 7.90
Vested	(7,389 )	\$ 13.51
Forfeited	(9,821 )	\$ 7.90
Nonvested at September 30, 2016	381,934	\$ 7.90

NOTE 14—SUBSEQUENT EVENTS:

On October 31, 2016, the Board of Directors of our general partner declared a cash distribution to the Partnership's unitholders for the third quarter of 2016 of \$0.5125 per common and subordinated units. The cash distribution will be paid on November 15, 2016 to the unitholders of record at the close of business on November 10, 2016.



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

Unless otherwise indicated, the following discussion of the financial condition and results of operations of our Partnership reflect a 25% undivided interest in the assets, liabilities and results of operations of the Pennsylvania Mining Complex. As used in the following discussion of the financial condition and results of operations of our Partnership, the terms "we," "our," "us," or like terms refer to the Partnership with respect to its 25% undivided interest in the Pennsylvania Mining Complex's combined assets, liabilities revenues and costs.

### Overview

We are a growth-oriented master limited partnership formed by CONSOL Energy in 2015 to manage and further develop all of its thermal coal operations in Pennsylvania. Our assets include a 25% undivided interest in, and operational control over, CONSOL Energy's Pennsylvania Mining Complex, which consists of three underground mines and related infrastructure that produce high-Btu bituminous thermal coal that is sold primarily to electric utilities in the eastern United States, our core market. We believe that our ability to efficiently produce and deliver large volumes of high-quality coal at competitive prices, the strategic location of our mines, the industry experience of our management team and our relationship with CONSOL Energy position us as a leading producer of high-Btu thermal coal in the Northern Appalachian Basin and the eastern United States.

### How We Evaluate Our Operations

Our management uses a variety of financial and operating metrics to analyze our performance. These metrics are significant factors in assessing our operating results and profitability and include: (i) coal production, sales volumes and average sales price; (ii) cost of coal sold, a non-GAAP financial measure; (iii) average cash margin per ton, an operating ratio derived from non-GAAP financial measures, (iv) adjusted EBITDA, a non-GAAP financial measure; and (v) distributable cash flow, a non-GAAP financial measure.

Cost of coal sold, average cash margin per ton, adjusted EBITDA and distributable cash flow normalize the volatility contained within GAAP measures, by adjusting certain non-operating or non-cash transactions. These metrics are used as supplemental financial measures by management and by external users of our financial statements, such as investors, industry analysts, lenders and ratings agencies, to assess:

- our operating performance as compared to the operating performance of other companies in the coal industry, without regard to financing methods, historical cost basis or capital structure;
- the ability of our assets to generate sufficient cash flow to make distributions to our partners;
- our ability to incur and service debt and fund capital expenditures;
- the viability of acquisitions and other capital expenditure projects and the returns on investment of various investment opportunities; and
- the attractiveness of capital projects and acquisitions and the overall rates of return on alternative investment opportunities.

The non-GAAP financial measures should not be considered an alternative to total costs, net income, operating cash flow, or any other measure of financial performance or liquidity presented in accordance with GAAP. These measures exclude some, but not all, items that affect net income or net cash, and these measures may vary from those of other

companies. As a result, the items presented below may not be comparable to similarly titled measures of other companies.

#### Reconciliation of Non-GAAP Financial Measures

We evaluate our cost of coal sales on a cost per ton basis. Our cost of coal sold per ton represents our costs of coal sold divided by the tons of coal we sell. We define cost of coal sold as operating and other production costs related to produced tons sold, along with changes in coal inventory, both in volumes and carrying values. The cost of coal sold per ton includes items such as direct operating costs, royalty and production taxes, direct administration, and depreciation, depletion and amortization costs. Our costs exclude any indirect costs such as general and administrative costs and other costs not directly attributable to the production of coal. The GAAP measure most directly comparable to cost of coal sold is total costs.

We define average cash margin per ton as (i) average coal revenue per ton, net of average cost of coal sold per ton, less depreciation, depletion and amortization, as adjusted for (ii) non-production related costs.

We define adjusted EBITDA as (i) net income (loss) before net interest expense, depreciation, depletion and amortization, as adjusted for (ii) certain non-cash items, such as Unit Based Compensation. The GAAP measure most directly comparable to adjusted EBITDA is net income.

We define distributable cash flow as (i) net income (loss) before net interest expense, depreciation, depletion and amortization, as adjusted for (ii) certain non-cash items, such as unit based compensation, less net cash interest paid and estimated maintenance capital expenditures. Distributable cash flow will not reflect changes in working capital balances. The GAAP measures most directly comparable to distributable cash flow are net income and net cash provided by operating activities.

The following table presents a reconciliation of cost of coal sold to total costs, the most directly comparable GAAP financial measure, on a historical basis for each of the periods indicated (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Total Costs	\$63,413	\$62,514	\$182,706	\$205,953
Freight Expense	(2,407 )	(302 )	(8,473 )	(1,571 )
Selling, General and Administrative Expenses	(2,660 )	(2,616 )	(6,558 )	(8,913 )
Interest Expense	(2,223 )	(1,872 )	(6,277 )	(7,758 )
Other Costs (Non-Production)	(1,508 )	(102 )	(7,703 )	3,558
Depreciation, Depletion and Amortization (Non-Production)	(544 )	(547 )	(2,851 )	(1,920 )
Cost of Coal Sold	\$54,071	\$57,075	\$150,844	\$189,349

The following table presents a reconciliation of average cash margin per ton for each of the periods indicated (in thousands, except per ton information).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Total Coal Revenue	\$66,922	\$80,793	\$186,103	\$256,651
Operating and Other Costs	45,531	46,936	130,066	153,654
Depreciation, Depletion and Amortization	10,592	10,788	31,332	34,057
Less: Other Costs (Non-Production)	(1,508 )	(102 )	(7,703 )	3,558
Less: Depreciation, Depletion and Amortization (Non-Production)	(544 )	(547 )	(2,851 )	(1,920 )
Total Cost of Coal Sold	\$54,071	\$57,075	\$150,844	\$189,349
Total Tons Sold	1,511	1,418	4,368	4,470
Average Sales Price Per Ton Sold	\$44.30	\$56.99	\$42.60	\$57.41
Average Cost Per Ton Sold	35.79	40.26	34.53	42.35
Average Margin Per Ton Sold	8.51	16.73	8.07	15.06
Add: Total Depreciation, Depletion and Amortization Costs Per Ton Sold	6.50	7.05	6.48	7.07
Average Cash Margin Per Ton Sold	\$15.01	\$23.78	\$14.55	\$22.13

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The following table presents a reconciliation of adjusted EBITDA to net income, the most directly comparable GAAP financial measure, on a historical basis for each of the periods indicated. The table also presents a reconciliation of distributable cash flow to net income and operating cash flows, the most directly comparable GAAP financial measures, on a historical basis for each of the periods indicated (in thousands).

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	Three Months		Nine Months	
	Ended September		Ended September	
	30,	30,	30,	30,
	2016	2015	2016	2015
Net Income	\$6,401	\$18,924	\$14,124	\$53,082
Plus:				
Interest Expense	2,223	1,872	6,277	7,758
Depreciation, Depletion and Amortization	10,592	10,788	31,332	34,057
OPEB Plan Change	—	(890 )	—	(5,339 )
Backstop Loan Fees	—	—	—	1,895
Stock/Unit Based Compensation	289	15	904	1,072
Adjusted EBITDA	\$19,505	\$30,709	\$52,637	\$92,525
Less:				
Cash Interest	2,181	1,475	5,937	6,313
PA Mining Acquisition Adjusted EBITDA <sup>1</sup>	3,539	6,422	10,272	19,136
Estimated Maintenance Capital Expenditures	6,929	7,438	20,381	22,388
Distributable Cash Flow	\$6,856	\$15,374	\$16,047	\$44,688
Net Cash Provided by Operating Activities	\$22,489	\$(709 )	\$47,324	\$47,465
Less:				
Interest Expense, Net	2,223	1,872	6,277	7,758
Other, Including Working Capital	761	(33,290 )	(11,590 )	(52,818 )
Adjusted EBITDA	\$19,505	\$30,709	\$52,637	\$92,525
Less:				
Cash Interest	2,181	1,475	5,937	6,313
PA Mining Acquisition Adjusted EBITDA <sup>1</sup>	3,539	6,422	10,272	19,136
Estimated Maintenance Capital Expenditures	6,929	7,438	20,381	22,388
Distributable Cash Flow	\$6,856	\$15,374	\$16,047	\$44,688

<sup>1</sup>PA Mining Acquisition Adjusted EBITDA relates to the amount of Adjusted EBITDA acquired with the PA Mining Acquisition recasted for all periods presented.

## Results of Operations

Three Months Ended September 30, 2016 Compared with the Three Months Ended September 30, 2015

Total net income was \$6,401 for the three months ended September 30, 2016 compared to \$18,924 for the three months ended September 30, 2015. Our results of operations for each of these periods are presented in the table below. Variances are discussed following the table.

	For the Three Months Ended, September 30,		
	2016	2015	Variance
	(in thousands)		
Revenue:			
Coal Revenue	\$66,922	\$80,793	\$(13,871)
Freight Revenue	2,407	302	2,105
Other Income	485	343	142
Total Revenue and Other Income	69,814	81,438	(11,624 )
Cost of Coal Sold:			
Operating Costs	44,023	46,834	(2,811 )
Depreciation, Depletion and Amortization	10,048	10,241	(193 )
Total Cost of Coal Sold	54,071	57,075	(3,004 )
Other Costs:			
Other Costs	1,508	102	1,406
Depreciation, Depletion and Amortization	544	547	(3 )
Total Other Costs	2,052	649	1,403
Freight Expense	2,407	302	2,105
Selling, General and Administrative Expenses	2,660	2,616	44
Interest Expense	2,223	1,872	351
Total Costs	63,413	62,514	899
Net Income	\$6,401	\$18,924	\$(12,523)
Adjusted EBITDA	\$19,505	\$30,709	\$(11,204)
Distributable Cash Flow	\$6,856	\$15,374	\$(8,518 )

## Coal Production Rates

The table below presents total tons produced from the Pennsylvania Mining Complex on our 25% undivided interest basis for the periods indicated:

Mine	Three Months Ended September 30,		
	2016	2015	Variance
Bailey	764	566	198
Enlow Fork	490	642	(152 )
Harvey	291	244	47
Total	1,545	1,452	93

Coal production was 1,545 tons for the three months ended September 30, 2016 compared to 1,452 tons for the three months ended September 30, 2015. The Partnership's coal production increased 93 tons to satisfy demand.

## Coal Operations

Coal revenue and cost components on a per unit basis for the three months ended September 30, 2016 and 2015 were as indicated in the table below. Our operations also include various costs such as selling, general and administrative, freight and other costs not included in our unit cost analysis because these costs are not directly associated with coal production.

	For the Three Months Ended September 30,		
	2016	2015	Variance
Total Tons Sold (in thousands)	1,511	1,418	93
Average Sales Price Per Ton Sold	\$44.30	\$56.99	\$(12.69)
Operating Costs Per Ton Sold (Cash Cost)	\$29.29	\$33.21	\$(3.92 )
Depreciation, Depletion and Amortization Per Ton Sold (Non-Cash Cost)	6.50	7.05	(0.55 )
Total Costs Per Ton Sold	\$35.79	\$40.26	\$(4.47 )
Average Margin Per Ton Sold	\$8.51	\$16.73	\$(8.22 )
Add: Depreciation, Depletion and Amortization Costs Per Ton Sold	6.50	7.05	(0.55 )
Average Cash Margin Per Ton Sold (1)	\$15.01	\$23.78	\$(8.77 )

(1) Average cash margin per ton is an operating ratio derived from non-GAAP measures.

## Revenue and Other Income

Coal revenue was \$66,922 for the three months ended September 30, 2016 compared to \$80,793 for the three months ended September 30, 2015. The \$13,871 decrease was attributable to a \$12.69 per ton lower average sales price offset by a 93 ton increase in tons sold. The lower average sales price per ton sold in the 2016 period was primarily the result of the overall decline in the domestic and global thermal coal markets. The average realized price per ton declined by 22% compared to the year ago period as some of the high priced coal contracts rolled off and were replaced by lower priced sales.

Freight revenue, which is completely offset in freight expense, is the amount billed to customers based on the weight of coal shipped and negotiated freight rates for rail transportation. Freight revenue increased \$2,105 in the period-to-period comparison due to increased shipments to customers where we were contractually obligated to provide transportation services.

Other income is comprised of income generated by the Partnership not in the ordinary course of business. Other income was \$485 for the three months ended September 30, 2016 compared to \$343 for the three months ended September 30, 2015. The \$142 increase was primarily attributable to sales of externally purchased coal in 2016 for blending purposes only.



### Cost of Coal Sold

Cost of coal sold is comprised of operating costs related to produced tons sold, along with changes in both volumes and carrying values of coal inventory. The costs of coal sold per ton include items such as direct operating costs, royalty and production taxes, direct administration expenses, and depreciation, depletion, and amortization costs. Total cost of coal sold was \$54,071 for the three months ended September 30, 2016, or \$3,004 lower than the \$57,075 for the three months ended September 30, 2015. Total costs per ton sold were \$35.79 per ton for the three months ended September 30, 2016 compared to \$40.26 per ton for the three months ended September 30, 2015. The decrease in the cost of coal sold was driven by a reduction in staffing levels, realignment of employee benefits, and vendor concessions. Productivity for the three months, as measured by tons per employee-hour, also improved by 2% compared to the year-ago period, despite the geological conditions encountered during the quarter.

### Total Other Costs

Total other costs is comprised of various costs that are not allocated to each individual mine and therefore are not included in unit costs. Total other costs increased \$1,403 for the three months ended September 30, 2016 compared to the three months ended September 30, 2015. The increase is primarily attributable to a net periodic benefit credit of \$890 related to the 2015 OPEB plan remeasurement for the three months ended September 30, 2015 compared to the three months ended September 30, 2016, where no benefit credits recorded as the Partnership had no further OPEB obligation in connection with the completion of the IPO. The increase is also attributed to additional discretionary 401(k) contributions.

### Selling, General, and Administrative Expense

Selling, general, and administrative expenses increased \$44 period-to-period, due to various transactions, none of which are material.

### Interest Expense

Interest expense, which primarily relates to obligations under our revolving credit facility, increased \$351 period-to-period primarily due to rising interest rates.

### Adjusted EBITDA

Adjusted EBITDA was \$19,505 for the three months ended September 30, 2016 compared to \$30,709 for the three months ended September 30, 2015. The \$11,204 decrease was primarily a result of \$12.69 per ton decrease in the average sales price per ton, offset in part, by a \$3.92 improvement in the cash cost of coal sales per ton which resulted in a net \$13,251 decrease in Adjusted EBITDA which was offset by an increase of 93 tons of additional sales resulting in an increase in Adjusted EBITDA of \$2,212. The remaining variance is due to various transactions, none of which are individually material.

### Distributable Cash Flow

Distributable cash flow was \$6,856 for the three months ended September 30, 2016 compared to \$15,374 for the three months ended September 30, 2015. The \$8,518 decrease was attributed to a \$11,204 decrease in Adjusted EBITDA as discussed above offset, in part, by a \$2,883 decrease in the Pre-Acquisition Adjusted EBITDA. The remaining variance is due to various transactions, none of which are individually material.



## Nine Months Ended September 30, 2016 Compared with the Nine Months Ended September 30, 2015

Total net income was \$14,124 for the nine months ended September 30, 2016 compared to \$53,082 for the nine months ended September 30, 2015. Our results of operations for each of these periods are presented in the table below. Variances are discussed following the table.

	For the Nine Months Ended, September 30,		
	2016	2015	Variance
	(in thousands)		
Revenue:			
Coal Revenue	\$ 186,103	\$ 256,651	\$(70,548)
Freight Revenue	8,473	1,571	6,902
Other Income	2,254	813	1,441
Total Revenue and Other Income	196,830	259,035	(62,205 )
Cost of Coal Sold:			
Operating Costs	122,363	157,212	(34,849 )
Depreciation, Depletion and Amortization	28,481	32,137	(3,656 )
Total Cost of Coal Sold	150,844	189,349	(38,505 )
Other Costs:			
Other Costs	7,703	(3,558 )	11,261
Depreciation, Depletion and Amortization	2,851	1,920	931
Total Other Costs	10,554	(1,638 )	12,192
Freight Expense	8,473	1,571	6,902
Selling, General and Administrative Expenses	6,558	8,913	(2,355 )
Interest Expense	6,277	7,758	(1,481 )
Total Costs	182,706	205,953	(23,247 )
Net Income	\$ 14,124	\$ 53,082	\$(38,958)
Adjusted EBITDA	\$ 52,637	\$ 92,525	\$(39,888)
Distributable Cash Flow	\$ 16,047	\$ 44,688	\$(28,641)

## Coal Production Rates

The table below presents total tons produced from the Pennsylvania Mining Complex on our 25% undivided interest basis for the periods indicated:

Mine	Nine Months Ended September 30,		
	2016	2015	Variance
Bailey	2,145	2,019	126
Enlow Fork	1,730	1,826	(96 )
Harvey	517	698	(181 )
Total	4,392	4,543	(151 )

Coal production was 4,392 tons for the nine months ended September 30, 2016 compared to 4,543 tons for the nine months ended September 30, 2015. The 151 decrease in tons was attributable to weak market conditions which resulted in the temporary idling of one longwall.

## Coal Operations

Coal revenue and cost components on a per unit basis for the nine months ended September 30, 2016 and 2015 were as indicated in the table below. Our operations also include various costs such as selling, general and administrative, freight and other costs not included in our unit cost analysis because these costs are not directly associated with coal production.

	Nine Months Ended September 30,		
	2016	2015	Variance
Total Tons Sold (in thousands)	4,368	4,470	(102 )
Average Sales Price Per Ton Sold	\$42.60	\$57.41	\$(14.81)
Operating Costs Per Ton Sold (Cash Cost)	\$28.05	\$35.28	\$(7.23 )
Depreciation, Depletion and Amortization Per Ton Sold (Non-Cash Cost)	6.48	7.07	(0.59 )
Total Costs Per Ton Sold	\$34.53	\$42.35	\$(7.82 )
Average Margin Per Ton Sold	\$8.07	\$15.06	\$(6.99 )
Add: Depreciation, Depletion and Amortization Costs Per Ton Sold	6.48	7.07	(0.59 )
Average Cash Margin Per Ton Sold (1)	\$14.55	\$22.13	\$(7.58 )

(1) Average cash margin per ton is an operating ratio derived from non-GAAP measures.

## Revenue and Other Income

Coal revenue was \$186,103 for the nine months ended September 30, 2016 compared to \$256,651 for the nine months ended September 30, 2015. The \$70,548 decrease was attributable to a \$14.81 per ton lower average sales price and a 102 ton decrease in tons sold. The lower sales volumes and lower average coal sales price per ton sold in the 2016 period were primarily the result of the overall decline in the domestic and global thermal coal markets. While the overall trend of customer deferrals peaked in May 2016, our marketing team continues to work with a few customers who have inventory challenges.

Freight revenue, which is completely offset in freight expense, is the amount billed to customers based on the weight of coal shipped and negotiated freight rates for rail transportation. Freight revenue increased \$6,902 in the period-to-period comparison due to increased shipments to customers where we were contractually obligated to provide transportation services.

Other income is comprised of income generated by the Partnership not in the ordinary course of business. Other income was \$2,254 for the nine months ended September 30, 2016 compared to \$813 for the nine months ended September 30, 2015. The \$1,441 increase was primarily attributable to a customer's partial coal contract buyout in the amount of \$1,572 in 2016.

### Cost of Coal Sold

Cost of coal sold is comprised of operating costs related to produced tons sold, along with changes in coal inventory, both volumes and carrying values. The costs of coal sold per ton include items such as direct operating costs, royalty and production taxes, direct administration expenses, and depreciation, depletion, and amortization costs. Total cost of coal sold was \$150,844 for the nine months ended September 30, 2016, or \$38,505 lower than the \$189,349 for the nine months ended September 30, 2015. Total costs per ton sold were \$34.53 per ton for the nine months ended September 30, 2016 compared to \$42.35 per ton for the nine months ended September 30, 2015. The decrease in the cost of coal sold was driven by the idling of one longwall for approximately 90 days, reduction of staffing levels, vendor concessions and the realignment of employee benefits. Productivity for the nine months, as measured by tons per employee-hour, also improved by 12% compared to the year-ago period, despite the reduced average number of longwalls in operation over the 2016 period.

### Total Other Costs

Total other costs is comprised of various costs that are not allocated to each individual mine and therefore are not included in unit costs. Total other costs increased \$12,192 for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015. The increase in other costs is primarily attributable to a net periodic benefit credit of \$7,341 related to the 2015 OPEB plan remeasurement for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2016, where no benefit credits were recorded as the Partnership had no further OPEB obligation in connection with the completion of the IPO. The increase is also attributable to \$4,517 of costs related to temporarily idling one of the longwalls at the Pennsylvania Mining Complex for approximately 90 days in the first quarter to optimize the operating schedule. The remaining variance is related to cost incurred during the nine months ended September 30, 2016 for litigation expenses related to the proposed consent decree with respect to the Bailey mine complex, See Note 11 - Commitments and Contingent Liabilities of the Notes to the Unaudited Consolidated Financial Statements in Item 1 of this Form 10-Q for additional information, purchased coal costs for blending purposes on certain coal contracts, and other discretionary 401(k) contributions, all of which had no such costs incurred during the nine months ended September 30, 2015. These were offset by cost incurred during the nine months ended September 30, 2015, related to accelerated amortization of financing charges related to a backstop loan where no amortization was recorded during the nine months ended September 30, 2016 as the Partnership had no further backstop loan obligation in connection with the completion of the IPO.

### Selling, General, and Administrative Expense

Selling, general, and administrative expenses decreased \$2,355 period-to-period primarily due to reduced staffing levels and the realignment of employee benefits in 2016 compared to 2015. Upon the closing of the IPO, the Partnership entered into a service arrangement with CONSOL Energy to receive certain selling, general and administrative services which are paid monthly based on a fixed fee. In addition, the Partnership incurred costs related to being a publicly traded entity including stand-alone audit fees, board of director fees and phantom unit expenses. For the period preceding the closing of the IPO in 2015, CONSOL Energy allocated selling, general and administrative expenses based upon the level of operating activity of its underlying business units.

### Interest Expense

Interest expense for the nine months ended September 30, 2016 was \$6,277, which primarily relates to obligations under our revolving credit facility. For the nine months ended September 30, 2015, \$7,758 of interest expense was incurred primarily on the CFI loan, which was excluded from the Partnership's assets and liabilities at the time of the IPO. Also, interest expense related to the revolving credit facility was \$1,950 for the nine months ended September 30, 2015.

Adjusted EBITDA

Adjusted EBITDA was \$52,637 for the nine months ended September 30, 2016 compared to \$92,525 for the nine months ended September 30, 2015. The \$39,888 decrease was a result of \$14.81 per ton decrease in the average sales price per ton, offset in part, by a \$7.23 per ton improvement in the cash cost of coal sales per ton resulting in a \$33,109 decrease in Adjusted EBITDA. Additional decreases to Adjusted EBITDA were \$2,257 related to a decrease of 102 sales tons and cash costs of \$3,299 related to idling one of the longwalls at the Pennsylvania Mining Complex for approximately 90 days. The remaining variance is due to various other transactions none of which are individually material.

## Distributable Cash Flow

Distributable cash flow was \$16,047 for the nine months ended September 30, 2016 compared to \$44,688 for the nine months ended September 30, 2015. The \$28,641 decrease was attributed to a \$39,888 decrease in Adjusted EBITDA as discussed above, offset, in part, by a \$8,864 decrease in the Pre-Acquisition Adjusted EBITDA and a \$2,007 decrease in estimated maintenance capital expenditures. The remaining variance is due to various other transactions none of which are individually material.

## Capital Resources and Liquidity

### Liquidity and Financing Arrangements

Historically, our principal sources of liquidity have been cash from operations and, prior to our IPO, funding from CONSOL Energy. We do not currently have any commitment from CONSOL Energy, our general partner or any of their respective affiliates to fund our cash flow deficits or provide other direct or indirect financial assistance to us. We expect our ongoing sources of liquidity to include cash generated from operations, borrowings under our revolving credit facility and, if necessary, the issuance of additional equity or debt securities. We believe that cash generated from these sources will be sufficient to meet our short-term working capital requirements and our long-term capital expenditure requirements and to make quarterly cash distributions as declared by the board of directors of our general partner.

Our partnership agreement requires that we distribute all of our available cash to our unitholders. As a result, we expect to rely primarily upon external financing sources, including commercial bank borrowings and the issuance of debt and equity securities, to fund our acquisitions and expansion capital expenditures, if any.

On October 31, 2016, the Board of Directors of CNX Coal Resources GP LLC, the general partner of CNX Coal Resources LP, declared a cash distribution to the Partnership's unitholders for the third quarter of 2016 of \$0.5125 per common and subordinated units. The cash distribution will be paid on November 15, 2016 to the unitholders of record at the close of business on November 10, 2016.

### Revolving Credit Facility

Obligations under our \$400,000 senior revolving credit facility, with certain lenders and PNC Bank N.A., as administrative agent, are guaranteed by our subsidiaries (the "guarantor subsidiaries") and are secured by substantially all of our and our subsidiaries' assets pursuant to a security agreement and various mortgages. CONSOL Energy is not a guarantor of our obligations under our revolving credit facility.

The unused portion of our revolving credit facility is subject to a commitment fee of 0.50% per annum. Interest on outstanding indebtedness under our revolving credit facility accrues, at our option, at a rate based on either:

The highest of (i) PNC Bank N.A.'s prime rate, (ii) the federal funds open rate plus 0.50%, and (iii) the one-month LIBOR rate plus 1.0%, in each case, plus a margin ranging from 1.50% to 2.50% depending on the total leverage ratio; or

the LIBOR rate plus a margin ranging from 2.50% to 3.50% depending on the total leverage ratio.

As of September 30, 2016, the revolving credit facility had \$208,000 of borrowings outstanding, leaving \$192,000 unused capacity. Interest on outstanding borrowings under the revolving credit facility at September 30, 2016 was accrued at 3.78% based on a LIBOR rate of 0.53%, plus a margin of 3.25%.



Our revolving credit facility matures on July 7, 2020 and requires compliance with conditions precedent that must be satisfied prior to any borrowing as well as ongoing compliance with certain affirmative and negative covenants.

Affirmative covenants include, among others, requirements relating to: (i) the preservation of existence; (ii) the payment of obligations, including taxes; (iii) the maintenance of properties and equipment, insurance and books and records; (iv) compliance with laws and material contracts; (v) use of proceeds; (vi) the subordination of intercompany loans; (vii) compliance with anti-terrorism, anti-money laundering, anti-corruption and sanctions laws; and (viii) collateral.

Negative covenants include, among others, restrictions on our and our guarantor subsidiaries' ability to: (i) create, incur, assume or suffer to exist indebtedness; (ii) create or permit to exist liens on their properties; (iii) make or pay any dividends or

distributions; provided that we will be able to make cash distributions of available cash to partners so long as no event of default is continuing or would result therefrom; (iv) merge with or into another person, liquidate or dissolve, acquire all or substantially all of the assets of any going concern or going line of business or acquire all or a substantial portion of another person's assets; (v) make particular investments and loans; provided that we will be able to increase our ownership percentage of our undivided interest in the Pennsylvania Mining Complex and make investments in the Pennsylvania Mining Complex in accordance with our ratable ownership; (vi) sell, transfer, convey, assign or dispose of our assets or properties other than in the ordinary course of business and other select instances; (vii) deal with any affiliate except in the ordinary course of business on terms no less favorable to us than we would otherwise receive in an arm's length transaction; (viii) amend organizational documents or any documentation governing certain material debt; and (ix) amend, waive or grant a consent under any material contract. In addition, we are obligated to maintain at the end of each fiscal quarter (x) a minimum interest coverage ratio of at least 3.00 to 1.00 and (y) a maximum total leverage ratio of no greater than 3.50 to 1.00 (or 4.00 to 1.00 for two fiscal quarters after consummation of a material acquisition). At September 30, 2016, the interest coverage ratio was 9.93 to 1.00 and the total leverage ratio was 2.67 to 1.00.

Our revolving credit facility also contains events of default, including, but not limited to, cross-default to certain other debt, breaches of representations and warranties, change of control events and breaches of covenants.

#### Cash Flows

	For the Nine Months Ended		
	September 30,		
	2016	2015	Variance
	(in thousands)		
Cash flows provided by operating activities	\$47,324	\$47,465	\$(141 )
Cash used in investing activities	\$(31,048)	\$(25,642)	\$(5,406)
Cash used in financing activities	\$(16,496)	\$(18,820)	\$2,324

#### Nine Months Ended September 30, 2016 Compared with the Nine Months Ended September 30, 2015:

Cash flows provided by operating activities decreased \$141 in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 primarily due to net income decreasing \$38,958 in the period-to-period comparison, offset by a \$40,121 increase in working capital. The increase in working capital was related to the increase of accounts receivable of \$28,974 during the nine months ended September 30, 2015. Prior to the IPO, accounts receivable were sold to CONSOL Financial Inc, which resulted in no trade receivables as of July 7, 2015. The remaining variance relates to various transactions, none of which are individually material.

Net cash used in investing activities increased \$5,406 in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 as a result of increased capital expenditures of \$5,357 due to the following items:

	For the Nine Months Ended		
	September 30,		
	2016	2015	Variance
	(in thousands)		
Pennsylvania Mining Complex acquisition	\$21,500	\$—	\$21,500
Building and Infrastructure	6,201	9,912	(3,711 )
Equipment Purchases and Rebuilds	2,042	9,697	(7,655 )
Refuse Storage Area	397	2,200	(1,803 )
Water Treatment Systems	208	3,122	(2,914 )
Other	721	781	(60 )

Total Capital Expenditures	\$31,069	\$25,712	\$5,357
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Net cash used in financing activities decreased \$2,324 in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 primarily due to the following items:

For the nine months ended September 30, 2015 there were:

Proceeds of \$180,000 from the revolver;

Net proceeds of \$148,359 from issuance of common units; and

IPO proceeds distributed to CONSOL Energy of \$342,711.

For the nine months ended September 30, 2016 there were:

Proceeds of \$23,000 from the revolver; and

Cash distributions of \$30,486 to limited partners and the general partner.

Off-Balance Sheet Arrangements

We do not maintain off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources which are not disclosed in the Notes to the Unaudited Consolidated Financial Statements of this Form 10-Q.

Contractual Obligations

Our contractual obligations include the revolving credit facility, operating leases, capital leases, asset retirement obligations and other long-term liability commitments. Since December 31, 2015, there have been no material changes to our contractual obligations within the ordinary course of business.

#### FORWARD-LOOKING STATEMENTS

We are including the following cautionary statement in this Quarterly Report on Form 10-Q to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of us. With the exception of historical matters, the matters discussed in this Quarterly Report on Form 10-Q are forward-looking statements (as defined in Section 21E of the Exchange Act) that involve risks and uncertainties that could cause actual results to differ materially from projected results. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. The forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future production, revenues, income and capital spending. When we use the words "believe," "intend," "expect," "may," "should," "anticipate," "could," "estimate," "plan," "predict," "project," or their negatives, or other similar expressions, the statements which include those words are usually forward-looking statements. When we describe strategy that involves risks or uncertainties, we are making forward-looking statements. The forward-looking statements in this Quarterly Report on Form 10-Q speak only as of the date of this Quarterly Report on Form 10-Q; we disclaim any obligation to update these statements. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks, contingencies and uncertainties relate to, among other matters, the following: generation of sufficient distributable cash flow to support the payment of minimum quarterly distributions; changes in coal prices or the costs of mining or transporting coal; uncertainty in estimating economically recoverable coal reserves and replacement of reserves; our ability to develop our existing coal reserves and successfully execute our mining plans; changes in general economic conditions, both domestically and globally; competitive conditions within the coal industry; changes in the consumption patterns of coal-fired power plants and steelmakers and other factors affecting the demand for coal by coal-fired power plants and steelmakers; the availability and price of coal to the consumer compared to the price of alternative and competing fuels; competition from the same and alternative

energy sources; energy efficiency and technology trends; our ability to successfully implement our business plan; the price and availability of debt and equity financing; operating hazards and other risks incidental to coal mining; major equipment failures and difficulties in obtaining equipment, parts and raw materials; availability, reliability and costs of transporting coal; adverse or abnormal geologic conditions, which may be unforeseen; natural disasters, weather-related delays, casualty losses and other matters beyond our control; interest rates; labor availability, relations and other workforce factors; defaults by our sponsor under our operating agreement and employee services agreement; changes in availability and cost of capital; changes in our tax status; delays in the receipt of, failure to receive or revocation of necessary governmental permits; defects in title or loss of any leasehold interests with respect to our properties; the effect of existing and future laws and government regulations, including the enforcement and interpretation of environmental laws thereof; the effect of new or expanded greenhouse gas regulations; the effects of litigation; and other factors discussed in our 2015 Form 10-K

under "Risk Factors," as updated by any subsequent Form 10-Qs, which are on file at the Securities and Exchange Commission.

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

For quantitative and qualitative disclosures about market risk, see Item 7A, 'Quantitative and Qualitative Disclosures About Market Risk,' of our annual report on Form 10-K for the year ended December 31, 2015. There have been no material changes to our exposures to market risk since December 31, 2015.

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and our Chief Financial Officer of our general partner, an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), was conducted as of the end of the period covered by this report. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer of our general partner have concluded that the Partnership's disclosure controls and procedures were effective as of the end of the period covered by this report.

#### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to paragraph one and two within Part 1, Item 1. Financial Statements, "Note 11. Commitments and Contingent Liabilities," which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this quarterly report, you should carefully consider the factors discussed in the "Risk Factors" Section in our 2015 Form 10-K. These described risks are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in exhibit 95 to this quarterly report.

ITEM 6. EXHIBITS

Exhibits	Description	Method of Filing
3.1	Second Amended and Restated Agreement of Limited Partnership of CNX Coal Resources LP, dated as of September 30, 2016	Filed as Exhibit 3.1 to Form 8-K (#001-37456) filed on October 4, 2016
4.1	Registration Rights Agreement, dated as of September 30, 2016, by and among CNX Coal Resources LP and CONSOL Energy Inc.	Filed as Exhibit 4.1 to Form 8-K (#001-37456) filed on October 4, 2016
10.1	Contribution Agreement, dated as of September 30, 2016, by and among CONSOL Energy Inc., Consol Pennsylvania Coal Company LLC, Conrhein Coal Company, CNX COal Resources LP and CNX Thermal Holdings LLC	Filed as Exhibit 10.1 to Form 8-K (#001-37456) filed on October 4, 2016
10.2	First Amended and Restated Omnibus Agreement, dated as of September 30, 2016, by and among CONSOL Energy Inc., CNX Coal Resources PG LLC, CNX Coal Resources LP and the parties listed on Exhibit A thereto	Filed as Exhibit 10.2 to Form 8-K (#001-37456) filed on October 4, 2016
10.3	First Amendment to Pennsylvania Mine Complex Operating Agreement, dated as of September 30, 2016, by and among Consol Pennsylvania Coal Company LLC, Conrhein Coal Company and CNX Thermal Holdings LLC	Filed as Exhibit 10.3 to Form 8-K (#001-37456) filed on October 4, 2016
31.1	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith
32.2		Filed herewith

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Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350,  
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

95 Mine Safety and Health Administration Safety Data. Filed herewith

101 Interactive Data File (Form 10-Q for the quarterly period ended September  
30, 2016, furnished in XBRL). Filed herewith

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**SIGNATURES**

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

Dated: November 1, 2016

CNX Coal Resources LP

By: CNX Coal Resources GP LLC, its general partner

By: /s/ JAMES A. BROCK

James A. Brock

Chief Executive Officer

(Duly Authorized Officer and Principal Executive Officer)

By: CNX Coal Resources GP LLC, its general partner

By: /s/ LORRAINE L. RITTER

Lorraine L. Ritter

Chief Financial Officer and Chief Accounting Officer

(Duly Authorized Officer and Principal Financial Officer and Principal Accounting Officer)