



Corsa Coal Corp.
Management's Discussion and Analysis
December 31, 2019

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For the year ended December 31, 2019

The purpose of the Corsa Coal Corp. (“Corsa” or the “Company”) Management’s Discussion and Analysis (“MD&A”) for the three months and full year ended December 31, 2019 is to provide a narrative explanation of Corsa’s operating and financial results for the period, Corsa’s financial condition at the end of the period and Corsa’s future prospects. This MD&A is intended to be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2019 and 2018 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Unless otherwise indicated, all dollar amounts in this MD&A are expressed in United States dollars, all tonnage amounts are short tons (2,000 pounds per ton) and all amounts are shown in thousands. Pricing and cost per ton information is expressed on a free on board (“FOB”) mine site basis. Please refer to “Cautionary Statement Regarding Forward-Looking Statements” and “Cautionary Statement Regarding Certain Measures of Performance.” This MD&A is dated as of March 30, 2020.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain information set forth in this MD&A contains “forward-looking statements” and “forward-looking information” (collectively, “forward looking statements”) under applicable securities laws. Except for statements of historical fact, certain information contained herein relating to projected sales, coal prices, coal production, mine development, the capacity and recovery of Corsa’s preparation plants, expected cash production costs, geological conditions, future capital expenditures and expectations of market demand for coal, constitutes forward-looking statements which include management’s assessment of future plans and operations and are based on current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as “estimates”, “expects”, “anticipates”, “believes”, “projects”, “plans”, “capacity”, “hope”, “forecast”, “anticipate”, “could” and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause Corsa’s actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: risks that the actual production or sales for the 2020 fiscal year will be less than projected production or sales for this period; risks that the prices for coal sales will be less than projected; liabilities inherent in coal mine development and production; geological, mining and processing technical problems; inability to obtain required mine licenses, mine permits and regulatory approvals or renewals required in connection with the mining and processing of coal; risks that Corsa’s preparation plants will not operate at production capacity during the relevant period, unexpected changes in coal quality and specification; variations in the coal mine or preparation plant recovery rates; dependence on third party coal transportation systems; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in commodity prices and exchange rates; changes in the regulations in respect to the use, mining and processing of coal; changes in regulations on refuse disposal; the effects of competition and pricing pressures in the coal market; the oversupply of, or lack of demand for, coal; inability of management to secure coal sales or third party purchase contracts; currency and interest rate fluctuations; various events which could disrupt operations and/or the transportation of coal products, including labor stoppages and severe weather conditions; the demand for and availability of rail, port and other transportation services; the ability to purchase third party coal for processing and delivery under purchase agreements; the ability to resolve litigation and similar matters involving the Company and/or its assets; the ability to pay down indebtedness; and management’s ability to anticipate and manage the foregoing factors and risks. The forward-looking statements and information contained in this MD&A are based on certain assumptions regarding, among other things, coal sales being consistent with expectations; future prices for coal; future currency and exchange rates; Corsa’s ability to generate sufficient cash flow from operations and access capital markets to meet its future obligations; the regulatory framework representing royalties, taxes and environmental matters in the countries in which Corsa conducts business; coal production levels; Corsa’s ability to retain qualified staff and equipment in a cost-efficient manner to meet its demand; and Corsa being able to execute its program of operational improvement and initiatives. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The reader is cautioned not to place undue reliance on forward-looking statements. Corsa does not undertake to update any of the forward-looking statements contained in this MD&A unless required by law. The statements as to Corsa’s capacity to produce coal are no assurance that it will achieve these levels of production or that it will be able to achieve these sales levels.

CAUTIONARY STATEMENT REGARDING CERTAIN MEASURES OF PERFORMANCE

This MD&A presents certain measures, including “EBITDA”; “Adjusted EBITDA”; “realized price per ton sold”; “cash production cost per ton sold”; “cash cost per ton sold”; and “cash margin per ton sold”, that are not recognized measures under IFRS. This data may not be comparable to data presented by other coal producers. For a definition and reconciliation of these measures to the most directly comparable financial information presented in the consolidated financial statements prepared in accordance with IFRS, see Non-GAAP Financial Measures starting on page 25 of this MD&A. The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in performing year-over-year comparisons. However, these non-GAAP measures should be considered together with other data prepared in accordance with IFRS, and these measures, taken by themselves, are not necessarily indicative of operating costs or cash flow measures prepared in accordance with IFRS.

SCIENTIFIC AND TECHNICAL INFORMATION

All scientific and technical information contained in this MD&A has been reviewed and approved by Peter V. Merritts, Professional Engineer and the Company’s Chief Executive Officer, who is a qualified person within the meaning of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2019

- Corsa reported net and comprehensive loss from continuing operations of \$8.2 million, or \$0.09 per share attributable to shareholders, for the fourth quarter 2019, compared to income of \$10.3 million, or \$0.09 per share attributable to shareholders, for the fourth quarter 2018. Net and comprehensive loss from continuing operations for the year ended December 31, 2019 was \$0.5 million, or \$0.03 per share attributable to shareholders compared to income of \$5.9 million, or \$0.03 per share attributable to shareholders for the year ended December 31, 2018.
- Corsa's net and comprehensive loss from continuing operations includes two significant non-cash adjustments for the fourth quarter 2019 which are: (1) \$3.2 million of accelerated amortization expense as a result of the asset retirement obligation asset for a surface mine where management has determined not to pursue future mining and (2) \$1.2 million of expense related to the annual review of the reclamation and water treatment provision that resulted from changes in the underlying assumptions utilized to measure the liability.
- Corsa's adjusted EBITDA⁽¹⁾ was \$3.5 million and \$28.9 million for the three months and year ended December 31, 2019, respectively, compared to \$11.3 million and \$35.0 million for the three months and year ended December 31, 2018, respectively. Corsa's EBITDA⁽¹⁾ was \$2.5 million and \$29.4 million for the three months and year ended December 31, 2019, respectively, compared to \$14.5 million and \$32.8 million for the three months and year ended December 31, 2018, respectively.
- Cash production cost per ton sold⁽¹⁾ was \$73.87 for the fourth quarter 2019, a decrease of \$2.90 per ton, or 4%, as compared to the fourth quarter 2018. Cash production cost per ton sold⁽¹⁾ was \$79.38 for the year ended December 31, 2019, a decrease of \$4.23 per ton, or 5%, as compared to the year ended December 31, 2018.
- Operating cash flows used in continuing operations for the three months ended December 31, 2019 were \$2.0 million and cash provided by operating activities of \$14.7 million for the year ended December 31, 2019 compared to \$5.6 million and \$15.3 million cash provided for the three months and year ended December 31, 2018, respectively.
- Total revenue from continuing operations for the three months and year ended December 31, 2019 were \$52.5 million and \$230.9 million, respectively, compared to \$66.5 million and \$265.9 million for the three months and year ended December 31, 2018, respectively.
- Low volatile metallurgical coal sales tons, comprised of "Company Produced" tons and "Value Added Services" purchased coal tons, were 440,086 in the fourth quarter 2019 compared to 372,313 in the fourth quarter 2018 and 1,551,882 for the full year 2019 compared to 1,385,229 for the full year 2018. In the fourth quarter 2019, Corsa sold a total of 68,879 "Sales and Trading" tons, which are treated as pass-through from a profitability perspective, compared to 94,212 tons in the fourth quarter 2018 and 281,471 for the full year 2019 compared to 486,876 for the full year 2018.
- Corsa achieved an average realized price per ton of metallurgical coal sold⁽¹⁾ of \$86.70 for all metallurgical qualities in the fourth quarter 2019 compared to \$116.27 in the fourth quarter 2018 and \$103.76 for the full year 2019 compared to \$114.50 for the full year 2018. This average realized price for the fourth quarter 2019 is the approximate equivalent of \$129 to \$134 on an FOB vessel basis.⁽²⁾ For the fourth quarter 2019, Corsa's sales mix included 31% of sales to domestic customers and 69% of sales to international customers and for the full year 2019 included 30% of sales to domestic customers and 70% of sales to international customers.
- In August 2019, certain wholly-owned subsidiaries of Corsa, as borrowers, entered into a senior secured revolving credit facility with KeyBank National Association for up to \$25 million and a lease financing agreement with Key Equipment Finance, as lessor and assignor, and 36th Street Capital Partners, LLC, as assignee, for the sale and leaseback of various coal mining equipment for a funding amount of \$12 million. These new facilities replaced the \$25 million senior secured term credit facility with Sprott Resource Lending Corp.
- In 2019, Corsa recognized income of \$3.4 million related to the A-Seam Condemnation Judgement (as defined herein). This income is net of the contingent legal fees associated with the A-Seam Condemnation Judgement and payment was received in December 2019. This income was partially offset by debt extinguishment expense of \$1.2 million as a result of the debt refinancing noted above.

⁽¹⁾ This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" starting on page 25 of this MD&A.

⁽²⁾ Similar to most U.S. metallurgical coal producers, Corsa reports sales and costs per ton on an FOB mine site basis and denominated in short tons. Many international metallurgical coal producers report prices and costs on a delivered-to-the-port basis (or "FOB vessel basis"), thereby including freight costs between the mine and the port. Additionally, Corsa reports sales and costs per short ton, which is approximately 10% lower than a metric ton. For the purposes of this figure, we have used an illustrative freight rate of \$30-\$35 per short ton. Historically, freight rates rise and fall as market prices rise and fall. As a note, most published indices for metallurgical coal report prices on a delivered-to-the-port basis and denominated in metric tons.

BUSINESS OVERVIEW

Corsa is one of the leading United States suppliers of premium quality metallurgical coal, an essential ingredient in the production of steel. Corsa's core business is supplying premium quality metallurgical coal to domestic and international steel and coke producers. As of the date of this MD&A, Corsa produces coal from five mines, operates two preparation plants and has approximately 410 employees. Corsa's common shares ("Common Shares") are listed on the TSX Venture Exchange ("TSX-V") under the symbol "CSO". The Common Shares also trade on the OTCQX Best Market ("OTCQX") under the symbol "CRSXF".

The Company's coal operations are conducted through its Northern Appalachia division ("NAPP" or "NAPP Division") based in Somerset, Pennsylvania, U.S.A. The NAPP Division is primarily focused on metallurgical coal production in the states of Pennsylvania and Maryland. Corsa markets and sells its NAPP coal to customers in North America, South America, Asia and Europe.

Corsa's metallurgical coal sales figures are comprised of three types of sales: (i) selling coal that Corsa produces ("Company Produced"); (ii) selling coal that Corsa purchases and provides value added services (storing, washing, blending, loading) to make the coal saleable ("Value Added Services"); and (iii) selling coal that Corsa purchases on a clean or finished basis from suppliers outside the Northern Appalachia region ("Sales and Trading").

NAPP Division

Mines

NAPP currently operates the Casselman mine, an underground mine utilizing the room and pillar mining method; the Acosta mine, an underground mine utilizing the room and pillar mining method; the Horning mine, an underground mine utilizing the room and pillar mining method; the Schrock Run mine, a surface mine using contour mining methods; and the Schrock Run Extension mine, a surface mine using contour mining methods. The Casselman mine is located in Garrett County, Maryland and the Acosta, Horning, Schrock Run and Schrock Run Extension mines are located in Somerset County, Pennsylvania.

Preparation Plants

NAPP currently operates two preparation plants, the Cambria Plant and the Shade Creek Plant, and has one preparation plant idled, the Rockwood Plant. The raw metallurgical coal produced from the NAPP mines is trucked to the preparation plants where it is processed or "washed" using conventional coal processing techniques and stored for shipping. All plants have load out facilities adjacent to a rail line. Coal is usually shipped by rail; however, it can also be shipped by truck. All of the preparation plants are located in Somerset County, Pennsylvania. The Cambria Plant has an operating capacity of 325 tons of raw coal per hour, storage capacity for 130,000 tons of clean coal and 55,000 tons of raw coal and load out facilities adjacent to a CSX rail line. The Shade Creek Plant has an operating capacity of 450 tons of raw coal per hour, storage capacity for 75,000 tons of clean coal and 170,000 tons of raw coal and load out facilities adjacent to a Norfolk Southern rail line. The Rockwood Plant has an operating capacity of 325 tons of raw coal per hour, storage capacity of 24,000 tons of clean coal and 85,000 tons of raw coal and load out facilities adjacent to a CSX rail line.

Growth Projects

NAPP has several significant projects which are in various stages of permitting. Our future spending on development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment and financing availability.

Name	Type of Mine	Status
Keyser Project	Underground	Permit in Process
North Mine Project	Underground	Permit in Process
A Seam Project	Underground	Permitted

COAL PRICING TRENDS AND OUTLOOK

Price levels opened the fourth quarter at \$147/metric ton (“mt”) delivered-to-the-port based (“FOBT”) for spot deliveries of Australian premium low volatile metallurgical coal and closed the quarter and year at \$140/mt. The quarterly average price for the fourth quarter of 2019 was \$140/mt for Australian premium low volatile metallurgical coal, compared to \$161/mt in the third quarter of 2019, and traded in a range from a high of \$152/mt to a low of \$132/mt. For the year, prices opened at \$211/mt, averaged \$177/mt, and traded in a range from a high of \$216/mt to a low of \$132/mt.

The World Steel Association reported that global crude steel production rose 3.4% in 2019 versus 2018 with the U.S. up 1.5 %, China up 8.3% and India up 1.8%. Additionally, 2019 crude steel production from the European Union and Brazil were down 4.9% and 9.0%, respectively. Regionally, the Middle East grew by 19.2%, Asia, which includes China and India, increased by 5.7%, North America decreased by 0.8% and South America decreased by 8.4%. Chinese hot-rolled steel coil prices rose approximately 1% over the course of 2019, with U.S. and Northern European prices down 22% and 17%, respectively, in the same time period.

Spot market pricing for metallurgical coal in the first quarter of 2020 primarily traded in the \$140-\$150/mt FOBT range. Price volatility is expected as the metallurgical coal market responds to changes in both supply and demand across different geographical areas resulting from the workforce restrictions and economic impacts of the COVID-19 pandemic. Due to the uncertainty of the global business impact of COVID-19 on both metallurgical coal supply and demand, Corsa is suspending the provision of additional commentary regarding expectations for metallurgical coal prices in 2020 at the time of this filing. Metallurgical coal supply, demand and pricing outlook commentary will be resumed when deemed appropriate by the Company.

Through February 2020, the World Steel Association reported that global crude steel production rose 1.0% in 2020 versus 2019 with the U.S. up 2.4 %, China up 3.1% and Japan up 1.7%. Crude steel production from the European Union and Brazil were down 9.1% and 6.4%, respectively. Regionally, the Middle East grew by 26.2%, Asia, which includes China and India, increased by 2.0%, North America decreased by 1.4% and South America decreased by 6.0%. The most recent 2020 global steel demand forecast for 2020 was provided by the World Steel Association in October 2019 before the COVID-19 outbreak and therefore do not reflect the impacts on the global steel market. Global steel demand forecast statistics may be provided as they become available and are reflective of the global business changes.

The end use of our coal by our customers in coke plants and steel making, the combustion of fuel by equipment used in coal production and the transportation of our coal to our customers, are all sources of greenhouse gases (“GHGs”). As well, coal mining itself can release methane, which is considered to be a more potent GHG than CO₂, directly into the atmosphere. These emissions from coal consumption, transportation and production are subject to pending and proposed regulation as part of initiatives to address global climate change. As a result, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of GHGs. The market for our coal may be adversely impacted if comprehensive legislation or regulations focusing on GHG emission reductions are adopted, or if our customers are unable to obtain financing for their operations.

See “Risk Factors” in the Company’s annual information form dated March 30, 2020 for the year ended December 31, 2019 for an additional discussion regarding certain factors that could impact coal pricing trends and outlook, as well as the Company’s ongoing operations.

SELECTED ANNUAL INFORMATION

	For the years ended December 31,		
	2019	2018	2017
Total revenue - continuing operations	\$ 230,869	\$ 265,853	\$ 217,507
Net and comprehensive income (loss) - total			
Attributable to shareholders	\$ (2,720)	\$ 2,459	\$ 69,748
Attributable to non-controlling interest	2,207	2,599	13,936
Total net and comprehensive income (loss)	\$ (513)	\$ 5,058	\$ 83,684
Basic earnings (loss) per share - continuing operations	\$ (0.03)	\$ 0.03	\$ 0.96
Basic earnings (loss) per share - discontinued operations	—	(0.01)	(0.22)
Basic earnings (loss) per share - total	\$ (0.03)	\$ 0.02	\$ 0.74
Diluted earnings (loss) per share - continuing operations	\$ (0.03)	\$ 0.03	\$ 0.93
Diluted earnings (loss) per share - discontinued operations	—	(0.01)	(0.21)
Diluted earnings (loss) per share - total	\$ (0.03)	\$ 0.02	\$ 0.72
Total assets	\$ 269,326	\$ 283,300	\$ 307,526
Total non-current financial liabilities	\$ 85,973	\$ 80,901	\$ 107,812
Dividends per share	\$ —	\$ —	\$ —

Corsa's 2019 results were impacted by a significant decline in the metallurgical coal price environment which resulted in lower total revenue than the 2018 year although total tons sold remained relatively consistent. As a result of the weaker metallurgical coal price environment, the Company has taken steps to reduce administrative costs and improved operating costs.

In the period ended December 31, 2017, net and comprehensive income was impacted by a reversal of the impairment charge, net of depreciation and amortization, of \$86.2 million, originally recognized in the 2015 period at the NAPP Division, as a result of the improved metallurgical coal price environment. Net and comprehensive income was also impacted by an additional impairment charge at the Central Appalachia Division (the "CAPP Division") of \$20.0 million, which is classified as a discontinued operation, as a result of the decision to divest of this segment subsequent to December 31, 2017.

For each of the years presented, the consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with IFRS and interpretations approved by the International Accounting Standards Board (the "IASB"). The Company has consistently applied the same accounting policies throughout all periods presented. The Company's presentation currency is the United States dollar.

FINANCIAL AND OPERATIONAL RESULTS

(in thousands)	For the three months ended December 31,		
	2019	2018	Variance
Revenue	\$ 52,476	\$ 66,513	\$ (14,037)
Cost of sales	(57,604)	(54,091)	(3,513)
Gross margin	(5,128)	12,422	(17,550)
Selling, general and administrative expense	(3,025)	(4,090)	1,065
(Loss) income from operations	(8,153)	8,332	(16,485)
Net finance expense	(253)	(3,831)	3,578
Other income	255	3,013	(2,758)
(Loss) income before tax	(8,151)	7,514	(15,665)
Income tax (benefit)	—	(2,759)	2,759
Net and comprehensive (loss) income from continuing operations	\$ (8,151)	\$ 10,273	\$ (18,424)
Diluted (loss) earnings per share from continuing operations	\$ (0.09)	\$ 0.09	\$ (0.18)

(in thousands)	For the years ended December 31,		
	2019	2018	Variance
Revenue	\$ 230,869	\$ 265,853	\$ (34,984)
Cost of sales	(216,050)	(236,840)	20,790
Gross margin	14,819	29,013	(14,194)
Selling, general and administrative expense	(15,748)	(20,607)	4,859
Income from operations	(929)	8,406	(9,335)
Net finance expense	(3,423)	(9,286)	5,863
Other income	3,839	3,992	(153)
Income (loss) before tax	(513)	3,112	(3,625)
Income tax (benefit)	—	(2,759)	2,759
Net and comprehensive (loss) income from continuing operations	\$ (513)	\$ 5,871	\$ (6,384)
Diluted (loss) earnings per share from continuing operations	\$ (0.03)	\$ 0.03	\$ (0.06)

Operations Summary

(in thousands)	For the three months ended			For the years ended		
	December 31,			December 31,		
	2019	2018	Variance	2019	2018	Variance
Coal sold - tons						
NAPP - metallurgical coal	509	466	43	1,833	1,872	(39)
Realized price per ton sold ⁽¹⁾						
NAPP - metallurgical coal	\$ 86.70	\$ 116.27	\$ (29.57)	\$ 103.76	\$ 114.50	\$ (10.74)
Cash production cost per ton sold ⁽¹⁾⁽²⁾						
NAPP - metallurgical coal	\$ 73.87	\$ 76.77	\$ 2.90	\$ 79.38	\$ 83.61	\$ 4.23
Cash cost per ton sold ⁽¹⁾⁽³⁾						
NAPP - metallurgical coal	\$ 74.59	\$ 85.39	\$ 10.80	\$ 82.07	\$ 88.59	\$ 6.52
Cash margin per ton sold ⁽¹⁾						
NAPP - metallurgical coal	\$ 12.11	\$ 30.88	\$ (18.77)	\$ 21.69	\$ 25.91	\$ (4.22)
EBITDA ⁽¹⁾						
NAPP	\$ 3,082	\$ 16,109	\$ (13,027)	\$ 36,023	\$ 41,196	\$ (5,173)
Corporate	(565)	(1,563)	998	(6,575)	(8,367)	1,792
Total	<u>\$ 2,517</u>	<u>\$ 14,546</u>	<u>\$ (12,029)</u>	<u>\$ 29,448</u>	<u>\$ 32,829</u>	<u>\$ (3,381)</u>
Adjusted EBITDA ⁽¹⁾						
NAPP	\$ 4,082	\$ 12,304	\$ (8,222)	\$ 32,492	\$ 40,048	\$ (7,556)
Corporate	(554)	(970)	416	(3,614)	(5,043)	1,429
Total	<u>\$ 3,528</u>	<u>\$ 11,334</u>	<u>\$ (7,806)</u>	<u>\$ 28,878</u>	<u>\$ 35,005</u>	<u>\$ (6,127)</u>

(1) This is a non-GAAP financial measure. See “Non-GAAP Financial Measures” starting on page 25 of this MD&A.

(2) Cash production cost per ton sold excludes purchased coal. This non-GAAP Financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 25 of this MD&A.

(3) Cash cost per ton sold includes purchased coal. This non-GAAP Financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 25 of this MD&A.

REVIEW OF FOURTH QUARTER FINANCIAL RESULTS

(in thousands)	For the three months ended December 31, 2019		
	NAPP	Corporate	Consolidated
Revenue	\$ 52,476	\$ —	\$ 52,476
Cost of sales	(57,573)	(31)	(57,604)
Gross margin	(5,097)	(31)	(5,128)
Selling, general and administrative expense	(2,750)	(275)	(3,025)
Loss from operations	(7,847)	(306)	(8,153)
Net finance income (expense)	263	(516)	(253)
Other income (expense)	519	(264)	255
Loss before tax	(7,065)	(1,086)	(8,151)
Income tax (benefit)	—	—	—
Net and comprehensive loss from continuing operations	\$ (7,065)	\$ (1,086)	\$ (8,151)

(in thousands)	For the three months ended December 31, 2018		
	NAPP	Corporate	Consolidated
Revenue	\$ 66,513	\$ —	\$ 66,513
Cost of sales	(54,091)	—	(54,091)
Gross margin	12,422	—	12,422
Selling, general and administrative expense	(2,769)	(1,321)	(4,090)
Income (loss) from operations	9,653	(1,321)	8,332
Net finance expense	(2,770)	(1,061)	(3,831)
Other income	3,013	—	3,013
Income (loss) before tax	9,896	(2,382)	7,514
Income tax expense (benefit)	—	(2,759)	(2,759)
Net and comprehensive income from continuing operations	\$ 9,896	\$ 377	\$ 10,273

(in thousands)	Dollar variance for the three months ended December 31, 2019 versus 2018		
	NAPP	Corporate	Consolidated
Revenue	\$ (14,037)	\$ —	\$ (14,037)
Cost of sales	(3,482)	(31)	(3,513)
Gross margin	(17,519)	(31)	(17,550)
Selling, general and administrative expense	19	1,046	1,065
(Loss) income from operations	(17,500)	1,015	(16,485)
Net finance income	3,033	545	3,578
Other expense	(2,494)	(264)	(2,758)
(Loss) income before tax	(16,961)	1,296	(15,665)
Income tax (benefit)	—	2,759	2,759
Net and comprehensive loss from continuing operations	\$ (16,961)	\$ (1,463)	\$ (18,424)

Operating Segments

Corsa's two distinct segments are NAPP and Corporate. The financial results of the continuing operating segments for the three months ended December 31, 2019 and 2018 are as follows:

NAPP Division

Revenue - NAPP Division

(in thousands)	For the three months ended December 31,		
	2019	2018	Variance
Metallurgical coal revenue (at preparation plant)	\$ 44,129	\$ 54,182	\$ (10,053)
Thermal coal revenue (at preparation plant)	256	262	(6)
Transportation revenue	7,597	10,335	(2,738)
Tolling revenue	494	1,734	(1,240)
	<u>\$ 52,476</u>	<u>\$ 66,513</u>	<u>\$ (14,037)</u>

- Metallurgical coal revenue, net of transportation charges, decreased \$10,053 as a result of lower sales prices which caused revenue to decrease by \$15,053. This decrease was partially offset by higher sales volumes which increased revenue by \$5,000. Metallurgical coal sold was 509 tons and 466 tons for the three months ended December 31, 2019 and 2018, respectively, an increase of 43 tons. Realized price per ton sold decreased \$29.57 primarily due to the decline in the metallurgical coal market that continued during the fourth quarter of 2019.
- Revenue associated with the transportation of coal to the loading terminal or customer decreased \$2,738 as a result of reduced freight rates which coincided with the market decline and lower demurrage expenses in the three months ended December 31, 2019 as compared to the 2018 period due to reduced port congestion in the 2019 period. Demurrage expenses totaled \$7 in the three months ended December 31, 2019 compared to \$775 in the 2018 period.
- Tolling revenue decreased \$1,240 as a result of the Company processing less third-party coal through its preparation plant during the three months ended December 31, 2019.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the three months ended December 31,		
	2019	2018	Variance
Mining and processing costs	\$ 29,401	\$ 19,915	\$ 9,486
Purchased coal costs	7,038	18,232	(11,194)
Royalty expense	1,790	1,938	(148)
Amortization expense	9,975	5,927	4,048
Transportation costs from preparation plant to customer	7,597	10,335	(2,738)
Change in estimate of reclamation and water treatment provision	1,190	(3,727)	4,917
Idle mine expense	74	592	(518)
Tolling costs	290	758	(468)
Write-off of advance royalties and other assets	123	—	123
Other costs	95	121	(26)
	<u>\$ 57,573</u>	<u>\$ 54,091</u>	<u>\$ 3,482</u>

- Mining and processing costs increased primarily due to additional volumes produced and sold during the three months ended December 31, 2019 as compared to the three months ended December 31, 2018.
- Purchased coal costs decreased primarily due to reduced volumes and reduced price per ton of purchased metallurgical coal sold during the three months ended December 31, 2019 as compared to the three months ended December 31, 2018.
- Amortization expense increased primarily as a result of the asset retirement obligation asset for a surface mine where management has determined not to pursue future mining being fully depreciated in the 2019 period and additional Company Produced coal sold during the three months ended December 31, 2019 as compared to the 2018 period.
- Transportation costs decreased as a result of reduced freight rates related to the metallurgical market decline, lower export tonnage sold in which the Company is obligated to pay for freight and reduced demurrage expenses in the three months ended December 31, 2019 as compared to the 2018 period. Demurrage expenses totaled \$7 in the three months ended December 31, 2019 compared to \$775 in the three months ended December 31, 2018.
- Change in estimate of reclamation and water treatment provision was the result of changes in the underlying assumptions utilized to measure the liability.
- Idle mine costs were lower in the three months ended December 31, 2019 as a result of the sealing of the Quecreek mine in early 2019.

Net finance expense (income) - NAPP Division

(in thousands)	For the three months ended December 31,		
	2019	2018	Variance
Bond premium expense	\$ 371	\$ 360	\$ 11
Interest expense	172	286	(114)
Interest income	(18)	(7)	(11)
Accretion on reclamation provision	384	384	—
Change in market value of restricted cash (income) expense	(1,172)	1,712	(2,884)
Other	—	35	(35)
	<u>\$ (263)</u>	<u>\$ 2,770</u>	<u>\$ (3,033)</u>

- Net finance expense decreased primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds are marked to market on a monthly basis and higher market gains were recognized during the three months ended December 31, 2019 compared to market losses in the three months ended December 31, 2018.

Other income (expense) - NAPP Division

Other income was \$519 for the three months ended December 31, 2019 compared to \$3,013 in the three months ended December 31, 2018. The change was primarily due to the derecognized processing fee payable that occurred in the 2018 period.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the three months ended December 31,		
	2019	2018	Variance
Salaries and other compensations	\$ (83)	\$ 881	\$ (964)
Employee benefits	23	(52)	75
Professional fees	212	283	(71)
Office expenses and insurance	110	138	(28)
Other	13	71	(58)
	<u>\$ 275</u>	<u>\$ 1,321</u>	<u>\$ (1,046)</u>

- Selling, general and administrative expense decreased primarily due to reduced salaries and other compensation expenses, which includes the reversal of unvested stock based compensation awards, as a result of the decreased corporate staffing levels and lower expenses related to business development activities in the three months ended December 31, 2019 compared to the three months ended December 31, 2018.

Net finance expense (income) - Corporate Division

Net finance expense (income) consists of the following:

(in thousands)	For the three months ended December 31,		
	2019	2018	Variance
Interest expense	\$ 490	\$ 819	\$ (329)
Accretion of discount on loan payable	8	310	(302)
Accretion of revolving credit facility fees	35		35
Warrant financial liability (gain) loss	—	(68)	68
Foreign exchange loss	4	5	(1)
Interest income	(21)	(5)	(16)
	<u>\$ 516</u>	<u>\$ 1,061</u>	<u>\$ (545)</u>

- Net finance expense decreased in the three months ended December 31, 2019 compared to the three months ended December 31, 2018 primarily due to the debt refinancing that occurred in August 2019 (see “Debt Refinancing” under the Liquidity and Capital Resources section of this MD&A). As a result of this refinancing, the total principal outstanding decreased and the combined interest rate of the new debt under the New Credit Facilities (as defined herein) is lower than the previous debt’s rate under the Sprott Facility (as defined herein). Also, as a result of the refinancing, the debt discount accretion decreased as a result of expensing the discount associated with the previous debt to loss on debt extinguishment which is included in other income and expense.

Income tax benefit - Corporate Division

As a result of the 2017 U.S. Tax Reform: Tax Cuts and Jobs Act, the corporate alternative minimum tax (“AMT”) was repealed for tax years beginning after 2017, but before 2022. The AMT credit may offset regular tax liability for any year and is refundable in an amount equal to 50% of the excess of the minimum tax credit for the tax year over the amount of the credit allowable for the year against regular tax liability. As a result, the Company recognized a benefit of the AMT credit in the amount of \$2,759 in the three months ended December 31, 2018.

REVIEW OF 2019 ANNUAL FINANCIAL RESULTS

(in thousands)	For the year ended December 31, 2019		
	NAPP	Corporate	Consolidated
Revenue	\$ 230,869	\$ —	\$ 230,869
Cost of sales	(215,923)	(127)	(216,050)
Gross margin	14,946	(127)	14,819
Selling, general and administrative expense	(11,376)	(4,372)	(15,748)
Income (loss) from operations	3,570	(4,499)	(929)
Net finance income (expense)	371	(3,794)	(3,423)
Other income (expense)	5,468	(1,629)	3,839
Income (loss) before tax	9,409	(9,922)	(513)
Income tax (benefit)	—	—	—
Net and comprehensive income (loss) from continuing operations	\$ 9,409	\$ (9,922)	\$ (513)

(in thousands)	For the year ended December 31, 2018		
	NAPP	Corporate	Consolidated
Revenue	\$ 265,853	\$ —	\$ 265,853
Cost of sales	(236,840)	—	(236,840)
Gross margin	29,013	—	29,013
Selling, general and administrative expense	(12,749)	(7,858)	(20,607)
Income (loss) from operations	16,264	(7,858)	8,406
Net finance expense	(4,890)	(4,396)	(9,286)
Other income	3,992	—	3,992
Income (loss) before tax	15,366	(12,254)	3,112
Income tax expense (benefit)	—	(2,759)	(2,759)
Net and comprehensive income (loss) from continuing operations	\$ 15,366	\$ (9,495)	\$ 5,871

(in thousands)	Dollar variance for the year ended December 31, 2019 versus 2018		
	NAPP	Corporate	Consolidated
Revenue	\$ (34,984)	\$ —	\$ (34,984)
Cost of sales	20,917	(127)	20,790
Gross margin	(14,067)	(127)	(14,194)
Selling, general and administrative expense	1,373	3,486	4,859
(Loss) income from operations	(12,694)	3,359	(9,335)
Net finance income	5,261	602	5,863
Other income (expense)	1,476	(1,629)	(153)
(Loss) income before tax	(5,957)	2,332	(3,625)
Income tax (benefit)	—	2,759	2,759
Net and comprehensive loss from continuing operations	\$ (5,957)	\$ (427)	\$ (6,384)

Operating Segments

Corsa's two distinct segments are NAPP and Corporate. The financial results of the continuing operating segments for the years ended December 31, 2019 and 2018 are as follows:

NAPP Division

Revenue - NAPP Division

(in thousands)	For the years ended December 31,		
	2019	2018	Variance
Metallurgical coal revenue (at preparation plant)	\$ 190,193	\$ 214,352	\$ (24,159)
Thermal coal revenue (at preparation plant)	857	949	(92)
Transportation revenue	33,475	44,054	(10,579)
Tolling revenue	6,344	6,498	(154)
	<u>\$ 230,869</u>	<u>\$ 265,853</u>	<u>\$ (34,984)</u>

- Metallurgical coal revenue, net of transportation charges, decreased \$24,159 as a result of lower sales prices which caused revenue to decrease by \$19,693 and lower sales volumes which decreased revenue by \$4,466. Metallurgical coal sold was 1,833 tons and 1,872 tons for the years ended December 31, 2019 and 2018, respectively, a decrease of 39 tons. Realized price per ton sold decreased \$10.74 primarily due to the decline in the metallurgical coal market that occurred during the 2019 period.
- Revenue associated with the transportation of coal to the loading terminal or customer decreased \$10,579 as a result of lower export volumes shipped where the Company is responsible for the freight charges and reduced demurrage expenses in the year ended December 31, 2019 as compared to the 2018 period. Demurrage expenses totaled \$848 in the year ended December 31, 2019 compared to \$4,205 in the 2018 period.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the years ended December 31,		
	2019	2018	Variance
Mining and processing costs	\$ 97,000	\$ 76,130	\$ 20,870
Purchased coal costs	47,358	83,882	(36,524)
Royalty expense	6,968	6,808	160
Amortization expense	25,834	25,020	814
Transportation costs from preparation plant to customer	33,475	44,054	(10,579)
Change in estimate of reclamation and water treatment provision	1,190	(3,727)	4,917
Idle mine expense	938	1,200	(262)
Tolling costs	2,953	2,447	506
Write-off of advance royalties and other assets	171	38	133
Other costs	36	988	(952)
	<u>\$ 215,923</u>	<u>\$ 236,840</u>	<u>\$ (20,917)</u>

- Mining and processing costs increased primarily due to additional volumes produced and sold during the year ended December 31, 2019 as compared to the year ended December 31, 2018. This increase was partially offset by lower costs per ton as a result of improved operating performance at all of the Company's underground and surface mines.
- Purchased coal costs decreased primarily due to reduced volumes of purchased metallurgical coal and lower cost per ton purchased and sold during the year ended December 31, 2019 as compared to the year ended December 31, 2018.
- Amortization expense increased primarily due to an asset retirement obligation asset for a surface mine where management has determined not to pursue future mining being fully depreciated in the 2019 period and increased amortization expense at the active mines as a result of additional equipment placed in service subsequent to the 2018 period and increased Company Produced sales tons partially offset as a result of the Quecreek mine closure where the assets were fully depreciated in the year ended December 31, 2018.
- Transportation costs decreased as a result of lower export volumes shipped where the Company is responsible for the freight charges, reduced freight rates as a result of the metallurgical coal market decline and reduced demurrage expenses

in the year ended December 31, 2019 as compared to the 2018 period. Demurrage expenses totaled \$848 in the year ended December 31, 2019 compared to \$4,205 in 2018 period.

- Change in estimate of reclamation and water treatment provision was the result of changes in the underlying assumptions utilized to measure the liability.
- Tolling costs increased as a result increased plant operating costs as the Company processed less third-party coal through its preparation plant during the year ended December 31, 2019 compared to the 2018 period.
- Other costs decreased due to various items, none of which were individually material.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the years ended December 31,		
	2019	2018	Variance
Salaries and other compensations	\$ 3,716	\$ 4,067	\$ (351)
Employee benefits	1,188	1,030	158
Selling expense	3,446	3,843	(397)
Professional fees	1,075	1,363	(288)
Office expenses and insurance	1,527	1,898	(371)
Other	424	548	(124)
	<u>\$ 11,376</u>	<u>\$ 12,749</u>	<u>\$ (1,373)</u>

- Selling, general and administrative expense related to the NAPP Division decreased primarily due to a reduction in selling expenses for export sales commissions paid to third party agents, a decrease in letter of credit fees as a result of fewer export vessels that required letters of credit and a reduction in the anticipated incentive compensation in the year ended December 31, 2019 compared to the 2018 period.

Net finance expense (income) - NAPP Division

(in thousands)	For the years ended December 31,		
	2019	2018	Variance
Bond premium expense	\$ 1,481	\$ 1,395	\$ 86
Interest expense	780	810	(30)
Interest income	(100)	(32)	(68)
Accretion on reclamation provision	1,525	1,533	(8)
Change in market value of restricted cash (income) expense	(4,065)	1,050	(5,115)
Other	8	134	(126)
	<u>\$ (371)</u>	<u>\$ 4,890</u>	<u>\$ (5,261)</u>

- Net finance expense decreased primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds are marked to market on a monthly basis and higher market gains were recognized during the year ended December 31, 2019 compared market losses in the year ended December 31, 2018.

Other income (expense) - NAPP Division

Other income was \$5,468 in the year ended December 31, 2019 compared to \$3,992 in the year ended December 31, 2018. The change was primarily due to the recognition of the A-Seam condemnation judgement in the 2019 period as well as recognizing additional expense in the 2018 period related to the settlement of a claim made by Lucchini S.p.a. against PBS Coals, Inc. as described in the notes to the consolidated financial statements for the year ended December 31, 2019 (the "Lucchini Settlement"). These improvements were partially offset by the derecognized processing fee payable that occurred in the 2018 period.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the years ended December 31,		
	2019	2018	Variance
Salaries and other compensations	\$ 2,546	\$ 4,047	\$ (1,501)
Employee benefits	218	226	(8)
Professional fees	964	2,681	(1,717)
Office expenses and insurance	475	740	(265)
Other	169	164	5
	<u>\$ 4,372</u>	<u>\$ 7,858</u>	<u>\$ (3,486)</u>

- Selling, general and administrative expenses decreased primarily due to reduced expenses related to business development activities and reduced salaries and other compensation expenses, which includes a reversal of stock based compensation expense for unvested options, as a result of the decreased corporate staffing levels in the year ended December 31, 2019 compared to the year ended December 31, 2018.

Net finance expense (income) - Corporate Division

Net finance expense (income) consists of the following:

(in thousands)	For the years ended December 31,		
	2019	2018	Variance
Interest expense	3,220	3,887	(667)
Accretion of discount on loan payable	552	1,329	(777)
Accretion of revolving credit facility fees	52	—	52
Foreign exchange loss	10	18	(8)
Interest income	(40)	(69)	29
Warrant financial liability (gain) loss	—	(769)	769
	<u>\$ 3,794</u>	<u>\$ 4,396</u>	<u>\$ (602)</u>

- Net finance expense decreased in the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily due to the debt refinancing that occurred in August 2019 (see “Debt Refinancing” under the Liquidity and Capital Resources section of this MD&A). As a result of this refinancing, the total principal outstanding decreased and the combined interest rate of the new debt under the New Credit Facilities (as defined herein) is lower than the previous debt’s rate under the Sprott Facility (as defined herein). Also, as a result of the refinancing, the debt discount accretion decreased as a result of expensing the discount associated with the previous debt to loss on debt extinguishment which is included in other income and expense. These decreases were partially offset by the warrant financial liability which had no impact in the year ended December 31, 2019 and the warrants expired on August 19, 2019. The year ended December 31, 2018 included income of \$769 as a result of changes in the underlying assumptions used to value the liability.

Other expense - Corporate Division

Other expense included \$1,238 of debt extinguishment expenses which was primarily related to the expensing of the previous debt issuance costs and various other items, none of which were individually material. Other expense also included \$278 related to corporate restructuring as a result of a reduction of several corporate positions and various other expenses of \$113 which related to the termination of the corporate office lease.

Income tax benefit - Corporate Division

As a result of the 2017 U.S. Tax Reform: Tax Cuts and Jobs Act, the corporate alternative minimum tax (“AMT”) was repealed for tax years beginning after 2017, but before 2022. The AMT credit may offset regular tax liability for any year and is refundable in an amount equal to 50% of the excess of the minimum tax credit for the tax year over the amount of the credit allowable for the year against regular tax liability. As a result, the Company recognized a benefit of the AMT credit in the amount of \$2,759 in the year ended December 31, 2018.

FINANCIAL CONDITION

(in thousands)	December 31, 2019	December 31, 2018	Variance
Current assets	\$ 48,526	\$ 55,628	\$ (7,102)
Non-current assets	220,800	227,672	(6,872)
Total assets	<u>\$ 269,326</u>	<u>\$ 283,300</u>	<u>\$ (13,974)</u>
Current liabilities	\$ 32,195	\$ 51,403	\$ (19,208)
Non-current liabilities	85,973	80,901	5,072
Total liabilities	<u>\$ 118,168</u>	<u>\$ 132,304</u>	<u>\$ (14,136)</u>
Total equity	<u>\$ 151,158</u>	<u>\$ 150,996</u>	<u>\$ 162</u>

- Current assets decreased primarily due to utilizing cash on hand and operating cash flows to refinance the Company’s debt, invest in additional mining equipment and a reduction in coal inventory as a result of timing of coal sales.
- Non-current assets decreased as a result of amortization of property, plant and equipment and was partially offset by capital expenditures, market gains on the restricted cash investments and an increase in the asset retirement obligation asset as a result of a change in estimate of the liability.
- Current liabilities decreased primarily due to the debt refinancing that occurred in August 2019 which reduced the current portion of the loan payable, general timing of accounts payable, the finalization of the Lucchini Settlement, the termination of the corporate office lease and a reduction in the current portion of asset retirement obligations.
- Non-current liabilities increased primarily due to the increase in asset retirement obligations as a result of a change in estimate and increased borrowings on the Company’s revolving credit facility. These increases were partially offset by the debt restructuring that occurred in the 2019 period, reclamation and water treatment payments made and the termination of the corporate office lease.
- Total equity increased as a result of net and comprehensive income that occurred during the period and the impact of stock-based compensation.

LIQUIDITY AND CAPITAL RESOURCES

Our historical sources of cash have been coal sales to customers, processing fees earned, borrowings on the Sprott Facility (as defined herein) prior to being replaced by the New Credit Facilities and proceeds received from the issuance of securities. Our primary uses of cash have been for funding existing operations, capital expenditures, reclamation and water treatment obligations, water treatment trust funding, debt service costs and professional fees. We expect to fund maintenance capital, debt service and liquidity requirements with cash on hand, projected cash flow from operations and borrowings on the revolving credit facility. Our future spending on growth capital expenditures and development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment and financing availability.

If our cash flows from operations are less than we require, we may need to incur additional debt or issue additional equity. From time to time we may need to access the long-term and short-term capital markets to obtain financing. Although we believe that we can currently finance our operations on acceptable terms and conditions, our access to, and the availability of, financing on acceptable terms and conditions in the future will be affected by many factors, including the liquidity of the overall capital markets, the current state of the global economy and restrictions in our existing debt agreements and any other future debt agreements. There can be no assurance that we will have or continue to have access to the capital markets on terms that are acceptable to us.

(in thousands)	December 31, 2019	December 31, 2018	Variance
Cash	\$ 4,296	\$ 10,124	\$ (5,828)
Working capital	\$ 16,331	\$ 4,225	\$ 12,106
Revolving credit facility unused availability	\$ 6,736	\$ —	\$ 6,736
Total Debt			
Notes payable	\$ 7	\$ 425	\$ (418)
Lease liabilities	3,521	4,525	(1,004)
Revolving credit facility	14,490	—	14,490
Loan payable	10,858	30,452	(19,594)
	<u>\$ 28,876</u>	<u>\$ 35,402</u>	<u>\$ (6,526)</u>

Working Capital

Working capital increased primarily due to a decrease in the current portion of the loan payable as a result of the debt refinancing that occurred during the 2019 period, a reduction in accounts payable as a result of improved cost performance and general timing of payables and various other items, none individually material. These increases were partially offset by debt service payments related to the debt refinance, scheduled payments on notes payable and lease liabilities and a reduction in cash.

As a result of the various covenants related to the New Credit Facilities, we intend to manage maintenance and growth capital expenditures in order to service the New Credit Facilities and comply with the financial covenants.

We maintain either a sufficient cash balance or ample availability under the revolving credit facility to enable us to purchase the coal required in order to advance our Sales and Trading platform. As a result of the additional export sales under this platform, we are required to purchase coal and incur transportation costs prior to receiving payment from the customer on the coal sale. There are no legal or practical restrictions on the ability of Corsa's subsidiaries to transfer funds to Corsa or for Corsa to transfer funds to its subsidiaries for liquidity management.

Surety Bond Cash Collateral

Subsequent to December 31, 2019, in connection with the renewal of a permit required for a refuse area that is necessary to continue operations, the Pennsylvania Department of Environmental Protection advised the Company that a new \$6.7 million mining and reclamation bond would be required prior to any such renewal. As a result of this request, the Company's current surety bond provider, which has issued approximately \$59 million of reclamation and other bonds, requested a substantial increase in the restricted cash posted as collateral against these bonds as well as the new bond. Due to the request for additional collateral, the Company has entered into an agreement with a new surety bond provider to replace all of its existing reclamation and other bonds, as well as to issue the new bond. The new agreement will require the transfer of the existing collateral of \$5 million, an initial deposit of \$1 million and quarterly installment payments of \$250,000 to increase the level of cash collateral over time to reach the target set by the new surety of 25% of the issued bond amount.

Debt Refinancing

Revolving Credit Facility

On August 16, 2019, certain wholly-owned subsidiaries of the Company, as borrowers, entered into a three-year credit and security agreement (the "Credit Agreement") with KeyBank National Association ("KeyBank") for up to \$25 million (the "KeyBank Facility"). The KeyBank Facility bears interest at London Inter-Bank Offered Rate ("LIBOR") plus 350 basis points or the Base Rate plus 150 basis points. The Base Rate is the rate per annum equal to the highest of (i) the rate of interest established by KeyBank, from time-to-time, as its "prime rate," (ii) the Federal Funds Effective Rate, as defined in the Credit Agreement, in effect from time-to-time plus ½ of 1% per annum, and (iii) 100 basis points in excess of LIBOR for loans with an interest period of one month. The KeyBank Facility contains customary financial covenants. In December 2019, the Company entered into an amendment to update the calculation period of the financial covenants. In connection with the arrangement and subsequent

amendment of the KeyBank Facility, the Company paid a commitment fee, upfront fee and administration fees totaling \$403 which are included in prepaid expenses and other current assets and advance royalties and other assets in the consolidated balance sheets. The KeyBank Facility is secured against all currently owned and after acquired tangible and intangible assets of the borrowers and the guarantor. At December 31, 2019, the Company had outstanding borrowings on the KeyBank Facility of \$14,490, a letter of credit issued to support historical workers compensation claims of \$890 and additional availability which could have been borrowed of \$6,736. Total liquidity under the Key Bank Facility is subject to certain restrictions which include, among others, a percentage of accounts receivable and coal inventory. The Company was in compliance with all financial covenants at December 31, 2019.

Loan Payable

On August 16, 2019, Wilson Creek Holdings, Inc. (“WCH”), as lessee, and the Company along with all of the subsidiaries of WCH, as guarantors, entered into a lease financing agreement with Key Equipment Finance, as lessor and assignor, and 36th Street Capital Partners, LLC, as assignee (“36th Street”), for the sale and leaseback of various coal mining equipment (the “Leased Property”) for a funding amount of \$12 million (the “36th Street Facility” and together with KeyBank Facility, the “New Credit Facilities”). The 36th Street Facility has an effective interest rate of 9.50%, a lease term of 48 months and contains customary financial covenants. In December 2019, the Company entered into an amendment to update the calculation period of the financial covenants. In connection with the 36th Street Facility, the Company paid certain fees in the amount of \$135. The 36th Street Facility is secured by the Leased Property. The Company was in compliance with all financial covenants at December 31, 2019.

The New Credit Facilities replaced the \$25 million senior secured term credit facility with Sprott Resource Lending Corp. (“SRLC”) entered into on August 19, 2014 (the “Sprott Facility”), which was repaid using a portion of the proceeds from the New Credit Facilities. As a result of the Sprott Facility refinancing, the Company recognized a loss on debt extinguishment of \$1,238 which is included in other income and expense in the consolidated statements of operations and comprehensive income (loss). The loss on debt extinguishment includes \$1,024 of expense related to the unamortized fees on the Sprott Facility and \$214 of related legal expenses.

Total Debt

Debt decreased as a result of the Company refinancing the Sprott Facility and replacing this facility with the New Credit Facilities. In conjunction with this refinancing, the Company utilized \$10 million of cash, proceeds from the 36th Street Facility and borrowings on the KeyBank Facility to extinguish the Sprott Facility. Additionally, debt decreased with normal debt service payments on the note payable and lease liabilities as well as the termination of the corporate office lease. These decreases were partially offset by the recognition additional lease liabilities related to new surface equipment.

Cash Flows from Continuing Operations

	For the three months ended			For the years ended		
	December 31,			December 31,		
	2019	2018	Change	2019	2018	Change
Cash Flows:						
(Used in) Provided by operating activities	\$ (1,958)	\$ 5,627	\$ (7,585)	\$ 14,686	\$ 15,307	\$ (621)
Used in investing activities	(1,877)	(3,075)	1,198	(10,241)	(22,115)	11,874
Provided by (used in) financing activities	4,392	(1,564)	5,956	(10,273)	(3,675)	(6,598)
Increase (decrease) in cash	557	988	(431)	(5,828)	(10,483)	4,655
Cash at beginning of period	3,739	9,136	(5,397)	10,124	20,607	(10,483)
Cash at end of period	<u>\$ 4,296</u>	<u>\$ 10,124</u>	<u>\$ (5,828)</u>	<u>\$ 4,296</u>	<u>\$ 10,124</u>	<u>\$ (5,828)</u>

- Cash flow provided by operating activities decreased for the three months ended December 31, 2019 compared to the same period in the prior year as a result of a decrease in net and comprehensive income partially offset by non-cash items and the impact of working capital changes. Cash flow provided by operating activities decreased for the year ending December 31, 2019 compared to the same period in the prior year as a result of a decrease in net and comprehensive income partially offset by non-cash items and reduced spending on reclamation and water treatment activities.
- Cash used in investing activities was lower for the three months and year ending December 31, 2019 compared to the same periods in the prior year primarily due to reduced capital expenditures as the 2018 periods included significant growth capital related to the development of the Horning mine.
- Cash provided by financing activities increased in the three months ended December 31, 2019 compared to the same period in the prior year as a result of borrowings on the KeyBank Facility. Cash used in financing activities increased

for the year ending December 31, 2019 compared to the same period in the prior year as a result of the debt refinancing that took place in the 2019 period which resulted in additional principal payments which were made to reduce total debt.

Capital Expenditures

The equipment and development added to property, plant and equipment and the cash flow impact (adjusting the increase to property plant and equipment for non-cash transactions) for the year ended December 31, 2019 were as follows:

	Increase to PP&E	Cash Flow Impact
Maintenance capital expenditures		
Deep mines	\$ 3,673	\$ 3,999
Surface mines	2,953	1,271
Plant	2,312	2,312
Administrative	5	5
	<u>8,943</u>	<u>7,587</u>
Growth capital expenditures		
Deep mines	(997)	(1,232)
Surface mines	783	695
Plant	312	312
	<u>98</u>	<u>(225)</u>
Corporate right-of-use asset	1,134	—
Total capital expenditures	<u><u>\$ 10,175</u></u>	<u><u>\$ 7,362</u></u>

Corsa's capital expenditures for the year ended December 31, 2019 were primarily focused on maintenance capital to replace mining equipment and growth capital to develop the Schrock Run Extension mine. Growth capital for deep mines included the capitalization of revenue related to the coal produced at the Horning mine in 2018, when the mine was under development. Corsa's future spending on property, plant and equipment at its operations and development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment, compliance with financial covenants and financing availability.

GUIDANCE

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The current COVID-19 pandemic is significantly impacting the global economy and commodity and financial markets. The full extent and impact of the COVID-19 pandemic is unknown, and rapidly evolving. Given the extreme volatility in financial markets and commodity prices, along with uncertainty regarding the impact thereof on the performance of the Company, the Company does not believe it is appropriate to issue full year guidance at this time for fiscal 2020. The Company will continue to evaluate events and circumstances and will provide guidance when appropriate and as information is available.

Previously Issued Guidance - Comparison to Actual Results

<i>(all dollar amounts in U.S. dollars and tonnage in short tons)</i>	Previous Guidance Full Year 2019⁽¹⁾	Actual Results Full Year 2019
<u>Metallurgical Coal Sales Tons</u>		
Company Produced	1.250 to 1.325 million	1.301 million
Purchased - Value Added Services	0.250 million	0.251 million
Purchased - Sales and Trading	0.250 to 0.300 million	0.281 million
Total Metallurgical Coal Sales Tons	<u>1.750 to 1.875 million</u>	<u>1.833 million</u>
<u>Share of Metallurgical Coal Sales Tons</u>		
% Domestic Sales at the mid-point	30%	30%
% Export Sales at the mid-point	70%	70%
<u>Cash Production Cost per ton sold (FOB Mine)⁽²⁾⁽³⁾</u>		
NAPP Division Metallurgical Coal	\$78 - \$82	\$79.38
<u>General and Administrative Expenses⁽⁴⁾</u>		
NAPP Division	\$7.5 - \$8.0 million	\$7.9 million
Corporate Division	\$3.7 - \$3.9 million	\$3.7 million
Total Corsa	<u>\$11.2 - \$11.9 million</u>	<u>\$11.6 million</u>
<u>Net and comprehensive income</u>	\$6.3 to \$7.1 million	(\$0.5) million
<u>Adjusted EBITDA⁽²⁾</u>	\$30.3 - \$31.3 million	\$28.9 million
<u>Capital Expenditures per ton sold⁽⁵⁾</u>		
Maintenance capital expenditures	\$6	\$4.89
Total capital expenditures	\$5	\$4.74

Actual results were within range except for net and comprehensive income and adjusted EBITDA which were impacted by a continued deterioration of the metallurgical coal price in which the actual sales price was lower than the index prices used in developing the guidance projections. Previous guidance was based on a price case of \$146.70/mt when the actual index was closer to \$135/mt. Additionally, amortization expense was higher than projected due to accelerated amortization expense as a result of the asset retirement obligation asset for a surface mine where management has determined not to pursue future mining and additional Company Produced sales tons sold than what was utilized in the projections as well as expenses related to the year-end reclamation and water treatment provision adjustment which was unable to be projected at the time the guidance was issued.

- (1) Previous guidance was presented in the Company’s MD&A for the three and nine months ended September 30, 2019 dated November 6, 2019.
- (2) This is a non-GAAP financial measure. See “Non-GAAP Financial Measures” starting on page 25 of this MD&A for more information.
- (3) Cash Production Cost per ton sold excludes purchased coal.
- (4) Exclusive of stock-based compensation and selling related commissions.
- (5) Tons sold excludes purchased coal used in the Sales and Trading platform.

DEBT COVENANTS

Corsa has certain covenants it is required to meet under its New Credit Facilities and lease obligations. Certain measures included in the covenant calculations are not readily identifiable from Corsa's consolidated statements of operations and comprehensive income (loss) or consolidated balance sheets. These measures are considered to be non-GAAP financial measures and, as such, a further description of the covenant calculations is included below. Corsa was in compliance with all covenants at December 31, 2019.

KeyBank Facility

The covenants required to be met under the KeyBank Facility are described below. Such measurements are made with reference to the consolidated results of Corsa.

- Minimum Fixed Charge Coverage Ratio⁽¹⁾ of not less than 1.10 to 1.00 (measured quarterly)
 - Capital Expenditures of not more than \$11,000 on an annual basis (measured quarterly)
- (1) Minimum Fixed Charge Coverage Ratio is measured as EBITDA⁽²⁾ *less* the sum of: (i) capital expenditures, (ii) taxes paid, (iii) dividends and distributions, (iv) water treatment and reclamation payments and (v) water treatment trust funding, divided by the sum of (a) interest expense paid in cash *plus* (b) scheduled principal payments on indebtedness.
- (2) EBITDA is defined as the sum of consolidated net and comprehensive income (or loss) *plus* (i) interest expense, (ii) provision for taxes based on income or profits (net of any income tax refunds), (iii) depletion, depreciation and impairment charges, (iv) amortization expense, (v) non-cash stock-based compensation expense, (vi) losses (or minus gains) for such period from the early extinguishment of indebtedness, (vii) transaction expenses, (viii) non-recurring transaction expenses, (ix) non-cash costs (or minus non-cash income) related to a change in estimate of water treatment or reclamation provision, (x) expense (or minus income) related to the change in market value of restricted cash, (xi) accretion expense related to asset retirement obligations and (xii) any other non-cash charges (or minus income) which have been subtracted in calculating net and comprehensive income from continuing operations.

36th Street Facility

The covenants required to be met under the 36th Street Facility include the same covenants as described above related to the KeyBank Facility and also include:

- Total debt⁽¹⁾ to EBITDA ratio of not more than 1.50 to 1.00 (measured quarterly)
 - Total adjusted debt⁽²⁾ to EBITDA ratio of not more than 1.20 to 1.00 (measured quarterly)
- (1) Total debt is defined as (a) the outstanding principal amount of all obligations, (b) all purchase money indebtedness, (c) all lease obligations, (d) any indebtedness incurred to finance the acquisition or construction of any fixed assets, (e) the present value of future rental payments under all operating leases and (f) all direct obligations arising under letters of credit, bankers' acceptances, bank guarantees, surety bonds and similar instruments.
- (2) Total adjusted debt is defined as total debt less any outstanding on the revolving credit facility.

CONTRACTUAL OBLIGATIONS

The purchase order firm commitments primarily relate to the procurement of replacement mining equipment to maintain Corsa's capacity as well as purchased coal commitments. These expenditures are expected to be funded from cash on hand, cash flows from operations or borrowings on the revolving credit facility.

	Carrying Value at December 31, 2019	Payments due by period				
		Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accruals	\$ 22,552	\$ 22,552	\$ 22,552	\$ —	\$ —	\$ —
Notes payable	7	7	7	—	—	—
Lease liabilities	3,521	3,521	957	1,893	671	—
Revolving credit facility	14,490	14,490	—	14,490	—	—
Loan payable	10,858	10,982	2,610	6,066	2,306	—
Other liabilities	7,569	7,587	2,702	2,330	2,330	225
Asset retirement obligations - reclamation	33,848	33,848	2,143	4,027	6,595	21,083
Asset retirement obligations - water treatment	25,323	25,323	1,276	2,566	2,578	18,903
Purchase order firm commitments	—	1,271	1,271	—	—	—
Water treatment trust funding	—	1,046	468	578	—	—
Reclamation bond restricted cash deposits	—	11,463	1,500	2,000	2,000	5,963
Operating leases and other obligations	—	32	24	8	—	—
Total	\$ 118,168	\$ 132,122	\$ 35,510	\$ 33,958	\$ 16,480	\$ 46,174

NON-GAAP FINANCIAL MEASURES

The Company has included certain non-GAAP financial measures throughout this MD&A. These performance measures are employed by the Company to measure its performance internally and to assist in business decision-making as well as providing key performance information to senior management. The Company believes that, in addition to the conventional measures prepared in accordance with IFRS, certain investors and other stakeholders also use these non-GAAP financial measures to evaluate the Company's performance; however, these non-GAAP financial measures do not have any standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Accordingly, these non-GAAP financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Commencing in the Company's first quarter for its 2017 fiscal year, the Company established a Sales and Trading platform which was not previously part of the Company's business model. In the Sales and Trading platform, the Company purchases and then sells coal on a clean or finished goods basis from suppliers outside of the Company's main operating area. The Company blends this coal, which primarily has a different quality basis than the coal the Company produces, to provide a blended product to customers who do not have the ability to purchase and blend different qualities of coal at their facilities. As a result of the addition of this platform to the Company's business model, new non-GAAP financial measures (i.e., cash production cost per ton sold and cash cost per sales and trading purchased coal per ton sold) were introduced to present the cost of the coal the Company produces and sells separately from the total costs of the coal sold, which total costs includes the coal we purchase under the Sales and Trading platform, i.e., Sales and Trading purchased coal. These are presented separately due to the purchases being derived from market prices that are considered to be higher than the Company's internal production costs. As the total cost per ton sold increases as a result of these coal purchases under the Sales and Trading platform, the Company believes that providing a breakdown of the cost of coal that the Company produces provides a meaningful metric to investors as this non-GAAP financial measure is utilized in evaluating the operational effectiveness of the Company's mines.

Management uses the following non-GAAP financial measures:

- **EBITDA** - earnings before deductions for interest, taxes, depreciation and amortization;
- **Adjusted EBITDA** - EBITDA adjusted for change in estimate of reclamation provision for non-operating properties, impairment and write-off of mineral properties and advance royalties, gain (loss) on sale of assets and other costs, stock-based compensation, non-cash finance expenses and other non-cash adjustments. Adjusted EBITDA is used as a supplemental financial measure by management and by external users of our financial statements to assess our performance as compared to the 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; and our ability to incur and service debt and fund capital expenditures;
- **Realized price per ton sold** - revenue from coal sales less transportation costs from the mine site to the loading terminal divided by tons of coal sold. Management evaluates our operations based on the volume of coal we can safely produce or purchase and sell in compliance with regulatory standards, and the prices we receive for our coal. Our sales volume and sales prices are largely dependent upon the terms of our contracts, for which prices generally are set based on an index. We evaluate the price we receive for our coal on an average realized price on an FOB mine site per short ton basis;
- **Cash production cost per ton sold** - cash production costs of sales excluding Sales and Trading purchased coal costs, all included within cost of sales, divided by tons of produced coal sold. Cash production cost is based on cost of sales and includes items such as manpower, royalties, fuel, and other similar production related items, pursuant to IFRS, but relate directly to the costs incurred to produce coal and sell it on an FOB mine site basis. Cash production cost per ton sold is used as a supplemental financial measure by management and by external users to assess our operating performance as compared to the operating performance of other companies in the coal industry. Sales and Trading purchased coal is excluded as the purchased coal costs are based on market prices of coal purchased and not the cost to produce the coal;
- **Cash cost per sales and trading purchased coal per ton sold** - Sales and Trading purchased coal costs divided by tons of Sales and Trading purchased coal sold. Management uses this measure to assess coal purchases against the market price at which this coal will be sold and the performance of the Sales and Trading platform;
- **Cash cost per ton sold** - cash production costs of sales, included within cost of sales, divided by total tons sold. Management uses cash cost per ton sold to assess our overall financial performance on a per ton basis to include the Company's production and purchased coal cost in total; and
- **Cash margin per ton sold** - calculated difference between realized price per ton sold and cash cost per ton sold. Cash margin per ton sold is used by management and external users to assess the operating performance as compared to the operating performance of other coal companies in the coal industry.

Since non-GAAP financial measures do not have a standardized meaning and may not be comparable to similar measures presented by other companies, the non-GAAP financial measures are clearly defined, quantified and reconciled with their nearest IFRS measure as follows:

EBITDA and Adjusted EBITDA for the three months ended December 31, 2019 and 2018

(in thousands)	For the three months ended December 31, 2019			For the three months ended December 31, 2018		
	NAPP	Corp.	Total	NAPP	Corp.	Total
Net and comprehensive income (loss) from continuing operations	\$ (7,065)	\$ (1,086)	\$ (8,151)	\$ 9,896	\$ 377	\$ 10,273
Add (Deduct):						
Amortization expense	9,975	31	10,006	5,927	—	5,927
Interest expense	172	490	662	286	819	1,105
Income tax benefit	—	—	—	—	(2,759)	(2,759)
EBITDA	3,082	(565)	2,517	16,109	(1,563)	14,546
Add (Deduct):						
Change in estimate of reclamation and water treatment provision	1,190	—	1,190	(3,727)	—	(3,727)
Write-off of advance royalties and other assets	123	—	123	—	—	—
Stock-based compensation	—	(280)	(280)	—	352	352
Net finance (income) expense, excluding interest expense	(435)	26	(409)	2,484	242	2,726
Gain on disposal of assets	12	13	25	(88)	—	(88)
Loss on debt extinguishment	—	—	—	—	—	—
Restructuring charges	—	152	152	—	—	—
A-Seam Condemnation Judgement	(32)	—	(32)	—	—	—
Other (income) costs	142	100	242	(2,474)	(1)	(2,475)
Adjusted EBITDA	\$ 4,082	\$ (554)	\$ 3,528	\$ 12,304	\$ (970)	\$ 11,334

EBITDA and Adjusted EBITDA for the years ended December 31, 2019 and 2018

(in thousands)	For the year ended December 31, 2019			For the year ended December 31, 2018		
	NAPP	Corp.	Total	NAPP	Corp.	Total
Net and comprehensive income (loss) from continuing operations	\$ 9,409	\$ (9,922)	\$ (513)	\$ 15,366	\$ (9,495)	\$ 5,871
Add (Deduct):						
Amortization expense	25,834	127	25,961	25,020	—	25,020
Interest expense	780	3,220	4,000	810	3,887	4,697
Income tax benefit	—	—	—	—	(2,759)	(2,759)
EBITDA	36,023	(6,575)	29,448	41,196	(8,367)	32,829
Add (Deduct):						
Change in estimate of reclamation and water treatment provision	1,190	—	1,190	(3,727)	—	(3,727)
Write-off of advance royalties and other assets	171	—	171	38	—	38
Stock-based compensation	—	675	675	—	1,527	1,527
Net finance (income) expense, excluding interest expense	(1,151)	574	(577)	4,080	509	4,589
Gain on disposal of assets	(345)	13	(332)	(716)	—	(716)
Loss on debt extinguishment	—	1,238	1,238	—	—	—
Restructuring charges	—	278	278	—	—	—
A-Seam Condemnation Judgement	(3,426)	—	(3,426)	—	—	—
Other (income) costs	30	183	213	(823)	1,288	465
Adjusted EBITDA	\$ 32,492	\$ (3,614)	\$ 28,878	\$ 40,048	\$ (5,043)	\$ 35,005

Realized price per ton sold for the three months ended December 31, 2019 and 2018

(in thousands except per ton amounts)	For the three months ended December 31, 2019			For the three months ended December 31, 2018		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Revenue	\$ 52,220	\$ 256	\$ 52,476	\$ 66,251	\$ 262	\$ 66,513
Add (Deduct):						
Tolling revenue	(494)	—	(494)	(1,734)	—	(1,734)
Transportation costs from preparation plant to customer	(7,597)	—	(7,597)	(10,335)	—	(10,335)
Net coal sales (at preparation plant)	\$ 44,129	\$ 256	\$ 44,385	\$ 54,182	\$ 262	\$ 54,444
Coal sold - tons	509	6	515	466	4	470
Realized price per ton sold (at preparation plant)	\$ 86.70	\$ 42.67	\$ 86.18	\$ 116.27	\$ 65.50	\$ 115.84

Realized price per ton sold for the years ended December 31, 2019 and 2018

(in thousands except per ton amounts)	For the year ended December 31, 2019			For the year ended December 31, 2018		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Revenue	\$229,986	\$ 883	\$230,869	\$264,904	\$ 949	\$265,853
Add (Deduct):						
Tolling revenue	(6,344)	—	(6,344)	(6,498)	—	(6,498)
Transportation costs from preparation plant to customer	(33,449)	(26)	(33,475)	(44,054)	—	(44,054)
Net coal sales (at preparation plant)	\$190,193	\$ 857	\$191,050	\$214,352	\$ 949	\$215,301
Coal sold - tons	1,833	19	1,852	1,872	18	1,890
Realized price per ton sold (at preparation plant)	\$ 103.76	\$ 45.11	\$ 103.16	\$ 114.50	\$ 52.72	\$ 113.92

Cash cost per ton sold, cash production cost per ton sold, and cash cost per sales and trading purchased coal per ton sold for the three months ended December 31, 2019 and 2018

(in thousands except per ton amounts)	For the three months ended December 31, 2019			For the three months ended December 31, 2018		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Cost of Sales:						
Mining and processing costs	\$ 29,168	\$ 233	\$ 29,401	\$ 19,710	\$ 205	\$ 19,915
Purchased coal costs	7,016	22	7,038	18,145	87	18,232
Royalty expense	1,782	8	1,790	1,938	—	1,938
Total cash costs of tons sold	\$ 37,966	\$ 263	\$ 38,229	\$ 39,793	\$ 292	\$ 40,085
Total tons sold	509	6	515	466	4	470
Cash cost per ton sold (at preparation plant)	\$ 74.59	\$ 43.83	\$ 74.23	\$ 85.39	\$ 73.00	\$ 85.29
Total cash costs of tons sold	\$ 37,966	\$ 263	\$ 38,229	\$ 39,793	\$ 292	\$ 40,085
Less: Sales and Trading purchased coal	(7,016)	—	(7,016)	(18,145)	—	(18,145)
Cash cost of produced coal sold	\$ 30,950	\$ 263	\$ 31,213	\$ 21,648	\$ 292	\$ 21,940
Tons sold - produced	419	6	425	282	4	\$ 286
Cash production cost per ton sold (at preparation plant)	\$ 73.87	\$ 43.83	\$ 73.44	\$ 76.77	\$ 73.00	\$ 76.71
Sales and Trading purchased coal	\$ 7,016	\$ —	\$ 7,016	\$ 18,145	\$ —	\$ 18,145
Tons sold - Sales and Trading	90	—	90	184	—	184
Cash cost per Sales and Trading purchased coal per ton sold (at preparation plant)	\$ 77.96	\$ —	\$ 77.96	\$ 98.61	\$ —	\$ 98.61

Cash cost per ton sold, cash production cost per ton sold, and cash cost per sales and trading purchased coal per ton sold for the years ended December 31, 2019 and 2018

(in thousands except per ton amounts)	For the year ended December 31, 2019			For the year ended December 31, 2018		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Cost of Sales:						
Mining and processing costs	\$ 96,326	\$ 674	\$ 97,000	\$ 75,301	\$ 829	\$ 76,130
Purchased coal costs	47,166	192	47,358	83,732	150	83,882
Royalty expense	6,948	20	6,968	6,808	—	6,808
Total cash costs of tons sold	\$150,440	\$ 886	\$151,326	\$165,841	\$ 979	\$166,820
Total tons sold	1,833	19	1,852	1,872	18	1,890
Cash cost per ton sold (at preparation plant)	\$ 82.07	\$ 46.63	\$ 81.71	\$ 88.59	\$ 54.39	\$ 88.26
Total cash costs of tons sold	\$150,440	\$ 886	\$151,326	\$165,841	\$ 979	\$166,820
Less: Sales and Trading purchased coal	(47,166)	—	(47,166)	(83,732)	—	(83,732)
Cash cost of produced coal sold	\$103,274	\$ 886	\$104,160	\$ 82,109	\$ 979	\$ 83,088
Tons sold - produced	1,301	19	1,320	982	18	1,000
Cash production cost per ton sold (at preparation plant)	\$ 79.38	\$ 46.63	\$ 78.91	\$ 83.61	\$ 54.39	\$ 83.09
Sales and Trading purchased coal	\$ 47,166	\$ —	\$ 47,166	\$ 83,732	\$ —	\$ 83,732
Tons sold - Sales and Trading	532	—	532	890	—	890
Cash cost per Sales and Trading purchased coal per ton sold (at preparation plant)	\$ 88.66	\$ —	\$ 88.66	\$ 94.08	\$ —	\$ 94.08

Cash margin per ton sold for the three months ended December 31, 2019 and 2018

	For the three months ended December 31, 2019			For the three months ended December 31, 2018		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	NAPP
Realized price per ton sold (at preparation plant)	\$ 86.70	\$ 42.67	\$ 86.18	\$ 116.27	\$ 65.50	\$ 115.84
Cash cost per ton sold (at preparation plant)	\$ 74.59	\$ 43.83	\$ 74.23	\$ 85.39	\$ 73.00	\$ 85.29
Cash margin per ton sold	\$ 12.11	\$ (1.16)	\$ 11.95	\$ 30.88	\$ (7.50)	\$ 30.55

Cash margin per ton sold for the years ended December 31, 2019 and 2018

	For the year ended December 31, 2019			For the year ended December 31, 2018		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	NAPP
Realized price per ton sold (at preparation plant)	\$ 103.76	\$ 45.11	\$ 103.16	\$ 114.50	\$ 52.72	\$ 113.92
Cash cost per ton sold (at preparation plant)	\$ 82.07	\$ 46.63	\$ 81.71	\$ 88.59	\$ 54.39	\$ 88.26
Cash margin per ton sold	\$ 21.69	\$ (1.52)	\$ 21.45	\$ 25.91	\$ (1.67)	\$ 25.66

OUTSTANDING SHARE DATA

The following table sets forth the particulars of Corsa's fully diluted share capital as of the date of this MD&A.

	Number of Common Shares
Common Shares issued and outstanding	94,759,245
Common Shares issuable upon exercise of stock options	7,578,948
Common Shares issuable upon redemption of Redeemable Units	8,515,831
Total	110,854,024

As of the date of this MD&A, QKGI Legacy Holdings LP, holds 170,316,639 common membership units ("Redeemable Units") of Wilson Creek Energy, LLC, a subsidiary of Corsa. Redeemable Units are redeemable at the option of the holder for cash equal to the product of: (i) the number of Redeemable Units to be redeemed divided by 20, and (ii) the 10-day volume weighted average trading price, prior to the date of notice of redemption, of the Common Shares. The Company has the option to satisfy the redemption price for the Redeemable Units with Common Shares on a 20 to one basis (i.e., 20 Redeemable Units for one Common Share). The Company is restricted from paying cash to the holder for the redemption of Redeemable Units if a balance remains outstanding under the New Credit Facilities.

SUMMARY OF QUARTERLY RESULTS

The following table sets out certain information derived from Corsa's audited consolidated financial statements or unaudited condensed interim consolidated financial statements for each of the eight most recently completed quarters. Numbers presented in the table were prepared in accordance with IFRS and interpretations approved by the IASB.

(in thousands except per share amounts)	Quarter Ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Revenue from continuing operations	\$ 52,476	\$ 58,085	\$ 62,974	\$ 57,334
Net and comprehensive income (loss)				
Continuing operations	\$ (8,151)	\$ 1,033	\$ 3,603	\$ 3,002
Discontinued operations	—	—	—	—
	<u>\$ (8,151)</u>	<u>\$ 1,033</u>	<u>\$ 3,603</u>	<u>\$ 3,002</u>
Earnings (loss) per share:				
Basic - continuing operations	\$ (0.09)	\$ 0.01	\$ 0.03	\$ 0.02
Basic - discontinued operations	—	—	—	—
Basic - total	<u>\$ (0.09)</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ 0.02</u>
Diluted - continuing operations	\$ (0.09)	\$ 0.01	\$ 0.03	\$ 0.02
Diluted - discontinued operations	—	—	—	—
Diluted - total	<u>\$ (0.09)</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ 0.02</u>

(in thousands except per share amounts)	Quarter Ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Revenue from continuing operations	\$ 66,513	\$ 61,561	\$ 57,331	\$ 80,448
Net and comprehensive income (loss)				
Continuing operations	\$ 10,273	\$ (1,470)	\$ (4,889)	\$ 1,957
Discontinued operations	—	—	—	(813)
	<u>\$ 10,273</u>	<u>\$ (1,470)</u>	<u>\$ (4,889)</u>	<u>\$ 1,144</u>
Earnings (loss) per share:				
Basic - continuing operations	\$ 0.09	\$ (0.02)	\$ (0.05)	\$ 0.01
Basic - discontinued operations	—	—	—	(0.01)
Basic - total	<u>\$ 0.09</u>	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ —</u>
Diluted - continuing operations	\$ 0.09	\$ (0.02)	\$ (0.05)	\$ 0.01
Diluted - discontinued operations	—	—	—	(0.01)
Diluted - total	<u>\$ 0.09</u>	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ —</u>

The second half of 2019 reflects the impact of a weakening of the metallurgical coal market and price environment and various year-end adjustments related to reclamation and an acceleration of depreciation for an asset retirement obligation asset. With the lower sales prices, the Company took steps to reduce general and administrative costs and the Company's underground mines performance improved although these cost decreases were not able to completely offset the decline in revenue. The first two quarterly periods of 2018 were impacted by increased costs at the Company's mines as a result of difficult geological conditions. The full year 2018 period was also impacted by increased demurrage expense as a result of port and rail congestion and increased amortization expense as a result of the increased carrying values due to the impairment reversal in December 2017. These negatively impacted earnings.

RELATED PARTY TRANSACTIONS

Related party transactions include any transactions with employees, other than amounts earned as a result of their employment, transactions with companies that employees or directors either control or have significant influence over, transactions with companies who are under common control with the Company's controlling shareholder, Quintana Energy Partners L.P. ("QEP") and transactions with close family members of key management personnel. Related party activities which took place before the completion of the divestiture of the Company's thermal and industrial coal division in Tennessee by way of the sale of Kopper Glo Mining, LLC (the "CAPP Division Divestiture") on March 13, 2018 are reflected in the amounts below. Post-divestiture, Kopper Glo Mining, LLC is considered a related party as key management of QEP have significant influence over this entity. As such, transactions with Kopper Glo Mining, LLC after March 13, 2018 are considered related party transactions and reflected in the amounts below.

Transactions with related parties included in the consolidated statement of operations and comprehensive income (loss) and consolidated balance sheets of the Company are summarized below:

	For the years ended	
	December 31,	
	2019	2018
Royalties and property taxes (a)	\$ —	\$ 185
Supplies purchase (b)	189	402
Equipment servicing fees (c)	—	1,185
Purchased coal (d)	74	10,121
	<u>\$ 263</u>	<u>\$ 11,893</u>

- (a) During the year ended December 31, 2018, the Company paid royalties and property taxes to WPP, LLC, a subsidiary of Natural Resource Partners L.P., which is commonly controlled by QEP, for coal extracted from mineral properties where the surface or mineral right of the specific property are leased by the Company and owned by the related party. This amount was included in net and comprehensive loss from discontinued operations, net, in the consolidated statements of operations and comprehensive income (loss). No related party royalties and property taxes were paid during the year ended December 31, 2019.
- (b) During the years ended December 31, 2019 and 2018, the Company purchased supplies used in the coal separation process from Quality Magnetite, which is significantly influenced by key management personnel of QEP. During the year ended December 31, 2019, amounts purchased by the NAPP Division totaled \$189 and were included in cost of sales in the consolidated statements of operations and comprehensive income (loss). During the year ended December 31, 2018, amounts purchased by the NAPP Division, totaled \$395. Additionally, amounts purchased by the CAPP Division totaled \$7 and were included in net and comprehensive loss from discontinued operations, net, in the consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2018.
- (c) During the year ended December 31, 2018, subsequent to the completion of the CAPP Division Divestiture, the Company purchased services to rebuild a continuous haulage system from Kopper Glo Mining, LLC, which is considered a related party as it is significantly influenced by key management personnel of QEP. The continuous haulage system has been capitalized and included in property, plant and equipment.
- (d) During the year ended December 31, 2018, the Company purchased coal from Smoky Mountain Coal Company, a company considered to be a related party as a result of their sales representative being a close family member of the former president of the CAPP Division, Hunter Hobson. These amounts totaled \$1,150 for the year ended December 31, 2018. These amounts were reflected in net and comprehensive loss from discontinued operations, net in the consolidated statements of operations and comprehensive income (loss). Subsequent to the completion of the CAPP Division Divestiture, the Company purchased coal from Kopper Glo Mining, LLC, which is now considered a related party as it is significantly influenced by key management personnel of QEP. For the year ended December 31, 2019, the Company recognized \$74 in cost of sales in the consolidated statements of operations and comprehensive income (loss). For the year ending December 31, 2018, the Company recognized \$8,971 in cost of sales in the consolidated statements of operations and comprehensive income (loss) related to these coal purchases.

Included in accounts payable and accrued liabilities at December 31, 2018 was \$43 due to related parties, as a result of the transactions noted above. No accounts payable and accrued liabilities due to related parties existed at December 31, 2019. Included

in accounts receivable at December 31, 2019 is \$10 related to tax withholdings paid by the Company on behalf of QEP, which are to be reimbursed. These amounts are unsecured and non-interest bearing.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual outcomes may differ from those estimates should different assumptions or conditions arise. Significant areas of estimation uncertainty that could cause a material adjustment to the carrying amounts of assets and liabilities within one year are presented below.

Property, plant and equipment

The useful life of property, plant and equipment is based on management's best estimate of the useful life at the time of acquisition. The useful lives are reviewed at least annually or when other changes or circumstances warrant this review. The useful lives impact the amortization expense recorded in the consolidated statements of operations and comprehensive income (loss) and the carrying value of the items of property, plant and equipment. Accordingly, a significant departure from management's expectation, including the impact of any changes in economic, technological or regulatory circumstances beyond management's control, may impact the carrying value of items of property, plant and equipment.

Reserve and resource estimates

Coal reserve and resource estimates indicate the amount of coal that can be feasibly extracted from the Company's mineral properties. These estimates involve the inclusion of various complex inputs requiring interpretation by qualified geological personnel such as the size, shape and depth of the mineral deposit and other geological assumptions. Other estimates include commodity prices, production costs and capital expenditure requirements. Significant departures from the estimates utilized in management's calculations may impact the carrying value of the mineral properties, reclamation provisions and amortization expense.

Reclamation provision estimates

Reclamation provisions are recognized by Corsa for the estimated costs to reclaim the site at the end of mine life. The carrying amount of the reclamation provision in the consolidated financial statements is subject to various estimates including mine life, undiscounted cash flows to reclaim mineral properties, inflation and discount rates. The provision at the balance sheet date represents management's best estimate but significant departures from management's expectation, including the impact of any changes in economic, technological or regulatory circumstances, may impact the carrying value of the reclamation provision and associated reclamation cost asset included in property, plant and equipment.

Water treatment provision estimates

The Company has signed certain agreements with U.S. environmental and regulatory agencies which require the perpetual monitoring and treatment of water in areas where the Company is operating or has operated in the past. The Company has the obligation to fund such water treatment activities and has recorded a provision for the total expected costs of such water treatment. The water treatment provision is estimated based on a determination of the estimated costs of treatment using assumptions effective as of the end of the reporting period discounted using a pre-tax risk-free discount rate consistent with the expected timing of the cash flows. The provision at the balance sheet date represents management's best estimate as of such date but may result in significant departures from management's expectation, including the impact of any changes in economic, technological or regulatory circumstances may impact the carrying value of the water treatment provision.

Impairment of long-term assets

The Company reviews and tests the carrying amounts of long-lived assets when an indicator of impairment is considered to exist. The Company considers both external and internal sources of information in assessing whether there are any indications that long-lived assets are impaired. External sources of information that the Company considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amounts of long-lived assets. Internal sources of information that the Company considers include the manner in which long-lived assets are being used or are expected to be used and indications of economic performance of the assets.

For the purposes of determining whether an impairment of a long-lived asset has occurred, and the amount of any impairment or its reversal, management uses key assumptions in estimating the recoverable value of a cash generating unit (“CGU”) which is calculated as the higher of the CGU’s value in-use and fair value less costs of disposal.

Changes in these estimates which decrease the estimated recoverable amount of the CGU could affect the carrying amounts of the long-lived assets and result in an impairment charge.

Evaluation of exploration and evaluation costs

Management makes estimates as to when a known mineral deposit would provide future benefit sufficient enough to begin capitalization of exploration and evaluation costs. Actual results as to when a project provides future benefit may vary from management’s estimate.

Deferred income tax assets

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered. There is no certainty that income tax rates will be consistent with current estimates. Changes in tax rates increase the volatility of the Company’s earnings.

CHANGES IN ACCOUNTING POLICIES

Recently adopted accounting pronouncements

In June 2017, the IASB issued International Financial Reporting Interpretations Committee Interpretation 23 – *Uncertainty over income tax treatments* (“IFRIC 23”). IFRIC 23 clarifies application of recognition and measurements requirements in International Accounting Standard 12 – *Income Taxes* when there is the uncertainty over income tax treatments. IFRIC 23 specifically addresses whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. Corsa adopted IFRIC 23 on January 1, 2019 and the adoption of this interpretation did not have a material impact on the Company’s financial statements.

In January 2016, the IASB issued IFRS 16 – *Leases* (“IFRS 16”). IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, and Corsa adopted IFRS 16 on January 1, 2019 by applying the cumulative catch-up approach as defined in IFRS 16. The new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying that model, Corsa has recognized: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of the lease assets separately from interest on the lease liabilities in the statement of operations for the period beginning January 1, 2019. The Company has not restated comparative financial information on transition to IFRS 16. The adoption of IFRS 16 resulted in an increase in the right-of-use asset of \$1,134 and additional lease liabilities of \$1,193.

Future accounting pronouncements

No new standards, interpretations, amendments and improvements to existing standards issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that will impact the Company’s financial statements and are mandatory for future accounting periods have been issued. Updates that are not applied or are not consequential to the Company have been excluded.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company’s financial instruments consist of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, notes payable, lease liabilities, revolving credit facility, loan payable and other liabilities.

Financial risk management

The Company is exposed, in varying degrees, to a variety of financial instrument related risks as described below.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. These deposit accounts are held with high credit quality institutions in Canada and the United States. Restricted cash consists of certificates of deposit and interest-bearing securities invested with highly rated financial institutions.

Customer credit risk is managed by the Company’s established policy, procedures and control relating to customer credit risk management. The Company trades only with recognized creditworthy third parties who are subject to credit verification procedures, and often times are backed by letters of credit or trade credit insurance. In addition, outstanding receivable balances are regularly monitored on an ongoing basis. The Company has not recorded any allowance for credit losses for the years ended December 31, 2019 and 2018.

At December 31, 2019 and 2018, the Company had seven and six customers, respectively, that owed the Company more than \$1,000 each and accounted for approximately 94% and 92%, respectively, of total accounts receivable. At December 31, 2018, there was one customer with a balance greater than \$10,000 accounting for 45% of total accounts receivable. There were no customers with a balance greater than \$10,000 at December 31, 2019. At December 31, 2019 and 2018, 89% and 90%, respectively, of the Company’s total accounts receivables were covered by letters of credit and other forms of credit insurance.

Commodity Risk

The value of the Company’s mineral properties is related to the price of metallurgical coal and the outlook for this commodity, which is beyond the control of the Company.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2019, the Company had a consolidated cash balance of \$4,296, consolidated working capital of \$16,331 and availability under the revolving credit facility of \$6,736. The future operations of the Company are dependent on the continued generation of positive cash flows from operations which is dependent on the future demand and price for metallurgical coal. In August 2019, the Company entered into the New Credit Facilities to refinance the Spratt Facility. The Company plans to utilize expected operating cash flows to service the New Credit Facilities.

If our cash flows from operations are less than we require, we may need to incur additional debt or issue additional equity. From time-to-time we may need to access the long-term and short-term capital markets to obtain financing. Although we believe we can currently finance our operations on acceptable terms and conditions, our access to, and the availability of, financing on acceptable terms and conditions in the future will be affected by many factors, including the liquidity of the overall capital markets, the current state of the global economy and restrictions in our existing debt agreements and any other future debt agreements. There can be no assurance that we will have or continue to have access to the capital markets on terms acceptable to us.

Fair Value

The estimated fair values of all financial instruments approximate their respective carrying values except for the loan payable. The loan payable is carried at amortized cost and the carrying amount and fair value is presented below:

	December 31, 2019		December 31, 2018	
	Carrying		Carrying	
	Amount	Fair Value	Amount	Fair Value
Loan payable - Sprott Facility	\$ —	\$ —	\$ 30,452	\$ 27,444
Loan payable - 36 th Street Facility	\$ 10,858	\$ 11,074	\$ —	\$ —

The fair value of the loan payable was determined by discounting the future contractual cash flows at a discount rate that represents an approximation of the borrowing rates presently available to the Company which was 10.0% and 12.5% at December 31, 2019 and 2018, respectively. Management's estimate of the fair value of the loan payable is classified as level 2 in the fair value hierarchy, as explained below.

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date.

The fair value hierarchy categorizes into three levels the inputs in valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are those other than quoted market prices in active markets, which are observable for the asset or liability, either directly or indirectly, such as inputs derived from market prices.

Level 3 inputs are unobservable inputs for the asset or liability.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on a degree to which the inputs used to determine the fair value are observable.

	December 31, 2019		December 31, 2018	
	Level 1	Level 2	Level 1	Level 2
Cash	\$ 4,296	\$ —	\$ 10,124	\$ —
Restricted cash	37,166	—	32,503	—
	\$ 41,462	\$ —	\$ 42,627	\$ —

At December 31, 2019 and 2018, the Company had no financial instruments which used Level 3 fair value measurements.

ADDITIONAL INFORMATION

Additional information regarding Corsa, including its annual information form dated March 30, 2020, is available under Corsa's profile at www.sedar.com.