



**NATURAL RESOURCE PARTNERS L.P.**

# Global Hunter Securities Investor Meetings

**Denver, Minneapolis, Chicago**

**November 14-16, 2011**





## Forward Looking Statements

The statements made by representatives of Natural Resource Partners L.P. (“NRP”) during the course of this presentation that are not historical facts are forward-looking statements. Although NRP believes that the assumptions underlying these statements are reasonable, investors are cautioned that such forward-looking statements are inherently uncertain and necessarily involve risks that may affect NRP’s business prospects and performance, causing actual results to differ from those discussed during the presentation.

Such risks and uncertainties include, by way of example and not of limitation: general business and economic conditions; decreases in demand for coal; changes in our lessees’ operating conditions and costs; changes in the level of costs related to environmental protection and operational safety; unanticipated geologic problems; problems related to force majeure; potential labor relations problems; changes in the legislative or regulatory environment; and lessee production cuts.

These and other applicable risks and uncertainties have been described more fully in NRP’s most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q. NRP undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information or future events.



# NRP Overview

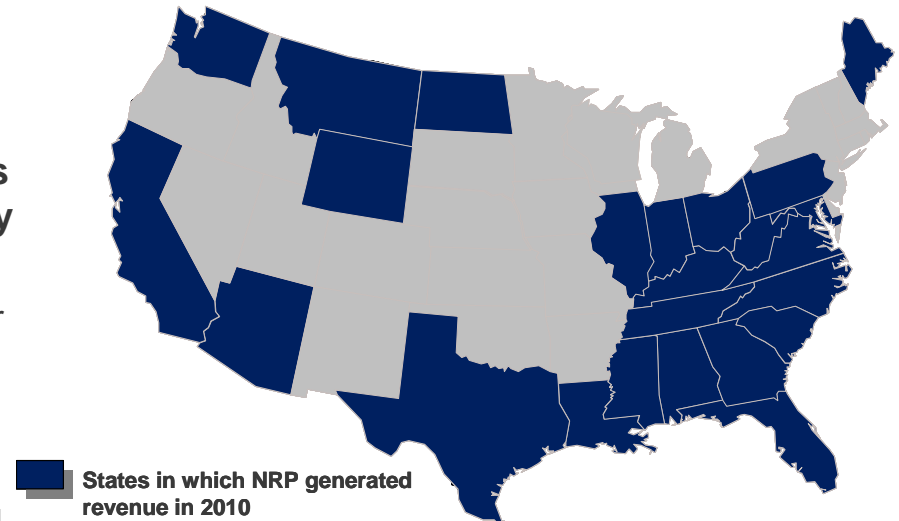




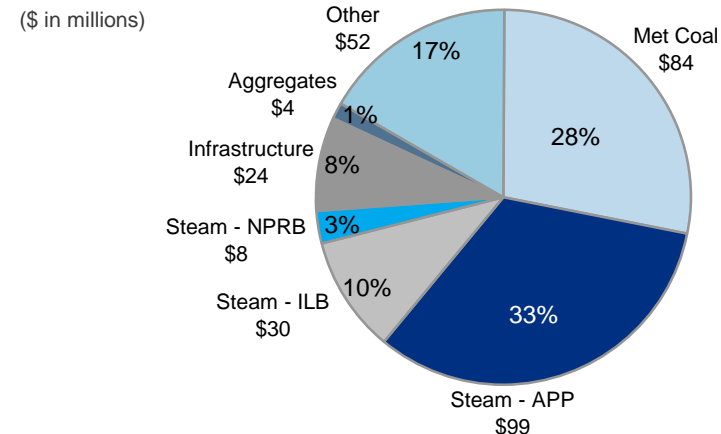
# Business Overview

- **Own, manage and lease mineral properties in the U.S.**
  - 2.3 billion tons of proven and probable coal reserves in three major coal producing regions
  - 228 million tons of aggregate reserves
- **Lease reserves to experienced mine operators under long-term leases in exchange for royalty payment**
  - Based on higher of percentage of gross sales price or fixed price per ton of royalty coal/aggregate sold
  - Substantially all leases require periodic minimum payments, even if no minerals are produced
- **Own and lease infrastructure assets including transportation, handling and processing facilities and receive throughput fees**
- **Expect to be above upper end of 2011 total revenue guidance of \$345 million**
- **Publicly traded on NYSE (“NRP”) with market cap of \$3.1 billion<sup>(1)</sup>**

## Revenues from NRP’s Assets (2010)



## NRP Revenues (2010)



(1) Market data as of November 7, 2011. Unit price of \$29.50.



# No Direct Operating Costs or Risks

- Lack of ordinary operating costs and limited direct exposure to environmental, permitting and labor risks drive industry-leading margins

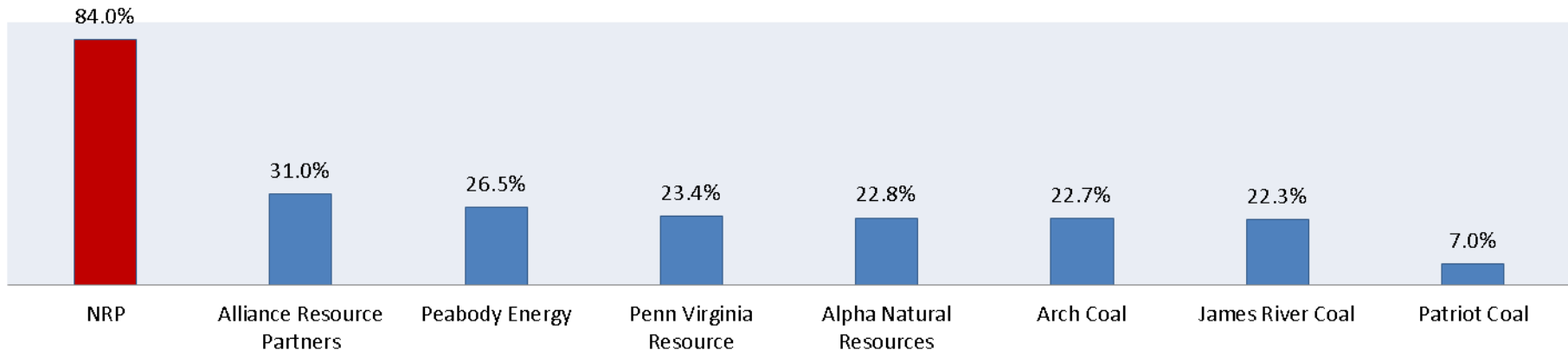
## Operating Cost

- Capital Expenditures
- Labor
- Employee Benefits
- Property Taxes
- Transportation / Processing

## Operating Risks

- Reclamation Exposure
- Regulatory/Permitting
- Competition
- Weather
- Economy

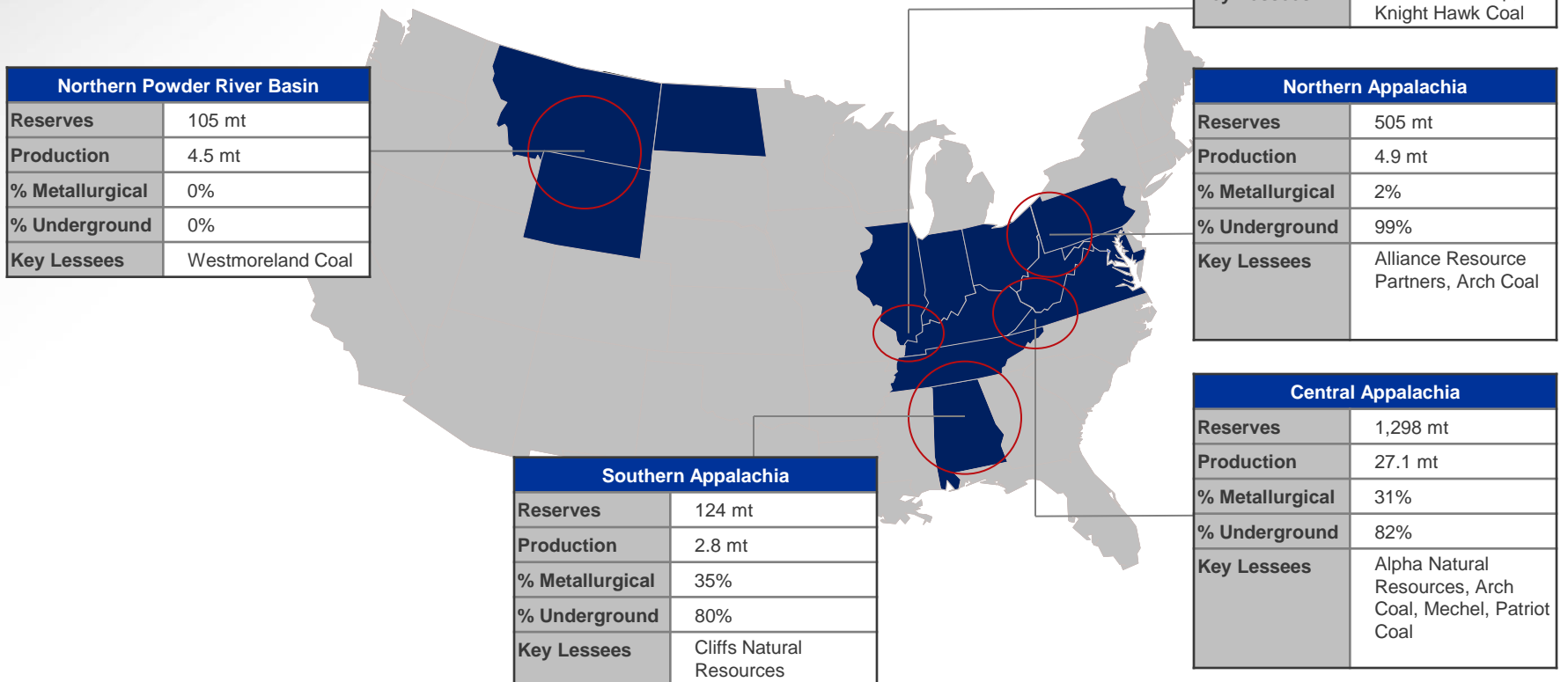
## Coal EBITDA Margins (2010)





# Overview of NRP's Coal Business

- Acts as a proxy for the coal industry
- 5<sup>th</sup> largest owner of coal reserves in the U.S. – 2.3 billion tons
- Strategically located in Appalachia, Illinois Basin, Western U.S.
- Stable production with increase expected from development of select properties, particularly ILB
- 2010 coal production of 47.1 mt and coal royalty revenues of \$221.8 million
- Coal royalty revenues accounted for ~74% of NRP's revenue stream in 2010

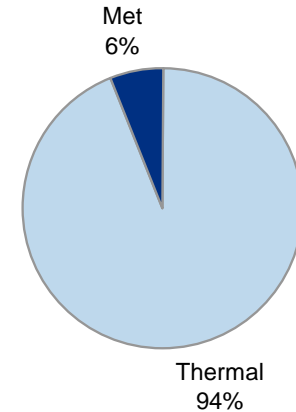




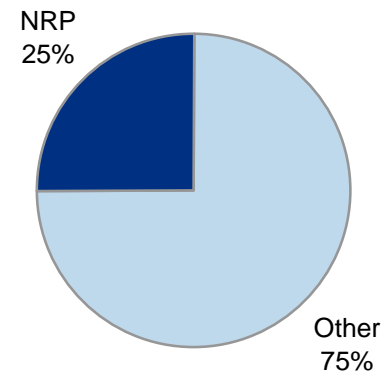
# NRP – Significant Metallurgical Exposure

- 20-25% of all the metallurgical coal produced in the U.S. is produced from NRP properties
  - In 2006, it was as high as 30%
- Historically metallurgical coal has made up a significant portion of NRP’s coal royalty revenue
  - 22% to 37% of production
  - 29% to 47% of coal royalty revenues
  - Currently 35% of production and 45% of coal royalty revenues
- 14 lessees currently produce metallurgical coal from NRP properties
- Increases in metallurgical demand or prices can have a profound impact on NRP

## U.S. Coal Production



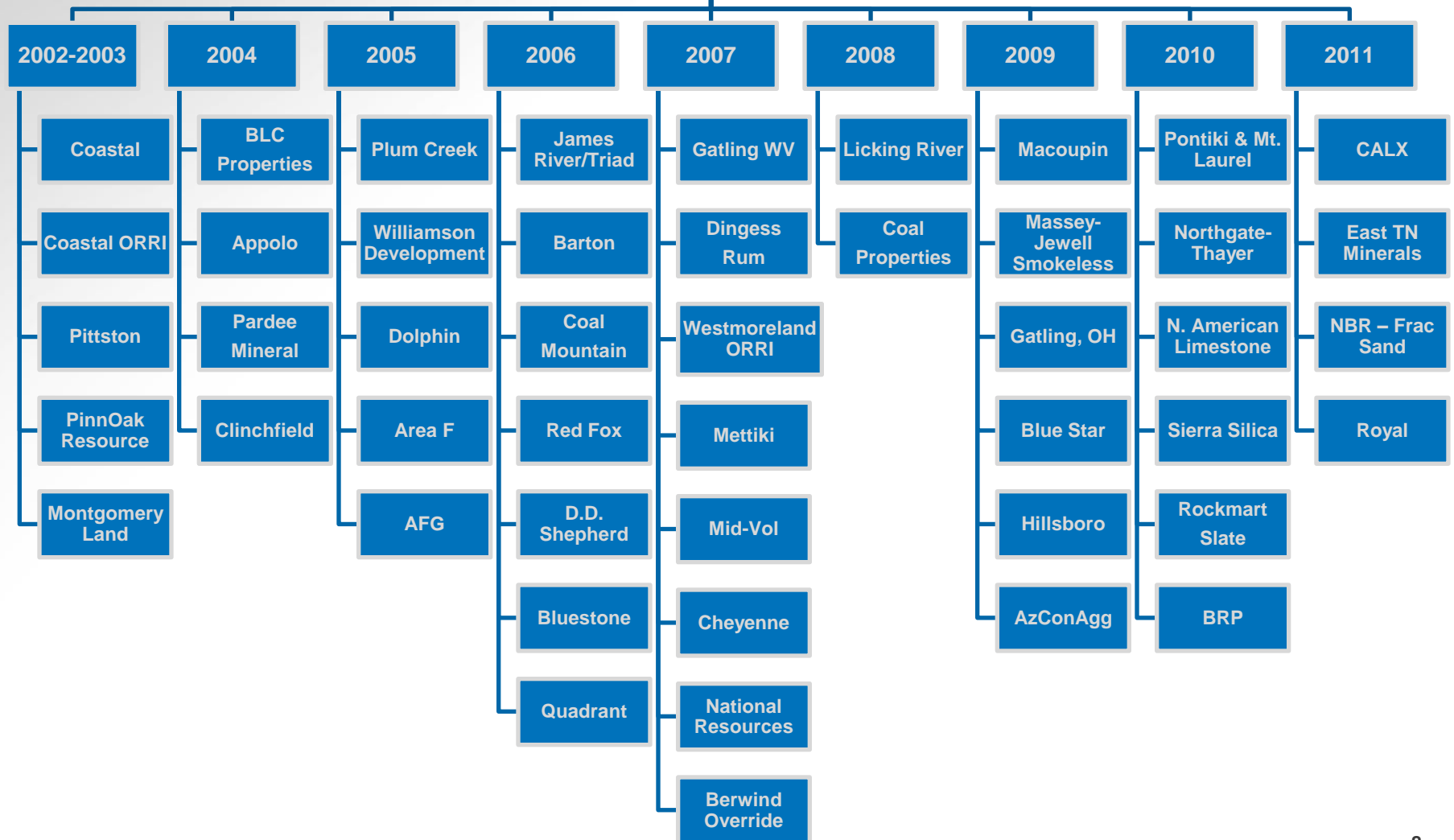
## NRP’s % of U.S. Met Production (5-Year Average)





# Acquisition Timeline

## Since IPO





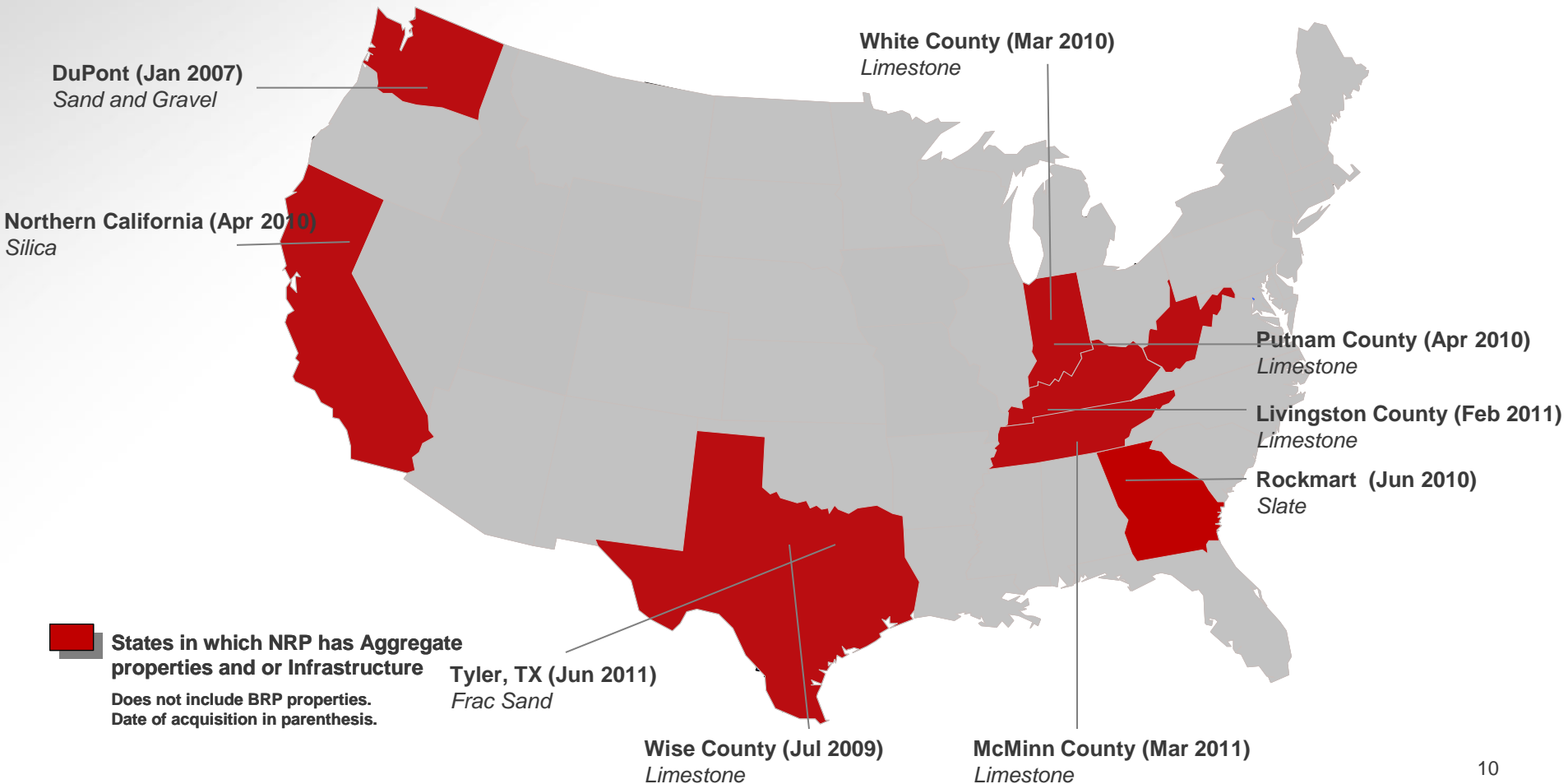
## NRP Proxy for Illinois Basin Growth

- In 2005 decided to increase exposure to Illinois Basin higher sulfur coal
- Production from Illinois Basin has increased from 5% of total to 19% of total today and is expected to continue to grow significantly in 2012 as production from recent acquisitions is brought on stream
- Have invested ~\$425 million in Illinois Basin assets with obligations to invest another \$80 million in the next year
  - Deer Run – currently under construction should add 8-10 million tons when longwall is in full production
- Agreement with Cline Group affords opportunity to buy or have revenue generating assets on up to 3 billion tons of Illinois Basin coal
- Illinois Basin coal well situated
  - Additional scrubbers are being installed to handle the higher sulfur Ill Basin coal
  - Has transportation and BTU advantage over PRB coals
  - Much thicker coal seams than Appalachia with very low operating costs compared to APP



# Overview of NRP's Aggregates Business

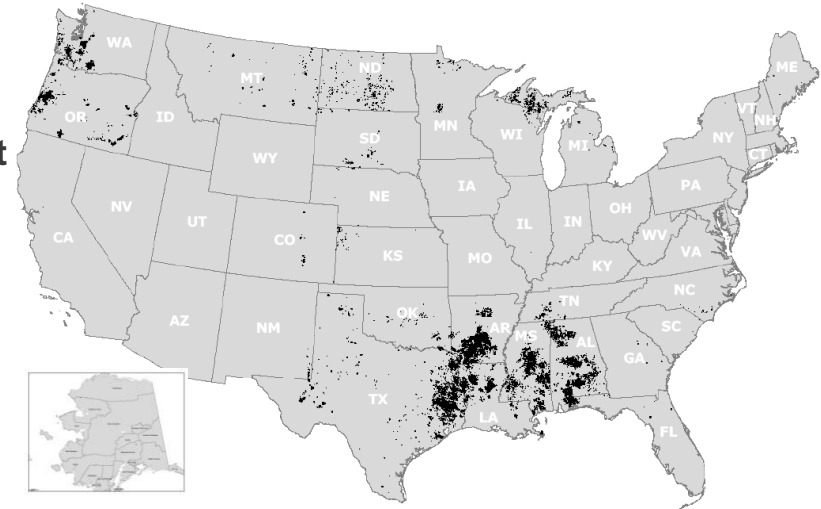
- 228 million tons of aggregates in 10 states
- Currently less than 2% of revenues (\$4.2 mm in 2010 on 4.4 mt production), but growing
- Invested ~ \$130 million since 2006 to acquire assets





# New Platform for Growth – BRP Mineral Venture - > 7 million acres

- Formed venture with International Paper June 2010 BRP
- Own and manage ~7.4 million acres of mineral right previously held by IP
- NRP paid \$42.5 million and has annual cumulative preferred distribution of \$4.25 MM and 51% of any excess income
- Royalty based model similar to NRP other assets



	Current Income	Development
Oil and gas royalties	√	√
Coal royalties	√	√
Aggregate royalties	√	√
Cell tower royalties	√	
Coal bed methane		√
Geothermal		√
Water rights		√
Precious metals		√
Industrial minerals		√

~75% of properties are located in the Gulf Coast region with next largest region the Pacific Northwest



## Poised for Growth

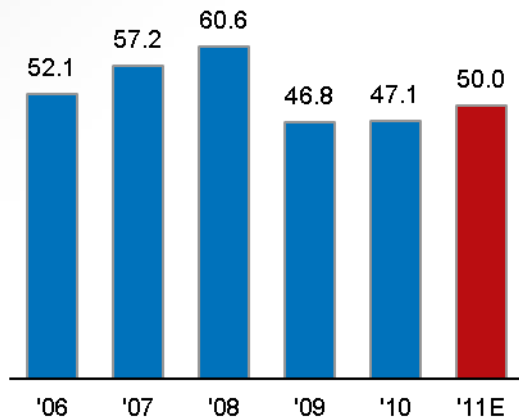
- **Improving coal market and higher production**
  - Met prices at significantly higher prices than 2010
  - Global met market – Current 4Q settlement price \$285/tonne
  - Steam coal prices and demand stable
  - Increasing ILB tonnage in 2011, 2012, and 2013 based on earlier acquisitions
- **Growth in infrastructure and transportation**
  - Increasing throughput from rising coal tonnage in ILB
  - New infrastructure assets in aggregates
- **Increased aggregates platform**
  - Since 2009 acquired 9 properties for ~\$102 million
  - Combination of producing and greenfield projects
  - Providing growth in 2011 and beyond
- **New mineral venture with International Paper (BRP LLC)**
- **Expansion of portfolio through acquisitions of other qualifying minerals such as oil and gas royalty properties**



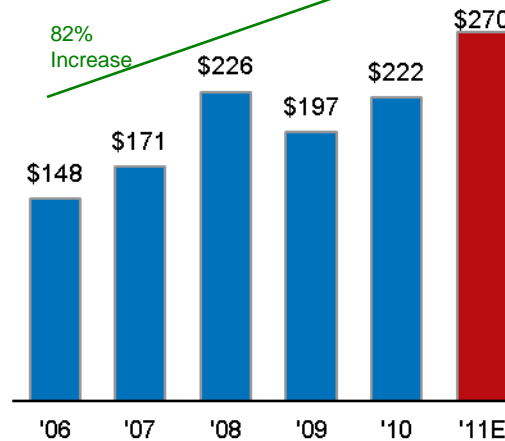
# Stable Cash Flow Generation

- Royalty structure supports stable cash flow
- Downside price protection without limiting upside
- Long-term coal lessees with diverse marketing strategies
- Recent acquisitions have added new sources of royalty revenue

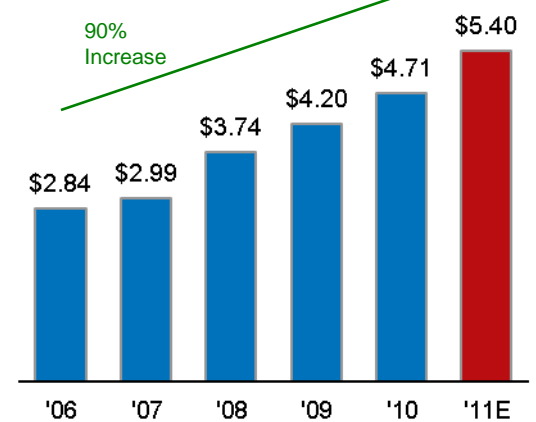
Coal Production (mt)



Coal Royalties (\$ mm)



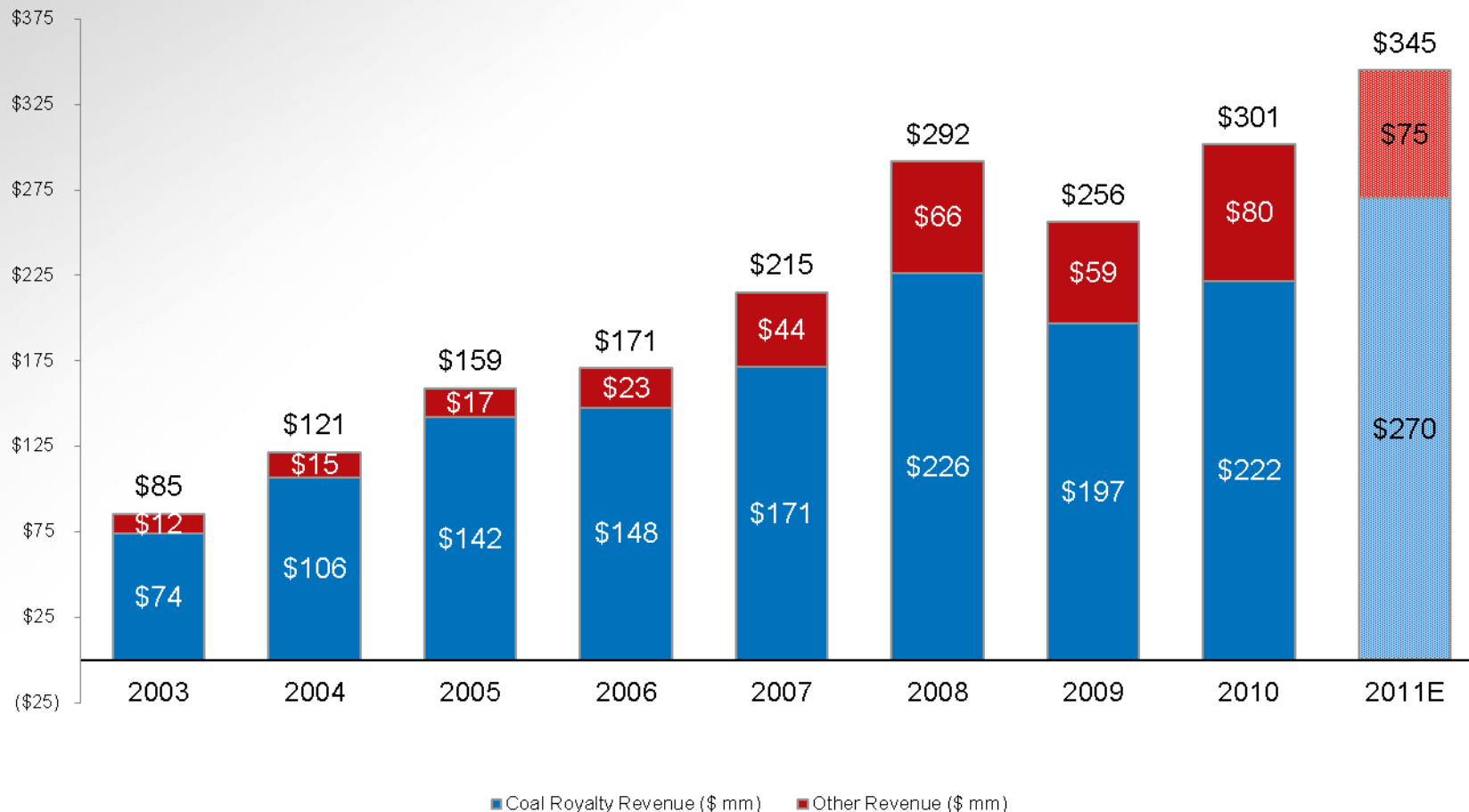
Average Coal Royalty Per Ton



'11E – Top of latest guidance range issued in August. NRP anticipates being above the upper end of the range for coal royalties, which will cause the average coal royalty per ton to be higher.



# Consistent Growth and Diversification of Revenues



2011E reflects the upper end of the guidance range issued in August 2011. In Nov, NRP updated guidance stating that it expects that the upper end of the range would be exceeded for 2011.



## Unique Tax Attributes for Individuals

- Portion of current income deferred due to depletion, depreciation
- Current income predominantly taxed at Section 1231 – capital gains rates
- At sale of units - very little recapture of depreciation and depletion
- If units are held for more than one year, majority of all income generated by the partnership is taxed at capital gains rates



## Strong Third Quarter 2011

- Record quarterly revenues of \$103.8 million, up 29% from third quarter 2010
- Record coal royalty revenues of \$76.4 million
- Average gross royalty revenue per ton of \$5.61, up 15%
- Metallurgical coal accounted for:
  - 35% of production
  - 45% of coal royalty revenue
- Impairment of Gatling WV property of \$90.9 million
- Net income attributable to the limited partners, before considering impairment, of \$60.4 million, up 54%
- Net income per unit, before considering the impairment, of \$0.57, up 13%
- Distributable cash flow of \$71.9 million, up 33%



## Key NRP Highlights

- Proxy for the coal industry
- Over 70 lessees and over 200 leases in three major producing basins
- Balanced portfolio of reserves with strategic weighting toward metallurgical coal
- ~ 20-25% of all U.S. metallurgical coal production from NRP's properties
- Increasing Illinois Basin presence
- Small but growing aggregate business
- Other ventures such as BRP LLC, provide long-term opportunities
- Demonstrated ability to expand asset base and generate cash flow
- Well positioned for future due to assets in development, market recovery and coal, aggregate and infrastructure acquisitions



# Coal Market Outlook





# Coal Garner 29.6% of 2010 World Energy Consumption

2010 - Global primary energy consumption increased 5.6%

- Largest rate of increase since 1973

29.6 % - Coal's share of world energy consumption in 2010

- The highest since 1970

Three largest global consumers of coal in 2010

China – 48%

U.S. – 15%

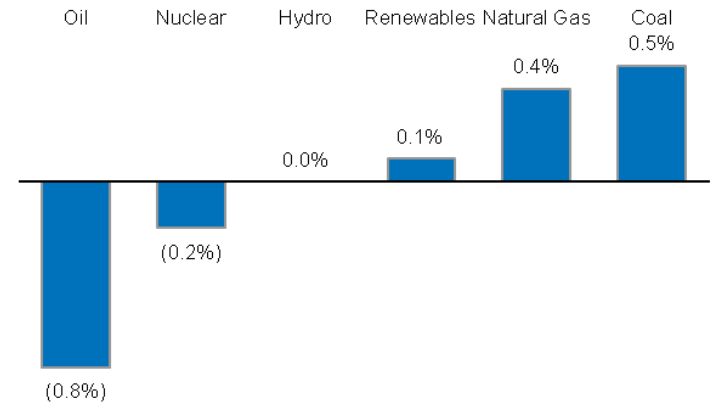
India – 8%

Global coal consumption increased 48% between 2000 and 2010

China increased ~132%

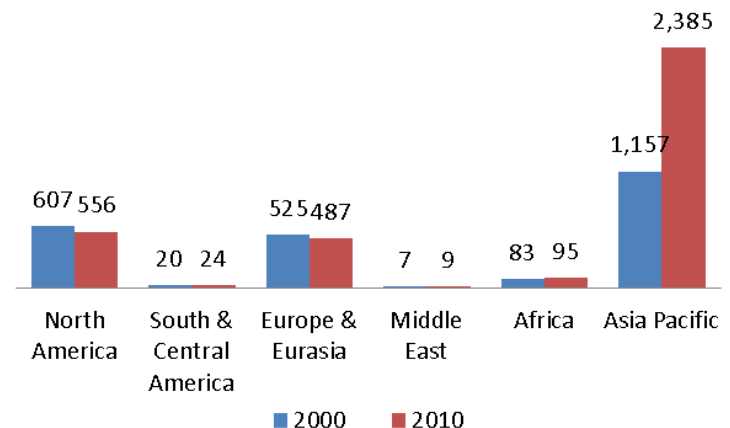
India increased ~93%

Global Energy Consumption (2010 vs. 2009)



Global Coal Consumption

(million tonnes oil equivalent)





# Coal's Ever Growing Role

Population of Countries that depend on coal for at least 40% of electricity

2,361 Million



1990

3,002 Million



2010

4,113 Million



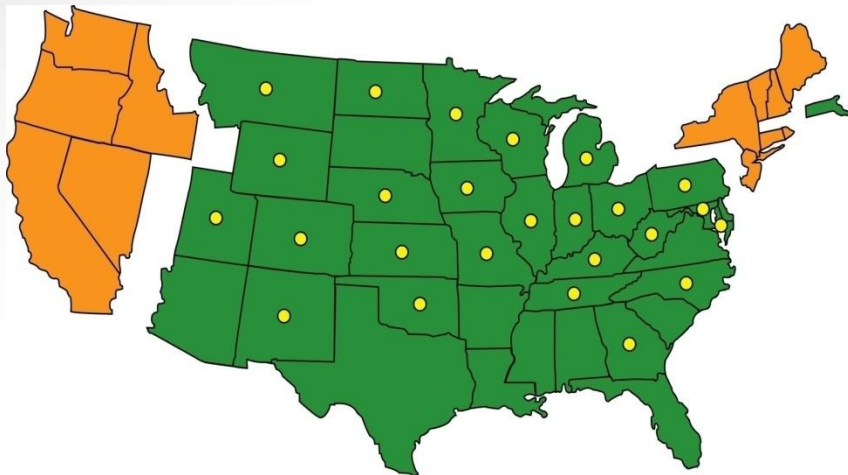
2030



# U.S. Steam Coal Market

## Coal-Fired Electricity Generation in the U.S.

- 36 states obtain at least 25% of their electricity from Coal and 25 states receive at least 45%
- Over 217 million people (71%) receive at least 25% of their power from coal

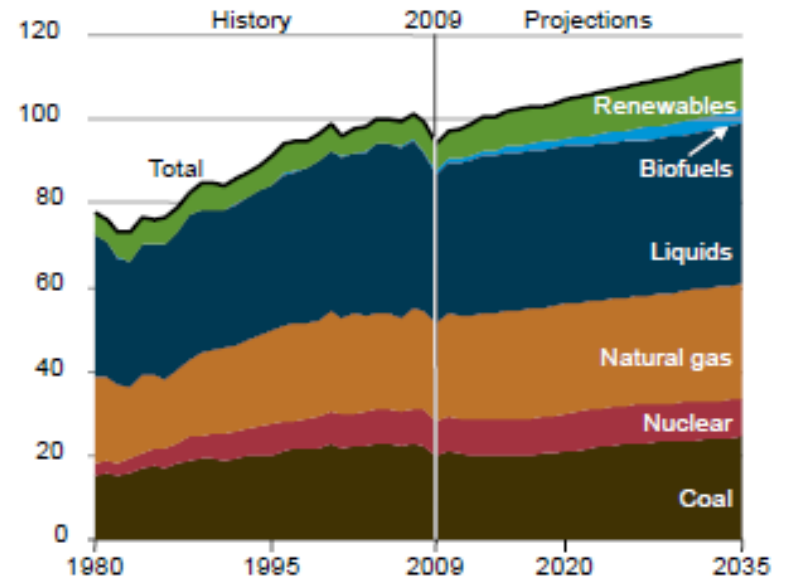


- = 45% or more from Coal
- = 25% or more from Coal
- < 25% from Coal

Source: Frank Clemente – Penn State University.

## Coal to Maintain Share of Energy Consumption

- EIA projects that coal will maintain its share of energy consumption projected through 2035 at approximately 21%



Source: U.S. Energy Information Administration Annual Energy Outlook April 2011.



# Metallurgical Coal Market

## Global Steel Production

- Monthly output in May 2011 the highest ever
- 1<sup>st</sup> 9 months of 2011, steel production increased 8% over the same period in 2010
- In 2010, global steel production rose 30%, including a 39% increase in the U.S.
- NRP expects production to continue to grow as economies around the globe improve

(millions of metric tons)

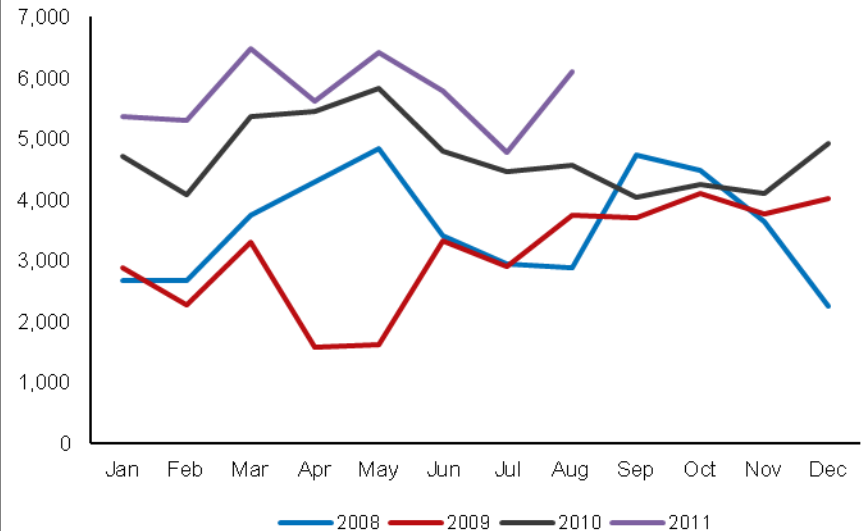


Source: World Steel.

## U.S. Met Coal Exports

- Met coal settlement for Oct-Dec 11 - \$285/tonne
- Met exports in 2011 highest ever
- New export capacity in planning stages
- Met exports for 2010 increased 51% over that of the 2009 period and 2011 YTD through Aug increased 18% over 2010 record levels

(thousands of tons)



Source: NMA.