



COAL PURCHASE CONFIRMATION

Buyer:

Duke Energy Kentucky, Inc.

526 South Church Street

Mail Code EC02F

Charlotte, NC 28202

Attention: Scott Marino

Tel: (980) 373.3948

Email: scott.marino@duke-energy.com

Ref#: ~~33982~~

Seller:

Central Coal Company as agent for Knight Hawk Coal, LLC

148 Bristol East Rd.

Bristol, VA 24202

Attention: Clark Wisman

Tel: (276) 669-8599

Email: clarkwisman@centralcoal.com

Ref#: ~~33982~~

This confirms the agreement entered into this 3rd day of December, 2019, by and between Duke Energy Kentucky, Inc. ("Buyer") and Central Coal Company as agent for Knight Hawk Coal, LLC ("Seller"), regarding the sale and purchase of Coal (the "Transaction") under the terms specified herein. Buyer and Seller shall be referred to individually as a "Party" and collectively as the "Parties".

This Confirmation Agreement constitutes an agreement for the sale and purchase of coal and constitutes a "Confirmation" under the Master Agreement (as defined below). This Confirmation supplements, forms part of, and is subject to, the Master Agreement dated as of January 1, 2017, as it has been or may be amended and supplemented from time to time between Seller and Duke Energy Business Services LLC as agent for each of Duke Energy Carolinas, LLC, Duke Energy Kentucky, Inc., Duke Energy Florida, LLC, Duke Energy Indiana, LLC and Duke Energy Progress, LLC (the "Master Agreement"). For the avoidance of doubt, however, none of Duke Energy Business Services, LLC, Duke Energy Carolinas, LLC, Duke Energy Florida, LLC, Duke Energy Indiana, LLC, or Duke Energy Progress, LLC will have any rights, duties or obligations pursuant to this Confirmation. All provisions contained in the Master Agreement govern this Confirmation to the extent not in conflict with the terms hereof. The terms of this Confirmation shall prevail in the event of an inconsistency between the terms of this Confirmation and the Master Agreement. The Confirmation shall be considered as a separate agreement between the parties effective on the date of execution of this Confirmation. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

Quote Date: October 9, 2019

Commodity: Crushed Coal, containing no synthetic fuels, and free from any extraneous materials or impurities (such as earth, clay, bone, slate, sandstone, rock, pyrite, metal, or wood), with no intermediate sizes added or removed and otherwise meeting the Specifications set forth in this Confirmation.

Seller: Central Coal Company as agent for Knight Hawk Coal, LLC

Buyer: Duke Energy Kentucky, Inc.

Term: January 1, 2020 through December 31, 2021, inclusive (the "Supply Term").

Contract Quantity: 325,000 Tons per calendar year during (total of 650,000 Tons during the Term)

Scheduling: Pursuant to the Master Agreement.

Contract Price:

For calendar year 2020: \$32.50/Ton delivered to the Delivery Point
For calendar year 2021: \$34.00/Ton delivered to the Delivery Point
The Contract Price for both years is subject to a quarterly fuel adjustment as shown on Exhibit 1 attached hereto.

Delivery Point: F.O.B. Barge at Lone Eagle (Upper Mississippi River)

Source(s): Knight Hawk's Prairie Eagle Mine in Perry County, Illinois

Weighing, Sampling

And Analysis: Per the Master Agreement

Billing and Payment: Pursuant to the Master Agreement.

Coal Quality Price Adjustments:

BTU and SO₂ adjustments per the Master Agreement.
No other quality adjustments to apply.

Government Impositions:

Per the Master Agreement

SO₂ Adjustment:

Buyer shall provide Seller with Buyer's Actual Cost to Scrub on an annual basis ("Scrub Costs"). Seller must maintain such Scrub Costs and any related information strictly confidential pursuant to the Master Agreement and must not use such information for any purpose other than for purposes of Section 8.1 of the Master Agreement

Coal Quality ("As-Received" basis):

Characteristic:	<u>Specifications</u> (Monthly Weighted Average)	<u>Rejection Limit</u> (Per Shipment)
Higher Heating Value (BTU/Lb)	11,200 minimum	<10,900 minimum
Ash Content (%)	9.0 % maximum	> 10.5% maximum
*SO ₂ (Lbs./MMBTU) Content	5.5 Lbs. maximum	>5.75 Lbs. maximum
Moisture Content (%)	13% maximum	>15% maximum
Volatile Matter (%)	34% minimum	<30% minimum
Fusion Temp (Initial Deformation °F, Reducing Atmos.)	2150°F minimum	<2050°F minimum
Grindability (HGI)	55 minimum	< 52 minimum
Chlorine (PPM)	700 maximum	>1000 maximum
Top Size	2" maximum	N/A
Fines (% By Weight Passing ¼" Screen)	55% maximum	N/A

*The pounds SO₂ per MMBTU shall be determined by the following formula:
("As-Received" Percent Sulfur x 20,000/ "As-Received" BTU/lb. = Pounds SO₂ per MMBTU.

No Precedent:

The terms and conditions set forth in this Confirmation are for the purpose of this Confirmation and the Transaction contemplated herein only and will not set or be construed or deemed to set a precedent for any future purchase and sales agreement, if any, that may be entered into between Buyer and Seller.

Other Terms and Conditions.

Seller represents and warrants that, as of the Quote Date and as of the date of this Confirmation, and, throughout the Term of this Transaction that:

- (a) Seller presently owns or otherwise controls, and shall continue to own and control, whether directly or through an affiliate, Coal reserves in an amount sufficient to fulfill the terms of this Confirmation, the Coal contained in such reserves is mineable and of the quality called for by this Confirmation and Seller presently has approved governmental mining permits to fulfill the terms of this Confirmation,
- (b) There are no existing contractual commitments with respect to Coal reserves that would prevent delivery of the quantities of Coal specified in this Confirmation and Seller will not enter into contractual commitments during the Term of this Transaction that will prevent such delivery,
- (c) Seller owns and has in operation, and shall continue to own and operate, whether directly or through an affiliate, mining facilities and equipment sufficient to produce the quantities of Coal to be delivered under this Confirmation and has obtained all necessary governmental and other third party permits (excluding unforeseen events as set forth in Section 12 of the Master Agreement), approvals and licenses, and shall continue to retain or take all prudent and timely steps necessary for submission and application for renewal of governmental or third party permits, approvals and licenses, required in connection with the execution, delivery and performance of this Confirmation, and
- (d) Seller, directly or through an affiliate, will at all times conduct its mining operations in a prudent manner consistent with good and acceptable practice in the coal mining industry, and Buyer shall have the right, upon reasonable notice, at its own expense and risk, to have its representatives and/or qualified consultants observe and inspect Seller's facilities and operations, provided that such representatives and/or consultants shall comply with all applicable safety requirements, processes, and procedures including, but not limited to, those related to safety training and hazard prevention, and shall not interfere with such operations.

IN WITNESS WHEREOF, the Parties have caused this Confirmation to be executed (including by means of email, facsimile or other electronic exchanged signatures), by their respective duly authorized representatives as of the first date mentioned herein.

Duke Energy Kentucky, Inc.

By: 

Name:

Brett J. Phipps

Title:

Managing Director-Fuel Procurement

Date:

11/7/2020

Central Coal Company as agent for Knight Hawk Coal, LLC

By: 

Name:

Charles W. Smith

Title:

General Manager

Date:

12-2-17

EXHIBIT 1

The Contract Price will be subject to a fuel adjustment during the period of this agreement.

Fuel Adjustment Clause

The fuel adjustment will be relative to \$2.50/ton of the price of the coal delivered F.O.B. barge at Loan Eagle Dock, MM #105 UMR, and will be calculated by the increase/decrease in the U.S. Energy Information Administration (EIA) for "Weekly Retail On-Highway Diesel Prices" Midwest price. The base value (B) used in calculating the adjustment will be calculated by averaging the prices from Q2 and Q3 2019, \$2.97/gallon. The first adjustment will be effective January 1, 2020. This adjustment will be calculated by comparing the prior quarter, i.e. October 2019 through December 2019 average price to the base price. The next adjustment will be effective April 1, 2020 comparing the previous three (3) months average price to the base price with an adjustment every three (3) months thereafter.

Example

$$APP = PP + (C \times ((A/B) - 1))$$

Where:

PP = The Base Price

APP = The Adjusted Base Price effective for a given 3-month period

A = Arithmetic average of the price/gallon values for the 3-month period prior to each Adjustment Date (Quarterly)

B = \$2.97

C = Initial Diesel Fuel Component (\$2.50/Ton)

Sample Calculation

Assume the following for this example:

Adjustment for 1st quarter 2020 (A = average for October, November and December of 2019, say \$3.00/gallon)

Base Price = \$32.50/Ton FOB Lone Eagle Dock

Formula: $PP + (C \times ((A/B) - 1)) = APP$

$$\$32.50 + (2.50 \times ((3.00/2.97) - 1)) = \$32.53/\text{Ton}$$