



Corsa Coal Corp.
Unaudited Condensed Interim Consolidated Financial Statements
June 30, 2018 and 2017

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

Assets	June 30, 2018	December 31, 2017
Cash	\$ 7,770	\$ 20,721
Accounts receivable (note 4)	29,404	26,878
Prepaid expenses and other current assets	2,755	4,179
Inventories (note 5)	16,612	21,330
Current Assets	56,541	73,108
Restricted cash (note 6)	34,500	34,526
Advance royalties and other assets	3,066	2,853
Property, plant and equipment, net (note 7)	190,627	197,039
Total Assets	\$ 284,734	\$ 307,526
Liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 31,713	\$ 42,410
Notes payable (note 9)	919	1,135
Finance lease obligations (note 10)	1,905	2,352
Other liabilities (note 12)	5,104	4,151
Reclamation and water treatment provision (note 13)	5,102	5,384
Current Liabilities	44,743	55,432
Notes payable (note 9)	20	427
Finance lease obligations (note 10)	1,665	2,150
Loan payable (note 11)	30,436	29,763
Other liabilities (note 12)	8,726	10,187
Reclamation and water treatment provision (note 13)	57,722	64,516
Warrant financial liability (note 11(b))	25	769
Total Liabilities	143,337	163,244
Equity		
Share Capital	180,130	180,001
Contributed Surplus	2,591	2,501
Accumulated Deficit	(88,987)	(85,517)
Total Shareholders' Equity	93,734	96,985
Non-controlling interest	47,663	47,297
Total Equity	141,397	144,282
Total Liabilities and Equity	\$ 284,734	\$ 307,526

The accompanying notes are an integral part of these unaudited condensed interim 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.

Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)
Expressed in United States dollars, tabular amounts in thousands except for per share amounts

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenue (note 15)	\$ 57,331	\$ 54,338	\$ 137,779	\$ 106,717
Cost of sales (note 16)	(55,097)	(42,540)	(125,826)	(79,419)
Gross Margin	<u>2,234</u>	<u>11,798</u>	<u>11,953</u>	<u>27,298</u>
Selling, general and administrative expense (notes 17 and 18)	(5,100)	(3,598)	(11,557)	(7,314)
(Loss) income from operations	<u>(2,866)</u>	<u>8,200</u>	<u>396</u>	<u>19,984</u>
Net finance expense (note 19)	(1,607)	(1,014)	(3,274)	(999)
Other expense	(416)	(1,521)	(54)	(1,451)
(Loss) income before tax	<u>(4,889)</u>	<u>5,665</u>	<u>(2,932)</u>	<u>17,534</u>
Current income tax (benefit) expense	—	—	—	—
Deferred income tax expense	—	—	—	—
Net and comprehensive (loss) income from continuing operations	<u>\$ (4,889)</u>	<u>\$ 5,665</u>	<u>\$ (2,932)</u>	<u>\$ 17,534</u>
Net and comprehensive loss from discontinued operations, net	<u>—</u>	<u>(1,114)</u>	<u>(813)</u>	<u>(2,899)</u>
Net and comprehensive (loss) income	<u>\$ (4,889)</u>	<u>\$ 4,551</u>	<u>\$ (3,745)</u>	<u>\$ 14,635</u>
Attributable to:				
Shareholders	<u>\$ (4,561)</u>	<u>\$ 3,248</u>	<u>\$ (4,111)</u>	<u>\$ 10,487</u>
Non-controlling interest	<u>\$ (328)</u>	<u>\$ 1,303</u>	<u>\$ 366</u>	<u>\$ 4,148</u>
Basic earnings (loss) per share (note 20)				
(Loss) earnings from continuing operations	\$ (0.05)	\$ 0.04	\$ (0.04)	\$ 0.13
Loss from discontinued operations	\$ —	\$ (0.01)	\$ (0.01)	\$ (0.02)
Basic (loss) earnings per share	<u>\$ (0.05)</u>	<u>\$ 0.03</u>	<u>\$ (0.05)</u>	<u>\$ 0.11</u>
Diluted earnings (loss) per share (note 20)				
(Loss) earnings from continuing operations	\$ (0.05)	\$ 0.04	\$ (0.04)	\$ 0.13
Loss from discontinued operations	\$ —	\$ (0.01)	\$ (0.01)	\$ (0.02)
Diluted (loss) earnings per share	<u>\$ (0.05)</u>	<u>\$ 0.03</u>	<u>\$ (0.05)</u>	<u>\$ 0.11</u>

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

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

For the six months ended June 30, 2018						
	Number of Corsa Common Shares (000's)	Share Capital	Contributed Surplus	Deficit	Non- Controlling Interest	Total Equity
Balance - January 1, 2018	94,591	\$ 180,001	\$ 2,501	\$ (85,517)	\$ 47,297	\$ 144,282
Stock based compensation (note 18)	—	—	731	—	—	731
Stock option expiration/forfeiture	—	—	(641)	641	—	—
Exercise of Broker Warrants	168	129	—	—	—	129
Net and comprehensive (loss) income	—	—	—	(4,111)	366	(3,745)
Balance - June 30, 2018	<u>94,759</u>	<u>\$ 180,130</u>	<u>\$ 2,591</u>	<u>\$ (88,987)</u>	<u>\$ 47,663</u>	<u>\$ 141,397</u>

For the six months ended June 30, 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 18)	—	—	733	—	—	733
Stock option expiration/forfeiture	—	—	(26)	26	—	—
Stock option exercises	202	190	—	—	—	190
Net and comprehensive income	—	—	—	10,487	4,148	14,635
Balance - June 30, 2017	<u>94,591</u>	<u>\$ 180,001</u>	<u>\$ 2,191</u>	<u>\$ (145,160)</u>	<u>\$ 37,509</u>	<u>\$ 74,541</u>

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

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Operating Activities				
Net and comprehensive (loss) income	\$ (4,889)	\$ 4,551	\$ (3,745)	\$ 14,635
Items not affecting cash:				
Net and comprehensive loss from discontinued operations	—	1,114	813	2,899
Amortization	6,233	2,895	12,422	6,143
Stock-based compensation expense (note 18)	301	377	731	733
Net finance expense (income)	422	(122)	922	(1,143)
Write-off of advance royalties and other assets	—	112	5	170
Other non-cash operating expense	(70)	1,252	(24)	1,672
Cash spent on reclamation and water treatment activities	(1,941)	(1,526)	(4,179)	(2,896)
Changes in working capital balances related to operations (note 21)	(4,612)	(5,652)	(3,730)	(4,318)
Cash (used in) provided by operating activities of continuing operations	(4,556)	3,001	3,215	17,895
Cash provided by (used in) operating activities of discontinued operations	—	678	2,469	(517)
Cash (used in) provided by operating activities	(4,556)	3,679	5,684	17,378
Investing Activities				
Restricted cash	46	(360)	(504)	(245)
Advance royalties and other assets	(172)	(415)	(315)	(676)
Proceeds on sale of assets	35	82	38	109
Property, plant and equipment additions	(7,043)	(7,600)	(14,037)	(11,004)
Cash used in investing activities of continuing operations	(7,134)	(8,293)	(14,818)	(11,816)
Cash used in investing activities of discontinued operations	—	(304)	(2,358)	(1,296)
Cash used in investing activities	(7,134)	(8,597)	(17,176)	(13,112)
Financing Activities				
Proceeds from stock option/broker warrant exercises	129	—	129	190
Proceeds from issuance of notes payable	54	—	54	—
Repayment of notes payable	(207)	(308)	(516)	(613)
Repayment of finance lease obligations	(432)	(686)	(901)	(1,288)
Cash used in financing activities of continuing operations	(456)	(994)	(1,234)	(1,711)
Cash used in financing activities of discontinued operations	—	(826)	(225)	(2,664)
Cash used in financing activities	(456)	(1,820)	(1,459)	(4,375)
Net decrease in cash for the period	(12,146)	(6,738)	(12,951)	(109)
Cash, beginning of period continuing operations	19,916	31,440	20,607	20,786
Cash, beginning of period discontinued operations	—	946	114	4,971
Cash, beginning of period	19,916	32,386	20,721	25,757
Cash, end of period	7,770	25,648	7,770	25,648
Less: cash of discontinued operations at end of period	—	494	—	494
Cash, end of period continuing operations	\$ 7,770	\$ 25,154	\$ 7,770	\$ 25,154

Supplemental disclosure (note 21)

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

1. Basis of Presentation and Nature of Operations

Nature of Operations

Corsa Coal Corp. (“Corsa” or the “Company”) is in the business of mining, processing and selling of metallurgical coal, as well as exploring, acquiring and developing resource properties that are consistent with its existing coal business. The Company is a corporation existing under the *Canada Business Corporations Act* and is domiciled in Canada, 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/corporate office of Corsa is located at 4600 J. Barry Court, Suite 220, Canonsburg, Pennsylvania, USA, 15317.

These unaudited condensed interim 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 unaudited condensed interim consolidated financial statements are expressed in United States dollars. References to “C\$” are to Canadian dollars.

At June 30, 2018, the Company had one main operating division, Northern Appalachia (“NAPP Division” or “NAPP”). The NAPP Division, based in Somerset, Pennsylvania, USA, produces and sells low volatile metallurgical coal used for the production of coke from its mines in the Northern Appalachia coal region of the USA. The Company’s corporate office provides support and manages the mining investments, and is also deemed a reportable segment.

Statement of Compliance

These unaudited condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”), and do not include all of the information required for full annual financial statements. 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 interim financial statements. These reclassifications include certain prior year amounts which have been reclassified to discontinued operations related to the divestiture of Kopper Glo Mining, LLC in 2018. See note 2, “Discontinued Operations” for further information on the divestiture.

These unaudited condensed interim consolidated financial statements are intended to be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2017 and the related notes thereto.

These unaudited condensed interim consolidated financial statements were authorized by the Board of Directors of the Company on August 28, 2018.

Basis of Measurement

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

Recently adopted accounting pronouncements

In May 2014, the IASB issued International Financial Reporting Standard (“IFRS”) 15 – *Revenue from contracts with customers* (“IFRS 15”). IFRS 15 clarifies the principles for recognizing revenue from contracts with customers and Corsa adopted IFRS 15 on January 1, 2018 utilizing the full retrospective method of transition. Adoption of IFRS 15 resulted in changes to our accounting policies for revenue recognition and accounts receivable. The guidance requires disclosure of sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. The adoption of IFRS 15 had an immaterial impact on our financial statements. Refer to note 15 for additional discussion.

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Significant accounting policies updated with the adoption of IFRS 15

- (a) Accounts receivable – a receivable is recognized when coal is delivered to the customer at the delivery point indicated in the customer contract, or coal is processed at the Company’s processing facility, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Any allowance for uncollectible receivables are offset against the accounts receivable with an offsetting charge to the consolidated statement of operations.
- (b) Revenue recognition – revenue associated with the sale of coal or processing service is recognized when control passes to the customer and the amount of revenue can be measured reliably. Coal is sold under fixed price, spot or index linked contracts. Transportation costs from preparation plants to customers are included in cost of sales in the consolidated statements of operations and comprehensive income (loss) and amounts billed by the Company to its customers for these transportation costs are included in revenue.

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) 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.

(b) IFRIC 23 – Uncertainty over income tax treatments

In June 2017, the IASB issued International Financial Reporting Interpretations Committee interpretation 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.

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2. Discontinued Operations

On March 13, 2018, Corsa completed the sale of its thermal and industrial coal division, Central Appalachia (“CAPP” or “CAPP Division”), to a buyer group led by CAPP’s previous management team (the “CAPP Division Divestiture”).

The CAPP Division Divestiture was effected by way of a sale of the membership units of the Company’s subsidiary, Kopper Glo Mining, LLC, to Industrial Minerals Group, LLC (the “Buyer”). Principals of the Buyer include Hunter Hobson, the most recent president of the Company’s CAPP division, and Keith Dyke, former president of the Company’s CAPP division. The Buyer also 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 40% of Corsa’s issued and outstanding common shares.

For all periods presented in the accompanying unaudited condensed interim consolidated statements of operations and comprehensive income (loss), the CAPP Division is classified as discontinued operations. Corsa recognized a gain on the disposition of the CAPP Division of \$979 which is included in other income in the table below and is included in net and comprehensive loss from discontinued operations, net, in the unaudited condensed interim consolidated statements of operations and comprehensive income (loss). Corsa previously recognized an impairment charge of \$19,964 in the year ended December 31, 2017 as a result of the CAPP Division Divestiture being entered into subsequent to December 31, 2017 but before the annual financial statements were filed.

The following table details selected financial information for the divested CAPP Division business included within discontinued operations:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenue	\$ —	\$ 11,906	\$ 10,377	\$ 18,566
Cost of sales	—	(12,539)	(11,708)	(20,641)
Gross Margin	—	(633)	(1,331)	(2,075)
Selling, general and administrative expense	—	(452)	(337)	(923)
Loss from discontinued operations	—	(1,085)	(1,668)	(2,998)
Net finance expense	—	(117)	(86)	(253)
Other income	—	88	941	352
Loss before tax from discontinued operations	—	(1,114)	(813)	(2,899)
Tax expense	—	—	—	—
Net and comprehensive loss from discontinued operations	\$ —	\$ (1,114)	\$ (813)	\$ (2,899)
Attributable to:				
Shareholders	\$ —	\$ (902)	\$ (668)	\$ (2,348)
Non-controlling interest	\$ —	\$ (212)	\$ (145)	\$ (551)

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The major classes of assets and liabilities of discontinued CAPP Division operations are as follows:

Assets	June 30, 2018	December 31, 2017
Cash	\$ —	\$ 114
Accounts receivable	—	2,159
Prepaid expenses and other current assets	—	167
Inventories	—	2,649
Current Assets	—	5,089
Restricted cash	—	565
Advance royalties and other assets	—	97
Property, plant and equipment, net	—	5,268
Total Assets of Discontinued Operations	\$ —	\$ 11,019
Liabilities		
Accounts payable and accrued liabilities	\$ —	\$ 4,357
Notes payable	—	333
Finance lease obligations	—	608
Other liabilities	—	279
Reclamation and water treatment provision	—	282
Current Liabilities	—	5,859
Notes payable	—	245
Finance lease obligations	—	267
Other liabilities	—	144
Reclamation and water treatment provision	—	3,374
Total Liabilities of Discontinued Operations	\$ —	\$ 9,889

3. 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.

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 has exposure to credit risk 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 three and six months ended June 30, 2018 and 2017.

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Commodity Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At June 30, 2018 the Company had a consolidated cash balance of \$7,770 and consolidated working capital of \$11,798. The future operations of the Company are dependent on the continued generation of positive cash flows from operations which is dependent on the future demand and price for metallurgical coal.

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.

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

	Carrying Value at June 30, 2018	Payments due by period				
		Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accruals	\$ 31,713	\$ 31,713	\$ 31,713	\$ —	\$ —	\$ —
Notes payable	939	939	919	20	—	—
Finance lease obligations	3,570	3,586	1,905	1,340	341	—
Loan payable	30,436	32,017	—	32,017	—	—
Other liabilities	13,830	14,277	5,104	6,068	1,818	1,287
Purchase order firm commitments	—	14,526	14,526	—	—	—
Water treatment trust funding	—	5,016	1,871	3,145	—	—
Operating leases and other obligations	—	1,773	167	362	372	872
Total	\$ 80,488	\$ 103,847	\$ 56,205	\$ 42,952	\$ 2,531	\$ 2,159

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:

	June 30, 2018		December 31, 2017	
	Carrying		Carrying	
	Amount	Fair Value	Amount	Fair Value
Loan Payable	\$ 30,436	\$ 27,437	\$ 29,763	\$ 25,676

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% at June 30, 2018 and December 31, 2017.

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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.

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.

	June 30, 2018		December 31, 2017	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Cash	\$ 7,770	\$ —	\$ 20,721	\$ —
Restricted cash	34,500	—	34,526	—
	<u>\$ 42,270</u>	<u>\$ —</u>	<u>\$ 55,247</u>	<u>\$ —</u>
Financial liabilities				
Warrant financial liability	<u>\$ —</u>	<u>\$ 25</u>	<u>\$ —</u>	<u>\$ 769</u>

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 June 30, 2018 and December 31, 2017, the Company had no financial instruments which used Level 3 fair value measurements.

4. Accounts receivable

Accounts receivable consist of the following:

	June 30, 2018	December 31, 2017
Trade receivables	\$ 26,048	\$ 26,540
Redevelopment Assistance Capital Program Receivable	3,000	—
Other	356	338
	<u>\$ 29,404</u>	<u>\$ 26,878</u>

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

5. Inventories

Inventories consist of the following:

	June 30, 2018	December 31, 2017
Metallurgical coal		
Clean coal stockpiles	\$ 8,345	\$ 13,752
Raw coal stockpiles	4,164	3,214
	<u>12,509</u>	<u>16,966</u>
Thermal coal		
Clean coal stockpiles	—	36
Raw coal stockpiles	5	5
	<u>5</u>	<u>41</u>
Parts and supplies		
	4,098	4,323
	<u>\$ 16,612</u>	<u>\$ 21,330</u>

6. Restricted cash

Restricted cash consists of the following:

	June 30, 2018	December 31, 2017
Water treatment trust funds (a)	\$ 23,303	\$ 22,434
Collateral posted for reclamation bonds (b)	5,972	7,232
Workers' compensation trust funds (c)	5,214	4,849
Other restricted deposits	11	11
	<u>\$ 34,500</u>	<u>\$ 34,526</u>

- (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 June 30, 2018, the Company is required to contribute an additional \$5,016 over the course of the next three years to fully fund these trusts, with \$1,871 due in the next 12 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, \$888 and \$1,252 was released from the cash collateral and used to fund reclamation expenses during the three and six months ended June 30, 2018, respectively.
- (c) The Company has established separate trust funds with its insurance carriers to pay potential awards and claims related to workers' compensation claims.

7. Property, plant and equipment

Property, plant and equipment consists of the following:

	Mineral Properties (a)	Plant and Equipment	Total
<u>Cost</u>			
Balance - January 1, 2017	\$ 178,206	\$ 167,773	\$ 345,979
Additions	—	20,368	20,368
Capitalized development costs	7,744	—	7,744
Change in reclamation provision	4,307	—	4,307
Capitalized borrowing costs	31	—	31
Disposals	(14,089)	(5,488)	(19,577)
Balance - December 31, 2017	176,199	182,653	358,852
Additions	—	10,400	10,400
Capitalized development costs	2,230	—	2,230
CAPP Division Divestiture	(28,227)	(37,149)	(65,376)
Disposals	—	(4,218)	(4,218)
Balance - June 30, 2018	\$ 150,202	\$ 151,686	\$ 301,888
<u>Accumulated Amortization</u>			
Balance - January 1, 2017	\$ (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)
Amortization	(4,703)	(9,220)	(13,923)
CAPP Division Divestiture	24,695	35,910	60,605
Disposals	—	3,870	3,870
Balance - June 30, 2018	\$ (21,141)	\$ (90,120)	\$ (111,261)
<u>Net Book Value</u>			
December 31, 2017	\$ 135,066	\$ 61,973	\$ 197,039
June 30, 2018	\$ 129,061	\$ 61,566	\$ 190,627

- (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 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.
- (b) In accordance with the Company's significant accounting policies, each asset or cash generating unit ("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")

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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)
	<u>\$ 45,249</u>	<u>\$ 20,975</u>	<u>\$ 66,224</u>

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 Company’s 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.

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:

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

On March 13, 2018, the Company completed the CAPP Division Divestiture. As negotiations with the buyer took place subsequent to December 31, 2017, but prior to the issuance of the Company's consolidated financial statements for the year ended December 31, 2017, the terms of the CAPP Division Divestiture were used as the best estimate of the FVLCD which was lower than the carrying value of the CAPP Division. Accordingly, the Company recorded an asset impairment loss of \$19,964 for the year ended December 31, 2017. Management's estimate of the FVLCD of the CAPP Division is classified as level 1 in the fair value hierarchy.

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consists of the following:

	June 30, 2018	December 31, 2017
Trade payables	\$ 8,877	\$ 13,589
Purchased coal payables	7,621	15,989
Freight payables	5,857	5,548
Other accrued liabilities	9,358	7,284
	<u>\$ 31,713</u>	<u>\$ 42,410</u>

9. Notes Payable

Notes payable consists of the following:

	June 30, 2018	December 31, 2017
Notes payable - equipment purchase (a)	\$ 464	\$ 800
Note payable (b)	475	762
Balance, end of period	939	1,562
Less: Current portion	(919)	(1,135)
Total long-term notes payable	<u>\$ 20</u>	<u>\$ 427</u>

- (a) The NAPP Division has two loans payable. The first loan, which bears no interest, is with an equipment provider, and the equipment purchased is pledged as collateral for the loan and is repayable in monthly installments of \$35 until June 2019. The second loan, which bears no interest, is with a third party equipment financing company, and the equipment purchased is pledged as collateral for the loan and is repayable in monthly installments of \$2 until March 2020.
- (b) 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 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 through the mines development phase. During the three and six months ended June 30, 2017 \$11 and \$24 of finance and interest expense was capitalized to the cost of the Alumbaugh mineral property. No finance and interest expense was capitalized during the three and six months ended June 30, 2018 as the Acosta Mine is in the production phase.

At June 30, 2018, there were no covenants related to the notes payable.

10. Finance Lease Obligations

Finance lease obligations consists of the following:

	June 30, 2018	December 31, 2017
NAPP Division leases expiring from 2018-2021 (a)	\$ 3,570	\$ 3,627
Discontinued Operations leases	—	875
Balance, end of period	3,570	4,502
Less: Current portion	(1,905)	(2,352)
Total long-term finance lease obligations	<u>\$ 1,665</u>	<u>\$ 2,150</u>

- (a) These finance lease obligations are for certain mobile equipment and preparation plant machinery at the NAPP Division bearing interest ranging from 1.04% - 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. 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 recognized in the three and six months ended June 30, 2018 was expense of \$4 and income of \$30, respectively, and is included in cost of sales in the unaudited condensed interim consolidated statements of operations and comprehensive income (loss). The contingent rent recognized in the three and six months ended June 30, 2017 was expense of \$208 and \$722, respectively, and is included in cost of sales in the unaudited condensed interim consolidated statements of operations and comprehensive income (loss).

Finance lease obligations are payable as follows:

Less than 1 year	\$ 2,141
1-3 years	1,530
4-5 years	359
Total payments	4,030
Less: Amounts representing interest	(460)
Total finance lease obligations	<u>\$ 3,570</u>

At June 30, 2018, the Company was in compliance with all covenants under the lease agreements.

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 to maintain a minimum cash balance of \$1,000 and positive working capital. The Company was in compliance with these covenants at June 30, 2018.

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%.

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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 six months ended June 30, 2018 are as follows:

	Unamortized		Total
	Principal	Discount	
Balance - January 1, 2017	\$ 32,013	\$ (3,578)	\$ 28,435
Accrued interest	3,886	—	3,886
Interest paid	(3,886)	—	(3,886)
Accretion of discount	—	1,328	1,328
Other	4	(4)	—
Balance - December 31, 2017	32,017	(2,254)	29,763
Accrued interest	1,610	—	1,610
Interest paid	(1,610)	—	(1,610)
Accretion of discount (note 19)	—	673	673
Balance - June 30, 2018	<u>\$ 32,017</u>	<u>\$ (1,581)</u>	<u>\$ 30,436</u>

- (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 June 30, 2018, the fair value was determined to be \$25 using a Black Scholes option pricing model (expected life of 1.13 years, exercise price of C\$3.90, risk-free interest rate of 2.33%, Common Share price of C\$1.14, expected volatility of 63%, dividend yield of 0%, forfeiture rate of 0% and CAD/USD exchange rate of 0.7594). The revaluation amounted to income of \$179 and \$743 for the three and six months ended June 30, 2018, respectively. The revaluation amounted to income of \$517 and \$1,764 for the three and six months ended June 30, 2017, respectively. The Bonus Warrant revaluation amounts are included in net finance expense (note 19) in the unaudited condensed interim consolidated statements of operations and comprehensive income (loss).

12. Other Liabilities

Other liabilities consist of the following:

	June 30, 2018	December 31, 2017
Workers' compensation provision (a)	\$ 5,832	\$ 6,229
Transportation contract liquidated damages (b)	2,100	2,529
Processing fee payable (c)	2,703	2,643
Other (d)	3,195	2,937
	<u>13,830</u>	<u>14,338</u>
Less: current portion (a,b,d)	(5,104)	(4,151)
Total Other Liabilities	<u>\$ 8,726</u>	<u>\$ 10,187</u>

- (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 \$909. The Company has established separate trust funds with its insurance carriers to pay potential awards and claims related to workers' compensation claims (note 6).
- (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 and at June 30, 2018, a provision of \$2,100 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 2020 and 2021. The processing fee payable balance is being recorded at amortized cost with an effective interest rate of 1.21%.
- (d) Other includes various accruals including 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, 2017	\$ 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
Reclamation and water treatment costs incurred	(2,768)	(1,411)	(4,179)
Accretion expense	371	389	760
CAPP Division Divestiture	(3,657)	—	(3,657)
Balance - June 30, 2018	\$ 30,070	\$ 32,754	\$ 62,824
Less: current portion	(3,331)	(1,771)	(5,102)
Long-Term Reclamation and Water Treatment Provision	<u>\$ 26,739</u>	<u>\$ 30,983</u>	<u>\$ 57,722</u>
Estimated costs (undiscounted cash flow basis)	<u>\$ 36,906</u>	<u>\$ 36,749</u>	<u>\$ 73,655</u>
End of reclamation period	<u>1-21 years</u>	<u>Perpetual</u>	
Discount rate	<u>1.76%-2.60%</u>	<u>1.76%-2.58%</u>	
Inflation rate	<u>2.0%</u>	<u>2.0%</u>	

(a) Site reclamation and remediation

(i) The current portion represents the amount expected to be incurred by the Company within one year from June 30, 2018.

(ii) At June 30, 2018, the Company had \$58,460 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 6(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 June 30, 2018.

14. 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. At June 30, 2018 and December 31, 2017, the Company had 94,759,245 and 94,591,245 Common Shares outstanding, respectively, and no preferred shares outstanding. At June 30, 2018 and December 31, 2017, QKGI Legacy Holdings LP also owns 170,316,620 redeemable units (“Redeemable Units”) of the Company’s subsidiary, Wilson Creek Energy, LLC entitling it to a 19% minority interest in the net assets, income and expenses of Wilson Creek Energy, LLC. Redeemable Units are redeemable at the option of the holder for cash equal to the product of: (i) the number of Redeemable Units to be redeemed divided by 20; and (ii) the 10-day volume weighted average trading price, prior to date of notice of redemption, of the Common Shares. The Company has the option to satisfy the redemption price for the Redeemable Units with Common Shares on a 20 to one basis (i.e. 20 Redeemable Units for one Common Share). The Company is restricted from paying cash to the holder for the redemption of Redeemable Units if a balance remains outstanding for the Facility (note 11).

In June 2016, Paradigm Capital, Inc. (the “Agent”) acted as lead agent for the brokered portion of the private placement. The Company issued a total of 168,000 compensation warrants (the “Broker Warrants”) to the Agent in connection with this transaction. Each Broker Warrant entitled the Agent to purchase one Common Share at C\$1.00, exercisable for a period of 24 months. In May 2018, the Agent exercised all warrants and the Company issued 168,000 common shares to the Agent for cash proceeds of C\$168.

15. Revenue

Revenue consists of the following:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Metallurgical coal sales	\$ 55,167	\$ 51,457	\$ 134,168	\$ 100,507
Thermal coal sales	262	2,213	517	5,542
Tolling revenue	1,902	668	3,094	668
	<u>\$ 57,331</u>	<u>\$ 54,338</u>	<u>\$ 137,779</u>	<u>\$ 106,717</u>

The following amounts relating to revenue in the condensed interim consolidated statements of operations and comprehensive income (loss):

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	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenue from contracts with customers	\$ 57,307	\$ 54,328	\$ 137,550	\$ 106,554
Revenue from other sources	24	10	229	163
	<u>\$ 57,331</u>	<u>\$ 54,338</u>	<u>\$ 137,779</u>	<u>\$ 106,717</u>

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

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

Geographic Region	For the three months ended June 30, 2018			
	Metallurgical	Thermal	Tolling	Total
	Coal	Coal	Revenue	
Asia	\$ 44,027	\$ —	\$ —	\$ 44,027
United States	11,140	238	1,902	13,280
South America	—	—	—	—
Total revenue from contracts with customers	<u>\$ 55,167</u>	<u>\$ 238</u>	<u>\$ 1,902</u>	<u>\$ 57,307</u>

Geographic Region	For the three months ended June 30, 2017			
	Metallurgical	Thermal	Tolling	Total
	Coal	Coal	Revenue	
Asia	\$ 36,102	\$ —	\$ —	\$ 36,102
United States	6,356	2,203	668	9,227
South America	8,999	—	—	8,999
Total revenue from contracts with customers	<u>\$ 51,457</u>	<u>\$ 2,203</u>	<u>\$ 668</u>	<u>\$ 54,328</u>

Geographic Region	For the six months ended June 30, 2018			
	Metallurgical	Thermal	Tolling	Total
	Coal	Coal	Revenue	
Asia	\$ 100,966	\$ —	\$ —	\$ 100,966
United States	24,353	288	3,094	27,735
South America	8,849	—	—	8,849
Total revenue from contracts with customers	<u>\$ 134,168</u>	<u>\$ 288</u>	<u>\$ 3,094</u>	<u>\$ 137,550</u>

Geographic Region	For the six months ended June 30, 2017			
	Metallurgical	Thermal	Tolling	Total
	Coal	Coal	Revenue	
Asia	\$ 80,235	\$ —	\$ —	\$ 80,235
United States	11,273	5,379	668	17,320
South America	8,999	—	—	8,999
Total revenue from contracts with customers	<u>\$ 100,507</u>	<u>\$ 5,379</u>	<u>\$ 668</u>	<u>\$ 106,554</u>

16. Cost of Sales

Cost of sales consists of the following:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Mining and processing costs	\$ 17,107	\$ 11,251	\$ 37,447	\$ 24,261
Purchased coal costs	20,146	19,982	48,561	34,159
Royalty expense	1,041	1,441	3,124	3,310
Amortization expense	6,233	2,895	12,422	6,143
Transportation costs from preparation plant to customer	9,884	6,403	22,785	9,398
Idle mine expense	131	233	240	548
Tolling costs	696	355	1,131	355
Write-off of advance royalties and other assets	—	112	5	170
Other costs	(141)	(132)	111	1,075
	<u>\$ 55,097</u>	<u>\$ 42,540</u>	<u>\$ 125,826</u>	<u>\$ 79,419</u>

17. Selling, General and Administrative Expense

Selling, general and administrative expense consists of the following:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Salaries and other compensation	\$ 2,291	\$ 1,959	\$ 5,034	\$ 4,073
Selling expense	1,167	672	2,647	1,345
Professional fees	1,002	465	2,178	919
Office expenses and insurance	522	330	1,323	594
Other	118	172	375	383
	<u>\$ 5,100</u>	<u>\$ 3,598</u>	<u>\$ 11,557</u>	<u>\$ 7,314</u>

18. 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 a stock option or RSU granted to a certain participant is determined by the Company’s Board of Directors and may not exceed 5% of the total number of issued and outstanding Common Shares on the grant date on a non-diluted basis. The exercise price of the stock options granted shall comply with the requirements of the stock exchange on which the Common Shares are listed (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 three and six months ended June 30, 2018 and 2017. At June 30, 2018 and 2017, there were 1,965,000 and 2,597,000 stock options available for issuance under the stock option plan, respectively.

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The following illustrates the changes in issued and outstanding stock options during the period ended June 30, 2018:

	Number of Stock Options (000's)	Weighted Average Exercise Price (C\$)
Balance - January 1, 2017	7,034	\$ 1.93
Options granted (a) (b) (c) (d)	2,488	1.58
Options exercised	(202)	1.26
Options forfeited	(514)	1.83
Options expired	(188)	6.00
Balance - December 31, 2017	8,618	1.76
Options granted (e)	55	1.83
Options forfeited	(1,162)	\$ 1.66
Balance - June 30, 2018	<u>7,511</u>	<u>\$ 1.78</u>

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)
Date of Grant:	March 7, 2017	September 5, 2017	November 16, 2017	December 14, 2017	January 15, 2018
Options Granted (000's)	150	70	2,253	15	55
Expected life in years:	2 to 4	2 to 4	2 to 4	2 to 4	2 to 4
Exercise price:	C\$2.40	C\$1.58	C\$1.53	C\$1.39	C\$1.83
Risk-free interest rate:	1.31% to 1.83%	1.30% to 1.52%	1.71% to 1.94%	1.81% to 2.02%	1.98% to 2.22%
Common Share price:	C\$2.40	C\$1.58	C\$1.53	C\$1.39	C\$1.83
Expected volatility	117% to 137%	110% to 130%	109% to 126%	109% to 122%	110% to 121%
Dividend yield:	—%	—%	—%	—%	—%
Forfeiture rate:	12.61%	11.74%	11.24%	10.96%	10.71%

- (a) Stock options were granted to employees of the Company.
- (b) Stock options were granted to an employee of the Company.
- (c) Stock options were granted to directors, officers and employees of the Company.
- (d) Stock options were granted to employees of the Company.
- (e) Stock options were granted to an employee of the Company.

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

For the three and six months ended June 30, 2018, the Company recorded stock based compensation expense on the outstanding stock options to selling, general and administrative expense of \$301 and \$731, respectively. For the three and six months ended June 30, 2017, the Company recorded stock based compensation expense on the outstanding stock options to selling, general and administrative expense of \$377 and \$733, respectively.

19. Net Finance (Expense) Income

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Warrant financial liability (note 11(b))	\$ 179	\$ 517	\$ 743	\$ 1,764
Accretion of discount on Loan Payable (note 11(a))	(340)	(329)	(673)	(655)
Bond premium expense	(344)	(329)	(683)	(659)
Interest expense	(943)	(1,001)	(1,903)	(2,024)
Interest income	23	41	72	73
Foreign exchange (loss) gain	—	11	(2)	135
Accretion on reclamation provision (note 13)	(382)	(347)	(760)	(691)
Change in market value of restricted cash	232	455	(2)	1,121
Other (loss) gain	(32)	(32)	(66)	(63)
	<u>\$ (1,607)</u>	<u>\$ (1,014)</u>	<u>\$ (3,274)</u>	<u>\$ (999)</u>

20. Earnings per Share

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Basic and diluted earnings (loss) attributable to common shareholders				
Continuing operations	\$ (4,561)	\$ 4,150	\$ (3,443)	\$ 12,835
Discontinued operations	—	(902)	(668)	(2,348)
Total basic and diluted earnings (loss) attributable to common shareholders	<u>\$ (4,561)</u>	<u>\$ 3,248</u>	<u>\$ (4,111)</u>	<u>\$ 10,487</u>
Basic weighted average number of Common Shares outstanding (000's)	<u>94,665</u>	<u>94,591</u>	<u>94,628</u>	<u>94,514</u>
Dilutive effect of stock options (000's)	536	1,612	999	2,129
Dilutive effect of compensation warrants (000's)	—	76	—	94
Diluted weighted average number of Common Shares outstanding (000's)	<u>95,201</u>	<u>96,279</u>	<u>95,627</u>	<u>96,737</u>
Basic earnings (loss) per share - continuing operations	\$ (0.05)	\$ 0.04	\$ (0.04)	\$ 0.13
Basic earnings (loss) per share - discontinued operations	—	(0.01)	(0.01)	(0.02)
Basic earnings (loss) per share - total	<u>\$ (0.05)</u>	<u>\$ 0.03</u>	<u>\$ (0.05)</u>	<u>\$ 0.11</u>
Diluted earnings (loss) per share - continuing operations	\$ (0.05)	\$ 0.04	\$ (0.04)	\$ 0.13
Diluted earnings (loss) per share - discontinued operations	—	(0.01)	(0.01)	(0.02)
Diluted earnings (loss) per share - total	<u>\$ (0.05)</u>	<u>\$ 0.03</u>	<u>\$ (0.05)</u>	<u>\$ 0.11</u>

21. Supplemental Cash Flow Information

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Change in working capital balances related to operations:				
Accounts receivable	\$ 9,658	\$ (9,764)	\$ (1,685)	\$ (11,554)
Prepaid expenses and other current assets	723	(413)	1,574	(625)
Inventories	(4,110)	(2,452)	2,797	(3,008)
Accounts payable and accrued liabilities	(10,344)	8,622	(6,211)	13,701
Other liabilities	(539)	(1,645)	(205)	(2,832)
	<u>\$ (4,612)</u>	<u>\$ (5,652)</u>	<u>\$ (3,730)</u>	<u>\$ (4,318)</u>
Cash paid for interest	<u>\$ 943</u>	<u>\$ 1,001</u>	<u>\$ 1,903</u>	<u>\$ 2,032</u>
Cash paid (received) for income taxes	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

22. 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 Coal Holdings Corp. Related party activities which took place before the completion of the CAPP Division Divestiture on March 13, 2018 are reflected in the amounts below. Post-divestiture, Kopper Glo Mining, LLC is considered a related party as key management of QEP have significant influence over this entity. As such, transactions with Kopper Glo Mining, LLC after March 13, 2018 are considered related party transactions and reflected in the amounts below. Refer to note 2 for additional discussion.

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Royalties and property taxes (a)	\$ —	\$ 368	\$ 185	\$ 695
Supplies purchase (b)	100	62	181	145
Equipment servicing fees (c)	1,000	—	1,000	—
Purchased coal (d)	2,722	273	5,759	1,787
	<u>\$ 3,822</u>	<u>\$ 703</u>	<u>\$ 7,125</u>	<u>\$ 2,627</u>

- (a) During the three and six months ended June 30, 2018 and 2017, 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 net and comprehensive loss from discontinued operations, net in the unaudited condensed interim consolidated statements of operations and comprehensive income (loss).
- (b) During the three and six months ended June 30, 2018 and 2017, the Company purchased supplies used in the coal separation process from Quality Magnetite, which is significantly influenced by key management personnel of QEP. During the three and six months ended June 30, 2018, amounts purchased by the NAPP Division, totaling \$174 and \$73, respectively, were included in cost of sales in the unaudited condensed interim consolidated statements of operations and comprehensive

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income (loss). Amounts purchased by the CAPP Division, totaling \$7, were included in net and comprehensive loss from discontinued operations, net in the unaudited condensed interim consolidated statements of operations and comprehensive income (loss).

- (c) During the three and six months ended June 30, 2018, subsequent to the completion of the CAPP Division Divestiture, the Company purchased services to rebuild a continuous haulage system from Kopper Glo Mining, LLC, which is now considered a related party as it is significantly influenced by key management personnel of QEP. The continuous haulage system, has been capitalized and included in property, plant and equipment.
- (d) During the six months ended June 30, 2018 and 2017, 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 former president of the CAPP Division, Hunter Hobson. These amounts totaled \$1,150 and \$1,787 for the six months ended June 30, 2018 and 2017, respectively. During the three months ended June 30, 2017, purchased coal from Smoky Mountain Coal Company totaled \$273. These amounts were reflected in net and comprehensive loss from discontinued operations, net in the unaudited condensed interim consolidated statements of operations and comprehensive income (loss). Subsequent to the completion of the CAPP Division Divestiture, the Company purchased coal from Kopper Glo Mining, LLC, which is now considered a related party as it is significantly influenced by key management personnel of QEP. During the three and six months ended June 30, 2018, the Company recognized \$2,722 and \$4,610 in cost of sales in the unaudited condensed interim consolidated statements of operations and comprehensive income (loss) related to these coal purchases.

Included in accounts payable and accrued liabilities at June 30, 2018 and December 31, 2017 are \$42 and \$327, respectively, due to related parties, as a result of the transactions noted above. These amounts are unsecured and non-interest bearing.

At June 30, 2018 and December 31, 2017, the Company had a loan payable to SRLC of \$30,436 and \$29,763 under the Facility, respectively. SRLC is a minority shareholder of the Company as a result of the issuance of the Fee Shares. For additional details related to this loan payable see note 11.

23. Segment Disclosures

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

NAPP is a distinct operating segment based on its metallurgical coal operations and location in the U.S. along the Northern Appalachia coal belt. The Company's corporate office provides support and manages the mining investments. 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.

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The required disclosures for the operating segments and discontinued operations are presented below. For additional information regarding discontinued operations see note 2.

	For the three months ended June 30, 2018			
	NAPP	Discontinued Operations	Corporate	Total
Total assets	\$ 279,063	\$ —	\$ 5,671	\$ 284,734
Total liabilities	\$ 111,679	\$ —	\$ 31,658	\$ 143,337
Revenues	\$ 57,331	\$ —	\$ —	\$ 57,331
Cost of sales	(55,097)	—	—	(55,097)
Gross margin	2,234	—	—	2,234
Selling, general and administrative expenses	(3,071)	—	(2,029)	(5,100)
Loss from operations	(837)	—	(2,029)	(2,866)
Net finance expense	(651)	—	(956)	(1,607)
Other expense	(416)	—	—	(416)
Loss before tax	(1,904)	—	(2,985)	(4,889)
Current income tax (benefit) expense	—	—	—	—
Deferred income tax expense	—	—	—	—
Net loss from continuing operations	(1,904)	—	(2,985)	(4,889)
Net loss from discontinued operations, net	—	—	—	—
Net loss	(1,904)	—	(2,985)	(4,889)

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	For the six months ended June 30, 2018			
	NAPP	Discontinued Operations	Corporate	Total
Revenues	\$ 137,779	\$ —	\$ —	\$ 137,779
Cost of sales	(125,826)	—	—	(125,826)
Gross margin	11,953	—	—	11,953
Selling, general and administrative expenses	(7,237)	—	(4,320)	(11,557)
Income (loss) from operations	4,716	—	(4,320)	396
Net finance expense	(1,787)	—	(1,487)	(3,274)
Other expense	(54)	—	—	(54)
Income (loss) before tax	2,875	—	(5,807)	(2,932)
Current income tax (benefit) expense	—	—	—	—
Deferred income tax expense	—	—	—	—
Net income (loss) from continuing operations	2,875	—	(5,807)	(2,932)
Net loss from discontinued operations, net	—	(813)	—	(813)
Net income (loss)	2,875	(813)	(5,807)	(3,745)

	For the three months ended June 30, 2017			
	NAPP	Discontinued Operations	Corporate	Total
Revenues	\$ 54,338	\$ —	\$ —	\$ 54,338
Cost of sales	(42,540)	—	—	(42,540)
Gross margin	11,798	—	—	11,798
Selling, general and administrative expenses	(2,426)	—	(1,172)	(3,598)
Income (loss) from operations	9,372	—	(1,172)	8,200
Net finance expense	(439)	—	(575)	(1,014)
Other expense	(1,521)	—	—	(1,521)
Income (loss) before tax	7,412	—	(1,747)	5,665
Current income tax (benefit) expense	—	—	—	—
Deferred income tax expense	—	—	—	—
Net income (loss) from continuing operations	7,412	—	(1,747)	5,665
Net loss from discontinued operations, net	—	(1,114)	—	(1,114)
Net income (loss)	7,412	(1,114)	(1,747)	4,551

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	For the six months ended June 30, 2017			
	NAPP	Discontinued Operations	Corporate	Total
Revenues	106,717	—	—	106,717
Cost of sales	(79,419)	—	—	(79,419)
Gross margin	27,298	—	—	27,298
Selling, general and administrative expenses	(4,736)	—	(2,578)	(7,314)
Income (loss) from operations	22,562	—	(2,578)	19,984
Net finance expense	(701)	—	(298)	(999)
Other expense	(1,451)	—	—	(1,451)
Income (loss) before tax	20,410	—	(2,876)	17,534
Current income tax (benefit) expense	—	—	—	—
Deferred income tax expense	—	—	—	—
Net income (loss) from continuing operations	20,410	—	(2,876)	17,534
Net loss from discontinued operations, net	—	(2,899)	—	(2,899)
Net income (loss)	20,410	(2,899)	(2,876)	14,635

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 three months ended June 30, 2018			For the three months ended June 30, 2017		
	USA	Canada	Total	USA	Canada	Total
Revenue	\$ 57,331	\$ —	\$ 57,331	\$ 54,338	\$ —	\$ 54,338
Net income (loss) from continuing operations	\$ (1,904)	\$ (2,985)	\$ (4,889)	\$ 7,412	\$ (1,747)	\$ 5,665
	For the six months ended June 30, 2018			For the six months ended June 30, 2017		
	USA	Canada	Total	USA	Canada	Total
Revenue	137,779	—	137,779	106,717	—	106,717
Net income (loss) from continuing operations	2,875	(5,807)	(2,932)	20,410	(2,876)	17,534
	At June 30, 2018			At December 31, 2017		
	USA	Canada	Total	USA	Canada	Total
Non-current assets	\$ 228,193	\$ —	\$ 228,193	234,418	—	234,418
Total assets	\$ 284,593	\$ 141	\$ 284,734	293,607	13,919	307,526

24. 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. in August 2014 (the “PBS Transaction”). 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 also 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. In June 2018, the Company received notification that the conditions of the grant had been met and a receivable of \$3,000 and a corresponding reduction to property, plant and equipment was recognized. The Company received 95% of the grant subsequent to June 30, 2018. The remaining 5% will be received upon completion of the final grant audit.

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 September 17-21, 2018. Presently, the Company has not recognized this contingent receivable and cannot provide a reasonable estimate for the potential magnitude of the claim.