Corsa Coal Corp.
Consolidated Financial Statements
December 31, 2022 and 2021

Coulter & Justus, P.C.

Independent Auditor's Report

To the Shareholders of Corsa Coal Corp.

Opinion

We have audited the consolidated financial statements of Corsa Coal Corp. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2022 and 2021, and the consolidated statements of operations and comprehensive income (loss), consolidated statements of changes in shareholders' equity, and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reclamation and Water Treatment Provisions

Description of the Key Audit Matter

The Company recognizes certain reclamation and water treatment provisions (the "provisions") for future reclamation efforts and perpetual monitoring and treatment of water related to current and past operating sites. As of December 31, 2022, the provisions totaled approximately $70 million. The Company's provisions primarily consist of estimated costs, based upon detailed engineering calculations, related to reclaiming coal properties and support facilities and perpetual monitoring and treatment of water in accordance with federal and state laws and regulations as defined by each mining permit.

Why the Matter is a Key Audit Matter

The Company's provisions, which are affected by current disturbed acreage, operating conditions, risk adjusted costs, and other factors, cause a high degree of uncertainty in the estimation of the provisions. Auditing the significant assumptions utilized by management in estimating the amount of the provisions requires judgment. In particular, the provisions are determined using a discounted cash flow technique and are based on mining permit requirements and various assumptions including pre-tax risk-free rates, inflation rates, estimates of disturbed acreage, expected timing of reclamation and water treatment activities, and estimated reclamation and water treatment costs.

Key Audit Matters (continued)

Reclamation and Water Treatment Provisions (continued)

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures included obtaining an understanding of the design of the controls over the Company's accounting for the provisions and the significant assumptions and data inputs, evaluating the skills, knowledge and experience and the methodology used by the Company's specialist, testing the significant assumptions and underlying data, comparing assumptions (including the pre-tax risk free rate and inflation rate) to current market data, evaluating significant changes from the prior year estimates, verifying consistency between timing of reclamation activities and projected mine life, considering the appropriateness of the estimated costs based on mine type, comparing anticipated costs to recent operating data, and recalculating management's estimates. We also focused on the adequacy and completeness of the Company's disclosures regarding the provisions. The reclamation and water treatment provisions are included in Notes 2 and 13 to the consolidated financial statements.

Ability to Continue as a Going Concern

Description of the Key Audit Matter

Under IFRS, management is required to assess the Company's ability to continue as a going concern for a period of at least twelve months from the end of the reporting period (December 31, 2022). The consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of business as they become due in the foreseeable future as disclosed in Note 1 to the consolidated financial statements.

Why the Matter is a Key Audit Matter

The Company has incurred accumulated losses of approximately $164 million through December 31, 2022, and, as of that date, the Company's current liabilities exceeded its current assets by approximately $9 million. The Company's ability to continue as a going concern relies on existing cash reserves and revenue growth sufficient to generate cash flows to support operating expenditures. Management's assessment of its ability to continue as a going concern uses operating budgets and forecasts.

How the Key Audit Matter Was Addressed in the Audit

In assessing the appropriateness of the going concern assumption used in preparing the consolidated financial statements, our audit procedures included understanding and assessing the cash flow requirements of the Company over the foreseeable future based on operating budgets and forecasts, considering the liquidity of existing assets, considering the ability to meet the terms and conditions of existing debt (Note 11), and performing a sensitivity analysis on the assumptions and inputs used by management.

Impairment of Property, Plant and Equipment, including Mineral Properties

Description of the Key Audit Matter

As of December 31, 2022, the carrying amount of Company's property, plant and equipment, including mineral properties, was approximately $117 million, representing approximately 61% of the Company's total assets. Under IFRS, management is required to test for impairment whenever there is an indication that these assets may be impaired or reversal of a past impairment whenever there is an indication that the assets are no longer impaired. The Company routinely reviews whether there are any indications of impairment (or reversal of a past impairment) and recognizes an impairment loss (gain) if the carrying amount of an asset is higher (lower) than its recoverable amount (which is the higher of the fair value less costs of disposal and the value in use). For 2022, management performed an assessment on impairment of the assets at the cash generating unit (CGU) level. Based on the assessment, the Company does not expect any impairment or reversal of a past impairment arising from the CGU.

Key Audit Matters (continued)

Impairment of Property, Plant and Equipment, including Mineral Properties (continued)

Why the Matter is a Key Audit Matter

The impairment assessment (including identification of the existence of impairment indicators) of property, plant and equipment, including mineral properties, requires management to make significant subjective judgements, assumptions and estimates, which results in significant inherent risk.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures relating to impairment assessment of property, plant and equipment, including mineral properties, included gaining an understanding and evaluating management's assessment processes (including the identification of the existence of impairment indicators) and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors such as complexity, subjectivity, changes, and susceptibility to management bias. Our procedures also included assessing the reasonableness of management's determination of the CGU based on our knowledge of the Company, including the use of assets, internal reporting process, and the appropriateness of management's use of valuation methodology and its compliance with management's circumstances and relevant accounting standards. We reviewed the reasonableness of management's forecast and calculation of the CGU's value in use, including assessing the revenue growth rate by comparing the historical operating results and future operation plans of the CGU, taking into consideration the economic and industry outlook, the discount rate (by referencing to market data), and risk factors of comparable companies (including a market premium). Additionally, we reviewed the reasonableness of other key input data such as comparing capital expenditures to management's budget (and corroborating with industry information) and testing the mathematical accuracy of the discounted cash flows model. Based on the audit procedures performed, we found management's judgement and estimates in relation to the impairment assessment of property, plant and equipment, including mineral properties, to be supportable by the evidence obtained and procedures performed.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Joshua Vehec.

Coulter & Justus, P.C.

Knoxville, Tennessee
April 13, 2023

Corsa Coal Corp.
Consolidated Balance Sheets
Expressed in United States dollars, tabular amounts in thousands

Assets	**December 31, 2022**	**December 31, 2021**
Cash	$ 7,028	$ 12,714
Accounts receivable (note 5)	10,787	21,710
Prepaid expenses and other current assets	3,281	3,493
Inventories, net (note 6)	9,141	8,893
Current Assets	30,237	46,810
Restricted cash and investments (note 7)	41,652	43,334
Advance royalties and other assets	3,971	3,244
Property, plant and equipment, net (note 8)	116,778	122,108
Total Assets	$ 192,638	$ 215,496
Liabilities		
Accounts payable and accrued liabilities (note 9)	$ 23,219	$ 22,838
Recourse obligation (note 9)	1,906	—
Lease liabilities – current (note 10)	1,422	1,255
Loans payable, net – current (note 11)	5,733	3,276
Other liabilities – current (note 12)	1,673	1,070
Reclamation and water treatment provision – current (note 13)	5,551	4,145
Current Liabilities	39,504	32,584
Loans payable, net – long-term (note 11)	20,485	26,115
Lease liabilities – long-term (note 10)	2,640	1,880
Other liabilities – long-term (note 12)	4,238	5,255
Reclamation and water treatment provision – long-term (note 13)	64,163	60,381
Total Liabilities	131,030	126,215
Shareholders' Equity		
Share capital (note 14)	225,091	225,091
Contributed surplus	834	1,758
Accumulated deficit	(164,317)	(137,568)
Total Shareholders' Equity	61,608	89,281
Total Liabilities and Shareholders' Equity	$ 192,638	$ 215,496

Commitments and Contingencies (note 27)

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

Approved by the Board of Directors:

/s/ Ronald G. Stovash — Ronald G. Stovash, Director

/s/ Alan M. De'Ath — Alan M. De'Ath, Director

Corsa Coal Corp.
Consolidated Statements of Operations and Comprehensive Income (Loss)
Expressed in United States dollars, tabular amounts in thousands except for per share amounts

	For the years ended December 31,	
	2022	**2021**
Revenue (note 15)	$ 165,891	$ 131,475
Cost of sales (note 16)	(172,499)	(128,366)
Gross (loss) margin	(6,608)	3,109
Selling, general and administrative expense (notes 17 and 18)	(10,204)	(9,853)
Loss from operations	(16,812)	(6,744)
Finance expense (note 19)	(6,419)	(5,595)
Finance income (note 19)	178	4
(Loss) gain on restricted investments (note 19)	(2,804)	2,748
Other (expense) income, net (note 20)	(1,872)	10,996
(Loss) income before tax	(27,729)	1,409
Current income tax expense (note 22)	—	—
Deferred income tax expense (note 22)	—	—
Provision for income taxes	—	—
Net and comprehensive (loss) income	$ (27,729)	$ 1,409
Attributable to:		
Shareholders	$ (27,729)	$ 1,550
Non-controlling interest	$ —	$ (141)
Basic (loss) earnings per share (note 21)	$ (0.27)	$ 0.02
Diluted (loss) earnings per share (note 21)	$ (0.27)	$ 0.02

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

Corsa Coal Corp.
Consolidated Statements of Changes in Shareholders' Equity
Expressed in United States dollars, tabular amounts in thousands

	For the year ended December 31, 2022					
	Number of Corsa Common Shares (000's)	**Share Capital**	**Contributed Surplus**	**Accumulated Deficit**	**Non-Controlling Interest**	**Total Shareholders' Equity**
Balance - January 1, 2022	103,275	$ 225,091	$ 1,758	$ (137,568)	$ —	$ 89,281
Stock-based compensation expense (note 18)	—	—	56	—	—	56
Stock option expiration/ forfeiture	—	—	(980)	980	—	—
Net and comprehensive loss	—	—	—	(27,729)	—	(27,729)
Balance - December 31, 2022	103,275	$ 225,091	$ 834	$ (164,317)	$ —	$ 61,608

	For the year ended December 31, 2021					
	Number of Corsa Common Shares (000's)	**Share Capital**	**Contributed Surplus**	**Accumulated Deficit**	**Non-Controlling Interest**	**Total Shareholders' Equity**
Balance - January 1, 2021	94,759	$ 180,130	$ 341	$ (137,856)	$ 45,102	$ 87,717
Stock-based compensation expense (note 18)	—	—	155	—	—	155
Stock option expiration/ forfeiture	—	—	1,262	(1,262)	—	—
Redeemable unit redemption (note 14)	8,516	44,961	—	—	(44,961)	—
Net and comprehensive income (loss)	—	—	—	1,550	(141)	1,409
Balance - December 31, 2021	103,275	$ 225,091	$ 1,758	$ (137,568)	$ —	$ 89,281

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

Corsa Coal Corp.
Consolidated Statements of Cash Flows
Expressed in United States dollars, tabular amounts in thousands

	For the years ended December 31, 2022	2021
Operating Activities		
Net and comprehensive (loss) income	$ (27,729)	$ 1,409
Items not affecting cash:		
Paycheck Protection Program grant income	—	(1,126)
Amortization	11,833	16,408
Stock-based compensation expense (note 18)	56	155
Non-cash finance expense (income)	4,021	(942)
Change in estimate of reclamation and water treatment provision	10,837	(3,310)
Other non-cash operating expense (income) and gain (loss) on restricted investments	539	(570)
Cash spent on reclamation and water treatment activities (note 13)	(5,430)	(4,055)
Changes in working capital balances related to operations (note 23)	13,666	(4,014)
Cash provided by operating activities	7,793	3,955
Investing Activities		
Restricted cash and investments acquired	(3,859)	(3,391)
Restricted cash and investments released	1,131	519
Advance royalties and other assets	(966)	(528)
Proceeds from sale of assets	—	1,979
Property, plant and equipment additions	(5,237)	(8,692)
Cash used in investing activities	(8,931)	(10,113)
Financing Activities		
Repayment of loan payable	(3,319)	(4,175)
Repayment of lease liabilities	(1,229)	(1,433)
Cash used in financing activities	(4,548)	(5,608)
Net decrease in cash for the year	(5,686)	(11,766)
Cash, beginning of year	12,714	24,480
Cash, end of year	$ 7,028	$ 12,714

Supplemental disclosure (note 23)

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

1. Basis of Presentation and Nature of Operations

Nature of Operations and COVID-19 Matter

Corsa Coal Corp. ("Corsa" or the "Company") is in the business of mining, processing and selling metallurgical coal, as well as exploring, acquiring and developing resource properties that are consistent with its existing coal business. The Company is a corporation existing under the *Canada Business Corporations Act* and is domiciled in Canada. The registered office of Corsa is located at 199 Bay Street, Suite 5300, Commerce Court West, Toronto, Ontario, Canada, M5L 1B9, and the head/corporate office of Corsa is located at 1576 Stoystown Road, P.O. Box 260, Friedens, Pennsylvania, USA, 15541.

These consolidated financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of business as they become due in the foreseeable future.

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 has significantly impacted the global economy and commodity and financial markets. The ongoing impacts of the COVID-19 outbreak has had a material adverse effect on the Company's business, financial condition, cash flows and results of operations. While demand and metallurgical coal prices have improved, to the extent that industry conditions decline due to the ongoing pandemic, the Company may have to obtain additional debt or equity financing. Although debt and equity financings have been successful in the past, there is no assurance that Corsa will be able to successfully complete such financings in the future.

Unless otherwise indicated, all dollar amounts in these unaudited condensed interim consolidated financial statements are expressed in United States dollars. References to "C$" are to Canadian dollars.

At December 31, 2022, the Company had one operating division, Northern Appalachia ("NAPP Division" or "NAPP"). The NAPP Division, based in Somerset, Pennsylvania, USA, produces and sells low volatile metallurgical coal used for the production of coke from its mines in the Northern Appalachia coal region of the USA. The Company's corporate office provides support and manages the mining investments, and is also deemed a reportable segment.

All scientific and technical information contained in these consolidated financial statements has been reviewed and approved by David E. Yingling, Professional Engineer and the Company's mining engineer, who is a qualified person within the meaning of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

Statement of Compliance

These consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations as approved by the International Accounting Standards Board ("IASB") effective as of December 31, 2022. The Company has consistently applied the same accounting policies throughout all periods presented.

Certain reclassifications of prior period data, which include the presentation of gain or loss on restricted investments separately from finance income or expense, have been made to conform to the current year classifications.

These consolidated financial statements were authorized by the Board of Directors of the Company on April 13, 2023.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities which are measured at fair value.

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

2. Significant Accounting Policies

Functional and presentation currency

The functional currency of the Company and each of its subsidiaries is the United States dollar, which is also the presentation currency of the consolidated financial statements. All amounts are rounded to the nearest thousand, except for share and per share data, or as otherwise noted.

Basis of Consolidation

The legal ownership structure for the Company's subsidiaries is presented below.

Legal Entity Name	Jurisdiction of Incorporation or Formation	Legal Parent	Operating Division	Corsa Indirect Ownership
Corsa Coal Corp.	Canada	Publicly Traded	Corporate	N/A
Wilson Creek Holdings, Inc. ("WCH")	Delaware, USA	Corsa - 100%	Corporate	N/A
Wilson Creek Energy, LLC ("WCE")	Delaware, USA	WCH - 100%	NAPP	100%
Maryland Energy Resources, LLC	Delaware, USA	WCE - 100%	NAPP	100%
Mincorp Acquisition Corp. ("MAC")	Delaware, USA	WCH - 100%	NAPP	100%
Mincorp, Inc.	Delaware, USA	MAC - 100%	NAPP	100%
PBS Coals, Inc. ("PBS")	Delaware, USA	Mincorp, Inc. - 100%	NAPP	100%
RoxCoal, Inc.	Pennsylvania, USA	Mincorp, Inc. - 100%	NAPP	100%
Quecreek Mining, Inc.	Pennsylvania, USA	PBS - 100%	NAPP	100%
Croner, Inc.	Pennsylvania, USA	PBS - 100%	NAPP	100%
Elk Lick Energy, Inc.	Pennsylvania, USA	PBS - 100%	NAPP	100%

Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is acquired by the Company and are de-consolidated from the date control ceases. Financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. All intercompany balances, revenues, expenses, earnings and losses from intercompany transactions are eliminated upon consolidation.

Foreign currency translation

Monetary assets and liabilities which are denominated in foreign currencies are translated into the Company's functional currency at the exchange rate prevailing at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at historical rates at each transaction date. Revenues and expenses are translated at exchange rates prevailing in the transaction period. All foreign exchange gains and losses are recognized in the consolidated statements of operations and comprehensive income (loss).

Inventories

Raw coal inventory is valued at the lower of the average mining cost (or average purchase cost) and net realizable value. Mining costs include contractor costs, direct labor, operating materials and supplies, transportation costs to the preparation plant, royalties and amortization of mining assets. Clean coal inventory is valued at the lower of average mining cost, including preparation plant costs and amortization of preparation plant assets, and net realizable value. Net realizable value represents the average selling price for coal less the costs to get the coal into saleable form and to the selling location. Parts and supplies inventory consists of parts, supplies and other consumables and is valued using the weighted average cost method of accounting. Additionally, the Company evaluates its inventory in terms of excess and obsolete exposures. This evaluation includes such factors as anticipated usage, inventory turnover, inventory levels and ultimate market value.

Accounts receivable

Accounts receivable are recognized when coal is delivered to the customer at the delivery point indicated in the customer contract, or coal is processed at the Company's processing facility, as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due. Any estimated allowance for uncollectible receivables are offset against the account receivable with an offsetting charge to the consolidated statement of operations and comprehensive income (loss).

Advance royalties and other assets

Advance royalties consist of royalty payments that are required on certain mineral properties in advance of actual coal production or sales from those mineral properties. These items will be outstanding for at least one year from the balance sheet date. When production or sales commence from the properties, these royalty payments are recouped to offset the production royalty payments.

Deposits, deferred stripping costs, long-term prepaid expenses and non-current receivables are included in advance royalties and other assets. Deposits are for payments as security and are expected to be returned to the Company at a later date.

Property, plant and equipment

Major parts of property, plant and equipment include mining and other equipment, preparation plants, land and mineral properties. Costs include expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditures are capitalized only when it is probable that future economic benefits will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Maintenance and repairs are expensed as incurred. Property, plant and equipment is measured at cost less accumulated amortization and accumulated impairment losses.

Mineral properties include the costs of acquiring the surface and mineral rights required to mine mineral properties, the costs of developing new surface and underground mines until commencement of commercial production, along with certain underground expansion projects and reclamation cost assets recognized at the same time as a reclamation provision for a specific mineral property.

Development costs, which are the costs incurred to make the mineral physically accessible, include costs for driving main entries for ventilation, haulage, personnel, construction of airshafts, roof protection and support facilities. When the benefit from surface mining operations comes in the form of inventory produced, stripping costs incurred are charged to cost of sales or included in the cost of inventories at period end. To the extent the stripping activity provides a benefit in the form of improved access to coal reserves, and the Company can identify and reasonably estimate the future economic benefits of the improved access, a 'non-current stripping activity' asset is recognized. The 'non-current stripping activity' asset is then expensed through cost of sales over the expected useful life of the identified component of the coal reserves that becomes more accessible as a result of the stripping activity utilizing the units-of-production method.

Interest and financing costs relating to the construction or development of an item of property, plant and equipment as well as costs incurred to bring the asset to the condition intended by management are capitalized as part of the cost of mineral property, plant and equipment. Interest and financing costs are capitalized for projects for which a direct relationship between the borrowed funds and use of these funds towards the development or construction of an item of property, plant and equipment can be established. Interest and financing costs related to general borrowings are capitalized towards qualifying assets by applying a capitalization rate to the expenditures on that asset.

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and amortizes separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Depletion of producing mineral properties and other development costs is provided using a unit-of-production method based upon the proven and probable mineral reserve position of the mine at the beginning of the year.

Plant, structures and equipment are amortized using the straight-line method. The useful lives are generally three to five years for mobile equipment and five to twenty years for plants, structures and other equipment but do not exceed the related estimated mine life.

Exploration and evaluation costs

Exploration and evaluation costs include expenditures for the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling and other activities related to determining the technical feasibility and commercial viability of a specific property. Exploration costs not supported by geological evidence to support economically viable projects are expensed as incurred. Capitalized exploration and evaluation costs are carried initially at historical cost and are subject to impairment testing if there are indications of impairment identified.

Impairment of non-financial assets

Items of property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. For the purposes of recognition and measurement of an impairment loss, assets are grouped at the lowest levels for which there are identifiable separate cash flows referred to as cash generating units ("CGUs"). Recoverable amounts for impairment testing of assets to be held and used are measured by comparison of the carrying amount of an asset to the greater of the fair value less costs of disposal and value in use. Value in use is measured using the present value of the expected future cash flows to be derived for a specific asset or CGU that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition. Fair value less costs of disposal is measured using marketplace participant information for determining fair value.

An impairment loss is recognized when the carrying amount of the CGU exceeds the recoverable amount and is charged to the consolidated statements of operations and comprehensive income (loss). The Company evaluates impairment losses previously recognized for potential reversals when events or changes in circumstances warrant such consideration.

Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to cash flows from the financial assets expire, or when the Company transfers the financial assets and substantially all of the associated risks and rewards of ownership. Financial liabilities are derecognized at the time a substantial modification of the liability occurs or when the Company discharges any continuing or further obligation for the specific liability.

The Company classifies its financial instruments in the categories below:

a. Financial assets at amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Company's accounts receivable consists of fixed or determined cash flows related solely to principal and interest amounts. The Company's intent is to hold these receivables until the related cash flows are collected. Cash, other than restricted cash, is measured at amortized cost. Other receivables are recognized initially at fair value, net of any transaction costs incurred, and subsequently measured at amortized cost, using the effective interest method. The Company recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost.

b. Financial assets and liabilities at fair value through profit or loss ("FVTPL"): Financial assets and liabilities are measured at FVTPL and are assets which do not qualify as financial assets or financial liabilities at amortized cost or at fair value through other comprehensive income. Restricted cash and investments are classified as FVTPL. These financial assets and liabilities are initially recognized at their fair value with changes to fair values recognized in the consolidated statements of operations and comprehensive income (loss) in the period in which they arise.

c. Financial liabilities at amortized cost: Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at FVTPL, or the Company has opted to measure them at FVTPL. Accounts payable and accrued liabilities, recourse obligation, lease liabilities, loans payable and other liabilities are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost, using the effective interest method.

Impairment of financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. For accounts receivables due in less than 12 months, the Company applies the simplified approach in calculating expected credit losses, as permitted by IFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime expected credit loss at each reporting date. The Company monitors its historical credit loss, if any, and adjusts this analysis for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is recognized in the consolidated statements of operations and comprehensive income (loss) and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. If, in a subsequent period, the estimated impairment loss decreases because of an event, any reversal would be recognized in the consolidated statements of operations and comprehensive income (loss).

Cash

Cash consists of balances with banks and the carrying value approximates fair value.

Restricted cash and investments

Cash and investments, which are subject to legal or contractual restrictions on their use, are classified separately as restricted cash and investments.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception, or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as rent expense on a straight-line basis over the lease term.

Revenue recognition

Revenue is recognized when performance obligations under the terms of a contract with the Company's customers are satisfied. For revenue associated with the sale of coal, processing service or sale of limestone, the performance obligation is satisfied when control passes to the customer and the amount of revenue can be measured reliably. Coal is sold under fixed price, spot or index linked contracts. Transportation costs from preparation plants to customers are included in cost of sales in the consolidated statements of operations and comprehensive income (loss) and amounts billed by the Company to its customers for these transportation costs are included in revenue. The Company's coal sales generally include up to 90-day payment terms following the transfer of control of the goods to the customer and averaged 56 days for the year ended December 31, 2022. The Company does not include extended payment terms in its contracts with customers.

Reclamation provision

The Company recognizes a reclamation provision for the expected costs of reclamation at mining properties where the Company is legally or contractually responsible for such costs. Reclamation provisions arise from the Company's obligations to undertake site reclamation and remediation in connection with the ongoing operations, exploration and development of mineral properties and other facilities. The Company recognizes the estimated reclamation costs when environmental disturbance occurs and when a reasonable estimate of the estimated reclamation costs can be made.

The reclamation provision recognized is estimated based on the risk adjusted costs required to settle present obligations, discounted using a pre-tax risk-free discount rate consistent with the expected timing of expected cash flows.

Changes in the estimated undiscounted cash flows and risk-free discount rate used in calculating the present value of the reclamation provision are recognized using the same present value technique as above at the time of the change in estimate, when such changes are not the result of current inventory production. An offsetting amount for the change in estimate is added to the reclamation cost asset previously recognized for the specific property. For such properties where mining has ceased, an offsetting charge for the change in estimate is recorded to cost of sales in the consolidated statements of operations and comprehensive income (loss).

Actual reclamation expenditures reduce the carrying value of the reclamation provision as incurred.

Water treatment provision

The Company has signed certain agreements with United States 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.

Changes in the estimated undiscounted cash flows and risk-free discount rate used in calculating the present value of the water treatment provision are recognized at the time of the change in estimate and an offsetting charge is recorded to cost of sales in the consolidated statements of operations and comprehensive income (loss).

Actual water treatment expenditures reduce the carrying value of the water treatment provision as incurred.

Share-based payments

All share-based payments, including stock options, are measured and recognized using a fair value-based method. Accordingly, the fair value of the options at the date of the grant, adjusted for the number of options expected to vest, is charged to selling, general and administrative expenses in the consolidated statements of operations and comprehensive income (loss), with the offsetting credit to contributed surplus over the vesting period. Each tranche is considered its own award with its own vesting period and fair value at grant date. The number of awards expected to vest is reviewed at least annually, with any impact being recognized to the consolidated statements of operations and comprehensive income (loss) immediately.

If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. Should the stock-based awards expire before exercise, the appropriate amount of contributed surplus is reclassified within equity to accumulated deficit.

If and when the stock options are forfeited, the amount of stock-based compensation recognized historically, to contributed surplus, for vested stock options is transferred to accumulated deficit. For stock options forfeited which have not yet vested, the amount of stock-based compensation recognized historically, to contributed surplus is charged to selling, general and administrative expenses.

Income taxes

Income taxes consist of current and deferred taxes. Income tax expense is recognized in the consolidated statements of operations and comprehensive income (loss) except to the extent it relates to items recognized directly in equity, in which case the income tax is directly recognized in equity.

Current income tax expense consists of the income tax payable by the Company on income, calculated using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income tax expense is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The effect on deferred income taxes for a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that future benefit to the Company is probable. The Company recognizes deferred income tax assets to the amount that is believed more likely than not to be realized.

Earnings per share

The Company uses the treasury stock method to compute the dilutive effect of options and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options and similar instruments, assuming that the proceeds would be used to purchase common shares at the average market price during the period.

Basic earnings (loss) per common share is calculated using the weighted-average number of shares outstanding during the period.

Critical accounting estimates and judgments

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.

a. 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.

b. 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 and reclamation provisions.

c. Reclamation and water treatment provision estimates

Reclamation and water treatment provisions are recognized by the Company for the estimated costs to reclaim the site at the end of mine life and for treatment and monitoring of water in certain circumstances. The carrying amount of the reclamation and water treatment provision in the consolidated financial statements is subject to various estimates including mine life, undiscounted cash flows to reclaim mineral properties, estimated water treatment costs, 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 and water treatment provision and the associated reclamation cost asset included in property, plant and equipment.

d. Impairment of long-lived 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 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.

e. 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.

f. 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.

Future accounting pronouncements or recently adopted accounting pronouncements

Certain amendments to existing standards issued by the IASB may impact the Company's financial statements for accounting periods after January 1, 2023. Updates that are not applicable or are not consequential to the Company have been excluded.

In May 2020, the IASB amended International Accounting Standard 16 – Property, Plant and Equipment ("IAS 16"), to prohibit a company from deducting, from the cost of property, plant and equipment, amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. The amendment to this standard was effective for annual reporting periods beginning on or after January 1, 2022 and the Company adopted this amendment in its consolidated financial statements for the annual period beginning January 1, 2022. The impact of adopting the amendment to IAS 16 was not material.

3. Capital Management

The Company defines managed capital as its total shareholders' equity. The objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders. At December 31, 2022 and 2021, total managed capital was $61,608 and $89,281, respectively.

The Company's capital structure reflects the requirements of a company focused on sustaining cash flows from its current mining operations and financing both internal and external growth opportunities and development projects. The Company faces lengthy development lead times as well as risks associated with increasing capital costs and project completion due to unavailability of resources, permits and other factors beyond the Company's control. The Company's operations are also significantly affected by the market price of coal. The Main Street Facility (as defined herein) contains covenants that would restrict the ability to pay dividends, make distributions as well as restrictions on the ability of certain of the Company's subsidiaries, as borrowers under the facility, to transfer funds to the Company.

The Company continually assesses its capital structure and makes adjustments in light of changes in economic conditions and risk characteristics associated with its underlying assets. In order to maintain or adjust the capital structure, the Company may issue new common shares or enter into new debt arrangements.

4. Financial Instruments

The Company's financial instruments consist of cash, restricted cash and investments, accounts receivable, accounts payable and accrued liabilities, recourse obligation, lease liabilities, loan payable in connection with the Main Street Facility, loan payable in connection with the 36th Street Facility (as defined herein) 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 cash, money market accounts and certificates of deposit. Restricted investments consist of interest-bearing securities invested with highly rated financial institutions.

Customer credit risk is managed by the Company's established policy, procedures and controls 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, 2022 and 2021.

At December 31, 2022 and 2021, the Company had three and four customers, respectively, that owed the Company more than $1,000 each and accounted for approximately 98% and 66%, respectively, of total accounts receivable. At December 31, 2022 and 2021, 68% and 58%, respectively, of the Company's accounts receivables were covered by letters of credit or other forms of credit insurance.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include the Main Street Facility and restricted cash and investments.

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, 2022, the Company had a consolidated cash balance of $7,028 and consolidated working capital deficit of $9,267. The future operations of the Company are dependent on the continued generation of positive cash flows from operations which in turn is dependent on the future demand and price for metallurgical coal. The Company plans to utilize expected operating cash flows to service the Company's debt obligations.

If cash flows from operations are less than required, the Company may need to incur additional debt or issue additional equity. From time-to-time, the Company may need to access the long-term and short-term capital markets to obtain financing. Although the Company believes it can currently finance its operations on acceptable terms and conditions, the Company's 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 the Company's existing debt agreements and any other future debt agreements. There can be no assurance that the Company will have or continue to have access to the capital markets on acceptable terms.

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

The Company's commitments based on contractual terms are as follows:

	Carrying Value at Dec. 31, 2022	Payments due by period				
		Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accrued liabilities	$ 23,219	$ 23,219	$ 23,219	$ —	$ —	$ —
Recourse obligation	1,906	1,906	1,906	—	—	—
Lease liabilities	4,062	4,062	1,422	1,468	1,172	—
Loan payable - 36th Street Facility	866	878	878	—	—	—
Loan payable - Main Street Facility	25,352	25,780	4,867	20,913	—	—
Other liabilities	5,911	5,911	1,673	2,239	1,999	—
Asset retirement obligations - reclamation	40,611	40,611	3,578	9,698	6,801	20,534
Asset retirement obligations - water treatment	29,103	29,103	1,973	3,332	3,222	20,576
Purchase order firm commitments	—	2,215	2,215	—	—	—
Minimum royalty commitments	—	1,794	598	1,196	—	—
Reclamation bond restricted cash deposits	—	6,973	1,500	3,000	2,473	—
Total	$ 131,030	$ 142,452	$ 43,829	$ 41,846	$ 15,667	$ 41,110

Fair Value

The estimated fair values of all financial instruments approximate their respective carrying values except for the loans payable in connection with the Main Street Facility and the 36th Street Facility. The loans payable are carried at amortized cost and the carrying amounts and fair values are presented below:

	December 31, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loan payable - Main Street Facility	$ 25,352	$ 23,783	$ 25,249	$ 20,158
Loan payable - 36th Street Facility	866	885	4,142	4,264
	$ 26,218	$ 24,668	$ 29,391	$ 24,422

The fair value of the loans payable were 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. At December 31, 2022, the discount rates for the were 12.3% and 9.8%, for the Main Street Facility and the 36th Street Facility, respectively. At December 31, 2021, the discount rates were 11.3% and 9.0%, for the Main Street Facility and the 36th Street Facility, respectively. Management's estimate of the fair value of the loans payable are 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).

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

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, 2022	December 31, 2021
	Level 1	Level 1
Restricted cash	$ 14,386	$ 11,917
Restricted investments		
Debt securities	6,101	8,725
Equity securities	21,165	22,692
	27,266	31,417
Total restricted cash and investments	$ 41,652	$ 43,334

At December 31, 2022 and 2021, the Company had no financial instruments which used Level 2 or 3 fair value measurements.

5. Accounts Receivable

Accounts receivable consist of the following:

	December 31, 2022	December 31, 2021
Trade receivables	$ 10,737	$ 14,805
Employee retention credit	—	6,832
Other	50	73
	$ 10,787	$ 21,710

The Company has not recorded any estimated allowance for credit losses for the periods presented. The accounts receivable balance at January 1, 2021 was $5,442.

Employee retention credit

The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020, made a number of changes to the employee retention tax credits previously made available under the Coronavirus Aid, Relief, and Economic Security Act, including modifying and extending the Employee Retention Credit ("ERC") for 2021. The ERC was also expanded and extended under the Consolidated Appropriations Act of 2020 and the American Rescue Plan Act of 2021. As a result of the new legislation, eligible employers can claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages paid to employees after December 31, 2020 through September 30, 2021. Qualified wages were limited to $10 per employee per calendar quarter in 2021. Thus, the maximum ERC amount available was $7 per employee per calendar quarter, for a total of $21 in 2021.

Employers were eligible if they operate a trade or business during 2021 and experience either: (1) a full or partial suspension of the operation of their trade or business during this period because of governmental orders or (2) a decline in gross receipts in a calendar quarter in 2021 where the gross receipts of that calendar quarter are less than 80% of the gross receipts in the same calendar quarter in 2019.

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

The Company's subsidiaries, WCE and WCH, were eligible for employee retention credits in the amount of $6,867 for the year ended December 31, 2021 and recognized the employee retention credit in other income and expense in the consolidated statements of comprehensive income (loss).

6. Inventories, net

Inventories consist of the following:

	December 31, 2022	December 31, 2021
Metallurgical coal		
Clean coal stockpiles	$ 1,928	$ 2,843
Raw coal stockpiles	1,872	1,522
	3,800	4,365
Parts and supplies, net	5,341	4,528
	$ 9,141	$ 8,893

An obsolescence reserve of $566 has been provided for the parts and supplies inventory as of December 31, 2022 and 2021.

7. Restricted Cash and Investments

Restricted cash and investments consists of the following:

	December 31, 2022				December 31, 2021			
	Cash	Debt Securities	Equity Securities	Total	Cash	Debt Securities	Equity Securities	Total
Water treatment (a)	$ 302	$ 5,733	$ 20,859	$ 26,894	$ 400	$ 8,341	$ 22,232	$ 30,973
Reclamation bonds (b)	9,143	357	26	9,526	7,640	373	37	8,050
Workers' compensation (c)	4,941	—	280	5,221	3,877	—	423	4,300
Other restricted deposits	—	11	—	11	—	11	—	11
	$ 14,386	$ 6,101	$ 21,165	$ 41,652	$ 11,917	$ 8,725	$ 22,692	$ 43,334

(a) 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. As a result of these agreements, the Company was required to establish separate trust funds to ensure water treatment activities would continue after the Company ceased operating in the affected areas. The cash is either held or invested in debt and equity securities and income earned on such funds, under certain circumstances, may be used by the Company to pay for certain water treatment costs once the trust funds have been fully funded.

(b) The Company is required to post bonds to ensure reclamation is completed on its mining properties as required under U.S. state and federal regulations. The Company has agreements with insurers to provide these bonds. The cash collateral is held or invested in certificates of deposit, that are insured by the U.S. Federal Deposit Insurance Corporation, or in debt and equity security investments. The Company is required to increase the level of cash collateral over time to reach the target set by the surety of 25% of the issued bond amount. The collateral increase will be funded by quarterly installment payments of up to $375.

(c) The Company has established separate trust funds with its insurance carriers to pay potential awards and claims related to workers' compensation.

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

8. Property, Plant and Equipment, net

Property, plant and equipment consists of the following:

	Mineral Properties (a)	Plant and Equipment	Total
Cost			
Balance - January 1, 2021	$ 161,855	$ 154,835	$ 316,690
Additions	—	8,117	8,117
Capitalized development costs	968	—	968
Change in reclamation provision	3,828	—	3,828
Disposals	—	(9,742)	(9,742)
Balance - December 31, 2021	166,651	153,210	319,861
Additions	—	7,319	7,319
Capitalized development costs	196	—	196
Change in reclamation provision	(1,065)	(53)	(1,118)
Disposals	(70)	(2,988)	(3,058)
Balance - December 31, 2022	$ 165,712	$ 157,488	$ 323,200
Accumulated Amortization and Impairment Losses			
Balance - January 1, 2021	$ (67,140)	$ (124,130)	$ (191,270)
Amortization	(6,589)	(9,562)	(16,151)
Disposals	—	9,668	9,668
Balance - December 31, 2021	(73,729)	(124,024)	(197,753)
Amortization	(3,671)	(7,869)	(11,540)
Disposals	—	2,871	2,871
Balance - December 31, 2022	$ (77,400)	$ (129,022)	$ (206,422)
Net Book Value			
December 31, 2021	$ 92,922	$ 29,186	$ 122,108
December 31, 2022	$ 88,312	$ 28,466	$ 116,778

(a) The two types of lease rights in the states of Maryland and Pennsylvania are surface rights, which provide access to the surface of a specific property, and mineral rights, which provide the right to extract the minerals from a specific property. The Company either purchases outright or leases these rights from various owners specific to each property. Mineral and surface rights which are leased are subject to royalty payments to the various owners based on the tons of coal extracted from that specific property. Royalty rates on leased mineral rights can range from 5% to 16%, although they typically range from 6% to 7%, of the selling price of the coal. Mineral and surface rights which are owned by the Company are not subject to royalties. The net book value of mineral properties that are not in production at December 31, 2022 and 2021 was $24,835 and $24,732, respectively.

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

9. Accounts Payable, Accrued Liabilities and Recourse Obligation

Accounts payable, accrued liabilities and recourse obligation consists of the following:

	December 31, 2022	December 31, 2021
Trade payables	$ 12,604	$ 8,628
Purchased coal payables	1,696	6,781
Freight payables	1,335	1,644
U.S. Department of Justice disgorgement obligation (a)	1,200	—
Other accrued liabilities	6,384	5,785
Total accounts payable and accrued liabilities	$ 23,219	$ 22,838

	December 31, 2022	December 31, 2021
Recourse obligation (b)	$ 1,906	$ —
Total recourse obligation	$ 1,906	$ —

(a) In September 2020, the Company learned that an overseas third-party sales agent had been charged in an overseas jurisdiction in connection with allegedly unlawful benefits given to a representative of an overseas customer in relation to the sale of coal from operations of U.S. subsidiaries of the Company. A special committee of the Board of Directors of the Company (the "Special Committee") was promptly constituted, and the Special Committee engaged outside legal counsel to conduct an independent investigation as to whether any employees of the Company or any of its subsidiaries were aware of, or involved in, the alleged conduct and whether any such knowledge or involvement may have given rise to a violation of anti-corruption laws by the Company or any of its subsidiaries. On the basis of findings resulting from such investigation, the Company has taken corrective action to minimize risk. Furthermore, the Company reported the matter to the U.S. Department of Justice and the Royal Canadian Mounted Police, which have conducted investigations and with whom the Company and its subsidiaries have cooperated and will continue to cooperate as necessary.

No charges were brought against the Company, any of its subsidiaries, or any current employees thereof in any jurisdiction in respect of this matter. However, on November 3, 2021, a former employee, whom the Company had previously terminated, pleaded guilty to conspiracy to violate the United States' Foreign Corrupt Practices Act during the period from late 2016 to 2020. The charges and guilty plea proceedings are publicly available. On March 31, 2022, a second former employee, who left the Company before commencement of the referenced investigation, was charged in an indictment with conspiracy to violate and violation of the United States' Foreign Corrupt Practices Act and related charges of money laundering. The second former employee was also charged with wire fraud relating to his receipt of illegal payments, which were allegedly paid from a portion of commissions that the Company paid to an overseas third-party agent and which the second former employee allegedly concealed from others within the Company both during and after the second former employee's tenure. The charges related to the period from late 2016 to 2020. On April 19, 2022, the second former employee pleaded not guilty. The charges and related documents are publicly available.

On March 9, 2023, the U.S. Department of Justice and the Company entered into a declination agreement in which the U.S. Department of Justice declined to prosecute the Company and the Company agreed to pay a $1,200 disgorgement amount. According to the declination letter issued by the U.S. Department of Justice, which is publicly available, the decision to decline prosecution was based on a number of factors, including, but not limited to, Corsa's timely and voluntary self-disclosure, full and proactive cooperation, and timely and appropriate remediation, as well as Corsa's agreement to pay the disgorgement amount. The agreed-upon disgorgement amount reflects the U.S. Department of Justice policies concerning "inability to pay."

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

The Company and its subsidiaries are committed to the highest standards of integrity and diligence in their business dealings and to the ethical and legally compliant business conduct by their employees and representatives. Potentially unlawful business conduct is in direct conflict with corporate and compliance policies.

(b) On July 28, 2022, the Company's subsidiary, WCE entered into a 24-month Invoice Purchase Agreement (the "LSQ Financing") with LSQ Funding Group, L.C. ("LSQ"), pursuant to which LSQ may elect to purchase up to $15,000 of eligible customer invoices from WCE. WCE's obligations under the LSQ Financing are secured by a lien on all accounts receivable and rights to payment arising from the sale of goods and inventory pursuant to a subordination agreement with KeyBank National Association ("KeyBank") in connection with the Main Street Facility.

Advances by LSQ may be made at an advance rate of up to 85% of the face value of the eligible receivables being sold. LSQ may require WCE to repurchase accounts receivable if LSQ determines, in its sole discretion, that the accounts are uncollectible for any reason. LSQ will receive fees equal to 0.0750% of the receivables purchased in addition to a funds usage daily fee of 0.0222% of the outstanding balance purchased. The purchase does not result in derecognition of the accounts receivable because WCE retains substantially all the risks and rewards of ownership of the transferred asset.

10. Lease Liabilities

Lease liabilities consists of the following:

	Interest Rate	Maturity	December 31, 2022	December 31, 2021
Equipment - Preparation Plant (a)	11.0%	September 2023	$ 245	$ 532
Equipment - Refuse Facility	18.6%	December 2027	2,183	—
Equipment - Surface	2.5% to 11%	July 2025 - Aug. 2026	1,628	2,588
Equipment - Information Technology	11.0%	July 2023	6	15
Balance, end of year			4,062	3,135
Less: Current portion			(1,422)	(1,255)
Total long-term lease liabilities			$ 2,640	$ 1,880

(a) Contingent rent related to these lease obligations is payable if the equipment exceeds certain operating levels. The contingent rent expense recognized in the years ended December 31, 2022 and 2021 was $644 and $38, respectively. Contingent rent is included in cost of sales in the consolidated statements of operations and comprehensive income (loss).

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

Lease liabilities and minimum lease payments at December 31, 2022 are as follows:

Less than 1 year	$	1,921
1-3 years		2,085
4-5 years		1,402
Thereafter		—
Total payments		5,408
Less: Amounts representing interest		(1,346)
Total finance lease obligations	$	4,062

For the years ended December 31, 2022 and 2021, interest expense, which is included in finance expense in the consolidated statements of operations and comprehensive income (loss) and total cash outflows related to lease liabilities were as follows:

	For the years ended December 31,	
	2022	**2021**
Interest expense related to lease liabilities	$ 242	$ 385
Total cash outflows related to lease liabilities	$ 1,471	$ 1,818

The expense relating to leases of low value assets was not material.

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

Right-of-use assets, which are included in property, plant and equipment, net, in the consolidated balance sheets, consist of the following:

	Plant	Plant	Equipment Refuse	Surface	IT	Total
Gross Right-of-Use Asset						
Balance – January 1, 2021	$ 1,696	$ 2,200	$ —	$ 4,302	$ 37	$ 8,235
Additions	—	—	—	481	—	481
Lease expiration	(1,696)	—	—	—	—	(1,696)
Balance – December 31, 2021	—	2,200	—	4,783	37	7,020
Additions	—	—	2,308	—	—	2,308
Lease expiration	—	—	—	(838)	—	(838)
Balance – December 31, 2022	$ —	$ 2,200	$ 2,308	$ 3,945	$ 37	$ 8,490
Accumulated Amortization						
Balance – January 1, 2021	$ (1,356)	$ (1,029)	$ —	$ (1,289)	$ (18)	$ (3,692)
Amortization	(340)	(426)	—	(985)	(7)	(1,758)
Lease expiration	1,696	—	—	—	—	1,696
Balance – December 31, 2021	—	(1,455)	—	(2,274)	(25)	(3,754)
Amortization	—	(426)	—	(933)	(7)	(1,366)
Lease expiration	—	—	—	838	—	838
Balance – December 31, 2022	$ —	$ (1,881)	$ —	$ (2,369)	$ (32)	$ (4,282)
Net Book Value						
December 31, 2021	$ —	$ 745	$ —	$ 2,509	$ 12	$ 3,266
December 31, 2022	$ —	$ 319	$ 2,308	$ 1,576	$ 5	$ 4,208

Amortization expense related to the right-of-use assets is included in cost of sales in the consolidated statements of operations and comprehensive income (loss) and was as follows:

	For the years ended December 31, 2022	2021
Right-of-use asset amortization expense	$ 1,366	$ 1,758

11. Debt

Loan Payable - 36th Street Facility

On August 16, 2019, the Company's wholly-owned and direct subsidiary, 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, for the sale and leaseback of various coal mining equipment (the "Leased Property") for a funding amount of $12 million (the "36th Street Facility"). The 36th Street Facility has an effective interest rate of 9.50%, a lease term of 48 months and contains customary financial covenants which were amended in December 2020 to align with the financial covenants of the Main Street Facility at that time. The 36th Street Facility is secured by the Leased Property. WCH was in compliance with all financial covenants at December 31, 2022.

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

Loan Payable - Main Street Facility

On December 14, 2020, certain wholly-owned subsidiaries of the Company, as borrowers, entered into a five-year secured term loan with KeyBank for $25 million (the "Main Street Facility"), as subsequently amended, through the Main Street Lending Program established by the board of governors of the U.S. Federal Reserve System. Under this program, lending is facilitated through a special purpose vehicle established by the Federal Reserve Bank of Boston which committed to purchase, on December 21, 2020, a participation interest equal to 95% of the Main Street Facility. The Main Street Facility bears interest, payable monthly, at LIBOR plus 3.00% and contains customary financial covenants, which were amended on December 31, 2022, as well as affirmative and negative covenants, including covenants that would restrict the ability to pay dividends, make distributions and transfer funds to the Canadian parent entity (i.e., Corsa Coal Corp.). The Main Street Facility is repayable on each of the third and fourth anniversaries of the closing date of the Main Street Facility in an amount equal to 15% of the principal amount, with the remaining balance due in full on the fifth anniversary of the closing date and is pre-payable at any time without any premium or penalty. Additionally, a mandatory prepayment of $1,200 is required to be paid in monthly installments beginning on March 31, 2023. The Main Street Facility is secured against certain real and personal property of the borrowers. The borrowers were in compliance with all financial covenants at December 31, 2022.

The changes in the loan payable balance are as follows:

	36th Street Facility			Main Street Facility			
	Principal	Unamortized Discount	Total	Principal	Unamortized Discount	Total	Total
Balance - January 1, 2021	$ 8,372	$ (90)	$ 8,282	$ 25,020	$ (714)	$ 24,306	$ 32,588
Accrued interest	604	—	604	800	—	800	1,404
Interest paid	(604)	—	(604)	—	—	—	(604)
Amortization of discount (note 19)	—	35	35	—	143	143	178
Principal repayment	(4,175)	—	(4,175)	—	—	—	(4,175)
Balance - December 31, 2021	$ 4,197	$ (55)	$ 4,142	$ 25,820	$ (571)	$ 25,249	$ 29,391

	36th Street Facility			Main Street Facility			
	Principal	Unamortized Discount	Total	Principal	Unamortized Discount	Total	Total
Balance - January 1, 2022	$ 4,197	$ (55)	$ 4,142	$ 25,820	$ (571)	$ 25,249	$ 29,391
Accrued interest	270	—	270	604	—	604	874
Interest paid	(270)	—	(270)	(644)	—	(644)	(914)
Amortization of discount (note 19)	—	43	43	—	143	143	186
Principal repayment	(3,319)	—	(3,319)	—	—	—	(3,319)
Balance - December 31, 2022	$ 878	$ (12)	$ 866	$ 25,780	$ (428)	$ 25,352	$ 26,218
Less: current portion	(878)	12	(866)	(4,867)	—	(4,867)	(5,733)
Total long-term loan payable	$ —	$ —	$ —	$ 20,913	$ (428)	$ 20,485	$ 20,485

12. Other Liabilities

Other liabilities consist of the following:

	December 31, 2022	December 31, 2021
Workers' compensation provision (a)	$ 5,156	$ 6,266
Other (b)	755	59
	5,911	6,325
Less: current portion	(1,673)	(1,070)
Total Other Liabilities	$ 4,238	$ 5,255

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(a) The provision relates to workers' compensation and occupational disease claims that have not yet been paid by the Company. The estimates use an actuarial valuation approach based on historical claims and known events, where such estimates may differ materially from the estimates used herein. The balance that is expected to be settled within the next 12 months is $1,094. The Company has established separate trust funds with its insurance carriers to pay potential awards and claims related to workers' compensation claims (note 7).

(b) Other includes various accruals based on management's best estimate of other matters, all of which $579 is expected to be settled within the next twelve months.

13. Reclamation and Water Treatment Provision

The Company's reclamation and water treatment provision arises from its obligations to undertake site reclamation and remediation as well as certain water treatment activities in connection with its historical operations.

The changes to the reclamation and water treatment provision were as follows:

	Site Reclamation and Remediation (a)	Water Treatment Obligation (b)	Total
Balance - January 1, 2021	$ 36,909	$ 30,600	$ 67,509
Costs incurred	(1,758)	(2,297)	(4,055)
Change in estimate	5,053	(4,535)	518
Accretion expense (note 19)	293	261	554
	3,588	(6,571)	(2,983)
Balance - December 31, 2021	$ 40,497	$ 24,029	$ 64,526
Costs incurred	(2,816)	(2,614)	(5,430)
Change in estimate	2,384	7,335	9,719
Accretion expense (note 19)	546	353	899
	114	5,074	5,188
Balance - December 31, 2022	$ 40,611	$ 29,103	$ 69,714
Less: current portion	(3,578)	(1,973)	(5,551)
Long-Term Reclamation and Water Treatment Provision	$ 37,033	$ 27,130	$ 64,163
Estimated costs (undiscounted cash flow basis)	$ 46,935	$ 35,486	$ 82,421
End of reclamation period	1-21 years	Perpetual	
Discount rate	3.88%-4.73%	3.88%-4.73%	
Inflation rate	2.0%	2.0%	

(a) Site reclamation and remediation

(i) The current portion represents the amount of costs expected to be incurred by the Company within one year from December 31, 2022.

(ii) At December 31, 2022, the Company had $63,125 in surety bonds outstanding to secure reclamation obligations.

(b) Water treatment obligation

The Company has signed certain agreements with U.S. environmental and regulatory agencies which require the 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.

Water treatment costs incurred are offset against the water treatment provision. At each reporting period, the Company makes a determination of the estimated costs of water treatment using assumptions effective as of the end of the reporting period. The change in estimate within the reporting period is charged to cost of sales.

Certain factors may cause the expected water treatment costs to vary materially from the estimates included herein, including, but not limited to, changes in water quality and changes in laws and regulations. The estimates used herein represent management's best estimates as of the end of the reporting period.

The Company is required to maintain separate trust funds to ensure water treatment activities would continue after the Company ceased operating in the affected areas. The cash is invested in debt and equity securities and income earned on such funds, under certain circumstances, may be used by the Company to pay for certain water treatment costs once the trust funds have been fully funded. See note 7(a) for a further description of the water treatment trust funds.

The current portion represents the amount of costs expected to be incurred by the Company within one year from December 31, 2022.

14. Share Capital

The authorized capital of the Company consists of an unlimited number of common shares ("Common Shares") without par value and an unlimited number of preferred shares issuable in series, with such rights, privileges, restrictions and conditions as the Board of Directors of the Company may determine from time to time. At December 31, 2022 and 2021, the Company had 103,275,076 Common Shares outstanding and no preferred shares outstanding.

On May 31, 2021, QKGI Legacy Holdings, LP ("Legacy QKGI") redeemed 170,316,639 common membership units of WCE which entitled Legacy QKGI to a 19% non-controlling interest in the net assets, income and expenses of WCE. The Company elected to satisfy the redemption by issuing 8,515,831 Common Shares to Legacy QKGI and Legacy QKGI no longer has a minority interest in the net assets, income and expenses of WCE.

Shareholder Rights Plan

On December 17, 2021, the Company adopted a shareholder rights plan (the "Rights Plan") which was ratified by shareholders of the Company at the Company's 2022 annual meeting of shareholders held on June 16, 2022, and remains in effect until the date on which the Company's annual meeting of shareholders is held in 2025, unless terminated sooner in accordance with its terms. The adoption of the Rights Plan is intended to ensure, to the extent possible, that all shareholders of the Company are treated fairly in connection with any take-over bid for Common Shares and to protect against acquisitions of control of Corsa through purchases of Common Shares that are exempt from applicable Canadian take-over bid rules, also referred to as "creeping" take-over bids. The Rights Plan is substantially similar to shareholder rights plans adopted by other Canadian issuers.

Subject to the terms of the Rights Plan, in the event that rights become exercisable under the Rights Plan, holders of the rights (other than the acquiring person and certain other customary parties, including parties acting jointly or in concert with the acquiring person) will be permitted to exercise their rights to purchase additional Common Shares of the Company at a 50% discount to the then prevailing market price of the Common Shares. Pursuant to the Rights Plan, one right attaches to each issued and outstanding Common Share.

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

15. Revenue

Revenue consists of the following:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Metallurgical coal sales	$ 158,987	$ 127,056
Thermal coal sales	4,606	1,806
Tolling revenue	1,664	1,543
Limestone revenue	634	1,070
	$ 165,891	$ 131,475

The following table displays revenue from contracts with customers and other sources:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Revenue from contracts with customers	$ 164,891	$ 130,080
Revenue from other sources	1,000	1,395
	$ 165,891	$ 131,475

Revenue from other sources is primarily thermal coal and limestone sold to various customers where control passes upon the loading of the coal or limestone at a point-of-sale transaction.

Corsa derives revenue from contracts with customers through the transfer of goods and services at a point in time in the following by type and geographical regions:

	For the year ended December 31, 2022			
Geographic Region	**Metallurgical Coal**	**Thermal Coal**	**Tolling Revenue**	**Total**
Asia	$ 35,268	$ —	$ —	$ 35,268
North America	111,862	4,240	1,664	117,766
Europe	11,857	—	—	11,857
Total revenue from contracts with customers	$ 158,987	$ 4,240	$ 1,664	$ 164,891

	For the year ended December 31, 2021			
Geographic Region	**Metallurgical Coal**	**Thermal Coal**	**Tolling Revenue**	**Total**
Asia	$ 44,699	$ —	$ —	$ 44,699
North America	66,348	1,481	1,543	69,372
South America	6,811	—	—	6,811
Europe	9,198	—	—	9,198
Total revenue from contracts with customers	$ 127,056	$ 1,481	$ 1,543	$ 130,080

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

16. Cost of Sales

Cost of sales consists of the following:

	For the years ended December 31	
	2022	**2021**
Mining and processing costs	$ 106,385	$ 86,728
Purchased coal costs	24,570	12,118
Royalty expense	6,623	5,858
Amortization expense	11,833	16,408
Transportation costs from preparation plant to customer	7,296	6,650
Idle mine expense	1,427	777
Tolling costs	1,503	960
Limestone costs	620	909
Change in estimate of reclamation and water treatment provision	10,837	(3,310)
Other costs	1,405	1,268
	$ 172,499	$ 128,366

17. Selling, General and Administrative Expense

Selling, general and administrative expense consists of the following:

	For the years ended December 31,	
	2022	**2021**
Salaries and other compensation	$ 4,587	$ 4,873
Employee benefits	1,342	1,039
Selling expense	599	535
Professional fees	1,984	1,875
Office expenses and insurance	1,356	1,232
Other	336	299
	$ 10,204	$ 9,853

18. Stock-Based Compensation

The Company has a stock option plan and a restricted share unit ("RSU") plan providing for the issuance of stock options and RSUs, respectively, to directors, officers, employees and service providers. The number of Common Shares reserved for issuance under the stock option plan may not exceed 10% of the total number of issued and outstanding Common Shares on a non-diluted basis on the grant date. Additionally, the number of Common Shares that may be acquired under a stock option or RSU granted to a certain participant is determined by the Company's Board of Directors and may not exceed 5% of the total number of issued and outstanding Common Shares on the grant date on a non-diluted basis. The exercise price of the stock options granted shall comply with the requirements of the stock exchange on which the Common Shares are listed (currently the TSX Venture Exchange). The maximum term of any stock option may not exceed five years unless approved by the Company's Board of Directors. Generally, stock options vest over three years. Each RSU granted entitles the participant to receive, from the Company, payment in cash or, at the option of the Company, payment in fully paid Common Shares. For a cash payment, the RSUs will be redeemed by the Company for cash equal to the market value of the Common Shares, determined based on the volume weighted average trading price of a Common Share on the stock exchange during the five trading days immediately preceding the payment date. In the event that the Company elects to satisfy all or part of its payment obligation in fully paid Common Shares, the Company will satisfy the payment obligation with the issuance, or delivery, of fully paid Common Shares on the payment date. No RSUs have been granted, including during the years ended December 31, 2022 and 2021. At December 31, 2022 and 2021, there were 4,067,008 and 6,077,008 stock options available for issuance under the stock option plan, respectively.

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

The following illustrates the changes in issued and outstanding stock options:

	Number of Stock Options (000's)	Weighted Average Exercise Price (C$)
Balance - January 1, 2021	5,277	$1.09
Options granted (a)	150	0.45
Options cancelled/forfeited	(70)	1.08
Options expired	(1,106)	2.03
Balance - December 31, 2021	4,251	0.83
Options granted (b)	4,000	0.27
Options cancelled/forfeited	(1,135)	0.65
Options expired	(855)	1.53
Balance - December 31, 2022	6,261	$0.41

The following table illustrates the stock options granted and each grant was valued using a Black-Scholes pricing model at the date granted using the following valuation assumptions:

	(a)	(b)
Date of grant:	August 11, 2021	November 2, 2022
Options granted (000's):	150	4,000
Expected life in years:	2 to 4	2 to 4
Exercise price:	C$0.45	C$0.27
Risk-free interest rate:	0.23% to 0.63%	4.37% to 4.56%
Common Share price:	C$0.45	C$0.27
Expected volatility:	93% to 114%	107% to 118%
Dividend yield:	—%	—%
Forfeiture rate:	14.85%	15.13%

(a) Stock options were granted to a director and officer of the Company and were cancelled in the year ended December 31, 2022.
(b) Stock options were granted to directors, the interim chief financial officer and employees of the Company.

The risk-free interest rate used is the United States Treasury Yield Curve Rate for the time period relating to the expected life of the options granted. The expected volatility is based on historic market data for the Company using a look-back period equivalent to the expected life of the stock options granted. The estimated forfeiture rate is based on the historical forfeiture rate.

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

The following table summarizes information about the stock options outstanding and exercisable at December 31, 2022:

Exercise Price (C$)	Options Outstanding (000's)	Weighted Average Remaining Contractual Life (years)	Outstanding Weighted Average Exercise Price (C$)	Stock Options Exercisable (000's)	Exercisable Weighted Average Exercise Price (C$)
$0.27	3,800	4.84	$0.27	—	—
$0.38	1,438	1.85	$0.38	1,438	$0.38
$0.90	968	0.85	$0.90	968	$0.90
$1.83	55	0.04	$1.83	55	$1.83
$0.27 to $1.83	6,261	3.49	$0.41	2,461	$0.62

For the years ended December 31, 2022 and 2021, the Company recorded stock-based compensation expense on the outstanding stock options, which is included in selling, general and administrative expense, as follows:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Stock-based compensation expense	$ 56	$ 155

19. Finance (Expense), Finance Income and Gain (Loss) on Restricted Investments

Finance (expense), finance income and gain (loss) on restricted investments consists of the following:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Finance expense		
Amortization of discount on loan payable (note 11)	$ (186)	$ (178)
Amortization of deferred financing costs	(90)	(186)
Bond premium expense	(2,260)	(2,147)
Interest expense	(2,973)	(2,530)
Foreign exchange loss	(11)	—
Accretion on reclamation and water treatment provision (note 13)	(899)	(554)
Total finance expense	$ (6,419)	$ (5,595)
Finance income		
Interest income	$ 178	$ 1
Foreign exchange gain	—	3
Total finance income	$ 178	$ 4
Net finance expense	$ (6,241)	$ (5,591)
(Loss) gain on Restricted Investments	$ (2,804)	$ 2,748

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

20. Other Income and Expense

Other income (expense) consists of the following:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Employee retention credit	$ —	$ 6,867
Paycheck Protection Program grant income	—	1,126
U.S. Department of Justice disgorgement (note 9)	(1,200)	—
Restructuring charges	(886)	—
Filter cake sales and refuse disposal income	96	933
(Loss) gain on property dispositions	(186)	1,982
Royalty income	137	128
Other	167	(40)
	$ (1,872)	$ 10,996

21. Earnings per Share

Basic and diluted loss per Common Share is summarized as follows:

	For the years ended December 31, 2022	For the years ended December 31, 2021
Basic and diluted (loss) earnings attributable to common shareholders	$ (27,729)	$ 1,550
Basic weighted average number of Common Shares outstanding (000's)	103,275	99,775
Dilutive effect of weighted average of stock options (000's)	—	462
Diluted weighted average number of Common Shares outstanding (000's)	103,275	100,237
Basic (loss) earnings per share	$ (0.27)	$ 0.02
Diluted (loss) earnings per share	$ (0.27)	$ 0.02

In periods of net loss, the number of shares used to calculate diluted earnings per share is the same as basic earnings per share; therefore, the effect of the dilutive securities is zero for such periods. For the year ended December 31, 2022, there were no instruments, including stock options, which would result in the issuance of Common Shares whose effect would be dilutive on loss per share.

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

22. Incomes Taxes

Rate Reconciliation

Major items causing the Company's income tax rate to differ from the combined federal and provincial statutory rate were as follows:

	For the years ended December 31,	
	2022	**2021**
Net (loss) income before income taxes	$ (27,729)	$ 1,409
Statutory tax rate	26.5 %	26.5 %
Expected income tax recovery based on statutory rate	(7,348)	373
Increase (decrease) resulting from:		
Unrecognized future tax benefits	15	41
Accounting expenses disallowed for tax, net	7,611	(377)
Impact of taxable income passed through to Legacy QKGI (a)	—	(57)
Foreign tax rate differential	(278)	20
Income tax expense (benefit)	$ —	$ —
Effective tax rate	— %	— %

(a) WCE is a limited liability company and is treated as a partnership for U.S. federal and state tax purposes. The taxable income and loss of WCE, through May 31, 2021, was passed through to its two partners WCH and Legacy QKGI in proportion to their respective percentage interest in WCE. The current tax expense recognized in the consolidated financial statements includes only the income tax expense of WCH on its share of the taxable income or losses passed through from WCE.

Income tax receivable (payable)

The Company had no income tax payable or receivable at December 31, 2022 and 2021.

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

Deferred tax assets and liabilities

	December 31, 2022	December 31, 2021
Deferred tax assets:		
Property, plant and equipment	$ 3	$ 4
Asset retirement obligations	8,280	7,172
Water treatment reserves	8,505	7,109
Interest expense	4,324	3,578
Accrued expenses	1,422	1,729
Reserve for supply inventory	156	156
Acquisition costs	92	124
Finance expenses	178	178
Loss carry forwards and unused tax credits (a)	57,879	51,268
Other deferred tax assets	302	111
Gross deferred income tax assets	81,141	71,429
Unrecognized tax benefit related to tax losses	(66,297)	(55,143)
Total deferred income tax assets	14,844	16,286
Deferred tax liabilities:		
Property, plant and equipment	(3,934)	(5,039)
Coal reserves	(9,838)	(9,269)
Mine development costs	(910)	(1,259)
Unrealized foreign exchange gain	(162)	(162)
Other deferred tax liabilities	—	(557)
Total deferred income tax liabilities	(14,844)	(16,286)
Net deferred tax assets (liabilities) (b)	$ —	$ —

a. At December 31, 2022 and 2021, the Company had Canadian non-capital losses of $11,762 and $11,349, respectively. At December 31, 2022 and 2021, the Company had United States non-capital losses of $203,846 and $175,924, respectively. The non-capital losses, which no deferred income tax assets have been recognized, expire between 2023 and 2037, although $43,936 can be carried forward indefinitely. At December 31, 2022 and 2021, the Company had U.S. state non-capital losses of $154,763 and $144,974, respectively, which expire between 2023 and 2041.

b. Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Corsa and its subsidiaries file income tax returns in Canada and in the United States. An examination was performed in relation to Corsa's October 22, 2015, December 31, 2015 and 2016 Canadian income tax returns. The Canada Revenue Agency ("CRA") disputed the bad debt deductions taken in respect of the accrued interest on various intercompany notes that had become uncollectible in those years. The CRA issued notices of reassessment for these tax years and resulted in total tax, penalties and interest of C$1,200. In December 2021, Corsa filed a notice of objection and accordingly did not recognize the uncertain tax position. In June 2022, Corsa received notification from the CRA that the Company's objection was allowed in full and the reassessments for these tax years was reversed.

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

23. Supplemental Cash Flow Information

	For the years ended December 31, 2022	2021
Change in working capital balances related to operations:		
Accounts receivable	$ 10,822	$ (16,191)
Prepaid expenses and other current assets	2,528	2,319
Inventories	(305)	(104)
Accounts payable and accrued liabilities	(1,805)	10,548
Recourse obligation	1,906	—
Other liabilities	520	(586)
	$ 13,666	$ (4,014)
Cash paid for interest	$ 2,881	$ 1,732
Cash paid for income taxes	$ 80	$ —
Non-cash investing and financing activities:		
Purchase of property, plant and equipment		
Change in assets	$ (29)	$ (96)
Change in liabilities	$ (29)	$ (96)
Lease liabilities		
Change in assets	$ 2,308	$ 387
Change in liabilities	$ 2,308	$ 387
Change in estimate of reclamation liability		
Change in assets	$ (1,118)	$ 3,828
Change in liabilities	$ (1,118)	$ 3,828

24. 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, at the time, were under common control with the Company’s former controlling shareholder, Quintana Energy Partners L.P. (“QEP”); transactions with companies who, at the time, were under common control of the Company’s former minority shareholder, Sev.en Met Coal Corp. (“Sev.en”) and transactions with close family members of key management personnel. QEP and Sev.en ceased being related parties in December 2021 and January 2022, respectively.

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, 2022	2021
Coal sales (a)	$ —	$ 2,275
Supplies purchased (b)	—	(150)
	$ —	$ 2,125

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

(a) During the year ended December 31, 2021, the Company sold coal to Blackhawk Coal Sales, LLC, which was considered a related party as this entity was acquired by Sev.en, on June 1, 2020. These amounts were included in revenue in the consolidated financial statements of operations and comprehensive income (loss). Blackhawk Coal Sales, LLC is no longer considered a related party in the year ended December 31, 2022.

(b) During the year ended December 31, 2021, the Company purchased supplies used in the coal separation process from Quality Magnetite, LLC, which was significantly influenced by key management personnel of QEP. These amounts were included in cost of sales in the consolidated statements of operations and comprehensive income (loss). Quality Magnetite, LLC is no longer considered a related party in the year ended December 31, 2022.

Included in accounts payable and accrued liabilities due to related parties at December 31, 2021 was $22.

25. Key Management Personnel

Key management personnel are comprised of executives, directors and senior management of the Company. The following is a summary of compensation awarded to key management personnel.

	For the years ended December 31, 2022	2021
Salaries and short-term benefits	$ 2,146	$ 1,627
Post-employment benefits	71	24
Share-based awards	51	89
	$ 2,268	$ 1,740

Post-Employment Benefits

The Company has a personal retirement savings plan available to all employees. The Company contributes 3% and will match employee contributions up to 3%, for a total Company contribution of up to 6%. Effective in August 2020, the Company temporarily discontinued the additional 3% matching of employee contributions which remained in effect through December 31, 2021 and was reinstated for the year ending December 31, 2022. Total Company contributions to this 401(k) plan were $1,295 and $639 for the years ended December 31, 2022 and 2021, respectively.

26. Segment Information

Management has identified its operating segments based on geographical location and product offerings. Management has identified two distinct operating segments which require separate disclosures under IFRS 8 – *Operating Segments*. The two operating segments, NAPP and the Company's corporate office, are reported on the same basis as the internal reporting of the Company, using accounting policies consistent with the annual consolidated financial statements.

NAPP is a distinct operating segment based on its metallurgical coal operations and location in the U.S. along the Northern Appalachia coal belt. The Company's corporate office provides support and manages the mining investments. The amounts charged for transactions between reportable segments were measured at the exchange value, which represented the amount of consideration established and agreed to by the reportable segments.

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

	For the year ended December 31, 2022		
	NAPP	Corporate	Total
Revenues	$ 165,891	$ —	$ 165,891
Cost of sales	(172,499)	—	(172,499)
Gross loss	(6,608)	—	(6,608)
Selling, general and administrative expense	(7,128)	(3,076)	(10,204)
Loss from operations	(13,736)	(3,076)	(16,812)
Finance expense	(4,598)	(1,821)	(6,419)
Finance income	176	2	178
Loss on restricted investments	(2,804)	—	(2,804)
Other income (expense)	(986)	(886)	(1,872)
Loss before tax	(21,948)	(5,781)	(27,729)
Current income tax expense	—	—	—
Deferred income tax expense	—	—	—
Provision for income taxes	—	—	—
Net loss	$ (21,948)	$ (5,781)	$ (27,729)

	For the year ended December 31, 2021		
	NAPP	Corporate	Total
Revenues	$ 131,475	$ —	$ 131,475
Cost of sales	(128,366)	—	(128,366)
Gross income	3,109	—	3,109
Selling, general and administrative expense	(5,945)	(3,908)	(9,853)
Loss from operations	(2,836)	(3,908)	(6,744)
Finance expense	(3,762)	(1,833)	(5,595)
Finance income	—	4	4
Gain on restricted investments	2,748	—	2,748
Other income	10,898	98	10,996
Income (loss) before tax	7,048	(5,639)	1,409
Current income tax (benefit) expense	—	—	—
Deferred income tax expense	—	—	—
Provision for income taxes	—	—	—
Net income (loss)	$ 7,048	$ (5,639)	$ 1,409

Expressed in United States dollars, amounts in thousands except for shares and per share amounts

	For the year ended December 31, 2022			For the year ended December 31, 2021		
	NAPP	Corporate	Total	NAPP	Corporate	Total
Assets	$ 185,312	$ 7,326	$ 192,638	$ 202,485	$ 13,011	$ 215,496
Liabilities	$ 104,024	$ 27,006	$ 131,030	$ 96,185	$ 30,030	$ 126,215

All of the Company's mining properties are located in the U.S. The following geographic data includes revenues, net income (loss), non-current assets, total assets and total liabilities:

	For the year ended December 31, 2022			For the year ended December 31, 2021		
	USA	Canada	Total	USA	Canada	Total
Revenue	$ 165,891	$ —	$ 165,891	$ 131,475	$ —	$ 131,475
Net loss	$ (27,554)	$ (175)	$ (27,729)	$ 2,023	$ (614)	$ 1,409

	At December 31, 2022			At December 31, 2021		
	USA	Canada	Total	USA	Canada	Total
Non-current assets	$ 162,401	$ —	$ 162,401	$ 168,686	$ —	$ 168,686
Total assets	$ 192,554	$ 84	$ 192,638	$ 215,382	$ 114	$ 215,496
Total liabilities	$ 131,009	$ 21	$ 131,030	$ 126,160	$ 55	$ 126,215

The NAPP Division had four customers which accounted for 35%, 19%, 14% and 13%, respectively, of total revenue for the year ended December 31, 2022 and three customers which accounted for 29%, 20% and 10%, respectively, of total revenue for the year ended December 31, 2021.

27. Commitments and Contingencies

Litigation

The Company and its subsidiaries are parties to a number of lawsuits arising in the ordinary course of their businesses. The Company records costs relating to these matters when a loss is probable and the amount can be reasonably estimated. The effect of the outcome of these matters on the Company's future results of operations cannot be predicted with certainty as any such effect depends on future results of operations and the amount and timing of the resolution of such matters. While the results of litigation cannot be predicted with certainty, the Company believes that the final outcome of such other litigation will not have a material adverse effect on the Company's consolidated financial statements.

Contingent Receivable - A Seam Condemnation

PBS Coals, Inc., a wholly-owned, indirect subsidiary of the Company ("PBS"), filed five petitions for the Appointment of Board of Viewers (each a "Petition") for the determination of all damages suffered by PBS, other than for the loss of support, in connection with the taking of leased land by the Pennsylvania Department of Transportation ("PennDOT"). Each Petition was in connection with a different property in which PBS held a leasehold interest at the time of condemnation by PennDOT or at the time when the coal was taken but no Declaration of Taking was filed by PennDOT. Three of the cases involve Declarations of Taking filed by PennDOT, also known as De Jure Condemnations, and two of the properties involve De Facto Takings, where no Declaration of Taking was filed by PennDOT but the coal was in effect taken by actions relating to the construction of the road. In one of the De Facto Taking cases, the issue of whether or not a taking occurred was resolved in favor of PBS by the Pennsylvania Commonwealth Court, but on January 20, 2021, the Pennsylvania Supreme Court reversed the Commonwealth Court on this issue. The Pennsylvania Supreme Court, though, left open the possibility that PBS can prove consequential damages in this case due to PennDOT's action of cutting off access to this coal property. PBS requested reconsideration by the Pennsylvania Supreme Court of its decision but this request was denied. Therefore, on July 19, 2021, PBS filed a Petition asking the United States Supreme Court to grant PBS certiorari to review the case. On October 4, 2021, the United States Supreme Court denied PBS' Petition for Certiorari. Therefore, PBS asked the Court of Common Pleas of

Somerset County (the "Court of Common Pleas") to move forward in determining PBS' consequential damages claim and the Court of Common Pleas has referred the case to the Board of View to decide PBS's consequential damage claim. In the second De Facto Taking case, a hearing was held from September 13 to 16, 2022, on the issue of whether or not a De Facto Taking occurred and, if so, the extent. At the conclusion of the evidentiary hearing, the Court of Common Pleas took the matter under advisement and established a briefing schedule. Briefs have been filed by the parties and PBS is awaiting the ruling by the Court of Common Pleas. As to the three De Jure Taking cases, further proceedings are being planned in the form of Board of View hearings. The first Board of View hearing for one of the three properties has been completed and closing briefs have been filed by the parties. A Board of View hearing has been scheduled in April 2023 for the second property that was subject to a Declaration of Taking by PennDOT. As such, the Company has not recognized this contingent receivable and cannot provide a reasonable estimate for the potential magnitude of these claims.