Corsa Coal Corp.

Consolidated Financial Statements

December 31, 2018 and 2017

URISH POPECK
accountants and consultants

To the Shareholders of Corsa Coal Corp.

Opinion
We have audited the consolidated financial statements of Corsa Coal Corp. and its subsidiaries ("Corsa" or the "Company"), which comprise the consolidated balance sheets at December 31, 2018 and 2017, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussions and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement, resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is David M. Ritzert.

Certified Public Accountants
Pittsburgh, Pennsylvania, USA
February 21, 2019

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

Assets		**December 31, 2018**		**December 31, 2017**
Cash	$	10,124	$	20,721
Accounts receivable (note 6)		28,502		26,878
Prepaid expenses and other current assets		4,058		4,179
Inventories (note 7)		12,944		21,330
Current Assets		55,628		73,108
Restricted cash (note 8)		32,503		34,526
Advance royalties and other assets		3,564		2,853
Property, plant and equipment, net (note 9)		191,605		197,039
Total Assets	$	283,300	$	307,526
Liabilities				
Accounts payable and accrued liabilities (note 10)	$	28,354	$	42,410
Notes payable (note 11)		418		1,135
Finance lease obligations (note 12)		2,543		2,352
Loan payable (note 13)		9,066		—
Other liabilities (note 14)		5,407		4,151
Reclamation and water treatment provision (note 15)		5,615		5,384
Current Liabilities		51,403		55,432
Notes payable (note 11)		7		427
Finance lease obligations (note 12)		1,982		2,150
Loan payable (note 13)		21,386		29,763
Other liabilities (note 14)		5,825		10,187
Reclamation and water treatment provision (note 15)		51,701		64,516
Warrant financial liability (note 13(b))		—		769
Total Liabilities		132,304		163,244
Equity				
Share Capital		180,130		180,001
Contributed Surplus		2,244		2,501
Accumulated Deficit		(81,274)		(85,517)
Total Shareholders' Equity		101,100		96,985
Non-controlling interest		49,896		47,297
Total Equity		150,996		144,282
Total Liabilities and Equity	$	283,300	$	307,526

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,	
	2018	**2017**
Revenue (note 18)	$ 265,853	$ 217,507
Cost of sales (note 19)	(236,840)	(87,575)
Gross Margin	29,013	129,932
Selling, general and administrative expense (notes 20 and 21)	(20,607)	(16,136)
Income from operations	8,406	113,796
Net finance expense (note 22)	(9,286)	(4,151)
Other income (expense)	3,992	(1,048)
Income before tax	3,112	108,597
Current income tax (benefit) expense (note 24)	(2,759)	—
Deferred income tax expense (note 24)	—	—
	(2,759)	—
Net and comprehensive income from continuing operations	$ 5,871	$ 108,597
Net and comprehensive loss from discontinued operations, net (note 4)	(813)	(24,913)
Net and comprehensive income	$ 5,058	$ 83,684
Attributable to:		
Shareholders	$ 2,459	$ 69,748
Non-controlling interest	$ 2,599	$ 13,936
Basic earnings (loss) per share (note 23)		
Earnings from continuing operations	$ 0.03	$ 0.96
Loss from discontinued operations	$ (0.01)	$ (0.22)
Basic earnings per share	$ 0.02	$ 0.74
Diluted earnings (loss) per share (note 23)		
Earnings from continuing operations	$ 0.03	$ 0.93
Loss from discontinued operations	$ (0.01)	$ (0.21)
Diluted earnings per share	$ 0.02	$ 0.72

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, 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 21)	—	—	1,527	—	—	1,527
Stock option expiration/forfeiture	—	—	(1,784)	1,784	—	—
Exercise of Broker Warrants	168	129	—	—	—	129
Net and comprehensive income	—	—	—	2,459	2,599	5,058
Balance - December 31, 2018	94,759	$ 180,130	$ 2,244	$ (81,274)	$ 49,896	$ 150,996

	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 21)	—	—	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

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,	
	2018	**2017**
Operating Activities		
Net and comprehensive income	$ 5,058	$ 83,684
Items not affecting cash:		
Net and comprehensive loss from discontinued operations (note 4)	813	24,913
Amortization	25,020	11,492
Stock-based compensation expense (note 21)	1,527	1,425
Net finance expense (income)	3,599	(999)
Change in estimate of water treatment and reclamation provision (note 15)	(3,727)	6,293
Asset impairment adjustments (note 9)	—	(86,188)
Write-off of advance royalties and other assets	38	315
Other non-cash operating expense	(3,368)	2,461
Cash spent on reclamation and water treatment activities (note 15)	(6,913)	(5,818)
Changes in working capital balances related to operations (note 25)	(6,740)	(8,102)
Cash provided by operating activities of continuing operations	15,307	29,476
Cash provided by operating activities of discontinued operations	2,469	1,591
Cash provided by operating activities	17,776	31,067
Investing Activities		
Restricted cash	(710)	(523)
Advance royalties and other assets	(651)	(802)
Proceeds on sale of assets	511	364
Property, plant and equipment additions	(21,265)	(25,230)
Cash used in investing activities of continuing operations	(22,115)	(26,191)
Cash used in investing activities of discontinued operations	(2,358)	(1,306)
Cash used in investing activities	(24,473)	(27,497)
Financing Activities		
Proceeds from stock option/broker warrant exercises	129	190
Proceeds from issuance of notes payable	54	—
Debt issuance costs	(640)	—
Repayment of notes payable	(1,030)	(1,225)
Repayment of finance lease obligations	(2,188)	(2,429)
Cash used in financing activities of continuing operations	(3,675)	(3,464)
Cash used in financing activities of discontinued operations	(225)	(5,142)
Cash used in financing activities	(3,900)	(8,606)
Net decrease in cash for the period	(10,597)	(5,036)
Cash, beginning of period continuing operations	20,607	20,786
Cash, beginning of period discontinued operations	114	4,971
Cash, beginning of period	20,721	25,757
Cash, end of period	10,124	20,721
Less: cash of discontinued operations at end of period	—	114
Cash, end of period continuing operations	$ 10,124	$ 20,607

Supplemental disclosure (note 25)

The accompanying notes are an integral part of these 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. 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 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. References to "C$" are to Canadian dollars.

At December 31, 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.

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.

Statement of Compliance

These consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations as approved by the International Accounting Standards Board ("IASB"). 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 consolidated 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 4, "Discontinued Operations" for further information on the divestiture.

These consolidated financial statements were authorized by the Board of Directors of the Company on February 21, 2019.

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.

2. Significant Accounting Policies

Functional and presentation currency

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

Basis of Consolidation

The legal ownership structure for the Company's subsidiaries is presented below. 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%
Corsa Alabama, LLC	Alabama, USA	WCH - 100%	N/A	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%

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

Advance royalties and other assets

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

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

Property, plant and equipment

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

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

Development costs, which are the costs incurred to make the mineral physically accessible, include costs for driving main entries for ventilation, haulage, personnel, construction of airshafts, roof protection and support facilities. When the benefit from surface

mining operations comes in the form of inventory produced, stripping costs incurred are charged to cost of sales or included in the cost of inventories at period end. To the extent the stripping activity provides a benefit in the form of improved access to coal reserves, and the Company can identify and reasonably estimate the future economic benefits of the improved access, a 'non-current stripping activity' asset is recognized. The 'non-current stripping activity' asset is then expensed through cost of sales over the expected useful life of the identified component of the coal reserves that becomes more accessible as a result of the stripping activity utilizing the units-of-production method.

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

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and 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 instruments are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership. Financial liabilities are derecognized at the time a substantial modification of the liability occurs or when the Company discharges any continuing or further obligation for the specific liability.

The Company classifies its financial instruments in the categories below:

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

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

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

Impairment of financial assets

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

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

Reclamation provision

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

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

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

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

Water treatment provision

The Company has signed certain agreements with United States environmental and regulatory agencies which require the perpetual monitoring and treatment of water in areas where the Company is operating or has operated in the past. The Company has the obligation to fund such water treatment activities and has recorded a provision for the total expected costs of such water treatment.

The water treatment provision is estimated based on a determination of the estimated costs of treatment using assumptions effective as of the end of the reporting period discounted using a pre-tax risk-free discount rate consistent with the expected timing of the cash flows.

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

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

Share-based payments

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

If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. Should the stock-based awards expire before exercise, the appropriate amount of contributed surplus is reclassified within equity to 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 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 (as defined in note 4), which is currently presented as discontinued operations.

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.

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. These changes did not affect timing or amount recognized, they only impact disclosure. 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 18 for additional discussion.

In July 2014, the IASB issued IFRS 9 – *Financial Instruments*, 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. The new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it provides more hedging strategies that are used for risk management to qualify for hedge accounting and introduces more judgment to assess the effectiveness of a hedging relationship. Corsa adopted IFRS 9 on January 1, 2018 and adoption of this standard did not have a material impact on the Company's financial statements.

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, 2019. 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 will adopt IFRS 16 in its consolidated financial statements for the annual period beginning January 1, 2019. The Company has completed scoping reviews and currently believes the new guidance will not have a material impact on its financial results when adopted. However, adoption 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 will not be material.

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, 2018 and 2017, total managed capital was $150,996 and $144,282, 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. 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 CAPP Division, and Keith Dyke, former president of the 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 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 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 years ended December 31,	
	2018	**2017**
Revenue	$ 10,377	$ 46,425
Cost of sales	(11,708)	(69,571)
Gross Margin	(1,331)	(23,146)
Selling, general and administrative expense	(337)	(1,761)
Loss from discontinued operations	(1,668)	(24,907)
Net finance expense	(86)	(483)
Other income	941	477
Loss before tax from discontinued operations	(813)	(24,913)
Tax expense	—	—
Net and comprehensive loss from discontinued operations	$ (813)	$ (24,913)
Attributable to:		
Shareholders	$ (668)	$ (20,364)
Non-controlling interest	$ (145)	$ (4,549)

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

Assets	**December 31, 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

5. 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 is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. These deposit accounts are held with high credit quality institutions in Canada and the United States. Restricted cash consists of certificates of deposit and interest-bearing securities invested with highly rated financial institutions.

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. The Company trades only with recognized creditworthy third parties who are subject to credit verification procedures, and often times are backed by letters of credit or trade credit insurance. In addition, outstanding receivable balances are regularly

monitored on an ongoing basis. The Company has not recorded any allowance for credit losses for the years ended December 31, 2018 and 2017.

At December 31, 2018 and 2017, the Company had six customers that each owed the Company more than $1,000 each and accounted for approximately 92% and 82%, respectively, of all receivables owing. At December 31, 2018 and 2017, there was one customer with a balance greater than $10,000 accounting for 45% and 40%, respectively, of total accounts receivable. At December 31, 2018 and 2017, 90% and 55%, respectively, of the Company's trade receivables are covered by letters of credit and other forms of credit insurance.

Commodity Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2018 the Company had a consolidated cash balance of $10,124 and consolidated working capital of $4,225. The future operations of the Company are dependent on the continued generation of positive cash flows from operations which is dependent on the future demand and price for metallurgical coal. In December 2018, the Company entered into an amending agreement to extend the maturity of the Facility (as defined in note 13) from August 2019 to August 2020 and amend certain other terms of the credit agreement. Refer to note 13 for further discussion on these amended terms. The Company plans to utilize expected operating cash flows to service the debt.

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 December 31, 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	$ 28,354	$ 28,354	$ 28,354	$ —	$ —	$ —
Notes payable	425	425	418	7	—	—
Finance lease obligations	4,525	4,535	2,543	1,337	655	—
Loan payable	30,452	32,017	10,000	22,017	—	—
Other liabilities	11,232	11,325	5,407	2,852	2,102	964
Asset retirement obligations - reclamation	30,047	30,047	4,027	3,839	4,301	17,880
Asset retirement obligations - water treatment	27,269	27,269	1,588	2,892	2,862	19,927
Purchase order firm commitments	—	3,249	3,249	—	—	—
Water treatment trust funding	—	6,353	1,871	3,741	741	—
Operating leases and other obligations	—	1,751	198	402	374	777
Total	$ 132,304	$ 145,325	$ 57,655	$ 37,087	$ 11,035	$ 39,548

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, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loan Payable	$ 30,452	$ 27,444	$ 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 12.5% and 14.5% at December 31, 2018 and December 31, 2017, respectively. Management's estimate of the fair value of the loan payable is classified as level 2 in the fair value hierarchy.

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.

	December 31, 2018		December 31, 2017	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Cash	$ 10,124	$ —	$ 20,721	$ —
Restricted cash	32,503	—	34,526	—
	$ 42,627	$ —	$ 55,247	$ —
Financial liabilities				
Warrant financial liability	$ —	$ —	$ —	$ 769

The inputs used to measure the warrant financial liability (note 13(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, 2018 and December 31, 2017, the Company had no financial instruments which used Level 3 fair value measurements.

6. Accounts receivable

Accounts receivable consist of the following:

	December 31, 2018	December 31, 2017
Trade receivables	$ 26,654	$ 26,540
Income tax refundable credit	1,379	—
Redevelopment Assistance Capital Program Receivable	150	—
Other	319	338
	$ 28,502	$ 26,878

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

7. Inventories

Inventories consist of the following:

	December 31, 2018	December 31, 2017
Metallurgical coal		
Clean coal stockpiles	$ 3,511	$ 13,752
Raw coal stockpiles	5,067	3,214
	8,578	16,966
Thermal coal		
Clean coal stockpiles	74	36
Raw coal stockpiles	5	5
	79	41
Parts and supplies	4,287	4,323
	$ 12,944	$ 21,330

The net realizable value adjustment related to thermal coal, measured as the inventory balances at full cost less the net realizable value at December 31, 2018 was $30. The net realizable value adjustment is included in cost of sales in the consolidated statements of operations and comprehensive income (loss).

8. Restricted cash

Restricted cash consists of the following:

	December 31, 2018		December 31, 2017	
Water treatment trust funds (a)	$	22,276	$	22,434
Collateral posted for reclamation bonds (b)		5,390		7,232
Workers' compensation trust funds (c)		4,826		4,849
Other restricted deposits		11		11
	$	32,503	$	34,526

(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, 2018, the Company is required to contribute an additional $6,353 over the course of the next four years to fully fund the remaining unfunded 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 up to $5,000 of the cash collateral to fund certain reclamation projects. Accordingly, $1,751 and $1,689 was released from the cash collateral held by the primary insurer and used to fund reclamation expenses during the years ended December 31, 2018 and 2017, respectively. This agreement expired on December 31, 2018 as the full $5,000 was released.

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

9. Property, plant and equipment

Property, plant and equipment consists of the following:

	Mineral Properties (a)	Plant and Equipment (b)	Total
Cost			
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	—	18,162	18,162
Capitalized development costs	8,258	—	8,258
Change in reclamation provision	180	—	180
CAPP Division Divestiture	(28,227)	(37,149)	(65,376)
Disposals	—	(5,933)	(5,933)
Balance - December 31, 2018	$ 156,410	$ 157,733	$ 314,143
Accumulated Amortization			
Balance - January 1, 2017	$ (97,115)	$ (132,867)	$ (229,982)
Amortization	(3,356)	(13,508)	(16,864)
Impairment and reversal of mineral properties (c)	45,249	20,975	66,224
Disposals	14,089	4,720	18,809
Balance - December 31, 2017	(41,133)	(120,680)	(161,813)
Amortization	(8,797)	(17,939)	(26,736)
CAPP Division Divestiture	24,695	35,910	60,605
Disposals	—	5,406	5,406
Balance - December 31, 2018	$ (25,235)	$ (97,303)	$ (122,538)
Net Book Value			
December 31, 2017	$ 135,066	$ 61,973	$ 197,039
December 31, 2018	$ 131,175	$ 60,430	$ 191,605

(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 can range from 5% to 16%, although typically range from 6% to 7%, of the selling price of the coal. Mineral and surface rights which are owned by the Company are not subject to royalties.

(b) Plant and equipment at December 31, 2018 and 2017 includes gross assets under finance leases of $26,816 and $23,726, respectively. Accumulated amortization for finance leases was $22,457 and $20,801 at December 31, 2018 and 2017,

respectively. Amortization expense for finance leases is included in cost of sales in the consolidated statements of operations and comprehensive income (loss).

(c) 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. 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 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 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:

	Change to FVLCD			
Cash Generating Unit	**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, which is reflected in net and comprehensive loss from discontinued operations. Management's estimate of the FVLCD of the CAPP Division is classified as level 1 in the fair value hierarchy.

10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consists of the following:

	December 31, 2018	**December 31, 2017**
Trade payables	$ 7,747	$ 13,589
Purchased coal payables	8,112	15,989
Freight payables	4,625	5,548
Other accrued liabilities	7,870	7,284
	$ 28,354	$ 42,410

11. Notes Payable

Notes payable consists of the following:

	December 31, 2018	December 31, 2017
Notes payable - equipment purchase (a)	$ 242	$ 222
Note payable - mineral property (b)	183	762
Notes payable - discontinued operations	—	578
Balance, end of period	425	1,562
Less: current portion	(418)	(1,135)
Total long-term notes payable	$ 7	$ 427

(a) The NAPP Division has two notes payable related to equipment purchases outstanding at December 31, 2018. The first note, which bears no interest, is with an equipment provider and the equipment purchased is pledged as collateral for the note. This note and is repayable in monthly installments of $35 until June 2019. The second note, which bears no interest, is with a third-party equipment financing company and the equipment purchased is pledged as collateral for the note. This note is repayable in monthly installments of $2 until March 2020.

(b) The NAPP Division has a note payable which bears interest at 4.0% related to the purchase of a mineral property. The note is repayable in monthly installments until April 2019. The note carries a mortgage against the Alumbaugh mineral property (owned portion of Acosta mine). The direct relationship between the note payable and use of the funds towards the acquisition of the Alumbaugh mineral property required the borrowing costs to be capitalized as part of the development costs of the property through the mine's development phase. During the year ended December 31, 2017, $31 of finance and interest expense was capitalized to the cost of the Alumbaugh mineral property. No finance and interest expense was capitalized during the year ended December 31, 2018 as the Acosta Mine is in the production phase.

At December 31, 2018, there were no covenants related to the notes payable.

12. Finance Lease Obligations

Finance lease obligations consists of the following:

	Interest Rate	Maturity	December 31, 2018	December 31, 2017
Equipment - Underground (a)	5.6%	October 2019	$ 1,328	$ 2,842
Equipment - Preparation Plant (b)	11.0%	September 2023	1,855	—
Equipment - Preparation Plant (b)	11.0%	December 2021	567	785
Equipment - Surface	11.0%	May 2021	740	—
Equipment - Information Technology	11.0%	July 2022	35	—
Discontinued Operations leases	various	n/a	—	875
Balance, end of period			4,525	4,502
Less: Current portion			(2,543)	(2,352)
Total long-term finance lease obligations			$ 1,982	$ 2,150

(a) The terms of this lease 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 equipment being leased.

(b) Contingent rent related to certain these lease obligations is payable if the equipment exceeds certain operating levels. The contingent rent recognized in the year ended December 31, 2018 was income of $2 and is included in cost of sales in the consolidated statements of operations and comprehensive income (loss). The contingent rent recognized in the year ended December 31, 2017 was expense of $422 and is included in cost of sales in the consolidated statements of operations and comprehensive income (loss).

Finance lease obligations are payable as follows:

Less than 1 year	$ 2,879
1-3 years	1,654
4-5 years	717
Total payments	5,250
Less: Amounts representing interest	(725)
Total finance lease obligations	$ 4,525

At December 31, 2018, the Company was in compliance with all covenants under the lease agreements.

13. 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 matures on August 19, 2020 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 was 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, excluding the Facility. The Company was in compliance with these covenants at December 31, 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 13.5%.

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).

In December 2018, the Company entered into an amending agreement to extend the maturity date of the Facility from August 19, 2019 to August 19, 2020 and to amend certain other terms of the Facility. In addition to the extension of the maturity date, the amending agreement, among other things, provides for: (i) repayments of $3,000 on or prior to March 31, 2019 and August 30, 2019; (ii) repayment of $1,000 on the last day of every month commencing on September 30, 2019 and ending on July 31, 2020; (iii) repayment of certain net proceeds received, if any, by the Company as a result of a contingent receivable; and (iv) the payment of an amendment fee on September 30, 2019 in an amount equal to two percent of the then outstanding principal amount under the Facility. To effect this amendment, the Company was required to pay an amendment fee of two percent of the outstanding principal amount, or $640, on December 10, 2018. This amendment fee will be amortized over the remaining life of the Facility.

The changes in the Loan Payable balance for the year ended December 31, 2018 are as follows:

	Principal	Unamortized Discount	Total
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 (note 22)	—	1,328	1,328
Other	4	(4)	—
Balance - December 31, 2017	32,017	(2,254)	29,763
Accrued interest	3,887	—	3,887
Interest paid	(3,887)	—	(3,887)
Accretion of discount (note 22)	—	1,329	1,329
Issuance costs of amending agreements	—	(640)	(640)
Balance - December 31, 2018	$ 32,017	$ (1,565)	$ 30,452
Less: current portion	(10,000)	934	(9,066)
Total long-term loan payable	22,017	(631)	21,386

(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, 2018, the fair value was determined to be $0 using a Black Scholes option pricing model (expected life of 0.63 years, exercise price of C$3.90, risk-free interest rate of 2.60%, Common Share price of C $0.73, expected volatility of 70%, dividend yield of 0%, forfeiture rate of 0% and CAD/USD exchange rate of 0.7330). The revaluation amounted to income of $769 and $2,036 for the years ended December 31, 2018 and 2017, respectively. The Bonus Warrant revaluation amounts are included in net finance expense (note 22) in the consolidated statements of operations and comprehensive income (loss).

14. Other Liabilities

Other liabilities consist of the following:

	December 31, 2018	December 31, 2017
Workers' compensation provision (a)	$ 6,219	$ 6,229
Transportation contract liquidated damages (b)	1,657	2,529
Processing fee payable (c)	—	2,643
Lucchini litigation (d)	2,703	1,800
Other (e)	653	1,137
	11,232	14,338
Less: current portion (a,b,d,e)	(5,407)	(4,151)
Total Other Liabilities	$ 5,825	$ 10,187

(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 $1,051. The Company has established separate trust funds with its insurance carriers to pay potential awards and claims related to workers' compensation claims (note 8).

(b) PBS Coals, Inc. had contractual agreements with a transportation provider, which indicated minimum levels of coal to be shipped via rail over an expired contract period, which was not met. Corsa acquired these contractual agreements as a result of the PBS Transaction and at December 31, 2018, a provision of $1,657 exists 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) As a result of a detailed review of the preparation plant associated with the processing fee payable, it was concluded that the plant will not meet the tons per hour rate defined in the royalty agreement. As a result of this matter, the royalty agreement permits a reduction of the minimum amount due based on a calculation, which was determined to reduce the minimum payment in full, therefore no payment will be required to settle the obligation and the liability has been derecognized.

(d) This litigation arose in January 2016 and is related to coal purchase and sale transactions between PBS Coals, Inc. and Lucchini S.p.A. This matter was settled in January 2019. Management previously assessed the liability at $2,703 and $1,800, as of December 31, 2018 and 2017, respectively. For additional information see note 29. For additional information regarding the settlement see note 30.

(e) Other includes various accruals based on management's best estimate of other matters.

15. Reclamation and Water Treatment Provision

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

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

	Site Reclamation and Remediation (a)	Water Treatment Obligation (b)	Total
Balance - January 1, 2017	$ 34,919	$ 28,930	$ 63,849
Continuing operations:			
Costs incurred	(3,342)	(2,476)	(5,818)
Change in estimate	3,282	6,589	9,871
Accretion expense	661	733	1,394
	601	4,846	5,447
Discontinued operations:			
Costs incurred	(107)	—	(107)
Change in estimate	636	—	636
Accretion expense	75	—	75
	604	—	604
Balance - December 31, 2017	$ 36,124	$ 33,776	$ 69,900
Continuing operations:			
Costs incurred	(4,146)	(2,767)	(6,913)
Change in estimate	978	(4,525)	(3,547)
Accretion expense	748	785	1,533
	(2,420)	(6,507)	(8,927)
Discontinued operations:			
CAPP Division Divestiture	(3,657)	—	(3,657)
Balance - December 31, 2018	$ 30,047	$ 27,269	$ 57,316
Less: current portion	(4,027)	(1,588)	(5,615)
Long-Term Reclamation and Water Treatment Provision	$ 26,020	$ 25,681	$ 51,701
Estimated costs (undiscounted cash flow basis)	$ 32,050	$ 29,387	$ 61,437
End of reclamation period	1-20 years	Perpetual	
Discount rate	2.63%-2.87%	2.63%-2.87%	
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, 2018.

(ii) At December 31, 2018, the Company had $61,550 in surety bonds outstanding to secure reclamation obligations.

(b) Water treatment obligation

The Company has signed certain agreements with U.S. environmental and regulatory agencies which require the monitoring and treatment of water in areas where the Company is operating or has operated in the past. The Company has the obligation to fund such water treatment activities and has recorded a provision for the total expected costs of such water treatment.

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

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

The Company 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 8(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, 2018.

16. Redeemable Units

WCE had 897,265,035 membership units outstanding at December 31, 2018. 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"), an affiliate of Quintana, 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 13). At December 31, 2018 and 2017, Legacy QKGI held 170,316,639 Redeemable Units.

17. Share Capital

The authorized capital 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 December 31, 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 December 31, 2018 and December 31, 2017, Legacy QKGI also owns 170,316,639 Redeemable Units entitling it to a 19% minority interest in the net assets, income and expenses of Wilson Creek Energy, LLC. See note 16 for a description of the redemption mechanism relating to the Redeemable Units.

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 $129 (C$168).

During the year ended December 31, 2017, employees of the Company exercised 202,461 Options (as defined in note 21) in exchange for cash proceeds of $190. There were no Options exercised during the year ended December 31, 2018.

18. Revenue

Revenue consists of the following:

	For the years ended December 31,	
	2018	**2017**
Metallurgical coal sales	$ 258,406	$ 204,313
Thermal coal sales	949	9,678
Tolling revenue	6,498	3,516
	$ 265,853	$ 217,507

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

	For the years ended December 31,	
	2018	**2017**
Revenue from contracts with customers	$ 265,355	$ 217,082
Revenue from other sources	498	425
	$ 265,853	$ 217,507

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:

	For the year ended December 31, 2018			
Geographic Region	**Metallurgical Coal**	**Thermal Coal**	**Tolling Revenue**	**Total**
Asia	$ 180,182	$ —	$ —	$ 180,182
United States	55,115	451	6,498	62,064
South America	23,109	—	—	23,109
Total revenue from contracts with customers	$ 258,406	$ 451	$ 6,498	$ 265,355

	For the year ended December 31, 2017			
Geographic Region	**Metallurgical Coal**	**Thermal Coal**	**Tolling Revenue**	**Total**
Asia	$ 154,902	$ —	$ —	$ 154,902
United States	32,638	9,254	3,516	45,408
South America	16,772	—	—	16,772
Total revenue from contracts with customers	$ 204,312	$ 9,254	$ 3,516	$ 217,082

19. Cost of Sales

Cost of sales consists of the following:

	For the years ended December 31,	
	2018	**2017**
Mining and processing costs	$ 76,130	$ 54,451
Purchased coal costs	83,882	73,040
Royalty expense	6,808	6,002
Amortization expense	25,020	11,492
Transportation costs from preparation plant to customer	44,054	19,111
Change in estimate of reclamation and water treatment provision	(3,727)	6,293
Idle mine expense	1,200	880
Tolling costs	2,447	1,533
Impairment adjustments of mineral properties	—	(86,188)
Write-off of advance royalties and other assets	38	315
Other costs	988	646
	$ 236,840	$ 87,575

20. Selling, General and Administrative Expense

Selling, general and administrative expense consists of the following:

	For the years ended December 31,	
	2018	2017
Salaries and other compensation	$ 8,114	$ 6,886
Employee benefits	1,256	1,018
Selling expense	3,843	3,687
Professional fees	4,044	2,081
Office expenses and insurance	2,638	1,791
Other	712	673
	$ 20,607	$ 16,136

21. Stock Based Compensation

The Company has a stock option plan and a restricted share unit ("RSU") plan providing for the issuance of stock options and RSUs, respectively, to directors, officers, employees and service providers. The number of Common Shares reserved for issuance under the stock option plan may not exceed 10% of the total number of issued and outstanding Common Shares on a non-diluted basis on the grant date. Additionally, the number of Common Shares that may be acquired under a stock option or RSU granted to a certain participant is determined by the Company's Board of Directors and may not exceed 5% of the total number of issued and outstanding Common Shares on the grant date on a non-diluted basis. The exercise price of the stock options granted shall comply with the requirements of the stock exchange on which the Common Shares are listed (currently the TSX Venture Exchange). The maximum term of any stock option may not exceed five years. 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, 2018 and 2017. At December 31, 2018 and 2017, there were 237,518 and 841,060 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, 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 cancelled/forfeited	(514)	1.83
Options expired	(188)	6.00
Balance - December 31, 2017	8,618	1.76
Options granted (e) (f)	2,742	0.92
Options forfeited	(1,401)	$ 1.61
Options expired	(721)	$ 3.10
Balance - December 31, 2018	9,238	$ 1.43

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:	March 7, 2017	September 5, 2017	November 16, 2017	December 14, 2017	January 15, 2018	November 7, 2018
Options Granted (000's)	150	70	2,253	15	55	2,687
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$2.40	C$1.58	C$1.53	C$1.39	C$1.83	C$0.90
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%	2.94% to 3.03%
Common Share price:	C$2.40	C$1.58	C$1.53	C$1.39	C$1.83	C$0.90
Expected volatility	117% to 137%	110% to 130%	109% to 126%	109% to 122%	110% to 121%	66% to 112%
Dividend yield:	—%	—%	—%	—%	—%	—%
Forfeiture rate:	12.61%	11.74%	11.24%	10.96%	10.71%	11.16%

(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.
(f) Stock options were granted to directors, officers and employees of the Company.

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

The following table summarizes information about the stock options outstanding and exercisable at December 31, 2018:

Exercise Price (C$)	Options Outstanding (000's)	Weighted Average Remaining Contractual Life (years)	Outstanding Weighted Average Exercise Price (C$)	Stock Options Exercisable (000's)	Exercisable Weighted Average Exercise Price (C$)
$0.90	2,687	4.85	$0.90	—	—
$1.00	2,074	1.86	$1.00	2,074	$1.00
$1.39	15	3.95	$1.39	5	$1.39
$1.40	565	2.38	$1.40	565	$1.40
$1.53	2,085	3.88	$1.53	695	$1.53
$1.58	70	3.68	$1.58	23	$1.58
$1.83	55	4.04	$1.83	—	—
$2.30	1,177	2.86	$2.30	785	$2.30
$2.40	150	3.18	$2.40	50	$2.40
$3.50	255	0.92	$3.50	255	$3.50
$5.40	105	0.63	$5.40	105	$5.40
$0.90 to $5.40	9,238	3.39	$1.43	4,557	$1.61

For the years ended December 31, 2018 and 2017, the Company recorded stock-based compensation expense on the outstanding stock options to selling, general and administrative expense of $1,527 and $1,425, respectively.

22. 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,	
	2018	2017
Warrant financial liability (note 13(b))	$ 769	$ 2,036
Accretion of discount on Loan Payable (note 13(a))	(1,329)	(1,328)
Bond premium expense	(1,395)	(1,328)
Interest expense	(4,697)	(4,641)
Interest income	101	165
Foreign exchange (loss) gain	(18)	149
Accretion on reclamation and water treatment provision (note 15)	(1,533)	(1,394)
Change in market value of restricted cash	(1,050)	2,318
Other	(134)	(128)
	$ (9,286)	$ (4,151)

23. Earnings per Share

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

	For the years ended December 31,	
	2018	2017
Basic and diluted earnings (loss) attributable to common shareholders		
Continuing operations	$ 3,127	$ 90,112
Discontinued operations	(668)	(20,364)
Total basic and diluted earnings attributable to common shareholders	$ 2,459	$ 69,748
Basic weighted average number of Common Shares outstanding (000's)	94,694	94,553
Dilutive effect of stock options (000's)	1,358	1,954
Dilutive effect of compensation warrants (000's)	—	79
Diluted weighted average number of Common Shares outstanding (000's)	96,052	96,586
Basic earnings per share - continuing operations	$ 0.03	$ 0.96
Basic loss per share - discontinued operations	(0.01)	(0.22)
Basic earnings per share - total	$ 0.02	$ 0.74
Diluted earnings per share - continuing operations	$ 0.03	$ 0.93
Diluted loss per share - discontinued operations	(0.01)	(0.21)
Diluted earnings per share - total	$ 0.02	$ 0.72

24. 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,	
	2018	2017
Net income before income taxes	$ 3,112	$ 83,684
Statutory tax rate	26.5 %	26.5%
Expected income tax recovery based on statutory rate	825	22,176
Increase (decrease) resulting from:		
Unrecognized future tax benefits	485	(39,533)
Cumulative effect on deferred tax asset on re-measurement (a)	—	30,796
Accounting expenses disallowed for tax	(1,435)	(28,012)
Alternative minimum tax credit (b)	(2,759)	—
Impact of taxable income passed through to Legacy QKGI (c)	53	(1,222)
Foreign tax rate differential	72	15,795
Income tax expense (benefit)	$ (2,759)	$ —
Effective tax rate	(88.7)%	—%

(a) 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 in December 31, 2017.

(b) As a result of the Act, the corporate AMT was repealed for tax years beginning after 2017 but before 2022, the AMT credit may offset regular tax liability for any year and is refundable in an amount equal to 50% of the excess of the minimum tax credit for the tax year over the amount of the credit allowable for the year against regular tax liability. As a result of the Act, the Company recognized a benefit of the AMT credit in the amount of $2,759. Accordingly, a receivable of $1,379 has been recognized in accounts receivable, the amount expected to be received within the next twelve months, and $1,380 has been recognized in advance royalties and other assets, the amount expected to be received in future years.

(c) 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, 2018 and 2017 and income tax receivable of $125 at December 31, 2018 and 2017 which is included in accounts receivable. Additionally, as noted in (b) above, the Company has recognized a receivable related to the AMT credit of $2,759 of which $1,379 is included in accounts receivable and $1,380 is included in advance royalties and other assets for the year ended December 31, 2018.

Deferred tax assets and liabilities

	December 31, 2018	December 31, 2017
Deferred tax assets:		
Property, plant and equipment	$ 3	$ 4,025
Asset retirement obligations	5,635	11,170
Water treatment reserves	8,000	14,363
Intercompany interest expense	1,484	2,177
Accrued expenses	1,740	2,556
Reserve for supply inventory	156	228
Acquisition costs	218	367
Finance expenses	137	227
Loss carry forwards and unused tax credits (i)	53,527	70,545
Other deferred tax assets	454	825
Gross deferred income tax assets	71,354	106,483
Unrecognized tax benefit related to tax losses	(47,024)	(97,765)
Total deferred income tax assets	24,330	8,718
Deferred tax liabilities:		
Property, plant and equipment	(9,646)	—
Coal reserves	(10,343)	(1,203)
Mine development costs	(3,907)	(6,211)
Unrealized foreign exchange gain	(162)	(162)
Finance expenses	(191)	(222)
Other deferred tax liabilities	(81)	(920)
Total deferred income tax liabilities	(24,330)	(8,718)
Net deferred tax assets (liabilities) (ii)	$ —	$ —

i. At December 31, 2018 and 2017, the Company had Canadian non-capital losses of $2,905 and $1,933, respectively. At December 31, 2018 and 2017, the Company had United States non-capital losses of $194,406 and $167,493, respectively, expiring between 2019 and 2037 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, an examination is underway in relation to Corsa's October 22, 2015, December 31, 2015 and 2016 Canadian tax returns. The Company believes that these examinations will conclude without any material adjustments.

25. Supplemental Cash Flow Information

	For the years ended December 31,	
	2018	**2017**
Change in working capital balances related to operations:		
Accounts receivable	$ (3,633)	$ (17,738)
Prepaid expenses and other current assets	3,013	343
Inventories	5,951	(9,108)
Accounts payable and accrued liabilities	(11,527)	21,949
Other liabilities	(544)	(3,548)
	$ (6,740)	$ (8,102)
Cash paid for interest	$ 4,697	$ 4,649
Cash paid (received) for income taxes	$ —	$ —
Noncash investing and financing activities:		
CAPP Division Divestiture		
Change in assets	$ (11,730)	$ —
Change in liabilities	$ (11,730)	$ —
Finance lease obligations		
Change in assets	$ 3,074	$ —
Change in liabilities	$ 3,074	$ —
Notes payable - vendor finance		
Change in assets	$ 417	$ —
Change in liabilities	$ 417	$ —
Purchase of property, plant and equipment		
Change in assets	$ 400	$ —
Change in liabilities	$ 400	$ —
Change in estimate of reclamation liability		
Change in assets	$ 180	$ 4,307
Change in liabilities	$ 180	$ 4,307

26. 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 4 for additional discussion.

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

	For the years ended December 31,	
	2018	**2017**
Royalties and property taxes (a)	$ 185	$ 1,213
Supplies purchase (b)	402	342
Equipment servicing fees (c)	1,185	—
Purchased coal (d)	10,121	3,427
	$ 11,893	$ 4,982

(a) During the years ended December 31, 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 consolidated statements of operations and comprehensive income (loss).

(b) During the years ended December 31, 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 years ended December 31, 2018 and 2017, amounts purchased by the NAPP Division, totaling $395 and $265, respectively, were included in cost of sales in the consolidated statements of operations and comprehensive income (loss). Amounts purchased by the CAPP Division, totaling $7 and $77 were included in net and comprehensive loss from discontinued operations, net in the consolidated statements of operations and comprehensive income (loss) for the years ended December 31, 2018 and 2017, respectively.

(c) During the year ended December 31, 2018, subsequent to the completion of the CAPP Division Divestiture, the Company purchased services to rebuild a continuous haulage system from Kopper Glo Mining, LLC, which is 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 years ended December 31, 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 $3,427 for the years ended December 31, 2018 and 2017, respectively. These amounts were reflected in net and comprehensive loss from discontinued operations, net in the consolidated statements of operations and comprehensive income (loss). Subsequent to the completion of the CAPP Division Divestiture, the Company purchased coal from Kopper Glo Mining, LLC, which is now considered a related party as it is significantly influenced by key management personnel of QEP. During the year ended December 31, 2018, the Company recognized $8,971 in cost of sales in the consolidated statements of operations and comprehensive income (loss) related to these coal purchases.

Included in accounts payable and accrued liabilities at December 31, 2018 and 2017 are $43 and $327, respectively, due to related parties, as a result of the transactions noted above. These amounts are unsecured and non-interest bearing. At December 31, 2018, included in inventory was $104 for coal purchased from related parties. This amount will be expensed as the coal inventories are sold.

At December 31, 2018 and 2017, the Company had a loan payable to SRLC of $30,452 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 13.

27. Key Management Personnel

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,	
	2018	2017
Salaries and short-term benefits	$ 2,396	$ 2,200
Post-employment benefits	55	45
Share-based payments	1,140	990
	$ 3,591	$ 3,235

Other Employee Benefits

The Company has a personal retirement savings plan available to all employees. The Company contributes 3% and 0.5% of each 1% that the employee contributes up to 3% of employee contributions for a total of 4.5% Company contribution. Total Company contributions to this 401(k) plan were $1,047 and $562 for the years ended December 31, 2018 and 2017, respectively.

28. 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. 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.

The required disclosures for the operating segments and discontinued operations are presented below. For additional information regarding discontinued operations see note 4.

	For the year ended December 31, 2018			
	NAPP	Discontinued Operations	Corporate	Total
Revenues	$ 265,853	$ —	$ —	$ 265,853
Cost of sales	(236,840)	—	—	(236,840)
Gross margin	29,013	—	—	29,013
Selling, general and administrative expenses	(12,749)	—	(7,858)	(20,607)
Income (loss) from operations	16,264	—	(7,858)	8,406
Net finance expense	(4,890)	—	(4,396)	(9,286)
Other income	3,992	—	—	3,992
Income (loss) before tax	15,366	—	(12,254)	3,112
Current income tax (benefit) expense	—	—	(2,759)	(2,759)
Deferred income tax expense	—	—	—	—
	—	—	(2,759)	(2,759)
Net income (loss) from continuing operations	15,366	—	(9,495)	5,871
Net loss from discontinued operations, net	—	(813)	—	(813)
Net income (loss)	$ 15,366	$ (813)	$ (9,495)	$ 5,058

	For the year ended December 31, 2017			
	NAPP	Discontinued Operations	Corporate	Total
Revenues	$ 217,507	$ —	$ —	$ 217,507
Cost of sales	(87,575)	—	—	(87,575)
Gross margin	129,932	—	—	129,932
Selling, general and administrative expenses	(10,620)	—	(5,516)	(16,136)
Income (loss) from operations	119,312	—	(5,516)	113,796
Net finance expense	(1,274)	—	(2,877)	(4,151)
Other expense	(1,048)	—	—	(1,048)
Income (loss) before tax	116,990	—	(8,393)	108,597
Current income tax (benefit) expense	—	—	—	—
Deferred income tax expense	—	—	—	—
	—	—	—	—
Net income (loss) from continuing operations	116,990	—	(8,393)	108,597
Net loss from discontinued operations, net	—	(24,913)	—	(24,913)
Net income (loss)	$ 116,990	$ (24,913)	$ (8,393)	$ 83,684

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, 2018			For the year ended December 31, 2017		
	USA	Canada	Total	USA	Canada	Total
Revenue	$ 265,853	$ —	$ 265,853	$ 217,507	$ —	$ 217,507
Net income (loss) from continuing operations	$ 15,366	$ (9,495)	$ 5,871	$ 116,990	$ (8,393)	$ 108,597

	At December 31, 2018			At December 31, 2017		
	USA	Canada	Total	USA	Canada	Total
Non-current assets	$ 227,672	$ —	$ 227,672	$ 234,418	$ —	$ 234,418
Total assets	$ 283,215	$ 85	$ 283,300	$ 293,607	$ 13,919	$ 307,526

The NAPP Division had four customers which accounted for 19%, 19%, 12% and 11%, respectively, of total NAPP revenue for the year ended December 31, 2018 and five customers which accounted for 15%, 14%, 13%, 11% and 10%, respectively, of total NAPP revenue for the year ended December 31, 2017.

29. 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. settled this litigation in January 2019. For additional information regarding the settlement see note 30.

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 recognized a reduction to property, plant and equipment. The Company received 95% of the grant, or $2,850, in July 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. The hearings were completed in September 2018 and a ruling from the SMC is expected within the next three months. Presently, the Company has not recognized this contingent receivable and cannot provide a reasonable estimate for the potential magnitude of the claim.

30. Subsequent Events

Litigation Settlement

In January 2019, PBS Coals, Inc. settled the Lucchini Claim for a cash payment of $2,500 and legal fees and other expenses of $211, which amounts had previously been recognized in the consolidated statements of operations and comprehensive income (loss).