Corsa Coal Corp.

Unaudited Condensed Interim Consolidated Financial Statements

June 30, 2019 and 2018

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

Assets	**June 30, 2019**	**December 31, 2018**
Cash	$ 14,900	$ 10,124
Accounts receivable (note 3)	20,909	28,502
Prepaid expenses and other current assets	3,978	4,058
Inventories (note 4)	16,876	12,944
Current Assets	56,663	55,628
Restricted cash (note 5)	35,606	32,503
Advance royalties and other assets	3,656	3,564
Property, plant and equipment, net (note 6)	186,664	191,605
Total Assets	$ 282,589	$ 283,300
Liabilities		
Accounts payable and accrued liabilities (note 7)	$ 27,234	$ 28,354
Notes payable (note 8)	20	418
Lease liabilities – current (note 9)	1,685	2,543
Loan payable (note 10)	12,057	9,066
Other liabilities (note 11)	2,874	5,407
Reclamation and water treatment provision (note 12)	5,615	5,615
Current Liabilities	49,485	51,403
Notes payable (note 8)	—	7
Lease liabilities – long-term (note 9)	3,409	1,982
Loan payable (note 10)	15,856	21,386
Other liabilities (note 11)	5,018	5,825
Reclamation and water treatment provision (note 12)	50,568	51,701
Total Liabilities	124,336	132,304
Equity		
Share capital	180,130	180,130
Contributed surplus	2,861	2,244
Accumulated deficit	(76,597)	(81,274)
Total Shareholders' Equity	106,394	101,100
Non-controlling interest	51,859	49,896
Total Equity	158,253	150,996
Total Liabilities and Equity	$ 282,589	$ 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 June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Revenue (note 14)	$ 62,974	$ 57,331	$ 120,308	$ 137,779
Cost of sales (note 15)	(55,017)	(55,097)	(104,919)	(125,826)
Gross Margin	7,957	2,234	15,389	11,953
Selling, general and administrative expense (notes 16 and 17)	(4,155)	(5,100)	(8,710)	(11,557)
Income (loss) from operations	3,802	(2,866)	6,679	396
Net finance expense (note 18)	(1,019)	(1,607)	(1,387)	(3,274)
Other income (expense)	820	(416)	1,313	(54)
Income (loss) before tax	3,603	(4,889)	6,605	(2,932)
Current income tax (benefit) expense	—	—	—	—
Deferred income tax expense	—	—	—	—
Provision for income taxes	—	—	—	—
Net and comprehensive income (loss) from continuing operations	$ 3,603	$ (4,889)	$ 6,605	$ (2,932)
Net and comprehensive loss from discontinued operations, net	—	—	—	(813)
Net and comprehensive income (loss)	$ 3,603	$ (4,889)	$ 6,605	$ (3,745)
Attributable to:				
Shareholders	$ 2,712	$ (4,561)	$ 4,642	$ (4,111)
Non-controlling interest	$ 891	$ (328)	$ 1,963	$ 366
Basic earnings (loss) per share (note 19)				
Earnings from continuing operations	$ 0.03	$ (0.05)	$ 0.05	$ (0.04)
Loss from discontinued operations	$ —	$ —	$ —	$ (0.01)
Basic earnings per share	$ 0.03	$ (0.05)	$ 0.05	$ (0.05)
Diluted earnings (loss) per share (note 19)				
Earnings (loss) from continuing operations	$ 0.03	$ (0.05)	$ 0.05	$ (0.04)
Loss from discontinued operations	$ —	$ —	$ —	$ (0.01)
Diluted earnings (loss) per share	$ 0.03	$ (0.05)	$ 0.05	$ (0.05)

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

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

For the six months ended June 30, 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)	—	—	652	—	—	652
Stock option expiration/forfeiture	—	—	(35)	35	—	—
Net and comprehensive income	—	—	—	4,642	1,963	6,605
Balance - June 30, 2019	94,759	$ 180,130	$ 2,861	$ (76,597)	$ 51,859	$ 158,253

For the six months ended June 30, 2018

	Number of Corsa Common Shares (000's)	Share Capital	Contributed Surplus	Deficit	Non-Controlling Interest	Total Equity
Balance - January 1, 2018	94,591	$ 180,001	$ 2,501	$ (85,517)	$ 47,297	$ 144,282
Stock based compensation (note 17)	—	—	731	—	—	731
Stock option expiration/forfeiture	—	—	(641)	641	—	—
Exercise of Broker Warrants	168	129	—	—	—	129
Net and comprehensive income (loss)	—	—	—	(4,111)	366	(3,745)
Balance - June 30, 2018	94,759	$ 180,130	$ 2,591	$ (88,987)	$ 47,663	$ 141,397

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 June 30,		For the six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Operating Activities				
Net and comprehensive income (loss)	$ 3,603	$ (4,889)	$ 6,605	$ (3,745)
Items not affecting cash:				
Net and comprehensive loss from discontinued operations	—	—	—	813
Amortization	5,667	6,233	11,160	12,422
Stock-based compensation expense (note 17)	331	301	652	731
Net finance expense (income)	(254)	422	(1,203)	922
Write-off of advance royalties and other assets	—	—	—	5
Other non-cash operating expense	211	(70)	53	(24)
Cash spent on reclamation and water treatment activities (note 12)	(1,571)	(1,941)	(3,061)	(4,179)
Changes in working capital balances related to operations (note 20)	767	(4,612)	266	(3,730)
Cash provided by (used in) operating activities of continuing operations	8,754	(4,556)	14,472	3,215
Cash provided by operating activities of discontinued operations	—	—	—	2,469
Cash provided by (used in) operating activities	8,754	(4,556)	14,472	5,684
Investing Activities				
Restricted cash	(820)	46	(1,280)	(504)
Advance royalties and other assets	(257)	(172)	(473)	(315)
Proceeds on sale of assets	173	35	287	38
Property, plant and equipment additions	(2,407)	(7,043)	(3,354)	(14,037)
Cash used in investing activities of continuing operations	(3,311)	(7,134)	(4,820)	(14,818)
Cash used in investing activities of discontinued operations	—	—	—	(2,358)
Cash used in investing activities	(3,311)	(7,134)	(4,820)	(17,176)
Financing Activities				
Proceeds from broker warrant exercise	—	129	—	129
Proceeds from issuance of notes payable	—	54	—	54
Repayment of loan payable	—	—	(3,000)	—
Repayment of notes payable	(145)	(207)	(404)	(516)
Repayment of lease liabilities	(753)	(432)	(1,472)	(901)
Cash used in financing activities of continuing operations	(898)	(456)	(4,876)	(1,234)
Cash used in financing activities of discontinued operations	—	—	—	(225)
Cash used in financing activities	(898)	(456)	(4,876)	(1,459)
Net increase (decrease) in cash for the period	4,545	(12,146)	4,776	(12,951)
Cash, beginning of period continuing operations	10,355	19,916	10,124	20,607
Cash, beginning of period discontinued operations	—	—	—	114
Cash, beginning of period	10,355	19,916	10,124	20,721
Cash, end of period continuing operations	$ 14,900	$ 7,770	$ 14,900	$ 7,770

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 June 30, 2019, the Company had one operating division, Northern Appalachia ("NAPP Division" or "NAPP"). The NAPP Division, based in Somerset, Pennsylvania, USA, produces and sells low volatile metallurgical coal used for the production of coke from its mines in the Northern Appalachia coal region of the USA. The Company's corporate office provides support and manages the mining investments, and is also deemed a reportable segment.

All scientific and technical information contained in these unaudited condensed interim consolidated financial statements has been reviewed and approved by Peter V. Merritts, Professional Engineer and the Company's Chief Executive Officer, 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 August 20, 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 the 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 the adoption of this interpretation did not have a material impact on the Company's financial statements.

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

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		1,193
Liabilities from finance leases as of December 31, 2018		4,525
Liabilities from leases as of January 1, 2019	$	5,718

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 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 six months ended June 30, 2019 and 2018.

At June 30, 2019, the Company had four customers that owed the Company more than $1,000 each and accounted for approximately 88% of total accounts receivable. At December 31, 2018 the Company had six customers that owed the Company more than $1,000 each and accounted for approximately 92% 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 June 30, 2019. At June 30, 2019 and December 31, 2018, 85% 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.

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At June 30, 2019, the Company had a consolidated cash balance of $14,900 and consolidated working capital of $7,178. 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 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 June 30, 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	$ 27,234	$ 27,234	$ 27,234	$ —	$ —	$ —
Notes payable	20	20	20	—	—	—
Lease liabilities	5,094	5,098	1,685	1,875	945	593
Loan payable	27,913	29,017	13,000	16,017	—	—
Other liabilities	7,892	7,940	2,874	2,495	2,246	325
Asset retirement obligations - reclamation	29,586	29,586	4,027	3,839	4,301	17,419
Asset retirement obligations - water treatment	26,597	26,597	1,588	2,892	2,862	19,255
Purchase order firm commitments	—	3,904	3,904	—	—	—
Water treatment trust funding	—	3,857	1,871	1,986	—	—
Operating leases and other obligations	—	47	29	18	—	—
Total	$ 124,336	$ 133,300	$ 56,232	$ 29,122	$ 10,354	$ 37,592

Fair Value

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

	June 30, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loan payable	$ 27,913	$ 26,110	$ 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 June 30, 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.

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

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 inputs derived from market prices.

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

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on a degree to which the inputs used to determine the fair value are observable.

	June 30, 2019		December 31, 2018	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Cash	$ 14,900	$ —	$ 10,124	$ —
Restricted cash	35,606	—	32,503	—
	$ 50,506	$ —	$ 42,627	$ —
Financial liabilities				
Warrant financial liability	$ —	$ —	$ —	$ —

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 June 30, 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:

	June 30, 2019	December 31, 2018
Trade receivables	$ 19,151	$ 26,654
Income tax refundable credit	1,379	1,379
Redevelopment Assistance Capital Program Receivable	150	150
Other	229	319
	$ 20,909	$ 28,502

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

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

4. Inventories

Inventories consist of the following:

	June 30, 2019	December 31, 2018
Metallurgical coal		
Clean coal stockpiles	$ 7,662	$ 3,511
Raw coal stockpiles	4,756	5,067
	12,418	8,578
Thermal coal		
Clean coal stockpiles	—	74
Raw coal stockpiles	—	5
	—	79
Parts and supplies	4,458	4,287
	$ 16,876	$ 12,944

5. Restricted cash

Restricted cash consists of the following:

	June 30, 2019	December 31, 2018
Water treatment trust funds (a)	$ 25,163	$ 22,276
Collateral posted for reclamation bonds (b)	5,440	5,390
Workers' compensation trust funds (c)	4,992	4,826
Other restricted deposits	11	11
	$ 35,606	$ 32,503

(a) The Company has signed certain agreements with U.S. environmental and regulatory agencies which require the perpetual monitoring and treatment of water in areas where the Company is operating or has operated in the past. As a result of these agreements, the Company was required to establish separate trust funds to ensure water treatment activities would continue after the Company ceased operating in the affected areas. The cash is invested in fixed income and equities and income earned on such funds, under certain circumstances, may be used by the Company to pay for certain water treatment costs once the trust funds have been fully funded. As of June 30, 2019, the Company is required to contribute an additional $3,857 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.

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

6. Property, plant and equipment

Property, plant and equipment consists of the following:

	Mineral Properties (a)	Plant and Equipment	Total
Cost			
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	—	5,505	5,505
Capitalized development costs	(178)	—	(178)
Change in reclamation provision	1,172	—	1,172
Disposals	—	(2,878)	(2,878)
Balance - June 30, 2019	$ 157,404	$ 160,360	$ 317,764
Accumulated Amortization			
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	(2,493)	(8,669)	(11,162)
Disposals	—	2,600	2,600
Balance - June 30, 2019	$ (27,728)	$ (103,372)	$ (131,100)
Net Book Value			
December 31, 2018	$ 131,175	$ 60,430	$ 191,605
June 30, 2019	$ 129,676	$ 56,988	$ 186,664

(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.

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

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consists of the following:

	June 30, 2019	December 31, 2018
Trade payables	$ 11,218	$ 7,747
Purchased coal payables	4,804	8,112
Freight payables	5,100	4,625
Other accrued liabilities	6,112	7,870
	$ 27,234	$ 28,354

8. Notes Payable

Notes payable consists of the following:

	June 30, 2019	December 31, 2018
Notes payable - equipment purchase (a)	$ 20	$ 242
Note payable - mineral property (b)	—	183
Balance, end of period	20	425
Less: current portion	(20)	(418)
Total long-term notes payable	$ —	$ 7

(a) The NAPP Division has one note payable related to equipment purchases outstanding at June 30, 2019. The 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. A second, zero-interest note payable that existed at December 31, 2018 was satisfied in June 2019.

(b) The NAPP Division had a 4.0% interest note payable which related to the purchase of a mineral property. The final payment was made in April 2019.

At June 30, 2019, there were no covenants related to the notes payable.

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

9. Lease Liabilities

Lease liabilities consists of the following:

	Interest Rate	Maturity	June 30, 2019	December 31, 2018
Equipment - Underground (a)	5.6%	October 2019	$ 539	$ 1,328
Equipment - Preparation Plant (b)	11.0%	September 2023	1,412	1,855
Equipment - Preparation Plant (b)	11.0%	December 2021	487	567
Equipment - Surface	10.8% to 11%	May 2021-Oct 2023	1,467	740
Equipment - Information Technology	11.0%	July 2022	32	35
Office lease	8.0%	November 2027	1,157	—
Balance, end of period			5,094	4,525
Less: Current portion			(1,685)	(2,543)
Total long-term lease liabilities			$ 3,409	$ 1,982

(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 June 30, 2019, the Company was in compliance with all covenants under the lease agreement.

(b) Contingent rent related to these lease obligations is payable if the equipment exceeds certain operating levels. The contingent rent recognized in the three and six months ended June 30, 2019 was expense of $72 and $82, respectively. The contingent rent recognized in the three and six months ended June 30, 2018 was expense of $4 and income of $30, respectively. Contingent rent 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	$ 2,102
1-3 years	2,375
4-5 years	1,115
Thereafter	681
Total payments	6,273
Less: Amounts representing interest	(1,179)
Total finance lease obligations	$ 5,094

For the three and six months ended June 30, 2019, interest expense of $129 and $258, respectively, is included in net finance expense in the condensed interim consolidated statements of operations and comprehensive income (loss). For the three and six months ended June 30, 2018, interest expense of $61 and $120, respectively, is included in net finance expense in the condensed interim consolidated statements of operations and comprehensive income (loss). For the three and six months ended June 30, 2019, total cash outflows related to lease liabilities was $882 and $1,730, respectively. For the three and six months ended June 30, 2018, total cash outflows related to lease liabilities was $493 and $1,021, respectively. The expense relating to leases of low value assets was not material.

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

Right-of-use assets, which are included in property, plant and equipment, net, in the 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	—	—	—	841	—	—	841
Balance – June 30, 2019	$ 22,045	$ 1,696	$ 2,200	$ 1,679	$ 37	$ 1,134	$ 28,791
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	(257)	(170)	(213)	(136)	(4)	(64)	(844)
Balance – June 30, 2019	$ (21,751)	$ (848)	$ (390)	$ (241)	$ (7)	$ (64)	$ (23,301)
Net Book Value							
December 31, 2018	$ 551	$ 1,018	$ 2,023	$ 733	$ 34	$ —	$ 4,359
June 30, 2019	$ 294	$ 848	$ 1,810	$ 1,438	$ 30	$ 1,070	$ 5,490

For the three and six months ended June 30, 2019, amortization expense of $432 and $844, respectively, related to the right-of-use assets, is included in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss). For the three and six months ended June 30, 2018, amortization expense of $421 and $772, respectively, related to the right-of-use assets, 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 June 30, 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).

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

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 six months ended June 30, 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	1,534	—	1,534
Interest paid	(1,534)	—	(1,534)
Accretion of discount (note 18)	—	461	461
Principal repayment	(3,000)	—	(3,000)
Balance - June 30, 2019	$ 29,017	$ (1,104)	$ 27,913
Less: current portion	(13,000)	943	(12,057)
Total long-term loan payable	$ 16,017	$ (161)	$ 15,856

(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 June 30, 2019, the fair value was determined to be zero using a Black Scholes option pricing model (expected life of 0.13 years, exercise price of C$3.90, risk-free interest rate of 2.15%, Common Share price of C $0.71, expected volatility of 49%, dividend yield of 0%, forfeiture rate of 0% and CAD/USD exchange rate of 0.7641). The revaluation had no impact for the three and six months ended June 30, 2019 and amounted to income of $179 and $743 for the three and six months ended June 30, 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).

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

11. Other Liabilities

Other liabilities consist of the following:

	June 30, 2019	December 31, 2018
Workers' compensation provision (a)	$ 5,940	$ 6,219
Transportation contract liquidated damages (b)	1,201	1,657
Lucchini litigation (c)	—	2,703
Other (d)	751	653
	7,892	11,232
Less: current portion (a,b,c,d)	(2,874)	(5,407)
Total Other Liabilities	$ 5,018	$ 5,825

(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 $1,123. 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 June 30, 2019, a provision of $1,201 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 was 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.

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

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
	(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
Continuing operations:			
Costs incurred	(2,028)	(1,033)	(3,061)
Change in estimate	1,172	—	1,172
Accretion expense	395	361	756
	(461)	(672)	(1,133)
Balance - June 30, 2019	$ 29,586	$ 26,597	$ 56,183
Less: current portion	(4,027)	(1,588)	(5,615)
Long-Term Reclamation and Water Treatment Provision	$ 25,559	$ 25,009	$ 50,568
Estimated costs (undiscounted cash flow basis)	$ 31,181	$ 28,354	$ 59,535
End of reclamation period	1-20 years	Perpetual	
Discount rate	1.76%-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 June 30, 2019.

(ii) At June 30, 2019, the Company had $59,999 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 June 30, 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 June 30, 2019 and December 31, 2018, the Company had 94,759,245 Common Shares outstanding and no preferred shares outstanding. At June 30, 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.

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

14. Revenue

Revenue consists of the following:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Metallurgical coal sales	$ 61,147	$ 55,167	$ 115,905	$ 134,168
Thermal coal sales	107	262	523	517
Tolling revenue	1,720	1,902	3,880	3,094
	$ 62,974	$ 57,331	$ 120,308	$ 137,779

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Revenue from contracts with customers	$ 62,957	$ 57,307	$ 120,058	$ 137,550
Revenue from other sources	17	24	250	229
	$ 62,974	$ 57,331	$ 120,308	$ 137,779

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 three months ended June 30, 2019			
Geographic Region	Metallurgical Coal	Thermal Coal	Tolling Revenue	Total
Asia	$ 31,996	$ —	$ —	$ 31,996
United States	16,862	90	1,720	18,672
South America	10,694	—	—	10,694
Europe	1,595	—	—	1,595
Total revenue from contracts with customers	$ 61,147	$ 90	$ 1,720	$ 62,957

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

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

Geographic Region	For the six months ended June 30, 2019 Metallurgical Coal	Thermal Coal	Tolling Revenue	Total
Asia	$ 63,679	$ —	$ —	$ 63,679
United States	32,105	273	3,880	36,258
South America	18,526	—	—	18,526
Europe	1,595	—	—	1,595
Total revenue from contracts with customers	$ 115,905	$ 273	$ 3,880	$ 120,058

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

15. Cost of Sales

Cost of sales consists of the following:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Mining and processing costs	$ 25,249	$ 17,107	$ 47,299	$ 37,447
Purchased coal costs	12,928	20,146	24,946	48,561
Royalty expense	1,826	1,041	3,406	3,124
Amortization expense	5,667	6,233	11,160	12,422
Transportation costs from preparation plant to customer	8,281	9,884	15,482	22,785
Idle mine expense	323	131	795	240
Tolling costs	802	696	1,871	1,131
Write-off of advance royalties and other assets	—	—	—	5
Other costs	(59)	(141)	(40)	111
	$ 55,017	$ 55,097	$ 104,919	$ 125,826

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

16. Selling, General and Administrative Expense

Selling, general and administrative expense consists of the following:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Salaries and other compensation	$ 1,824	$ 1,918	$ 3,946	$ 4,285
Employee benefits	380	361	715	677
Selling expense	865	1,167	1,762	2,647
Professional fees	465	1,010	999	2,249
Office expenses and insurance	485	522	974	1,323
Other	136	122	314	376
	$ 4,155	$ 5,100	$ 8,710	$ 11,557

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 and six months ended June 30, 2019 and 2018. At June 30, 2019 and 2018, there were 279,518 and 1,965,418 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 June 30, 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
Options cancelled/forfeited	(42)	1.95
Balance - June 30, 2019	9,196	$ 1.43

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

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 and six months ended June 30, 2019, the Company recorded stock-based compensation expense on the outstanding stock options to selling, general and administrative expense of $331 and $652, respectively. For the three and six months ended June 30, 2018, the Company recorded stock-based compensation expense on the outstanding stock options to selling, general and administrative expense of $301 and $731, respectively.

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 June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Warrant financial liability (note 10(b))	$ —	$ 179	$ —	$ 743
Accretion of discount on loan payable (note 10(a))	(232)	(340)	(461)	(673)
Bond premium expense	(365)	(344)	(729)	(683)
Interest expense	(966)	(943)	(1,989)	(1,903)
Interest income	40	23	67	72
Foreign exchange (loss) gain	1	—	(2)	(2)
Accretion on reclamation and water treatment provision (note 12)	(380)	(382)	(756)	(760)
Change in market value of restricted cash	885	232	2,488	(2)
Other	(2)	(32)	(5)	(66)
	$ (1,019)	$ (1,607)	$ (1,387)	$ (3,274)

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

19. Earnings per Share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Basic and diluted earnings (loss) attributable to common shareholders				
Continuing operations	2,712	(4,561)	$ 4,642	$ (3,443)
Discontinued operations	—	—	—	(668)
Total basic and diluted earnings attributable to common shareholders	$ 2,712	$ (4,561)	$ 4,642	$ (4,111)
Basic weighted average number of Common Shares outstanding (000's)	94,759	94,665	94,759	94,628
Dilutive effect of stock options (000's)	—	—	—	—
Diluted weighted average number of Common Shares outstanding (000's)	94,759	94,665	94,759	94,628
Basic earnings per share - continuing operations	$ 0.03	$ (0.05)	$ 0.05	$ (0.04)
Basic loss per share - discontinued operations	—	—	—	(0.01)
Basic earnings per share - total	$ 0.03	$ (0.05)	$ 0.05	$ (0.05)
Diluted earnings per share - continuing operations	$ 0.03	$ (0.05)	$ 0.05	$ (0.04)
Diluted loss per share - discontinued operations	—	—	—	(0.01)
Diluted earnings per share - total	$ 0.03	$ (0.05)	$ 0.05	$ (0.05)

In periods of net loss, the number of shares used to calculate diluted earnings per share is the same as basic earnings per share; therefore, the effect of the dilutive securities is zero for such periods. For the three and six months ended June 30, 2018, there were no instruments, including stock options, which would result in the issuance of Common Shares whose effect would be dilutive on loss per share.

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

20. Supplemental Cash Flow Information

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Change in working capital balances related to operations:				
Accounts receivable	$ 3,350	$ 9,658	$ 7,593	$ (1,685)
Prepaid expenses and other current assets	(469)	723	475	1,574
Inventories	(1,277)	(4,110)	(4,023)	2,797
Accounts payable and accrued liabilities	(640)	(10,344)	(674)	(6,211)
Other liabilities	(197)	(539)	(3,105)	(205)
	$ 767	$ (4,612)	$ 266	$ (3,730)
Cash paid for interest	$ 966	$ 943	$ 1,989	$ 1,903
Cash paid (received) for income taxes	$ —	$ —	$ —	$ —
Noncash investing and financing activities:				
CAPP Division Divestiture				
Change in assets	$ —	$ —	$ —	$ (11,730)
Change in liabilities	$ —	$ —	$ —	$ (11,730)
Lease liabilities				
Change in assets	$ 841	$ 838	$ 1,988	$ 838
Change in liabilities	$ 841	$ 838	$ 1,988	$ 838
Purchase of property, plant and equipment				
Change in assets	$ (300)	$ 417	$ (400)	$ 417
Change in liabilities	$ (300)	$ 417	$ (400)	$ 417
Change in estimate of reclamation liability				
Change in assets	$ 658	$ —	$ 1,172	$ —
Change in liabilities	$ 658	$ —	$ 1,172	$ —

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

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 June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Royalties and property taxes (a)	$ —	$ —	$ —	$ 185
Supplies purchase (b)	69	100	189	181
Equipment servicing fees (c)	—	1,000	—	1,000
Purchased coal (d)	—	2,722	74	5,759
	$ 69	$ 3,822	$ 263	$ 7,125

(a) During the six months ended June 30, 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. This amount was 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 and six months ended June 30, 2019.

(b) During the three and six months ended June 30, 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 and six months ended June 30, 2019, amounts purchased by the NAPP Division, totaling $69 and $189, respectively, were included in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss). During the three and six months ended June 30, 2018, amounts purchased by the NAPP Division, totaling $100 and $174, 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 six months ended June 30, 2018.

(c) During the three and six months ended June 30, 2018, subsequent to the completion of the CAPP Division Divestiture, the Company purchased services to rebuild a continuous haulage system from Kopper Glo Mining, LLC, which is considered a related party as it is significantly influenced by key management personnel of QEP. The continuous haulage system has been capitalized and included in property, plant and equipment.

(d) During the six months ended June 30, 2018, 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 and six months ended June 30, 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. There were no related party coals purchased during the three months ended June 30, 2019. For the six months ended June 30, 2019, the Company recognized

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

$74 in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss). For the three and six months ending June 30, 2018, the Company recognized $2,722 and $4,609, respectively, in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss) related to these coal purchases.

Included in accounts payable and accrued liabilities at December 31, 2018 is $43 due to related parties, as a result of the transactions noted above. No accounts payable and accrued liabilities due to related parties existed at June 30, 2019. Included in accounts receivable at June 30, 2019 is $1 related to tax withholdings on behalf of QEP, which are to be reimbursed to the Company. These amounts are unsecured and non-interest bearing.

At June 30, 2019 and December 31, 2018, the Company had a loan payable to SRLC of $27,913 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 June 30, 2019		
	NAPP	**Corporate**	**Total**
Revenues	$ 62,974	$ —	$ 62,974
Cost of sales	(54,984)	(33)	(55,017)
Gross margin	7,990	(33)	7,957
Selling, general and administrative expenses	(2,749)	(1,406)	(4,155)
Income (loss) from operations	5,241	(1,439)	3,802
Net finance expense	(39)	(980)	(1,019)
Other income	820	—	820
Income (loss) before tax	6,022	(2,419)	3,603
Current income tax (benefit) expense	—	—	—
Deferred income tax expense	—	—	—
Provision for income taxes	—	—	—
Net income (loss) from continuing operations	6,022	(2,419)	3,603
Net loss from discontinued operations, net	—	—	—
Net income (loss)	$ 6,022	$ (2,419)	$ 3,603

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

	For the six months ended June 30, 2019		
	NAPP	**Corporate**	**Total**
Revenues	$ 120,308	$ —	$ 120,308
Cost of sales	(104,855)	(64)	(104,919)
Gross margin	15,453	(64)	15,389
Selling, general and administrative expenses	(5,632)	(3,078)	(8,710)
Income (loss) from operations	9,821	(3,142)	6,679
Net finance income (expense)	642	(2,029)	(1,387)
Other income	1,313	—	1,313
Income (loss) before tax	11,776	(5,171)	6,605
Current income tax (benefit) expense	—	—	—
Deferred income tax expense	—	—	—
Provision for income taxes	—	—	—
Net income (loss) from continuing operations	11,776	(5,171)	6,605
Net loss from discontinued operations, net	—	—	—
Net income (loss)	$ 11,776	$ (5,171)	$ 6,605

	For the three months ended June 30, 2018			
	NAPP	**Discontinued Operations**	**Corporate**	**Total**
Revenues	$ 57,331	$ —	$ —	$ 57,331
Cost of sales	(55,097)	—	—	(55,097)
Gross margin	2,234	—	—	2,234
Selling, general and administrative expenses	(3,071)	—	(2,029)	(5,100)
Income (loss) from operations	(837)	—	(2,029)	(2,866)
Net finance expense	(651)	—	(956)	(1,607)
Other expense	(416)	—	—	(416)
Loss before tax	(1,904)	—	(2,985)	(4,889)
Current income tax (benefit) expense	—	—	—	—
Deferred income tax expense	—	—	—	—
Provision for income taxes	—	—	—	—
Net loss from continuing operations	(1,904)	—	(2,985)	(4,889)
Net loss from discontinued operations, net	—	—	—	—
Net loss	$ (1,904)	$ —	$ (2,985)	$ (4,889)

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

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

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

	For the three months ended June 30, 2019			For the three months ended June 30, 2018		
	USA	Canada	Total	USA	Canada	Total
Revenue	$ 62,974	$ —	$ 62,974	$ 57,331	$ —	$ 57,331
Net income (loss) from continuing operations	$ 6,022	$ (2,419)	$ 3,603	$ (1,904)	$ (2,985)	$ (4,889)

	For the six months ended June 30, 2019			For the six months ended June 30, 2018		
	USA	Canada	Total	USA	Canada	Total
Revenue	$ 120,308	$ —	$ 120,308	$ 137,779	$ —	$ 137,779
Net income (loss) from continuing operations	$ 11,776	$ (5,171)	$ 6,605	$ 2,875	$ (5,807)	$ (2,932)

	At June 30, 2019			At December 31, 2018		
	USA	Canada	Total	USA	Canada	Total
Non-current assets	$ 225,926	$ —	$ 225,926	$ 227,672	$ —	$ 227,672
Total assets	$ 282,449	$ 140	$ 282,589	$ 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% is expected to be received in the third quarter of 2019.

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. On July 23, 2019, the SMC issued a ruling which confirmed that the support coal was mineable and awarded damages to PBS Coals, Inc. in the amount of $3,530 together with delay damages calculated from April 27, 2010 to the date of payment at an annual rate equal to the prime rate as listed in the first edition of the Wall Street Journal published in the year plus 1%, adjusted annually not compounded. After considering the contingent legal fees the Company is obligated to pay, the award to PBS Coals, Inc. is currently estimated at $3,400. As the ruling remains subject to appeal, the Company has not recognized this contingent receivable.

In addition to the SMC proceeding, PBS Coals, Inc. also filed certain Petitions for the Appointment of Board of Viewers Where No Declaration of Taking Has Been Filed. A Board of Viewers has been formed but no hearings will take place until after the SMC ruling and other related appellate filings become final. As such, the Company has not recognized this contingent receivable and cannot provide a reasonable estimate for the potential magnitude of these claims.

24. Subsequent Events

On August 16, 2019, certain wholly-owned subsidiaries of the Company, as borrowers, entered into a credit and security agreement (the "KeyBank Credit Agreement") with KeyBank National Association ("KeyBank") for a senior secured revolving credit facility providing up to US$25 million (the "KeyBank Facility"). Additionally, Wilson Creek Holdings, Inc. ("WCH"), as lessee, and the Company along with all of the subsidiaries of WCH, as guarantors, have entered into a lease financing agreement with Key Equipment Finance, as lessor and assignor, and 36th Street Capital Partners, LLC, as assignee ("36th Street"), for the sale and leaseback of various coal mining equipment (the "Leased Property") for a funding amount of US$12 million (the "36th Street Facility" and together with KeyBank Facility, the "New Credit Facilities"). The New Credit Facilities replace the US$25 million senior secured term credit facility with Sprott Resource Lending Corp. entered into on August 19, 2014 (the "Sprott Facility"), which was repaid using a portion of the proceeds from the New Credit Facilities.

The KeyBank Facility bears interest at London Inter-Bank Offered Rate ("LIBOR") plus 350 basis points or Base Rate plus 150 basis points and matures on August 16, 2022. Pursuant to the credit agreement governing the KeyBank Credit Facility, "Base Rate" means rate per annum equal to the highest of (i) the rate of interest established by KeyBank, from time to time, as its "prime rate,"(ii) the Federal Funds Effective Rate as defined in the KeyBank Credit Agreement in effect from time to time plus ½ of 1% per annum, and (iii) 100 basis points in excess of the LIBOR Rate as defined in the KeyBank Credit Agreement for loans with an interest period of one month. The 36th Street Facility has an effective interest rate of 9.50% and a lease term of 48 months. The agreements contain customary financial covenants. In addition to the repayment of the Sprott Facility, the proceeds of the New Credit Facilities are expected to be used to, among other things, finance the ongoing working capital requirements of the borrowers, general corporate purposes of the borrowers and pay fees and expenses associated with the transactions. In connection with the arrangement of the KeyBank Facility, the Company paid a commitment fee, upfront fee and administration fee, all of which are customary to these arrangements. In connection with the arrangement of the 36th Street Facility, the Company paid certain fees, all of which are customary to these arrangements. The KeyBank Facility will be secured against all now owned and after acquired tangible and intangible assets of the borrowers and the guarantor, while the 36th Street Facility will be secured against the Leased Property.