Navajo Transitional Energy Company

2020 OPERATIONAL REVIEW

A glance behind as we forge ahead.
We would like to provide you with Navajo Transitional Energy Company’s 2020 Operational Review. The past year has presented all of us with extraordinary challenges. But NTEC was able to meet those challenges and we can confidentially confirm that we have had a remarkable and successful first full year of operations of the assets we acquired from Cloud Peak. Just as importantly, even in the face of a global pandemic, NTEC was able to meet its obligation to keep miners working, return value back to the Nation, and support the Navajo Community. We look forward to doing the work needed to meet those goals again in 2021.

Sincerely,

Tim McLaughlin
Chairman of the Board

Clark A. Moseley
Chief Executive Officer
SAFETY RECORDS & RECOGNITION

NTEC's mines are recognized nationally as the safest mines in the United States. We are extremely proud of the work of our employees, as well as our partner at the Navajo Mine, Bisti Fuels. An All-Injury Frequency rate of 0.31 was achieved in 2020 for our three mines in Montana and Wyoming. This performance puts NTEC at the very top in the United States compared to its peers. In addition, other significant safety milestones have been reached:

- Recipient of the Rocky Mountain Coal Mining Institute’s Safety Award for Large Operator Surface Mine. Navajo Mine has gone 3.4 years without a loss time injury (LTI).
- Ended 2020 with close to one year without a reportable injury, and reached one year in January 2021.
- Reached one year without reportable injuries in January 2021. Notably, Spring Creek has also gone four years without a single LTI.
- Ended 2020 with close to 500,000 hours of work without a reportable injury, and reached 500,000 hours in January 2021.

DOBING THE RIGHT THING: In our efforts to support the Navajo Nation’s battle against COVID-19, the NTEC community did what it does best—stepped up. Whether it be through drinking water donations (top); care packages for isolated COVID-19 patients (above); breakfast burritos for frontline health workers (left); or coal deliveries to keep our elders from venturing out (below), NTEC has sought and will continue to seek ways to provide needed supplies and moral uplift throughout this arduous time.

COVID-19 RESPONSE

2020 brought with it the unique and unexpected challenge of a global pandemic. NTEC’s COVID-19 response was innovative, immediate, and successful. Key to that response was the implementation of a paid leave protocol to ensure that our employees were able to self-quarantine when required to avoid exposing the rest of the workforce.

Despite the pandemic, as a designated part of the United States’ critical infrastructure, NTEC and our workers continued to meet the vital energy needs of the country. We remained open for business, with not a single day of shut-down. At the same time, our workforce and their families were able to remain safe.
RECLAMATION RECORDS & RECOGNITION

During the second half of 2020, NTEC received national recognition for its work at the Navajo Mine. These awards highlight the excellent reclamation and safe mining practices that follow from our focus on doing the right thing every day. Recent awards include the Office of Surface Mining Reclamation and Enforcement’s Excellence in Surface Coal Mining Reclamation Award, the highest award presented for reclamation in the country. In addition, NTEC agreed to accelerate reclamation work at Cordero Rojo Mine by $5 million per year for the years 2021, 2022, and 2023, in order to reduce the final reclamation exposure associated with Cordero Rojo Mine.

In February 2021, NTEC reached an agreement with two surety companies to issue the required reclamation surety bonds for the former Cloud Peak mines. This has allowed NTEC to file the necessary applications to fully transfer the mining permits into NTEC’s name. This was the last remaining step to be completed to conclude the acquisition of these assets. As part of the agreement, the sureties have required the creation of a reclamation escrow account to be funded by NTEC through installment payments. NTEC has made an initial payment of $15 million and will make annual payments in the amount of $1.25 million in 2022 and $12.25 million each year from 2023 through 2035.

WE TOOK A SITE THAT HAS ALREADY BEEN RELEASED FROM JURISDICTION BY THE AGENCY, AND PUT IT BACK IN, BECAUSE WE KNEW WE COULD DO IT BETTER. WE WANTED TO LEAVE THINGS BETTER THAN WE FOUND THEM...

... DOING THE RIGHT THING IS ONE OF NTEC’S CORE BEHAVIORS. WE HAVE AN OBLIGATION TO OUR SHAREHOLDERS, THE NAVAJO PEOPLE. OUR RECLAMATION EFFORTS PRESENT AN OPPORTUNITY TO STEP UP, DO THE RIGHT THING, AT THE RIGHT TIME, AND CREATE A BETTER LANDFORM THAN WHAT IS REQUIRED.

- CLARK MOSELEY, CEO

RECLAMATION BONDS FOR THE CLOUD PEAK ASSETS

In February 2021, NTEC reached an agreement with two surety companies to issue the required reclamation surety bonds for the former Cloud Peak mines. This has allowed NTEC to file the necessary applications to fully transfer the mining permits into NTEC’s name. This was the last remaining step to be completed to conclude the acquisition of these assets. As part of the agreement, the sureties have required the creation of a reclamation escrow account to be funded by NTEC through installment payments. NTEC has made an initial payment of $15 million and will make annual payments in the amount of $1.25 million in 2022 and $12.25 million each year from 2023 through 2035.
NAVAJO MINE LAND SURRENDER

Last year, NTEC submitted an application to surrender approximately 2,200 acres of reclaimed lands located north of Ramp 7, near BIA Route 36. Mining on these lands was completed decades ago, and the land has been fully reclaimed.

The Nenahnezad Chapter asked the prior owner of the Navajo Mine, BHP, to surrender these reclaimed lands in the 1990s, but BHP never took the steps necessary to finalize surrender. When NTEC purchased the mine, we made it a priority to determine how to release this land as well as to complete any work necessary to do so. NTEC has worked closely with the Nation and BIA to finally get the land back to the Navajo people. NTEC spent several years improving the land north of Ramp 7 in preparation for returning the lands to the Navajo people.

In 2019, NTEC met with the Bureau of Indian Affairs (BIA) to determine the documentation required for the land surrender. BIA provided the information NTEC needed to submit its application in early 2020, and in April 2020, NTEC submitted its application to surrender these lands. BIA completed its review of NTEC’s surrender application in July 2020.

In the fall of 2020, BIA invited the Minerals Department, BLM, and OSMRE to provide input and comments on the surrender application. We have been working closely with the Navajo Nation Minerals Department to provide the Department additional information to support this project.

Once the current application to surrender is approved by BIA, those 2,200 acres will be removed from the Navajo Mine lease area and returned to the Navajo Nation.

DEVELOPING SOLAR PROJECTS ON RECLAIMED LANDS

In 2020, NTEC teamed up with Photosol US to develop solar energy projects within NTEC’s leasehold at Navajo Mine. NTEC has identified approximately 3,500 acres of formerly mined lands at Navajo Mine as potential sites for a solar project. The area proposed for the solar project is within NTEC’s leasehold and does not include the lands subject to NTEC’s pending land surrender application (discussed on previous page). The project site will be within NTEC’s mining lease, which allows NTEC to “produce electrical power, erect and operate power lines, and place machinery and other equipment and fixtures related to electrical power generation” at the site. NTEC is proud to support alternative energy projects on the Nation.
TOTAL ECONOMIC CONTRIBUTION TO THE NAVAJO NATION

NTEC has continued to maintain its total economic and financial contribution to the Navajo Nation throughout the course of 2020 at levels unaffected by the pandemic. Moreover, NTEC neither sought, nor received, any of the Navajo Nation’s emergency COVID-19 funding, thereby ensuring that it was available to meet other, more vital needs on the Nation.

As detailed below, NTEC’s total economic contribution to the Navajo Nation in 2020 exceeded $91 Million. This annual contribution is comprised of the taxes and royalties paid by NTEC and the Navajo Mine as well as the overall payroll to employees on the Nation, contracts with qualified Navajo contractors, and charitable contributions.

<table>
<thead>
<tr>
<th>SUPPORT</th>
<th>AMOUNT IN 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>COVID-19 support</td>
<td>$285,000</td>
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<tr>
<td>Employment wages</td>
<td>$41,243,000</td>
</tr>
<tr>
<td>Taxes</td>
<td>$12,889,000</td>
</tr>
<tr>
<td>Royalties</td>
<td>$27,982,000</td>
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<tr>
<td>Navajo vendors</td>
<td>$6,193,000</td>
</tr>
<tr>
<td>Scholarships, education &amp; community-related</td>
<td>$912,000</td>
</tr>
<tr>
<td>CHRP</td>
<td>$2,468,000</td>
</tr>
<tr>
<td><strong>TOTAL 2020 CONTRIBUTION</strong></td>
<td><strong>$91,972,000</strong></td>
</tr>
</tbody>
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STABLE AND BENEFICIAL EMPLOYMENT ON THE NATION

Employing and facilitating the employment of members of the Nation aligns with NTEC’s overarching goal of providing a continuous benefit to the community as a whole by keeping miners working.

NUMBER OF NATION-MEMBER EMPLOYEES AND AVERAGE ANNUAL SALARY

- Navajo Mine: $79K
- Four Corners Power Plant: $107K
- PRB Mines: $72K

300
380
33

Navajo Mine
Four Corners Power Plant
PRB Mines
EMPOWERING PEOPLE

There is no greater empowerment tool than a sound education, which is why there is no greater responsibility than to provide one for our children and young adults. NTEC is proud to provide college scholarships, intra- and extra-curricular learning opportunities, and teacher workshops, among other initiatives, to support learning and academic engagement in communities across Navajo Nation.

$115,000
NTEC awarded 43 Navajo college students with college scholarships as part of its annual Navajo Nation STEM Scholarships. The students who received scholarships attend the following colleges and universities: Adams State University, Antelope Valley College, University of Arizona, Arizona State University, Coconino Community College, Colorado State University, Dine’ College, Dixie State University, Mesa Community College, Navajo Technical University, University of New Mexico, New Mexico State University, New Mexico Institute of Mining and Technology, Northern Arizona University, University of Oklahoma, Phoenix College, Regis University, University of Utah, and Utah State University.

$32,000
NTEC facilitates workshops for teachers of Navajo students to help with lesson plans and ideas to show students how energy is captured and used in the world today.

$15,000
NTEC sponsors Navajo Nation Girl Scouts STEM Camps for girls ages 5 to 17 years, as well as the STEM-sation Series at middle and high schools throughout the nation.

COMMUNITY SUPPORT & PHILANTHROPY

NTEC contributes to the welfare and well-being of the Navajo Nation in numerous other ways beyond the royalties and taxes generated by operations.

COMMUNITY HEATING RESOURCE PROGRAM

NTEC’s Community Heating Resource Program (CHRP) has radically changed and expanded over the past two years. Today the CHRP program itself constitutes a direct contribution by NTEC to the Nation of over $2 million a year. The contribution amount consists of the cost to run the program as well as the value of the coal. NTEC pays 100% of the program costs. The program is free to Navajo and Hopi community members and no coal is sold to the public.

CHRP 2020-21

10,200 VISITORS
10,200 Visitors increased 73% over last season and 345% over 2018-19.

12,000 TONS OF COAL
12,000 Total tons distributed increased by 43% over last season.

ZERO ACCIDENTS
There were no accidents or injuries for the entire season.

OTHER NOTABLE NUMBERS:
- Chapter member usage of CHRP increased by almost 2,400 members, or 82%, over last season.
- Employee/APS/Retiree usage of the program increased by 1,106 members, or 79%, over last season.
- More Bisti employees (1,106) used the program this year than the entire category (Employee/APS/Retiree) accounted for last season (1,470).
CHARITABLE DONATIONS

NTEC’s Community Benefit Fund (CBF) reacted to the onset of the pandemic and focused its efforts on supporting the Nation’s pandemic response. The CBF has provided COVID-19 Emergency Response Grants to Chapters and non-profit organizations on the Nation. In 2020, the CBF has given out a total of $213,000 to 29 organizations to assist with purchasing personal protective equipment and supplies, providing Wi-Fi hot spots and other tools for distance learning, and fulfilling the needs of families for food, clothing, and winterization assistance. Details on the CBF donations are in the table below.

<table>
<thead>
<tr>
<th>CHAPTER/ORG.</th>
<th>CATEGORY</th>
<th>PROJECT DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmington Municipal School</td>
<td>Safety</td>
<td>Purchase Plexiglas dividers for educational services and the safety of staff and students.</td>
</tr>
<tr>
<td>Upper Fruitland Chapter</td>
<td>Community</td>
<td>Purchase remote communication technology to utilize for chapter meetings for the safety of staff and community members.</td>
</tr>
<tr>
<td>Chilchinbeto Chapter</td>
<td>Safety</td>
<td>Purchase PPE and basic necessities; install Plexiglas in the chapter to promote social distancing and provide safety for staff and community.</td>
</tr>
<tr>
<td>Dzil Dito’sool School of Empowerment, Action and Perseverance (DEAP)</td>
<td>Education</td>
<td>Purchase laptops and internet connectivity resources for students so they may continue learning in a safe and supportive way.</td>
</tr>
<tr>
<td>National Indian Youth Leadership Project</td>
<td>Safety</td>
<td>Purchase PPE for staff/youth, and a decontamination system for outdoor adventure equipment.</td>
</tr>
<tr>
<td>Lupton Chapter</td>
<td>Safety</td>
<td>Purchase PPE, supplies, and sanitation stations for staff and community; provide hot spots/Wi-Fi services for distance learning.</td>
</tr>
<tr>
<td>Iyaniibi Chapter</td>
<td>Safety</td>
<td>Purchase thermometers, hand soap, disposable hand towels, and portable hand washing station for use before entering the chapter house.</td>
</tr>
<tr>
<td>Shonto Chapter</td>
<td>Community</td>
<td>Assess, repair and upgrade an existing waterpoint station to provide accessible water to the community.</td>
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<tr>
<td>Page Unified School District</td>
<td>Education</td>
<td>Provide access for students by increasing Wi-Fi and data plans on buses; provide hot spots in rural areas for distance learning.</td>
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<tr>
<td>Menahneezd Chapter</td>
<td>Community</td>
<td>Purchase a temperature-controlled storage that will be dedicated to our CRH staff for community PPE and supplies.</td>
</tr>
<tr>
<td>Low Mountain Chapter</td>
<td>Safety</td>
<td>Project to focus on a progressive phased-in reopening of the Low Mountain Chapter governance; provide PPE supplies.</td>
</tr>
<tr>
<td>Navajo YES</td>
<td>Safety</td>
<td>Purchase wash stations and face masks to support safe environments at Navajo YES races when those activities are deemed safe to resume.</td>
</tr>
<tr>
<td>Northern Agency Veterans Organization</td>
<td>Infrastructure</td>
<td>Purchase and install of internet receiver, tri-color ink &amp; paper; provide a safe environment for veterans to file VA claims.</td>
</tr>
<tr>
<td>Kayenta Chapter</td>
<td>Community</td>
<td>Purchase fencing, mulch, and lumber for raised beds, and garden bricks for the Kayenta Community Garden.</td>
</tr>
<tr>
<td>Klugebo Chapter</td>
<td>Education</td>
<td>Purchase and provide Wi-Fi accessibility for our youth in Klugebo to participate in Distance Learning.</td>
</tr>
<tr>
<td>Indian Wells Chapter</td>
<td>Safety</td>
<td>Purchase supplies needed to modify work space and entryways; create hand washing stations; conduct a risk assessment of chapter facilities.</td>
</tr>
<tr>
<td>San Juan Chapter</td>
<td>Education</td>
<td>Purchase and provide for preschool, elementary, middle school and high school students with school supplies and hand sanitizer.</td>
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</tbody>
</table>