



Corsa Coal Corp.
Unaudited Condensed Interim Consolidated Financial Statements
March 31, 2019 and 2018

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

Assets	March 31, 2019	December 31, 2018
Cash	\$ 10,355	\$ 10,124
Accounts receivable (note 3)	24,259	28,502
Prepaid expenses and other current assets	3,509	4,058
Inventories (note 4)	15,710	12,944
Current Assets	53,833	55,628
Restricted cash (note 5)	34,350	32,503
Advance royalties and other assets	3,399	3,564
Property, plant and equipment, net (note 6)	188,541	191,605
Total Assets	\$ 280,123	\$ 283,300
Liabilities		
Accounts payable and accrued liabilities (note 7)	\$ 28,174	\$ 28,354
Notes payable (note 8)	165	418
Lease liabilities – current (note 9)	2,075	2,543
Loan payable (note 10)	9,060	9,066
Other liabilities (note 11)	2,806	5,407
Reclamation and water treatment provision (note 12)	5,615	5,615
Current Liabilities	47,895	51,403
Notes payable (note 8)	—	7
Lease liabilities – long-term (note 9)	2,928	1,982
Loan payable (note 10)	18,621	21,386
Other liabilities (note 11)	5,259	5,825
Reclamation and water treatment provision (note 12)	51,101	51,701
Total Liabilities	125,804	132,304
Equity		
Share Capital	180,130	180,130
Contributed Surplus	2,565	2,244
Accumulated Deficit	(79,344)	(81,274)
Total Shareholders' Equity	103,351	101,100
Non-controlling interest	50,968	49,896
Total Equity	154,319	150,996
Total Liabilities and Equity	\$ 280,123	\$ 283,300

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

Approved by the Board of Directors:

/s/ Robert C. Sturdivant
 Robert C. Sturdivant, Director

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

Corsa Coal Corp.

Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)

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

	For the three months ended	
	March 31,	
	2019	2018
Revenue (note 14)	\$ 57,334	\$ 80,448
Cost of sales (note 15)	(49,902)	(70,729)
Gross Margin	7,432	9,719
Selling, general and administrative expense (notes 16 and 17)	(4,555)	(6,457)
Income from operations	2,877	3,262
Net finance expense (note 18)	(368)	(1,667)
Other income (expense)	493	362
Income before tax	3,002	1,957
Current income tax (benefit) expense	—	—
Deferred income tax expense	—	—
Provision for income taxes	—	—
Net and comprehensive income from continuing operations	\$ 3,002	\$ 1,957
Net and comprehensive loss from discontinued operations, net	—	(813)
Net and comprehensive income	\$ 3,002	\$ 1,144
Attributable to:		
Shareholders	\$ 1,930	\$ 450
Non-controlling interest	\$ 1,072	\$ 694
Basic earnings (loss) per share (note 19)		
Earnings from continuing operations	\$ 0.02	\$ 0.01
Loss from discontinued operations	\$ —	\$ (0.01)
Basic earnings per share	\$ 0.02	\$ —
Diluted earnings (loss) per share (note 19)		
Earnings from continuing operations	\$ 0.02	\$ 0.01
Loss from discontinued operations	\$ —	\$ (0.01)
Diluted earnings per share	\$ 0.02	\$ —

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

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

For the three months ended March 31, 2019						
	Number of Corsa Common Shares (000's)	Share Capital	Contributed Surplus	Deficit	Non- Controlling Interest	Total Equity
Balance - January 1, 2019	94,759	\$ 180,130	\$ 2,244	\$ (81,274)	\$ 49,896	\$ 150,996
Stock based compensation (note 17)	—	—	321	—	—	321
Net and comprehensive income	—	—	—	1,930	1,072	3,002
Balance - March 31, 2019	<u>94,759</u>	<u>\$ 180,130</u>	<u>\$ 2,565</u>	<u>\$ (79,344)</u>	<u>\$ 50,968</u>	<u>\$ 154,319</u>

For the three months ended March 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 17)	—	—	430	—	—	430
Net and comprehensive income	—	—	—	450	694	1,144
Balance - March 31, 2018	<u>94,591</u>	<u>\$ 180,001</u>	<u>\$ 2,931</u>	<u>\$ (85,067)</u>	<u>\$ 47,991</u>	<u>\$ 145,856</u>

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

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

	For the three months ended	
	March 31,	
	2019	2018
Operating Activities		
Net and comprehensive income	\$ 3,002	\$ 1,144
Items not affecting cash:		
Net and comprehensive loss from discontinued operations	—	813
Amortization	5,493	6,189
Stock-based compensation expense (note 17)	321	430
Net finance expense (income)	(949)	500
Write-off of advance royalties and other assets	—	5
Other non-cash operating expense	(158)	46
Cash spent on reclamation and water treatment activities (note 12)	(1,490)	(2,238)
Changes in working capital balances related to operations (note 20)	(501)	882
Cash provided by operating activities of continuing operations	5,718	7,771
Cash provided by operating activities of discontinued operations	—	2,469
Cash provided by operating activities	5,718	10,240
Investing Activities		
Restricted cash	(460)	(550)
Advance royalties and other assets	(216)	(143)
Proceeds on sale of assets	114	3
Property, plant and equipment additions	(947)	(6,994)
Cash used in investing activities of continuing operations	(1,509)	(7,684)
Cash used in investing activities of discontinued operations	—	(2,358)
Cash used in investing activities	(1,509)	(10,042)
Financing Activities		
Repayment of loan payable	(3,000)	—
Repayment of notes payable	(259)	(309)
Repayment of lease liabilities	(719)	(469)
Cash used in financing activities of continuing operations	(3,978)	(778)
Cash used in financing activities of discontinued operations	—	(225)
Cash used in financing activities	(3,978)	(1,003)
Net increase (decrease) in cash for the period	231	(805)
Cash, beginning of period continuing operations	10,124	20,607
Cash, beginning of period discontinued operations	—	114
Cash, beginning of period	10,124	20,721
Cash, end of period continuing operations	\$ 10,355	\$ 19,916
Supplemental disclosure (note 20)		

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

1. Basis of Presentation and Nature of Operations

Nature of Operations

Corsa Coal Corp. (“Corsa” or the “Company”) is in the business of mining, processing and selling of metallurgical coal, as well as exploring, acquiring and developing resource properties that are consistent with its existing coal business. The Company is a corporation existing under the *Canada Business Corporations Act* and is domiciled in Canada. The registered office of Corsa is located at 199 Bay Street, Suite 5300, Commerce Court West, Toronto, Ontario, Canada, M5L 1B9, and the head/corporate office of Corsa is located at 4600 J. Barry Court, Suite 220, Canonsburg, Pennsylvania, USA, 15317.

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

Unless otherwise indicated, all dollar amounts in these consolidated financial statements are expressed in United States dollars. References to “C\$” are to Canadian dollars.

At March 31, 2019, 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 unaudited condensed interim 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 unaudited condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”), and do not include all of the information required for full annual financial statements. The Company has consistently applied the same accounting policies throughout all periods presented.

Certain reclassifications of prior period data have been made to conform to the current interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements are intended to be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2018 and the related notes thereto.

These unaudited condensed interim consolidated financial statements were authorized by the Board of Directors of the Company on May 8, 2019.

Basis of Measurement

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

Recently adopted accounting pronouncements

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

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In January 2016, the IASB issued IFRS 16 – *Leases* (“IFRS 16”). IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, and Corsa adopted IFRS 16 on January 1, 2019 by applying the cumulative catch-up approach as defined in IFRS 16. The new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying that model, Corsa has recognized: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of the lease assets separately from interest on the lease liabilities in the statement of operations for the period beginning January 1, 2019. The Company has not restated comparative financial information on transition to IFRS 16. The adoption of IFRS 16 resulted in an increase in the right-of-use asset of \$1,134 and additional lease liabilities of \$1,193. Refer to note 9 for additional discussion.

The following table presents the reconciliation of lease liabilities as of January 1, 2019:

Minimum lease payments under operating leases as of December 31, 2018	\$ 1,751
Recognition exemption:	
For leases of low-value assets	(61)
Effect from discounting at the incremental borrowing rate as of January 1, 2019	(497)
Liabilities additionally recognized based on initial application of IFRS 16 as of January 1, 2019	<u>1,193</u>
Liabilities from finance leases as of December 31, 2018	4,525
Liabilities from leases as of January 1, 2019	<u>\$ 5,718</u>

Significant accounting policies updated with the adoption of IFRS 16

Leases

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

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

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

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

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

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount

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expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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

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

Future accounting pronouncements

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

2. Financial Instruments

The Company’s financial instruments consist of cash, restricted cash, warrant financial liability, accounts receivable, accounts payable and accrued liabilities, notes payable, lease liabilities, 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 three months ended March 31, 2019 and 2018.

At March 31, 2019 and 2018, the Company had six customers that each owed the Company more than \$1,000 each and accounted for approximately 90% and 92%, respectively, of total accounts receivable. At December 31, 2018, there was one customer with a balance greater than \$10,000 accounting for 45% of total accounts receivable. There were no customers with a balance greater than \$10,000 at March 31, 2019. At March 31, 2019 and December 31, 2018, 87% and 90%, respectively, of the Company’s total accounts receivables were covered by letters of credit and other forms of credit insurance.

Commodity Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At March 31, 2019, the Company had a consolidated cash balance of \$10,355 and consolidated working capital of \$5,938. The future operations of the Company are dependent on the continued generation of positive cash flows from operations which is dependent on the future

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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 10) from August 2019 to August 2020 and amend certain other terms of the credit agreement. Refer to note 10 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 March 31, 2019	Payments due by period				
		Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accruals	\$ 28,174	\$ 28,174	\$ 28,174	\$ —	\$ —	\$ —
Notes payable	165	165	165	—	—	—
Lease liabilities	5,003	5,009	2,075	1,532	773	629
Loan payable	27,681	29,017	10,000	19,017	—	—
Other liabilities	8,065	8,134	2,806	2,716	2,216	396
Asset retirement obligations - reclamation	29,810	29,810	4,027	3,839	4,301	17,643
Asset retirement obligations - water treatment	26,906	26,906	1,588	2,892	2,862	19,564
Purchase order firm commitments	—	4,027	4,027	—	—	—
Water treatment trust funding	—	5,045	1,871	3,174	—	—
Operating leases and other obligations	—	54	29	25	—	—
Total	\$ 125,804	\$ 136,341	\$ 54,762	\$ 33,195	\$ 10,152	\$ 38,232

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:

	March 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loan payable	\$ 27,681	\$ 25,311	\$ 30,452	\$ 27,444

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% at March 31, 2019 and December 31, 2018. 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.

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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.

	March 31, 2019		December 31, 2018	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Cash	\$ 10,355	\$ —	\$ 10,124	\$ —
Restricted cash	34,350	—	32,503	—
	<u>\$ 44,705</u>	<u>\$ —</u>	<u>\$ 42,627</u>	<u>\$ —</u>
Financial liabilities				
Warrant financial liability	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The inputs used to measure the warrant financial liability (see note 10(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 March 31, 2019 and December 31, 2018, the Company had no financial instruments which used Level 3 fair value measurements.

3. Accounts receivable

Accounts receivable consist of the following:

	March 31, 2019	December 31, 2018
Trade receivables	\$ 22,439	\$ 26,654
Income tax refundable credit	1,379	1,379
Redevelopment Assistance Capital Program Receivable	150	150
Other	291	319
	<u>\$ 24,259</u>	<u>\$ 28,502</u>

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

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4. Inventories

Inventories consist of the following:

	March 31, 2019	December 31, 2018
Metallurgical coal		
Clean coal stockpiles	\$ 5,880	\$ 3,511
Raw coal stockpiles	5,483	5,067
	<u>11,363</u>	<u>8,578</u>
Thermal coal		
Clean coal stockpiles	—	74
Raw coal stockpiles	1	5
	<u>1</u>	<u>79</u>
Parts and supplies		
	4,346	4,287
	<u>\$ 15,710</u>	<u>\$ 12,944</u>

5. Restricted cash

Restricted cash consists of the following:

	March 31, 2019	December 31, 2018
Water treatment trust funds (a)	\$ 23,836	\$ 22,276
Collateral posted for reclamation bonds (b)	5,411	5,390
Workers' compensation trust funds (c)	5,092	4,826
Other restricted deposits	11	11
	<u>\$ 34,350</u>	<u>\$ 32,503</u>

- (a) The Company has signed certain agreements with U.S. environmental and regulatory agencies which require the perpetual monitoring and treatment of water in areas where the Company is operating or has operated in the past. As a result of these agreements, the Company was required to establish separate trust funds to ensure water treatment activities would continue after the Company ceased operating in the affected areas. The cash is invested in fixed income and equities and income earned on such funds, under certain circumstances, may be used by the Company to pay for certain water treatment costs once the trust funds have been fully funded. As of March 31, 2019, the Company is required to contribute an additional \$5,045 over the course of the next three years to fully fund the remaining unfunded trust, 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.
- (c) The Company has established separate trust funds with its insurance carriers to pay potential awards and claims related to workers' compensation claims.

6. Property, plant and equipment

Property, plant and equipment consists of the following:

	Mineral Properties (a)	Plant and Equipment	Total
<u>Cost</u>			
Balance - January 1, 2018	\$ 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
Additions	—	2,800	2,800
Capitalized development costs	(553)	—	(553)
Change in reclamation provision	514	—	514
Disposals	—	(1,210)	(1,210)
Balance - March 31, 2019	\$ 156,371	\$ 159,323	\$ 315,694
<u>Accumulated Amortization</u>			
Balance - January 1, 2018	\$ (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)
Amortization	(1,182)	(4,365)	(5,547)
Disposals	—	932	932
Balance - March 31, 2019	\$ (26,417)	\$ (100,736)	\$ (127,153)
<u>Net Book Value</u>			
December 31, 2018	\$ 131,175	\$ 60,430	\$ 191,605
March 31, 2019	\$ 129,954	\$ 58,587	\$ 188,541

- (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.

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7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consists of the following:

	March 31, 2019	December 31, 2018
Trade payables	\$ 9,847	\$ 7,747
Purchased coal payables	4,010	8,112
Freight payables	8,155	4,625
Other accrued liabilities	6,162	7,870
	<u>\$ 28,174</u>	<u>\$ 28,354</u>

8. Notes Payable

Notes payable consists of the following:

	March 31, 2019	December 31, 2018
Notes payable - equipment purchase (a)	\$ 131	\$ 242
Note payable - mineral property (b)	34	183
Balance, end of period	165	425
Less: current portion	(165)	(418)
Total long-term notes payable	<u>\$ —</u>	<u>\$ 7</u>

- (a) The NAPP Division has two notes payable related to equipment purchases outstanding at March 31, 2019. 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 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 (a Company owned portion of Acosta mine).

At March 31, 2019, there were no covenants related to the notes payable.

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9. Lease Liabilities

Lease liabilities consists of the following:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Equipment - Underground (a)	5.6%	October 2019	\$ 937	\$ 1,328
Equipment - Preparation Plant (b)	11.0%	September 2023	1,634	1,855
Equipment - Preparation Plant (b)	11.0%	December 2021	528	567
Equipment - Surface	11.0%	May 2021	696	740
Equipment - Information Technology	11.0%	July 2022	33	35
Office lease	8.0%	November 2027	1,175	—
Balance, end of period			5,003	4,525
Less: Current portion			(2,075)	(2,543)
Total long-term lease liabilities			<u>\$ 2,928</u>	<u>\$ 1,982</u>

- (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. At March 31, 2019, the Company was in compliance with all covenants under the lease agreement.
- (b) Contingent rent related to certain these lease obligations is payable if the equipment exceeds certain operating levels. The contingent rent recognized in the three months ended March 31, 2019 and 2018 was an expense of \$10 and income of \$35, respectively, and is included in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss).

Lease liabilities are payable as follows:

Less than 1 year	\$ 2,452
1-3 years	1,970
4-5 years	941
Thereafter	729
Total payments	<u>6,092</u>
Less: Amounts representing interest	(1,089)
Total finance lease obligations	<u>\$ 5,003</u>

For the three months ended March 31, 2019 and 2018, interest expense of \$129 and \$59, respectively, is included in net finance expense in the condensed interim consolidated statements of operations and comprehensive income (loss). For the three months ended March 31, 2019 and 2018, total cash outflows related to lease liabilities was \$848 and \$528, respectively. The expense relating to leases of low value assets was not material.

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

	Equip. U/G	Equip. Plant	Equip. Plant	Equip. Surface	Equip. IT	Office Lease	Total
Gross Right-of Use Asset							
Balance – January 1, 2018	\$ 22,030	\$ 1,696	\$ —	\$ —	\$ —	\$ —	\$ 23,726
Additions	15	—	2,200	838	37	—	3,090
Balance – December 31, 2018	22,045	1,696	2,200	838	37	—	26,816
IFRS 16 adoption	—	—	—	—	—	1,193	1,193
Accrued lease payments	—	—	—	—	—	(59)	(59)
Additions	—	—	—	—	—	—	—
Balance – March 31, 2019	<u>\$ 22,045</u>	<u>\$ 1,696</u>	<u>\$ 2,200</u>	<u>\$ 838</u>	<u>\$ 37</u>	<u>\$ 1,134</u>	<u>\$ 27,950</u>
Accumulated Amortization							
Balance – January 1, 2018	\$ (20,462)	\$ (339)	\$ —	\$ —	\$ —	\$ —	\$ (20,801)
Amortization	(1,032)	(339)	(177)	(105)	(3)	—	(1,656)
Balance – December 31, 2018	(21,494)	(678)	(177)	(105)	(3)	—	(22,457)
Amortization	(136)	(85)	(106)	(52)	(2)	(31)	(412)
Balance – March 31, 2019	<u>\$ (21,630)</u>	<u>\$ (763)</u>	<u>\$ (283)</u>	<u>\$ (157)</u>	<u>\$ (5)</u>	<u>\$ (31)</u>	<u>\$ (22,869)</u>
Net Book Value							
December 31, 2018	<u>\$ 551</u>	<u>\$ 1,018</u>	<u>\$ 2,023</u>	<u>\$ 733</u>	<u>\$ 34</u>	<u>\$ —</u>	<u>\$ 4,359</u>
March 31, 2019	<u>\$ 415</u>	<u>\$ 933</u>	<u>\$ 1,917</u>	<u>\$ 681</u>	<u>\$ 32</u>	<u>\$ 1,103</u>	<u>\$ 5,081</u>

For the three months ended March 31, 2019 and 2018, the Company recorded amortization expense of \$412 and \$124, respectively, related to the right-of-use assets which is included in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss).

10. 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 March 31, 2019.

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 (expiring on August 19, 2019) 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 is being amortized over the remaining life of the Facility.

The changes in the loan payable balance for the three months ended March 31, 2019 are as follows:

	Principal	Unamortized	
		Discount	Total
Balance - January 1, 2018	\$ 32,017	\$ (2,254)	\$ 29,763
Accrued interest	3,887	—	3,887
Interest paid	(3,887)	—	(3,887)
Accretion of discount	—	1,329	1,329
Issuance costs of amending agreements	—	(640)	(640)
Balance - December 31, 2018	32,017	(1,565)	30,452
Accrued interest	800	—	800
Interest paid	(800)	—	(800)
Accretion of discount (note 18)	—	229	229
Principal repayment	(3,000)	—	(3,000)
Balance - March 31, 2019	\$ 29,017	\$ (1,336)	\$ 27,681
Less: current portion	(10,000)	940	(9,060)
Total long-term loan payable	\$ 19,017	\$ (396)	\$ 18,621

- (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 balance 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 March 31, 2019, the fair value was determined to be immaterial using a Black Scholes option pricing model (expected life of 0.38 years, exercise price of C\$3.90, risk-free interest rate of 2.44%, Common Share price of C\$0.85, expected volatility of 76%, dividend yield of 0%, forfeiture rate of 0% and CAD/USD exchange rate of 0.7483). The revaluation had no impact for the three months ended March 31, 2019 and amounted to income of \$564 for the three months ended March 31, 2018. The Bonus Warrant revaluation amounts are included in net finance expense (note 18) in the condensed interim consolidated statements of operations and comprehensive income (loss).

11. Other Liabilities

Other liabilities consist of the following:

	March 31, 2019	December 31, 2018
Workers' compensation provision (a)	\$ 5,936	\$ 6,219
Transportation contract liquidated damages (b)	1,431	1,657
Lucchini litigation (c)	—	2,703
Other (d)	698	653
	<u>8,065</u>	<u>11,232</u>
Less: current portion (a,b,c,d)	(2,806)	(5,407)
Total Other Liabilities	<u>\$ 5,259</u>	<u>\$ 5,825</u>

- (a) The provision relates to workers' compensation and occupational disease claims that have not yet been paid by the Company. The estimates use an actuarial valuation approach based on historical claims and known events, where such estimates may differ materially from the estimates used herein. The balance that is expected to be settled within the next twelve months is \$1,108. The Company has established separate trust funds with its insurance carriers to pay potential awards and claims related to workers' compensation claims (note 5).
- (b) The Company's subsidiary, 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 March 31, 2019, a provision of \$1,431 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) 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, see note 23 for additional information.
- (d) Other includes various accruals based on management's best estimate of other matters.

12. 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, 2018	\$ 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
	<u>(2,420)</u>	<u>(6,507)</u>	<u>(8,927)</u>
Discontinued operations:			
CAPP Division Divestiture	(3,657)	—	(3,657)
Balance - December 31, 2018	\$ 30,047	\$ 27,269	\$ 57,316
Continuing operations:			
Costs incurred	(947)	(543)	(1,490)
Change in estimate	514	—	514
Accretion expense	196	180	376
	<u>(237)</u>	<u>(363)</u>	<u>(600)</u>
Balance - March 31, 2019	\$ 29,810	\$ 26,906	\$ 56,716
Less: current portion	(4,027)	(1,588)	(5,615)
Long-Term Reclamation and Water Treatment Provision	<u>\$ 25,783</u>	<u>\$ 25,318</u>	<u>\$ 51,101</u>
Estimated costs (undiscounted cash flow basis)	<u>\$ 31,624</u>	<u>\$ 28,844</u>	<u>\$ 60,468</u>
End of reclamation period	<u>1-20 years</u>	<u>Perpetual</u>	
Discount rate	<u>2.23%-2.87%</u>	<u>2.63%-2.87%</u>	
Inflation rate	<u>2.0%</u>	<u>2.0%</u>	

(a) Site reclamation and remediation

- (i) The current portion represents the amount expected to be incurred by the Company within one year from March 31, 2019.
- (ii) At March 31, 2019, the Company had \$61,430 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 5(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 March 31, 2019.

13. 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 March 31, 2019 and December 31, 2018, the Company had 94,759,245 Common Shares outstanding, and no preferred shares outstanding. At March 31, 2019 and December 31, 2018, Legacy QKGI also owns 170,316,639 common membership units of Wilson Creek Energy, LLC ("Redeemable Units") entitling it to a 19% minority interest in the net assets, income and expenses of Wilson Creek Energy, LLC. Redeemable Units are redeemable at the option of Legacy QKGI for cash equal to the product of: (i) the number of membership units to be redeemed divided by 20; and (ii) the 10-day volume weighted average trading price, prior to date of notice of redemption, of the 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.

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14. Revenue

Revenue consists of the following:

	For the three months ended March 31,	
	2019	2018
Metallurgical coal sales	\$ 54,758	\$ 79,001
Thermal coal sales	416	255
Tolling revenue	2,160	1,192
	<u>\$ 57,334</u>	<u>\$ 80,448</u>

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

	For the three months ended March 31,	
	2019	2018
Revenue from contracts with customers	\$ 57,101	\$ 80,243
Revenue from other sources	233	205
	<u>\$ 57,334</u>	<u>\$ 80,448</u>

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

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

Geographic Region	For the three months ended March 31, 2019			
	Metallurgical Coal	Thermal Coal	Tolling Revenue	Total
Asia	\$ 31,683	\$ —	\$ —	\$ 31,683
United States	15,243	183	2,160	17,586
South America	7,832	—	—	7,832
Total revenue from contracts with customers	<u>\$ 54,758</u>	<u>\$ 183</u>	<u>\$ 2,160</u>	<u>\$ 57,101</u>

Geographic Region	For the three months ended March 31, 2018			
	Metallurgical Coal	Thermal Coal	Tolling Revenue	Total
Asia	\$ 56,939	\$ —	\$ —	\$ 56,939
United States	13,213	50	1,192	14,455
South America	8,849	—	—	8,849
Total revenue from contracts with customers	<u>\$ 79,001</u>	<u>\$ 50</u>	<u>\$ 1,192</u>	<u>\$ 80,243</u>

15. Cost of Sales

Cost of sales consists of the following:

	For the three months ended	
	March 31,	
	2019	2018
Mining and processing costs	\$ 22,050	\$ 20,340
Purchased coal costs	12,018	28,415
Royalty expense	1,580	2,083
Amortization expense	5,493	6,189
Transportation costs from preparation plant to customer	7,201	12,901
Idle mine expense	472	109
Tolling costs	1,069	435
Write-off of advance royalties and other assets	—	5
Other costs	19	252
	<u>\$ 49,902</u>	<u>\$ 70,729</u>

16. Selling, General and Administrative Expense

Selling, general and administrative expense consists of the following:

	For the three months ended	
	March 31,	
	2019	2018
Salaries and other compensation	\$ 2,122	\$ 2,367
Employee benefits	335	316
Selling expense	897	1,480
Professional fees	534	1,239
Office expenses and insurance	489	801
Other	178	254
	<u>\$ 4,555</u>	<u>\$ 6,457</u>

17. 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 three months ended March 31, 2019 and 2018. At March 31, 2019 and 2018, there were 237,518 and 786,060 stock options available for issuance under the stock option plan, respectively.

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The following illustrates the changes in issued and outstanding stock options during the period ended March 31, 2019:

	Number of Stock Options (000's)	Weighted Average Exercise Price (C\$)
Balance - January 1, 2018	8,618	\$ 1.76
Options granted (a) (b)	2,742	0.92
Options cancelled/forfeited	(1,401)	1.61
Options expired	(721)	3.10
Balance - December 31, 2018	9,238	1.43
Balance - March 31, 2019	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)
Date of Grant:	January 15, 2018	November 7, 2018
Options Granted (000's)	55	2,687
Expected life in years:	2 to 4	2 to 4
Exercise price:	C\$1.83	C\$0.90
Risk-free interest rate:	1.98% to 2.22%	2.94% to 3.03%
Common Share price:	C\$1.83	C\$0.90
Expected volatility	110% to 121%	66% to 112%
Dividend yield:	—%	—%
Forfeiture rate:	10.71%	11.16%

- (a) Stock options were granted to an employee of the Company.
(b) 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.

For the three months ended March 31, 2019 and 2018, the Company recorded stock-based compensation expense on the outstanding stock options to selling, general and administrative expense of \$321 and \$430, respectively.

18. Net Finance (Expense) Income

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

	For the three months ended	
	March 31,	
	2019	2018
Warrant financial liability (note 10(b))	\$ —	\$ 564
Accretion of discount on loan payable (note 10(a))	(229)	(333)
Bond premium expense	(364)	(339)
Interest expense	(1,023)	(960)
Interest income	27	49
Foreign exchange (loss) gain	(3)	(2)
Accretion on reclamation and water treatment provision (note 12)	(376)	(378)
Change in market value of restricted cash	1,603	(234)
Other	(3)	(34)
	<u>\$ (368)</u>	<u>\$ (1,667)</u>

19. Earnings per Share

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

	For the three months ended	
	March 31,	
	2019	2018
Basic and diluted earnings (loss) attributable to common shareholders		
Continuing operations	\$ 1,930	\$ 1,118
Discontinued operations	—	(668)
Total basic and diluted earnings attributable to common shareholders	<u>\$ 1,930</u>	<u>\$ 450</u>
Basic weighted average number of Common Shares outstanding (000's)	<u>94,759</u>	<u>94,591</u>
Dilutive effect of stock options (000's)	—	1,964
Dilutive effect of compensation warrants (000's)	—	79
Diluted weighted average number of Common Shares outstanding (000's)	<u>94,759</u>	<u>96,634</u>
Basic earnings per share - continuing operations	\$ 0.02	\$ 0.01
Basic loss per share - discontinued operations	—	(0.01)
Basic earnings per share - total	<u>\$ 0.02</u>	<u>\$ —</u>
Diluted earnings per share - continuing operations	\$ 0.02	\$ 0.01
Diluted loss per share - discontinued operations	—	(0.01)
Diluted earnings per share - total	<u>\$ 0.02</u>	<u>\$ —</u>

20. Supplemental Cash Flow Information

	For the three months ended	
	March 31,	
	2019	2018
Change in working capital balances related to operations:		
Accounts receivable	\$ 4,243	\$ (11,343)
Prepaid expenses and other current assets	944	851
Inventories	(2,746)	6,907
Accounts payable and accrued liabilities	(34)	4,133
Other liabilities	(2,908)	334
	<u>\$ (501)</u>	<u>\$ 882</u>
Cash paid for interest	<u>\$ 1,023</u>	<u>\$ 960</u>
Cash paid (received) for income taxes	<u>\$ —</u>	<u>\$ —</u>
Noncash investing and financing activities:		
CAPP Division Divestiture		
Change in assets	<u>\$ —</u>	<u>\$ (11,730)</u>
Change in liabilities	<u>\$ —</u>	<u>\$ (11,730)</u>
Lease liabilities		
Change in assets	<u>\$ 1,147</u>	<u>\$ —</u>
Change in liabilities	<u>\$ 1,147</u>	<u>\$ —</u>
Purchase of property, plant and equipment		
Change in assets	<u>\$ (100)</u>	<u>\$ —</u>
Change in liabilities	<u>\$ (100)</u>	<u>\$ —</u>
Change in estimate of reclamation liability		
Change in assets	<u>\$ 514</u>	<u>\$ —</u>
Change in liabilities	<u>\$ 514</u>	<u>\$ —</u>

21. 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 divestiture of the Company's thermal and industrial coal division in Tennessee by way of the sale of Kopper Glo Mining, LLC (the "CAPP Division Divestiture") on March 13, 2018 are reflected in the amounts below. Post-divestiture, Kopper Glo Mining, LLC is considered a related party as key management of QEP have significant influence over this entity. As such, transactions with Kopper Glo Mining, LLC after March 13, 2018 are considered related party transactions and reflected in the amounts below.

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

	For the three months ended	
	March 31,	
	2019	2018
Royalties and property taxes (a)	\$ —	\$ 185
Supplies purchase (b)	120	81
Purchased coal (c)	74	3,037
	<u>\$ 194</u>	<u>\$ 3,303</u>

- (a) During the three months ended March 31, 2018, the Company paid royalties and property taxes to WPP, LLC, a subsidiary of Natural Resource Partners L.P., which is commonly controlled by QEP for coal extracted from mineral properties where the surface or mineral right of the specific property are leased by the Company and owned by the related party. These amounts were included in net and comprehensive loss from discontinued operations, net in the condensed interim consolidated statements of operations and comprehensive income (loss). No related party royalties and property taxes were paid during the three months ended March 31, 2019.
- (b) During the three months ended March 31, 2019 and 2018, the Company purchased supplies used in the coal separation process from Quality Magnetite, which is significantly influenced by key management personnel of QEP. During the three months ended March 31, 2019 and 2018, amounts purchased by the NAPP Division, totaling \$120 and \$74, respectively, were included in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss), respectively. Additionally, amounts purchased by the CAPP Division, totaling \$7 were included in net and comprehensive loss from discontinued operations, net in the condensed interim consolidated statements of operations and comprehensive income (loss) for the three months ended March 31, 2018.
- (c) During the three months ended March 31, 2018, 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 for the three months ended March 31, 2018. These amounts were reflected in net and comprehensive loss from discontinued operations, net in the condensed interim consolidated statements of operations and comprehensive income (loss). Subsequent to the completion of the CAPP Division Divestiture, the Company purchased coal from Kopper Glo Mining, LLC, which is now considered a related party as it is significantly influenced by key management personnel of QEP. During the three months ended March 31, 2019 and 2018, the Company recognized \$74 and \$1,887 in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss) related to these coal purchases, respectively.

Included in accounts payable and accrued liabilities at March 31, 2019 and December 31, 2018 are \$69 and \$43, respectively, due to related parties, as a result of the transactions noted above. Included in accounts receivable at March 31, 2019 is \$19 related to income tax withholdings paid on behalf of QEP, which are to be reimbursed to the Company. These amounts are unsecured and non-interest bearing.

Corsa Coal Corp.**Notes to Unaudited Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2019 and 2018****Expressed in United States dollars, amounts in thousands except for shares and per share amounts**

At March 31, 2019 and December 31, 2018, the Company had a loan payable to SRLC of \$27,681 and \$30,452 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 10.

22. 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.

	For the three months ended March 31, 2019		
	NAPP	Corporate	Total
Revenues	\$ 57,334	\$ —	\$ 57,334
Cost of sales	(49,871)	(31)	(49,902)
Gross margin	7,463	(31)	7,432
Selling, general and administrative expenses	(2,883)	(1,672)	(4,555)
Income (loss) from operations	4,580	(1,703)	2,877
Net finance income (expense)	681	(1,049)	(368)
Other income	493	—	493
Income (loss) before tax	5,754	(2,752)	3,002
Current income tax (benefit) expense	—	—	—
Deferred income tax expense	—	—	—
Provision for income taxes	—	—	—
Net income (loss) from continuing operations	5,754	(2,752)	3,002
Net loss from discontinued operations, net	—	—	—
Net income (loss)	\$ 5,754	\$ (2,752)	\$ 3,002

Corsa Coal Corp.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2019 and 2018
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

	For the three months ended March 31, 2018			
	NAPP	Discontinued Operations	Corporate	Total
Revenues	\$ 80,448	\$ —	\$ —	\$ 80,448
Cost of sales	(70,729)	—	—	(70,729)
Gross margin	9,719	—	—	9,719
Selling, general and administrative expenses	(4,166)	—	(2,291)	(6,457)
Income (loss) from operations	5,553	—	(2,291)	3,262
Net finance expense	(1,136)	—	(531)	(1,667)
Other income	362	—	—	362
Income (loss) before tax	4,779	—	(2,822)	1,957
Current income tax (benefit) expense	—	—	—	—
Deferred income tax expense	—	—	—	—
Provision for income taxes	—	—	—	—
Net income (loss) from continuing operations	4,779	—	(2,822)	1,957
Net loss from discontinued operations, net	—	(813)	—	(813)
Net income (loss)	\$ 4,779	\$ (813)	\$ (2,822)	\$ 1,144

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

	For the three months ended March 31, 2019			For the three months ended March 31, 2018		
	USA	Canada	Total	USA	Canada	Total
Revenue	\$ 57,334	\$ —	\$ 57,334	\$ 80,448	\$ —	\$ 80,448
Net income (loss) from continuing operations	\$ 5,754	\$ (2,752)	\$ 3,002	\$ 4,779	\$ (2,822)	\$ 1,957
	At March 31, 2019			At December 31, 2018		
	USA	Canada	Total	USA	Canada	Total
Non-current assets	\$ 226,290	\$ —	\$ 226,290	\$ 227,672	\$ —	\$ 227,672
Total assets	\$ 280,029	\$ 94	\$ 280,123	\$ 283,215	\$ 85	\$ 283,300

23. 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 arose 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 alleged 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.

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.

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.