CORSA

Corsa Coal Corp.

Consolidated Financial Statements

December 31, 2017 and 2016

URISH POPECK
accountants and consultants

To the Shareholders of Corsa Coal Corp.

We have audited the accompanying consolidated financial statements of Corsa Coal Corp. and its subsidiaries ("Corsa" or the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Corsa Coal Corp. and subsidiaries at December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Urish Popeck + Co., LLC

Certified Public Accountants
March 13, 2018
Pittsburgh, PA, USA

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

Assets	**December 31, 2017**	**December 31, 2016**
Cash	$ 20,721	$ 25,757
Accounts receivable (note 5)	26,878	7,889
Prepaid expenses and other current assets	4,179	2,913
Inventories (note 6)	21,330	12,098
Current Assets	73,108	48,657
Restricted cash (note 7)	34,526	33,063
Advance royalties and other assets	2,853	3,255
Property, plant and equipment, net (note 8)	197,039	115,997
Total Assets	$ 307,526	$ 200,972
Liabilities		
Accounts payable and accrued liabilities	$ 42,410	$ 16,165
Notes payable (note 9)	1,135	5,475
Finance lease obligations (note 10)	2,352	3,574
Other liabilities (note 12)	4,151	1,750
Reclamation and water treatment provision (note 13)	5,384	6,200
Current Liabilities	55,432	33,164
Notes payable (note 9)	427	1,290
Finance lease obligations (note 10)	2,150	4,480
Loan payable (note 11)	29,763	28,435
Other liabilities (note 12)	10,187	14,166
Reclamation and water treatment provision (note 13)	64,516	57,649
Warrant financial liability (note 11(b))	769	2,805
Total Liabilities	163,244	141,989
Equity		
Share Capital	180,001	179,811
Contributed Surplus	2,501	1,484
Accumulated Deficit	(85,517)	(155,673)
Total Shareholders' Equity	96,985	25,622
Non-controlling interest	47,297	33,361
Total Equity	144,282	58,983
Total Liabilities and Equity	$ 307,526	$ 200,972

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

Approved by the Board of Directors:

/s/ Robert C. Sturdivant
Robert C. Sturdivant, 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, 2017	For the years ended December 31, 2016
Revenue (note 16)	$ 263,932	$ 96,986
Cost of sales (note 17)	(157,146)	(110,170)
Gross Margin	106,786	(13,184)
Selling, general and administrative expense (notes 18 and 19)	(17,897)	(13,234)
Income (loss) from operations	88,889	(26,418)
Net finance expense (note 20)	(4,634)	(9,812)
Other (expense) income	(571)	2,090
Income (loss) before tax	83,684	(34,140)
Current income tax (benefit) expense (note 22)	—	—
Deferred income tax expense (note 22)	—	—
	—	—
Net and comprehensive income (loss)	$ 83,684	$ (34,140)
Attributable to:		
Shareholders	$ 69,748	$ (35,867)
Non-controlling interest	$ 13,936	$ 1,727
Basic earnings (loss) per share (note 21)	$ 0.74	$ (0.44)
Diluted earnings (loss) per share (note 21)	$ 0.72	$ (0.44)

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, 2017					
	Number of Corsa Common Shares (000's)	**Share Capital**	**Contributed Surplus**	**Deficit**	**Non-Controlling Interest**	**Total Equity**
Balance - January 1, 2017	94,389	$ 179,811	$ 1,484	$ (155,673)	$ 33,361	$ 58,983
Stock based compensation (note 19)	—	—	1,425	—	—	1,425
Stock option expiration/forfeiture	—	—	(408)	408	—	—
Stock option exercises	202	190	—	—	—	190
Net and comprehensive income	—	—	—	69,748	13,936	83,684
Balance - December 31, 2017	94,591	$ 180,001	$ 2,501	$ (85,517)	$ 47,297	$ 144,282

	For the year ended December 31, 2016					
	Number of Corsa Common Shares (000's)	**Share Capital**	**Contributed Surplus**	**Deficit**	**Non-Controlling Interest**	**Total Equity**
Balance - January 1, 2016	68,962	$ 153,172	$ 1,956	$ (123,004)	$ 31,634	$ 63,758
Stock based compensation (note 19)	—	—	2,597	—	—	2,597
Stock option expiration/forfeiture	—	—	(3,198)	3,198	—	—
Corsa equity financing	25,037	27,601	—	—	—	27,601
Issuance of broker warrants	—	(129)	129	—	—	—
Equity issuance costs	—	(1,133)	—	—	—	(1,133)
Credit amendment fee shares	390	300	—	—	—	300
Net and comprehensive (loss) income	—	—	—	(35,867)	1,727	(34,140)
Balance - December 31, 2016	94,389	$ 179,811	$ 1,484	$ (155,673)	$ 33,361	$ 58,983

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, 2017	2016
Operating Activities		
Net and comprehensive income (loss)	$ 83,684	$ (34,140)
Items not affecting cash:		
Amortization	15,808	18,884
Stock-based compensation expense (note 19)	1,425	2,597
Net finance (income) expense	(924)	7,505
Change in estimate of water treatment and reclamation provision	6,199	2,769
Asset impairment adjustments (note 8)	(66,224)	—
Write-off of advance royalties and other assets	315	1,228
Other non-cash operating expense	2,222	295
Cash spent on reclamation and water treatment activities	(5,925)	(4,755)
Changes in working capital balances related to operations (note 23)	(5,513)	2,898
Cash provided by (used in) operating activities	31,067	(2,719)
Investing Activities		
Restricted cash	(765)	195
Advance royalties and other assets	(887)	(541)
Proceeds on sale of assets	1,274	2,699
Property, plant and equipment additions	(27,119)	(6,407)
Cash used in investing activities	(27,497)	(4,054)
Financing Activities		
Proceeds from equity financing	—	27,601
Proceeds from stock option exercises	190	—
Debt issuance costs	—	(42)
Share issuance costs	—	(1,133)
Proceeds from notes payable	400	2,150
Repayment of notes payable	(5,634)	(1,710)
Repayment of finance lease obligations	(3,562)	(3,829)
Cash (used in) provided by financing activities	(8,606)	23,037
Net (decrease) increase in cash for the period	(5,036)	16,264
Cash, beginning of period	25,757	9,493
Cash, end of period	$ 20,721	$ 25,757

Supplemental disclosure (note 23)

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

1. Basis of Presentation and Nature of Operations

<u>Nature of Operations</u>

Corsa Coal Corp. ("Corsa" or the "Company") is in the business of mining, processing and selling of metallurgical, thermal and industrial 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 and the registered office of Corsa is located at 199 Bay Street, Suite 5300, Commerce Court West, Toronto, Ontario, Canada, M5L 1B9 and the head office of Corsa is located at 4600 J. Barry Court, Suite 220, Canonsburg, Pennsylvania, USA, 15317.

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.

Unless otherwise indicated, all dollar amounts in these consolidated financial statements are expressed in United States dollars.

At December 31, 2017, the Company has two main operating divisions, Northern Appalachia and Central Appalachia, which are described below. Following the Kopper Glo divestiture on March 13, 2018, the Company has one operating division, the Northern Appalachia division.

Northern Appalachia Division ("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 and thermal coal used in power generation from its mines in the Northern Appalachia coal region of the USA.

Central Appalachia Division ("CAPP Division" or "CAPP")

The CAPP Division, based in Knoxville, Tennessee, USA, produces and sells high-BTU, low and mid sulfur thermal coal used in power generation and industrial applications and metallurgical coal used for the production of coke from its mines in the Central Appalachian coal region of the USA.

All scientific and technical information contained in these consolidated financial statements has been reviewed and approved by Peter V. Merritts, Professional Engineer and the Company's President - NAPP Division, who is a qualified person within the meaning of National Instrument 43-101 - Standards of Disclosure for Mineral Projects.

<u>Statement of Compliance</u>

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"). The Company has consistently applied the same accounting policies throughout all periods presented.

Certain reclassifications of prior period data have been made to conform to the current annual report.

These consolidated financial statements were authorized by the Board of Directors of the Company on March 13, 2018.

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. Summary of 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. All intercompany balances and transactions are eliminated upon consolidation including any income and expenses arising from such intercompany transactions.

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 - 81%	NAPP	81%
Maryland Energy Resources, LLC	Delaware, USA	WCE - 100%	NAPP	81%
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%
Norwich Services, Inc.	Pennsylvania, USA	PBS Coals, Inc - 100%	NAPP	100%
Quecreek Mining, Inc.	Pennsylvania, USA	PBS Coals, Inc - 100%	NAPP	100%
Croner, Inc.	Pennsylvania, USA	PBS Coals, Inc - 100%	NAPP	100%
Elk Lick Energy, Inc.	Pennsylvania, USA	PBS Coals, Inc - 100%	NAPP	100%
Kopper Glo Mining, LLC (a)	Delaware, USA	WCE - 100%	CAPP	81%

(a) Kopper Glo Mining, LLC was sold on March 13, 2018 pursuant to the Kopper Glo Sale (see note 28 - subsequent events) for additional details.

Business Combination

The Company uses the acquisition method of accounting to account for business combinations. The fair value of the acquisition of a subsidiary is based on the fair value of the assets acquired, the liabilities assumed, and the fair value of the consideration. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the acquisition date.

The excess, if any, of the consideration and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable net assets is recorded as goodwill. In the case of a bargain purchase, where the total consideration and any non-controlling interest recognized are less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of operations and comprehensive income (loss).

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.

Non-controlling interest

Non-controlling interests in the net assets of consolidated subsidiaries are a separate component of the Company's equity. Non-controlling interests consist of the non-controlling interests on the date of the original business combination, recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets, plus the non-controlling interests' share of changes in equity since the date of acquisition.

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 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 they are probable to be recovered by the Company. Any allowance for uncollectible receivables are offset against the accounts receivable with an offsetting charge to the consolidated statement of operations.

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 and long-term prepaid expenses 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 depreciates 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 fiscal 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 plant, 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 assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all 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.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the nature of the items:

i. Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized at fair value. Transaction costs are expensed in the consolidated statements of operations and comprehensive income (loss). Gains and losses arising from changes in fair value are presented in the consolidated statements of operations and comprehensive income (loss) within net finance expense in the period in which they arise. Cash, restricted cash, and the warrant financial liability represent financial assets and liabilities at fair value through profit or loss.

ii. Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Transaction costs are added to the value of the instrument at acquisition. The Company does not currently have any instruments designated as available-for-sale.

iii. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables consist of accounts receivable. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

iv. Other financial liabilities: Other financial liabilities include accounts payable and accrued liabilities, tax distributions payable, notes payable, finance lease obligations, loan payable and other liabilities. Other financial liabilities are recognized initially at fair value net of transaction costs incurred and are subsequently measured at amortized cost.

Impairment of financial assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and the loss has an impact on the estimated cash flows of the financial asset that can be reliably estimated.

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 credited to 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

Cash which is subject to legal or contractual restrictions on its use is classified separately as restricted cash.

Leases

Leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are treated as operating leases with the required payments under the agreement charged to the consolidated statements of operations and comprehensive income (loss) on a straight line basis over the term of the lease. For finance leases, the lesser of the present value of minimum lease payments and the fair value of the leased assets is recognized, at the time the lease is executed and an unavoidable obligation exists for the Company, as a finance lease obligation and an offsetting asset within property, plant and equipment.

The finance lease obligation is subsequently carried at amortized cost with payments made under the agreement reducing the carrying value. Interest on the outstanding finance lease obligation is charged to the statement of operations and comprehensive income (loss) using the effective interest rate method and added to the carrying value of the finance lease obligation.

Revenue recognition

Revenue associated with the sale of coal or processing service is recognized when all significant risks and rewards of ownership are transferred to the customer and the amount of revenue can be measured reliably. 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.

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 incurred 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 incurred 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 retained earnings or 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 retained earnings or accumulated deficit. For stock options forfeited which have not yet vested, the amount of stock based compensation recognized historically is credited 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 tax consists of the income tax payable by the Company on income, calculated using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax 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 records a valuation allowance to reduce 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, warrants 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, warrants and similar instruments. It assumes 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, reclamation provisions and amortization expense.

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. During the year ended December 31, 2017, the Company recognized an impairment reversal at the NAPP Division of $86,188 and an additional impairment charge of $19,964 at the CAPP Division.

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

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after January 1, 2018. Updates that are not applied or are not consequential to the Company have been excluded.

(a) International Financial Reporting Standard ("IFRS") 9 – Financial Instruments

In July 2014, the IASB issued the complete IFRS 9 – *Financial Instruments* ("IFRS 9"), which introduced new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. IFRS 9 is effective for annual periods beginning January 1, 2018. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on January 1, 2018. Management believes that adoption of this new guidance will not have a material impact on the Company's financial statements.

(b) IFRS 15 – Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 – *Revenue from contracts with customers* ("IFRS 15"). IFRS 15 is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. Management has concluded its analysis of this new standard and the adoption of this new guidance will not have a material impact on the Company's financial statements.

(c) IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"). IFRS 16 is effective for periods beginning on or after January 1, 2019 and early adoption is permitted if the company also applies IFRS 15. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying that model, a lessee is required to recognize (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of the lease assets separately from interest on the lease liabilities in the statement of operations. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning January 1, 2019. The Company is currently evaluating this guidance and currently believes that this new guidance will not have a material impact on its financial results when adopted, but will require additional assets and liabilities to be recognized for certain agreements where the Company has the rights to use assets.

(d) IFRIC 23 – Uncertainty over income tax treatments

In June 2017, the IASB issued IFRIC 23 – *Uncertainty over income tax treatments* ("IFRIC 23"). IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. IFRIC 23 clarifies application of recognition and measurements requirements in International Accounting Standard 12 – *Income Taxes* when there is uncertainty over income tax treatments. IFRIC 23 specifically addresses whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The Company intends to adopt IFRIC 23 in its consolidated financial statements for the annual period beginning January 1, 2019. The impact to the presentation of the Company's consolidated financial statements upon adoption of this interpretation has not yet been determined.

3. Capital Management

The Company defines managed capital as its total 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 and benefits for other stakeholders. At December 31, 2017 and 2016, total managed capital was $144,282 and $58,983, 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. There are no external restrictions on managed capital of the Company.

The Company continually assesses its capital structure and makes adjustments to it 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, warrant financial liability, accounts receivable, accounts payable and accrued liabilities, notes payable, finance lease payable, loan payable and other liabilities.

(a) 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's primary exposure to credit risk is on its bank accounts. These bank accounts are held with high credit quality institutions in Canada and the United States. Restricted cash consists of certificates of deposit and interest bearing securities invested with highly rated financial institutions.

Accounts receivable consist of trade receivables and other receivables. The Company assesses the quality of its customers, taking into account their creditworthiness and reputation, past experience and other factors. The Company has not recorded any allowance for credit losses for the years ended December 31, 2017 and 2016.

Commodity Risk

The value of the Company's mineral properties is related to the price of metallurgical and thermal coal and the outlook for these commodities, 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, 2017 the Company had a consolidated cash balance of $20,721 and consolidated working capital of $17,676. The future operations of the Company are dependent on the continued generation of positive cash flows from operations which is dependent on the future demand and price for metallurgical and thermal coal.

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

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 December 31, 2017	Payments due by period				
		Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accruals	$ 42,410	$ 42,410	$ 42,410	$ —	$ —	$ —
Notes payable	1,562	1,562	1,135	427	—	—
Finance lease obligations	4,502	4,524	2,352	1,957	215	—
Loan payable	29,763	32,017	—	32,017	—	—
Other liabilities	14,338	14,926	4,151	6,210	3,616	949
Purchase order firm commitments	—	14,553	14,553	—	—	—
Water treatment trust funding	—	6,107	1,903	4,204	—	—
Operating leases and other obligations	—	2,980	790	854	370	966
Total	$ 92,575	$ 119,079	$ 67,294	$ 45,669	$ 4,201	$ 1,915

(b) Fair Value

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

	December 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loan Payable	$ 29,763	$ 25,676	$ 28,435	$ 21,667

The fair value of the loan payable was determined by discounting the future contractual cash flows at a discount rate that represents an approximation of the borrowing rates presently available to the Company which was 14.5% and 16.0% at December 31, 2017 and 2016, respectively.

Fair value hierarchy

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

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

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

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

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

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

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, 2017		December 31, 2016	
	Level 1	**Level 2**	**Level 1**	**Level 2**
Financial assets				
Cash	$ 20,721	$ —	$ 25,757	$ —
Restricted cash	34,526	—	33,063	—
	$ 55,247	$ —	$ 58,820	$ —
Financial liabilities				
Warrant financial liability	$ —	$ 769	$ —	$ 2,805

The inputs used to measure the warrant financial liability (note 11(b)) are based on observable unadjusted market prices for identical assets and are therefore classified as Level 2 inputs under the financial instruments hierarchy.

At December 31, 2017 and 2016, the Company had no financial instruments which used Level 3 fair value measurements.

5. Accounts receivable

Accounts receivable consist of the following:

	December 31, 2017	December 31, 2016
Trade receivables	$ 26,540	$ 7,788
Other	338	101
	$ 26,878	$ 7,889

The Company has not recorded any allowance for credit losses for the periods presented above.

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

6. Inventories

Inventories consist of the following:

		December 31, 2017		December 31, 2016
Metallurgical coal				
Clean coal stockpiles	$	13,752	$	4,770
Raw coal stockpiles		3,214		1,504
		16,966		6,274
Thermal coal				
Clean coal stockpiles		36		865
Raw coal stockpiles		5		465
		41		1,330
Parts and supplies		4,323		4,494
	$	21,330	$	12,098

During the year ended December 31, 2017, the Company reported a change in estimate of a clean metallurgical coal stockpile which resulted in additional inventory to be sold. The stockpile was fully reclaimed and resulted in an additional 25 thousand tons of coal inventory that was sold during the period.

7. Restricted cash

Restricted cash consists of the following:

		December 31, 2017		December 31, 2016
Water treatment trust funds (a)	$	22,434	$	19,050
Collateral posted for reclamation bonds (b)		7,232		8,912
Workers' compensation trust funds (c)		4,849		5,090
Other restricted deposits		11		11
	$	34,526	$	33,063

(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 invested in fixed income and equities 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. As of December 31, 2017, the Company is required to contribute an additional $6,107 over the course of the next five years to fully fund these trusts, with $1,903 due in the next twelve months.

(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 invested in certificates of deposit that are insured by the U.S. Federal Deposit Insurance Corporation and are held in escrow. The Company reached an agreement with an insurer to release certain portions of the cash collateral to fund certain reclamation projects. Accordingly, $1,689 and $1,560 was released from the cash collateral and used to fund reclamation expenses during the year ended December 31, 2017 and 2016, respectively.

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

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

8. Property, plant and equipment

Property, plant and equipment consists of the following:

	Mineral Properties (a)	Plant and Equipment	Total
Cost			
Balance - January 1, 2016	$ 176,245	$ 168,925	$ 345,170
Additions	—	6,196	6,196
Capitalized development costs	3,883	—	3,883
Change in reclamation provision	(964)	—	(964)
Capitalized borrowing costs	62	—	62
Disposals	(1,020)	(7,244)	(8,264)
Other	—	(104)	(104)
Balance - December 31, 2016	178,206	167,773	345,979
Additions	—	19,191	19,191
Capitalized development costs	8,921	—	8,921
Change in reclamation provision	4,307	—	4,307
Capitalized borrowing costs	31	—	31
Disposals	(14,089)	(5,488)	(19,577)
Balance - December 31, 2017	$ 177,376	$ 181,476	$ 358,852
Accumulated Amortization			
Balance - January 1, 2016	$ (93,736)	$ (123,948)	$ (217,684)
Amortization	(4,399)	(15,212)	(19,611)
Disposals	1,020	6,238	7,258
Other	—	55	55
Balance - December 31, 2016	(97,115)	(132,867)	(229,982)
Amortization	(3,356)	(13,508)	(16,864)
Impairment and reversal of mineral properties (b)	45,249	20,975	66,224
Disposals	14,089	4,720	18,809
Balance - December 31, 2017	$ (41,133)	$ (120,680)	$ (161,813)
Net Book Value			
December 31, 2016	$ 81,091	$ 34,906	$ 115,997
December 31, 2017	$ 136,243	$ 60,796	$ 197,039

(a) Mineral properties include the cost of obtaining the mineral and surface rights required to conduct mining operations. The two types of lease rights in the states of Tennessee, Kentucky, 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 range from zero to 10.0% of the selling price of the coal. Mineral and surface rights which are owned by the Company are not subject to royalties.

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

(b) In accordance with the Company's significant accounting policies, each asset or CGU is evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company performed a comprehensive review of current mining operations as well as potential future development projects for the year ended December 31, 2017, to ascertain any potential impairment losses or reversals of past impairments. In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal ("FVLCD") and value in use ("VIU"). Information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. When no such negotiations are taking place, the FVLCD for each CGU is estimated based on discounted future estimated cash flows expected to be generated from the continued use of the CGUs using market based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, including any expansion projects, and its eventual disposal, based on the CGU five-year plan and latest life of mine ("LOM") plans. These cash flows are discounted using a discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

Accumulated Amortization	Mineral Properties	Plant and Equipment	Total
NAPP Division - impairment reversal	$ 59,156	$ 27,032	$ 86,188
CAPP Division - impairment loss	(13,907)	(6,057)	(19,964)
	$ 45,249	$ 20,975	$ 66,224

NAPP Division - Impairment Reversal

In the year ended December 31, 2015, the Company incurred impairment losses of $112,646 at the NAPP Division due to the carrying amount of the net assets exceeding the market capitalization along with the depressed market conditions for metallurgical coal. Subsequent to the recognition of this impairment, metallurgical coal prices have significantly increased and future commodity price estimates have improved dramatically. Therefore, the Company evaluated this impairment loss that was previously recognized for potential reversals as events and changes in circumstances warranted such consideration. The Company completed a discounted future estimated cash flows analysis and as a result of this analysis, the Company concluded a reversal of the impairment previously recognized at the NAPP Division was appropriate. Accordingly, the Company recognized an impairment reversal of $86,188, which represents an increase in the carrying amount of the CGU that was determined (net of amortization and depreciation) had no impairment loss been recognized for the CGU in prior periods. The reversal of the previously recognized NAPP Division impairment charge is included in cost of sales in the consolidated statement of operations and comprehensive income (loss).

Key Assumptions

The recoverable amount of the NAPP Division CGU was $386,675 as determined based on the FVLCD using discounted cash flow projections. Key assumptions used in the calculation of recoverable amounts include discount rates, coal prices, future timing of production including the date when a mineral property can be brought into production, the expected cost to produce coal, future care and maintenance, and operating costs.

The assumed metallurgical coal free on board mine prices used to determine NAPP's estimated FVLCD were in a price range from $93-$108 per ton for the period 2018 through 2043. The Company used a post-tax discount rate of 14% based on the Company's estimated weighted-average cost of capital for discounting the cash flow projections.

Management's estimate of the FVLCD of the NAPP Division is classified as level 3 in the fair value hierarchy.

Sensitivity Assumptions

The projected cash flows and estimated FVLCD can be affected by any one or more changes in the estimates used. Changes in coal prices and discount rates have the greatest impact on value, where a 1% change impacts the FVLCD as follows:

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

Cash Generating Unit	Change to FVLCD: 1% Decrease in Coal Prices	1% Increase in Coal Prices	1% Increase in Discount Rate	1% Decrease in Discount Rate
NAPP Division	$ (19,054)	$ 19,054	$ (28,095)	$ 31,248

CAPP Division - Impairment Recognized

Subsequent to December 31, 2017, but prior to the issuance of the financial statements, the Company entered into a definitive membership interest purchase agreement in respect of, and completed, the sale of its equity interest in Kopper Glo Mining, LLC, which represented the Company's CAPP Division. As negotiations with the purchaser took place subsequent to December 31, 2017, the membership interest purchase agreement was used as the best estimate of the FVLCD. Management's estimate of the FVLCD of the CAPP Division is classified as level 1 in the fair value hierarchy. The Company recorded an asset impairment loss of $19,964 for the year ended December 31, 2017, based on the FVLCD. The impairment charge is included in cost of sales in the consolidated statement of operations and comprehensive income (loss). Refer to the Subsequent Events footnote for additional discussion on how this impairment loss amount was determined.

9. Notes Payable

Notes payable consists of the following:

	December 31, 2017	December 31, 2016
Revolving credit facility (a)	$ —	$ 4,150
Loans payable - equipment purchase (b)	800	1,295
Note payable (c)	762	1,320
Balance, end of period	1,562	6,765
Less: Current portion	(1,135)	(5,475)
Total long-term notes payable	$ 427	$ 1,290

(a) On December 30, 2016, Corsa entered into a modification and extension agreement to, among other things, extend the termination date of the revolving credit facility until December 10, 2017. The previous facility was set to expire on January 10, 2017. Under the terms of the modification and extension agreement, the Company converted the revolving credit facility to a term loan and amortized the principal balance over the extension period. Interest was paid monthly on the outstanding principal at LIBOR plus 2.50%. All of the assets of the CAPP Division were pledged as collateral for the loan except those pledged under finance leases. There were no financial covenants in the modification and extension agreement. At December 31, 2017, this note was extinguished as all principal payments were made.

(b) The NAPP Division has a loan payable which bears interest at 6.99% with an equipment provider. The equipment purchase that was financed is pledged as collateral for the loan and is repayable in monthly installments of $56 until April 2018. The CAPP Division has a loan payable which bears no interest with an equipment provider. The equipment purchase that was financed is pledged as collateral for the loans and is repayable in monthly installments of $11 until April 2020. The CAPP Division also has a loan payable which bears interest at 6.00% with an equipment finance provider that commenced in April 2017. The equipment purchase that was financed is pledged as collateral for the loan and is repayable in monthly installments of $18 until April 2019.

(c) The NAPP Division has a note payable which bears interest at 4.0%. The note is repayable in monthly installments until April 2019. The note carries a mortgage against the Alumbaugh mineral property (owned portion of Acosta Deep project). The direct relationship between the note payable and use of the funds towards the acquisition of the Alumbaugh mineral property requires the borrowing costs to be capitalized as part of the development costs of the property. During the years ended December 31, 2017 and 2016, $31 and $62 of finance and interest expense was capitalized to the cost of the Alumbaugh mineral property, respectively.

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

At December 31, 2017, there were no covenants related to the notes payable.

10. Finance Lease Obligations

Finance lease obligations consists of the following:

	December 31, 2017		December 31, 2016	
NAPP Division leases expiring from 2017-2021 (a)	$	3,627	$	6,046
CAPP Division leases expiring from 2017-2020 (b)		875		2,008
Balance, end of period		4,502		8,054
Less: Current portion		(2,352)		(3,574)
Total long-term finance lease obligations	$	2,150	$	4,480

(a) These finance lease obligations are for certain mobile equipment and preparation plant machinery at the NAPP Division bearing interest ranging from 5.62% - 11.00%. The terms of certain of these leases are guided by a master lease agreement which requires a specified debt service coverage ratio of at least 1.25 to 1.00 measured on a quarterly basis to be met by Wilson Creek Energy, LLC and its subsidiaries based on historical results. Additionally, a minimum cash balance of $2,000 is required to be maintained at all times on a consolidated basis excluding the CAPP Division. The value of the lease obligation is secured by the mobile equipment being leased. Contingent rent related to certain finance lease obligations is payable if the equipment exceeds certain operating levels. The contingent rent expense recognized in the year ended December 31, 2017 was $422, and is included in cost of sales in the consolidated statements of operations and comprehensive income (loss). No contingent rent was incurred in the year ended December 31, 2016.

(b) These finance lease obligations are for certain mobile equipment at the CAPP Division bearing interest ranging from 3.75% - 5.20%. There are no covenants under the terms of the lease agreements. The value of the lease obligation is secured by the mobile equipment being leased.

Finance lease obligations are payable as follows:

Less than 1 year	$	2,570
1-3 years		2,087
4-5 years		227
Total payments		4,884
Less: Amounts representing interest		(382)
Total finance lease obligations	$	4,502

At December 31, 2017, the Company was in compliance with all covenants under the lease agreements.

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11. Loan Payable

(a) On August 19, 2014, the Company entered into a $25,000 secured term loan (the "Facility"), as subsequently amended, with Sprott Resource Lending Corp. ("SRLC"). The Facility is for a five-year term and bears interest at 10% per annum. For the period up to December 31, 2016, the Company had the option of adding any interest payable under the Facility to the principal amount. On the third and fourth anniversaries of the closing of the acquisition of PBS Coals, Inc. and affiliated entities from OAO Severstal by the Company on August 19, 2014, (the "PBS Transaction"), the Company is required to make an anniversary payment for an amount equal to 2% of the principal amount of the Facility then outstanding, if any. In addition, the Facility may be prepaid without penalty, in whole or in part, at any time. The Facility requires the Company, excluding the CAPP Division, to maintain a minimum cash balance of $1,000 and positive working capital. The Company was in compliance with these covenants at December 31, 2017.

In consideration for the Facility, the Company issued 1,805,000 common share purchase warrants ("Bonus Warrants"). Each Bonus Warrant has a term of five years and is exercisable for one common share of the Company ("Common Share") at an exercise price of C$3.90. The effective interest rate, including accretion charged on the discounts of the loan payable, is 15.6%.

In consideration of certain amendments to the Facility in March 2016, the Company capitalized $281 to the principal balance and issued 389,550 Common Shares (the "Fee Shares") to SRLC. The Fee Shares represent consideration equivalent to $300 (based on a price per Common Share of C$1.00, the effective issuance price of the Common Shares at the time of the amendments).

The changes in the Loan Payable balance for the year ended December 31, 2017 are as follows:

	Principal	Unamortized Discount	Total
Balance - January 1, 2016	$ 28,670	$ (4,230)	$ 24,440
Accrued interest - capitalized to principal	3,062	—	3,062
Issuance costs of amending agreements	—	(623)	(623)
Amendment fee - capitalized to principal	281	—	281
Accretion of discount (note 20)	—	1,275	1,275
Balance - December 31, 2016	32,013	(3,578)	28,435
Accrued interest	3,886	—	3,886
Interest paid	(3,886)	—	(3,886)
Accretion of discount (note 20)	—	1,328	1,328
Other	4	(4)	—
Balance - December 31, 2017	$ 32,017	$ (2,254)	$ 29,763

(b) The Bonus Warrants qualify for recognition as a financial liability given the currency of the exercise price is different from the Company's functional currency. At initial recognition, the fair value of the Bonus Warrants was determined to be $4,829 using a Black-Scholes option pricing model (expected life of 5 years, exercise price of C$3.90, risk-free interest rate of 1.59%, Common Share price of C$5.80, expected volatility of 40%, dividend yield of 0%, forfeiture rate of 0% and CAD/USD exchange rate of 0.9139).

The initial value was recorded as a reduction to the Loan Payable and an offsetting credit was recorded to the Warrant financial liability on the consolidated balance sheet. The Warrant financial liability is revalued to fair value at each reporting period. At December 31, 2017, the fair value was determined to be $769 using a Black Scholes option pricing model (expected life of 1.6 years, exercise price of C$3.90, risk-free interest rate of 1.83%, Common Share price of C

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

$2.05, expected volatility of 88%, dividend yield of 0%, forfeiture rate of 0% and CAD/USD exchange rate of 0.7971). The revaluation amounted to income of $2,036 for the year ended December 31, 2017 and is included in net finance expense (note 20) in the consolidated statements of operations and comprehensive income (loss). At December 31, 2016, the fair value was determined to be $2,805 using a Black Scholes option pricing model (expected life of 2.6 years, exercise price of Cdn$3.90, risk-free interest rate of 1.34%, Common Share price of Cdn$3.11, expected volatility of 128%, dividend yield of 0%, forfeiture rate of 0% and CAD/USD exchange rate of 0.7448). The revaluation amounted to expense of $2,585 for the year ended December 31, 2016.

12. Other Liabilities

Other liabilities consist of the following:

	December 31, 2017	December 31, 2016
Workers' compensation provision (a)	$ 6,229	$ 6,795
Transportation contract liquidated damages (b)	2,529	5,174
Processing fee payable (c)	2,643	2,526
Other (d)	2,937	1,421
	14,338	15,916
Less: current portion (a,b,d)	(4,151)	(1,750)
Total Other Liabilities	$ 10,187	$ 14,166

(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 twelve months is $1,058. 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) PBS Coals, Inc. had contractual agreements with a transportation provider, which indicated minimum levels of coal to be shipped via rail over the contract period, which was not met. Corsa acquired these contractual agreements as a result of the PBS Transaction (as defined below) and at December 31, 2017, a provision of $2,529 has been made for the estimated amount of fees owed to this transportation provider. The balance that is expected to be settled within the next twelve months is $1,000.

(c) The processing fee payable represents an amount to be paid to a third party in relation to a royalty agreement signed historically by Corsa. Corsa is required to pay the third-party $3,000 in aggregate, $1,500 each in both 2019 and 2020. The processing fee payable balance is being recorded at amortized cost with an effective interest rate of 1.21%.

(d) Other liabilities include various accruals including the Company's estimate of exposure related to the Pennsylvania Department of Revenue's audit of PBS Coals, Inc.'s sales and use tax returns filed for the period January 1, 2011 through June 30, 2014. Management believes that the resolution of this matter will not be significant to the Company. These accruals also include management's best estimate of litigation and other matters.

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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 Reclamation and Water Treatment Provision
Balance - January 1, 2016	$ 38,912	$ 26,566	$ 65,478
Reclamation and water treatment costs incurred	(2,645)	(2,110)	(4,755)
Change in estimate	(2,078)	3,883	1,805
Accretion expense	730	591	1,321
Balance - December 31, 2016	$ 34,919	$ 28,930	$ 63,849
Reclamation and water treatment costs incurred	(3,449)	(2,476)	(5,925)
Change in estimate	3,918	6,589	10,507
Accretion expense	736	733	1,469
Balance - December 31, 2017	$ 36,124	$ 33,776	$ 69,900
Less: current portion	(3,613)	(1,771)	(5,384)
Long-Term Reclamation and Water Treatment Provision	$ 32,511	$ 32,005	$ 64,516
Estimated costs (undiscounted cash flow basis)	$ 37,940	$ 35,338	$ 73,278
End of reclamation period	1-21 years	Perpetual	
Discount rate	1.76%-2.60%	1.76%-2.58%	
Inflation rate	2.0%	2.0%	

(a) Site reclamation and remediation

(i) The current portion represents the amount expected to be incurred by the Company within one year from December 31, 2017.

(ii) At December 31, 2017, the Company had $69,709 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.

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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 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 invested in fixed income and equities 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 expected to be incurred by the Company within one year from December 31, 2017.

14. Redeemable Units

WCE had 897,265,035 membership units outstanding at December 31, 2017. A majority of these membership units are owned by WCH which are eliminated upon consolidation of the financial results of the Company. The remaining membership units of WCE (referred to as "Redeemable Units") are owned by QKGI Legacy Holdings LP ("Legacy QKGI") which entitle them to a pro-rata interest in the net and comprehensive income (loss) and net assets of WCE and are redeemable at the option of Legacy QKGI for cash equal to the product of (i) the number of membership units to be redeemed; and (ii) the 10-day volume weighted average trading price, prior to date of notice of redemption, of the Company's Common Shares. The Company has the option to satisfy the redemption price for the Redeemable Units with Common Shares on a 20 to 1 basis. The Company is restricted from paying cash to Legacy QKGI for the redemption of Redeemable Units if a balance remains outstanding for the Facility (note 11).

a. Classification of Redeemable Units as non-controlling interest

On August 19, 2014, the terms of the Redeemable Units were modified to eliminate mandatory distributions previously required to be made to the holders of the Redeemable Units. As a result, the Redeemable Units no longer qualified for recognition as a financial liability. The Redeemable Unit financial liability was revalued on August 19, 2014 and subsequently recognized as a non-controlling interest on the consolidated balance sheet.

The following illustrates the changes in the number of outstanding Redeemable Units by Legacy QKGI:

	WCE Membership Units owned by Legacy QKGI (000's)
Balance, January 1, 2016	170,317
Revaluation	—
Redemption	—
Balance, December 31, 2016	170,317
Revaluation	—
Redemption	—
Balance, December 31, 2017	170,317

15. Share Capital

Authorized capital stock of the Company consists of an unlimited number of 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. On December 7, 2016, the Common Shares were consolidated (the "Consolidation") on the basis of one post-Consolidation Common Share for each 20 pre-Consolidation Common Shares. Common Share amounts are presented herein on a post-Consolidation basis. At December 31, 2017 and December 31, 2016, the Company had 94,591,245 and 94,388,784 Common Shares outstanding and no preferred shares outstanding, respectively. At December 31, 2017 and December 31, 2016, Legacy QKGI also owns 170,316,620 Redeemable Units entitling it to a 19% minority interest in the net assets, income and expenses of WCE. Redeemable Units are redeemable at the option of the holder for cash equal to the product of: (i) the number of Redeemable Units to be redeemed divided by 20 (due to the Consolidation); and (ii) the 10-day volume weighted average trading price, prior to date of notice of redemption, of the Common Shares. The Company has the option to satisfy the redemption price for the Redeemable Units with Common Shares on a 20 to one basis (i.e. 20 Redeemable Units for one Common Share, reflecting, and due, to the Consolidation). The Company is restricted from paying cash to the holder for the redemption of Redeemable Units if a balance remains outstanding for the Facility (note 11).

In October 2016, Corsa completed a private placement of 11,500,000 Common Shares, 10,694,000 of which were closed on a brokered basis and 806,000 of which were closed on a non-brokered basis, for gross proceeds of C$23,000 at C$2.00 per Common Share ($17,191) (the "October 2016 Private Placement"). Paradigm Capital Inc., GMP Securities Inc., and Pareto Securities Limited (the "Agents") acted as agents for the brokered portion of the October 2016 Private Placement. The Company paid the Agents aggregate cash commissions of C$923 ($690) in connection with the October 2016 Private Placement. The proceeds of the October 2016 Private Placement were primarily used for mine development, general corporate and working capital purposes.

In June 2016, Corsa completed a private placement of 3,150,000 Common Shares, 2,800,000 of which were closed on a brokered basis and 350,000 of which were closed on a non-brokered basis, for gross proceeds of C$3,150 at C$1.00 per Common Share ($2,410) (the "June 2016 Private Placement"). Paradigm Capital Inc. acted as lead agent for the brokered portion of the June Private Placement. The Company paid Paradigm Capital Inc. aggregate cash commissions of C$168 ($129) and issued a total of 168,000 compensation warrants ("Compensation Warrants") in connection with the June 2016 Private Placement. Each Compensation Warrant entitles Paradigm Capital Inc. to purchase one Common Share at C$1.00, exercisable for a period of 24 months. The proceeds of the June 2016 Private Placement were used to fund working capital and for general corporate purposes.

In March 2016, Corsa completed a non-brokered private placement of 10,387,200 Common Shares for gross proceeds of $8,000 at C$1.00 per Common Share (the "March 2016 Private Placement"). The proceeds of the March 2016 Private Placement were used to fund working capital and for general corporate purposes. As part of the March 2016 Private Placement, affiliates of Quintana Energy Partners II, L.P. acquired 2,596,800 Common Shares for a total of $2,000, Sprott Resource Partnership acquired 2,596,800 Common Shares for a total of $2,000, Lorito Holdings S.à r.l. and Zebra Holdings and Investments S.à r.l. acquired an aggregate of 2,596,800 Common Shares for a total of $2,000 and SRLC acquired 2,596,800 Common Shares for a total of $2,000. SRLC received an additional 389,550 Common Shares in connection with entering into the Second Amending Agreement in connection with the Facility

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

16. Revenue

Revenue includes amounts realized for metallurgical coal sales from the NAPP and CAPP Division, thermal coal sales from the NAPP and CAPP Division and tolling revenue. Tolling revenue is the fee charged to third parties for processing their coal through a preparation plant of the Company.

Revenue consists of the following:

	For the years ended December 31,	
	2017	**2016**
Metallurgical coal sales	$ 220,328	$ 56,602
Thermal coal sales	40,088	40,301
Tolling revenue	3,516	83
	$ 263,932	$ 96,986

17. Cost of Sales

Cost of sales consists of the following:

	For the years ended December 31,	
	2017	**2016**
Mining and processing costs	$ 85,176	$ 62,875
Purchased coal costs	80,937	8,459
Royalty expense	8,186	5,561
Amortization expense	15,808	18,884
Transportation costs from preparation plant to customer	23,498	4,097
Idle mine expense	1,072	1,658
Tolling costs	1,533	38
Change in estimate of reclamation provision	6,199	2,769
Impairment adjustments of mineral properties (note 8)	(66,224)	—
Write-off of advance royalties and other assets	315	1,228
Obsolete inventory reserve	—	3,523
Other costs	646	1,078
	$ 157,146	$ 110,170

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

18. Selling, General and Administrative Expense

Selling, general and administrative expense consists of the following:

	For the years ended December 31, 2017	2016
Salaries and other compensation	$ 9,346	$ 8,832
Selling expense	3,687	407
Professional fees	1,996	2,188
Office expenses and insurance	2,119	1,267
Other	749	540
	$ 17,897	$ 13,234

19. Stock Based Compensation

The Company has a stock option plan and a restricted share unit ("RSU") plan each providing for the issuance of stock options and RSUs 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 an 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 options granted shall comply with the requirements of the stock exchange on which the Common Shares are listed (i.e., the TSX Venture Exchange). The maximum term of any stock option may not exceed five years. 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, 2017 and 2016. At December 31, 2017 and 2016, there were 841,000 and 2,405,000 stock options available for issuance under the stock option plan, respectively.

The following illustrates the changes in issued and outstanding stock options during the period ended December 31, 2017:

	Number of Stock Options (000's)	Weighted Average Exercise Price (C$)
Balance - January 1, 2016	6,546	$ 2.56
Options granted (a) (b)	2,559	1.91
Options forfeited	(2,021)	3.50
Options expired	(50)	20.02
Balance - December 31, 2016	7,034	1.93
Options granted (c) (d) (e) (f)	2,488	1.58
Options exercised	(202)	1.26
Options canceled/forfeited	(514)	1.83
Options expired	(188)	6.00
Balance - December 31, 2017	8,618	$ 1.76

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The following illustrates the stock options granted. These options were valued using a Black-Scholes pricing model at the date granted using the following valuation assumptions:

	(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**
Date of Grant:	May 18, 2016	November 9, 2016	March 7, 2017	September 5, 2017	November 16, 2017	December 14, 2017
Options Granted (000's)	1,099	1,460	150	70	2,253	15
Expected life in years:	2 to 4	2 to 4	2 to 4	2 to 4	2 to 4	2 to 4
Exercise price:	C$1.40	C$2.30	C$2.40	C$1.58	C$1.53	C$1.39
Risk-free interest rate:	0.80%	0.90% to 1.30%	1.31% to 1.83%	1.30% to 1.52%	1.71% to 1.94%	1.81% to 2.02%
Common Share price:	C$1.40	C$2.30	C$2.40	C$1.58	C$1.53	C$1.39
Expected volatility	136%	119% to 137%	117% to 137%	110% to 130%	109% to 126%	109% to 122%
Dividend yield:	—%	—%	—%	—%	—%	—%
Forfeiture rate:	11.05%	12.61%	12.61%	11.74%	11.24%	10.96%

(a) Stock options were granted to directors, officers and employees of the Company.
(b) Stock options were granted to directors, officers and employees of the Company.
(c) Stock options were granted to employees of the Company.
(d) Stock options were granted to an employee of the Company.
(e) Stock options were granted to directors, officers and employees of the Company.
(f) Stock options were granted to 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 options granted. The estimated forfeiture rate is based on the historical forfeiture rate.

The following table summarizes information about the stock options outstanding and exercisable at December 31, 2017:

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$)**
$1.00	2,716	2.86	$1.00	1,835	$1.00
$1.39	15	4.95	$1.39	—	$1.39
$1.40	923	3.38	$1.40	923	$1.40
$1.53	2,253	4.88	$1.53	—	$1.53
$1.58	70	4.68	$1.58	—	$1.58
$2.30	1,326	3.86	$2.30	456	$2.30
$2.40	150	4.18	$2.40	—	$2.40
$3.40	742	0.81	$3.40	743	$3.40
$3.50	318	1.92	$3.50	318	$3.50
$5.40	105	1.63	$5.40	105	$5.40
$1.00 to $5.40	8,618	3.45	$1.76	4,380	$1.91

For the years ended December 31, 2017 and 2016, the Company recorded stock based compensation expense on the outstanding stock options to selling, general and administrative expense of $1,425 and $2,597, respectively. For the year ended December 31, 2016, stock based compensation expense included the acceleration of the vesting requirements due to the cancellation of certain stock options that was approved by the Company's shareholders.

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20. Net Finance (Expense) Income

Net finance (expense) income of the Company included in the consolidated statements of operations and comprehensive income (loss) are summarized below.

	For the years ended December 31, 2017	2016
Warrant financial liability (note 11(b))	$ 2,036	$ (2,585)
Accretion of discount on Loan Payable (note 11(a))	(1,328)	(1,275)
Bond premium expense	(1,586)	(1,686)
Interest expense	(4,788)	(4,075)
Interest income	165	39
Foreign exchange gain	149	135
Accretion on reclamation provision (note 13)	(1,469)	(1,321)
Other	2,187	956
	$ (4,634)	$ (9,812)

21. Earnings per Share

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

	For the years ended December 31, 2017	2016
Basic and diluted earnings (loss) attributable to common shareholders	$ 69,748	$ (35,867)
Basic weighted average number of Common Shares outstanding (000's)	94,553	81,242
Dilutive effect of stock options (000's)	1,954	—
Dilutive effect of compensation warrants (000's)	79	—
Diluted weighted average number of Common Shares outstanding (000's)	96,586	81,242
Basic earnings (loss) per share	$ 0.74	$ (0.44)
Diluted earnings (loss) per share	$ 0.72	$ (0.44)

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, 2016, there were no instruments, including stock options and warrants, which would result in the issuance of Common Shares whose effect would be dilutive on loss per share.

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22. Income 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, 2017	For the years ended December 31, 2016
Net income (loss) before income taxes	$ 83,684	$ (34,140)
Statutory tax rate	26.5%	26.5%
Expected income tax recovery based on statutory rate	22,176	(9,047)
Increase (decrease) resulting from:		
Unrecognized future tax benefits	(39,533)	13,075
Cumulative effect on deferred tax asset on re-measurement (i)	30,796	—
Accounting expenses disallowed for tax	(28,012)	384
Impact of taxable income passed through to Legacy QKGI (ii)	(1,222)	771
Foreign tax rate differential	15,795	(5,183)
Income tax expense (benefit)	$ —	$ —
Effective tax rate	—%	—%

i. In December 2017, the Tax Cuts and Jobs Act ("the Act") was enacted in the U.S. The Act significantly revised the U.S. corporate income tax regime, by, among other things, lowering the U.S. corporate tax rate from 35% to 21% effective January 1, 2018, while also repealing the deduction for domestic production activities, implementing a territorial tax system, limiting the deduction for interest expense, limiting the use of net operating losses generated on or after January 1, 2018 to offset taxable income and repealing the corporate alternative minimum tax ("AMT") and triggering refunds of prior year AMT credits. The Company has recognized the provisional tax impacts related to the revaluation of deferred tax assets and liabilities and the impact to the AMT tax credits. As a result of the Company's full valuation allowance against these deferred tax assets and liabilities, there was no impact to the consolidated financial statements for the year ended December 31, 2017.

ii. 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 is 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 at December 31, 2017 and 2016 and income tax receivable of $125 at December 31, 2017 and 2016 which is included in accounts receivable.

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Deferred tax assets and liabilities

	December 31, 2017	December 31, 2016
Deferred tax assets:		
Property, plant and equipment	$ 4,025	$ 4,689
Asset retirement obligations	11,170	12,972
Water treatment reserves	14,363	12,407
Intercompany interest expense	2,177	13,211
Accrued expenses	2,556	2,856
Reserve for supply inventory	228	1,422
Acquisition costs	367	413
Finance expenses	227	663
Coal reserves	—	194
Loss carry forwards and unused tax credits (i)	70,545	66,411
Other deferred tax assets	825	2,464
Gross deferred income tax assets	106,483	117,702
Unrecognized tax benefit related to tax losses	(97,765)	(113,622)
Total deferred income tax assets	8,718	4,080
Deferred tax liabilities:		
Coal reserves	(1,203)	—
Mine development costs	(6,211)	(3,597)
Unrealized foreign exchange gain	(162)	(162)
Finance expenses	(222)	—
Other deferred tax liabilities	(920)	(321)
Total deferred income tax liabilities	(8,718)	(4,080)
Net deferred tax assets (liabilities) (ii)	$ —	$ —

i. At December 31, 2017 and 2016, the Company had Canadian non-capital losses of $1,933 and $2,755, respectively. At December 31, 2017 and 2016, the Company had United States non-capital losses of $167,493 and $163,152, respectively, expiring between 2019 and 2036 for which no deferred income tax assets had been recognized.

ii. 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. Currently, several examinations are on-going with respect to the Canadian tax returns filed by PBS Coals Corporation and PBS Coals Limited for the tax periods ending December 31, 2013 and August 19, 2014. These entities were acquired by Corsa on August 19, 2014 in the PBS Coals, Inc. acquisition (the "PBS Transaction'). Additionally, an examination is underway in relation to Corsa's October 22, 2015, December 31, 2015 and 2016 Canadian tax returns. These examinations have recently commenced and the Company believes that these will conclude without any material adjustments.

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23. Supplemental Cash Flow Information

	For the years ended December 31, 2017	2016
Change in working capital balances related to operations:		
Accounts receivable	$ (18,989)	$ 5,708
Prepaid expenses and other current assets	556	(12)
Inventories	(8,841)	(452)
Accounts payable and accrued liabilities	25,046	5,523
Deferred revenue	—	—
Other liabilities	(3,285)	(7,869)
	$ (5,513)	$ 2,898
Non-cash financing activities:		
Issuance of Fee Shares – term loan amendment (note 11(a))	$ —	$ 300
Issuance of broker warrants	$ —	$ 129
Cash paid for interest	$ 4,796	$ 935
Cash paid (received) for income taxes	$ —	$ —

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 are under common control with the Company's controlling shareholder, Quintana Energy Partners L.P. ("QEP"), transactions with close family members of key management personnel and transactions with companies who are affiliated with the Company's minority shareholder, Sprott Resource Holdings.

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

	For the years ended December 31, 2017	2016
Royalties and property taxes (a)	$ 1,213	$ 1,993
Supplies purchase (b)	342	97
Purchased coal (c)	3,427	1,098
	$ 4,982	$ 3,188

(a) During the years ended December 31, 2017 and 2016, the Company paid royalties and property taxes to WPP, LLC, a subsidiary of Natural Resource Partners L.P., which is commonly controlled by QEP for coal extracted from mineral properties where the surface or mineral right of the specific property are leased by the Company and owned by the related party. These amounts were included in cost of sales in the consolidated statements of operations and comprehensive income (loss).

(b) During the years ended December 31, 2017 and 2016, the Company purchased supplies used in the coal separation process from Quality Magnetite, which is 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).

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(c) During the year ended December 31, 2017 and 2016, the Company purchased coal from Smoky Mountain Coal Company, a company determined to be a related party as a result of their sales representative being a close family member of the president of the CAPP Division, Hunter Hobson. These amounts were included in cost of sales in the consolidated statements of operations and comprehensive income (loss).

Included in accounts payable and accrued liabilities at December 31, 2017 and December 31, 2016 is $327 and $1,308, respectively, due to related parties, as a result of the transactions noted above. These amounts are unsecured and non-interest bearing.

At December 31, 2017 and December 31, 2016, the Company had a loan payable to SRLC of $29,763 and $28,435, respectively. SRLC is a minority shareholder of the Company as a result of the issuance of Fee Shares. For additional details related to this loan payable see note 11.

25. Key Management Personnel and Other Employee Benefits

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

	For the years ended December 31,	
	2017	2016
Salaries and short-term benefits	$ 2,200	$ 1,923
Post-employment benefits	45	52
Share-based payments	990	1,707
	$ 3,235	$ 3,682

Other Employee Benefits

The Company has a personal retirement savings plan at each division available to all employees. The Company contributes 3% of total salary for each employee of the NAPP Division and 3% of total salary and 0.5% of each 1% that the employee contributes up to 6% at the CAPP Division. Total Company contributions to these 401(k) plans were $884 and $730 for the years ended December 31, 2017 and 2016, respectively.

26. Segment Disclosures

Management has identified its operating segments based on geographical location and product offerings. Management has identified three distinct operating segments which require separate disclosures under IFRS 8 – *Operating Segments*. All three segments below 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 and thermal coal operations and location in the U.S. along the Northern Appalachia coal belt. Prior to the Kopper Glo Sale, CAPP was a distinct operating segment based on its thermal, industrial and metallurgical coal operations and location in the U.S. along the Central Appalachia coal belt. The Company's corporate office provides support and manages the mining investments. Management analyzes the operations of each segment noted above on a standalone basis for key decisions related to such operations. 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

The required disclosures for the operating segments are presented below:

	For the year ended December 31, 2017			
	NAPP	**CAPP**	**Corporate**	**Total**
Total assets	$ 282,172	$ 11,019	$ 14,335	$ 307,526
Total liabilities	$ 121,605	$ 9,889	$ 31,750	$ 163,244
Revenues	$ 217,507	$ 46,425	$ —	$ 263,932
Cost of sales	(87,575)	(69,571)	—	(157,146)
Gross margin	129,932	(23,146)	—	106,786
Selling, general and administrative expenses	(10,620)	(1,761)	(5,516)	(17,897)
Income (loss) from operations	119,312	(24,907)	(5,516)	88,889
Net finance expense	(1,274)	(483)	(2,877)	(4,634)
Other (expense) income	(1,048)	477	—	(571)
Income (loss) before tax	116,990	(24,913)	(8,393)	83,684
Current income tax (benefit) expense	—	—	—	—
Deferred income tax expense	—	—	—	—
	—	—	—	—
Net and comprehensive income (loss)	$ 116,990	$ (24,913)	$ (8,393)	$ 83,684

	For the year ended December 31, 2016			
	NAPP	**CAPP**	**Corporate**	**Total**
Total assets	$ 143,648	$ 37,369	$ 19,955	$ 200,972
Total liabilities	$ 95,170	$ 14,560	$ 32,259	$ 141,989
Revenues	$ 67,072	$ 29,914	$ —	$ 96,986
Cost of sales	(80,059)	(30,111)	—	(110,170)
Gross margin	(12,987)	(197)	—	(13,184)
Selling, general and administrative expenses	(5,513)	(1,794)	(5,927)	(13,234)
Loss from operations	(18,500)	(1,991)	(5,927)	(26,418)
Net finance expense	(2,563)	(500)	(6,749)	(9,812)
Other income	1,039	1,051	—	2,090
Loss before tax	(20,024)	(1,440)	(12,676)	(34,140)
Current income tax expense	—	—	—	—
Deferred income tax expense	—	—	—	—
	—	—	—	—
Net and comprehensive loss	$ (20,024)	$ (1,440)	$ (12,676)	$ (34,140)

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

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 and total assets:

	For the year ended December 31, 2017			For the year ended December 31, 2016		
	USA	Canada	Total	USA	Canada	Total
Revenue	$ 263,932	$ —	$ 263,932	$ 96,986	$ —	$ 96,986
Net income (loss)	$ 92,077	$ (8,393)	$ 83,684	$ (21,464)	$ (12,676)	$ (34,140)

	At December 31, 2017			At December 31, 2016		
	USA	Canada	Total	USA	Canada	Total
Non-current assets	$ 234,418	$ —	$ 234,418	$ 152,315	$ —	$ 152,315
Total assets	$ 293,607	$ 13,919	$ 307,526	$ 181,344	$ 19,628	$ 200,972

The CAPP Division had four customers which accounted for 25%, 22%, 13% and 10%, respectively, of total CAPP revenue for the year ended December 31, 2017 and two customers which accounted for 69% and 16%, respectively, of total CAPP revenue for the year ended December 31, 2016. The NAPP Division had five customers which accounted for 15%, 14%, 13%, 11% and 10%, respectively, of total NAPP revenue for the year ended December 31, 2017 and five customers which accounted for 18%, 17%, 16%, 12% and 10%, respectively, of total NAPP revenue for the year ended December 31, 2016.

27. Commitments and Contingencies

Litigation

In January 2016, Italian steel company, Lucchini S.p.A. ("Lucchini"), filed a claim (the "Lucchini Claim") for $52,000 against PBS Coals, Inc. in the Livorno (Italy) Tribunal. The Lucchini Claim arises from coal purchase and sale transactions between PBS Coals, Inc., as seller, and Lucchini, as purchaser. The transactions all occurred between November 2010 and April 2012, before Corsa acquired PBS Coals, Inc. The Lucchini Claim alleges that during the relevant time period, both PBS Coals, Inc. and Lucchini were owned and/or controlled by OAO Severstal and/or entities controlled by Alexey Mordashov (the "Mordashov Group"). According to the Lucchini Claim, among other things, (i) PBS Coals, Inc. sold Lucchini $52,000 of coal between October 2010 and November 2011, (ii) under Italian law, insolvent companies, such as Lucchini, may claw back payments from a group of companies without regard to value given, (iii) Lucchini was insolvent at all relevant times, (iv) PBS Coals, Inc. was part of the OAO Severstal/ Mordashov Group at all relevant times, (v) PBS Coals, Inc.'s knowledge of the insolvency can be imputed, and (vi) PBS Coals, Inc. had actual knowledge of the insolvency.

PBS Coals, Inc. is currently analyzing the jurisdiction issues and merits of the Lucchini Claim, and whether it or Corsa has the right to make a claim against OAO Severstal, Alexey Mordashov or others. Corsa believes that the Lucchini Claim is without merit and is defending it vigorously.

Miscellaneous Litigation

The Company and its subsidiaries are parties to a number of other 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.

Redevelopment Assistance Capital Award

In September 2016, the Company was notified that it was awarded $3,000 in funding under the Pennsylvania Redevelopment Assistance Capital Program to develop an underground coal mine in Somerset County subject to certain conditions, including but not limited to: (i) completing the Redevelopment Assistance application; (ii) confirmation that at least 50% of the required non-state funds necessary to complete the project are secured at the time of application; (iii) execution of a grant agreement; and (iv) commencement of construction within six months of the final grant agreement. Once all the conditions have been met, the grant will be released on a periodic basis and the Company will be reimbursed for certain expenditures. The Company will offset the receipts from this program against the capitalized development costs as they are received.

Contingent Receivable - A Seam Condemnation

In December 2014, PBS Coals, Inc. filed a Petition with the Court of Common Pleas of Somerset County, Pennsylvania, seeking to convene a State Mining Commission (the "SMC") in order to determine the quantity and value of coal required to be left in place as a result Pennsylvania Department of Transportation's construction of State Route 219 over coal estates leased by PBS Coals, Inc. from Penn Pocahontas Coal Co. The SMC was convened in January 2015 and then bifurcated the proceedings into quantity and valuation phases. The SMC heard testimony on the quantity phase during dates between November 2016 and June 2017. On August 24, 2017, the SMC issued a ruling on the support quantity favorable to PBS Coals, Inc. and directed further hearings regarding the tonnages, valuation and mineability of the support coal. Those hearings have been scheduled to take place on April 9-13, 2018. Presently, the Company has not recognized this contingent receivable and cannot provide a reasonable estimate for the potential magnitude of the claim.

28. Subsequent Events

Kopper Glo Sale

Subsequent to December 31, 2017, but prior to the issuance of the financial statements, on March 13, 2018, Corsa completed pursuant to a Membership Interest Purchase Agreement with Industrial Minerals Group, LLC (the "Buyer") a sale of the membership interests in Kopper Glo Mining, LLC (the "Kopper Glo Sale"). Principals of the Buyer include Hunter Hobson, the president of the Company's CAPP Division, Keith Dyke, former president of the Company's CAPP Division and the Buyer received financing from entities controlled by a member of the Robertson family. The Robertson family controls the general partner of Quintana Energy Partners, L.P. and its affiliated investment funds (collectively, "Quintana"). Quintana currently controls approximately 41% of the Company's issued and outstanding common shares. The board of directors of the Company unanimously (with conflicted directors abstaining) determined that the Kopper Glo Sale was in the best interests of the Company and approved the Kopper Glo Sale.

The consideration received by the Company in connection with the Kopper Glo Sale consisted of the assumption by the Buyer of certain debt, leases and future costs, including end of mine closure costs estimated in the aggregate by the Company at approximately $8.0 million.

The Kopper Glo Sale constituted a "related party transaction" as defined under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). However, the Kopper Glo Sale was exempt from the minority approval requirements of MI61-101, as neither the fair market value of the subject matter of, or the consideration for, the Kopper Glo Sale, exceeded 25% of Corsa's market capitalization calculated in accordance with MI 61-101. In addition, the Kopper Glo Sale constituted a "Reviewable Disposition" under Policy 5.3 of the TSX Venture Exchange Corporate Finance Manual. Shareholders holding approximately 34% of the Company's issued and outstanding common shares, and approximately 56% of the Company's issued and outstanding common shares excluding common shares of the Company controlled by Quintana, evidenced their approval of the Kopper Glo Sale by written consent provided to the TSX Venture Exchange (the "Exchange"), and the Kopper Glo Sale was subsequently approved by the Exchange.