



Corsa Coal Corp.
Management's Discussion and Analysis
September 30, 2019

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For the three and nine months ended September 30, 2019

The purpose of the Corsa Coal Corp. (“Corsa” or the “Company”) Management’s Discussion and Analysis (“MD&A”) for the three and nine months ended September 30, 2019 is to provide a narrative explanation of Corsa’s operating and financial results for the period, Corsa’s financial condition at the end of the period and Corsa’s future prospects. This MD&A is intended to be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2019 and 2018 and the related notes thereto and the audited consolidated financial statements at and for the years ended December 31, 2018 and 2017 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2019 and 2018 have been prepared in accordance with IFRS 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). Unless otherwise indicated, all dollar amounts in this MD&A are expressed in United States dollars, all tonnage amounts are short tons (2,000 pounds per ton) and all amounts are shown in thousands. Pricing and cost per ton information is expressed on a free on board (“FOB”) mine site basis. Please refer to “Cautionary Statement Regarding Forward-Looking Statements” and “Cautionary Statement Regarding Certain Measures of Performance”. This MD&A is dated as of November 6, 2019.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain information set forth in this MD&A contains “forward-looking statements” and “forward-looking information” (collectively, “forward looking statements”) under applicable securities laws. Except for statements of historical fact, certain information contained herein relating to projected sales, coal prices, coal production, mine development, the capacity and recovery of Corsa’s preparation plants, expected cash production costs, geological conditions, future capital expenditures and expectations of market demand for coal, constitutes forward-looking statements which include management’s assessment of future plans and operations and are based on current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as “estimates”, “expects”, “anticipates”, “believes”, “projects”, “plans”, “capacity”, “hope”, “forecast”, “anticipate”, “could” and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause Corsa’s actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: risks that the actual production or sales for the 2019 fiscal year will be less than projected production or sales for this period; risks that the prices for coal sales will be less than projected; liabilities inherent in coal mine development and production; geological, mining and processing technical problems; inability to obtain required mine licenses, mine permits and regulatory approvals or renewals required in connection with the mining and processing of coal; risks that Corsa’s preparation plants will not operate at production capacity during the relevant period, unexpected changes in coal quality and specification; variations in the coal mine or preparation plant recovery rates; dependence on third party coal transportation systems; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in commodity prices and exchange rates; changes in the regulations in respect to the use, mining and processing of coal; changes in regulations on refuse disposal; the effects of competition and pricing pressures in the coal market; the oversupply of, or lack of demand for, coal; inability of management to secure coal sales or third party purchase contracts; currency and interest rate fluctuations; various events which could disrupt operations and/or the transportation of coal products, including labor stoppages and severe weather conditions; the demand for and availability of rail, port and other transportation services; the ability to purchase third party coal for processing and delivery under purchase agreements; the ability to resolve litigation and similar matters involving the Company and/or its assets; and management’s ability to anticipate and manage the foregoing factors and risks. The forward-looking statements and information contained in this MD&A are based on certain assumptions regarding, among other things, coal sales being consistent with expectations; future prices for coal; future currency and exchange rates; Corsa’s ability to generate sufficient cash flow from operations and access capital markets to meet its future obligations; the regulatory framework representing royalties, taxes and environmental matters in the countries in which Corsa conducts business; coal production levels; Corsa’s ability to retain qualified staff and equipment in a cost-efficient manner to meet its demand; and Corsa being able to execute its program of operational improvement and initiatives. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The reader is cautioned not to place undue reliance on forward-looking statements. Corsa does not undertake to update any of the forward-looking statements contained in this MD&A unless required by law. The statements as to Corsa’s capacity to produce coal are no assurance that it will achieve these levels of production or that it will be able to achieve these sales levels.

CAUTIONARY STATEMENT REGARDING CERTAIN MEASURES OF PERFORMANCE

This MD&A presents certain measures, including “EBITDA”; “Adjusted EBITDA”; “realized price per ton sold”; “cash production cost per ton sold”; “cash cost per ton sold”; and “cash margin per ton sold”, that are not recognized measures under IFRS. This data may not be comparable to data presented by other coal producers. For a definition and reconciliation of these measures to the most directly comparable financial information presented in the consolidated financial statements prepared in accordance with IFRS, see Non-GAAP Financial Measures starting on page 25 of this MD&A. The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in performing year-over-year comparisons. However, these non-GAAP measures should be considered together with other data prepared in accordance with IFRS, and these measures, taken by themselves, are not necessarily indicative of operating costs or cash flow measures prepared in accordance with IFRS.

SCIENTIFIC AND TECHNICAL INFORMATION

All scientific and technical information contained in this MD&A 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*.

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

- Corsa reported net and comprehensive income from continuing operations of \$1.0 million, or \$0.01 per share attributable to shareholders, for the third quarter 2019, compared to a loss of \$1.5 million, or \$(0.02) per share attributable to shareholders, for the third quarter 2018. Net and comprehensive income from continuing operations for the nine months ended September 30, 2019 was \$7.6 million, or \$0.06 per share attributable to shareholders compared to a loss of \$4.4 million, or \$(0.06) per share attributable to shareholders for the nine months ended September 30, 2018.
- Corsa's adjusted EBITDA⁽¹⁾ was \$6.1 million and \$25.4 million for the three and nine months ended September 30, 2019, respectively, compared to \$8.5 million and \$23.7 million for the three and nine months ended September 30, 2018, respectively. Corsa's EBITDA⁽¹⁾ was \$7.2 million and \$26.9 million for the three and nine months ended September 30, 2019, respectively, compared to \$6.9 million and \$18.3 million for the three and nine months ended September 30, 2018, respectively.
- Cash production cost per ton sold⁽¹⁾ was \$77.91 for the third quarter 2019, an increase of \$0.54 per ton, or 1%, as compared to the third quarter 2018. Cash production cost per ton sold⁽¹⁾ was \$82.00 for the nine months ended September 30, 2019, a decrease of \$4.37 per ton, or 5%, as compared to the nine months ended September 30, 2018.
- Operating cash flows provided by continuing operations for the three and nine months ended September 30, 2019 were \$2.2 million and \$16.6 million, respectively, compared to \$6.5 million and \$9.7 million for the three and nine months ended September 30, 2018, respectively.
- Total revenue from continuing operations for the three and nine months ended September 30, 2019 were \$58.1 million and \$178.4 million, respectively, compared to \$61.6 million and \$199.3 million for the three and nine months ended September 30, 2018, respectively.
- Low volatile metallurgical coal sales tons, comprised of "Company Produced" tons and "Value Added Services" purchased coal tons, were 338,837 in the third quarter 2019 compared to 342,105 in the third quarter 2018. In the third quarter 2019, Corsa sold a total of 126,304 "Sales and Trading" tons, which are treated as pass-through from a profitability perspective, compared to 113,420 tons in the third quarter 2018.
- Corsa achieved an average realized price per ton of metallurgical coal sold⁽¹⁾ of \$97.98 for all metallurgical qualities in the third quarter 2019 compared to \$106.99 in the third quarter 2018. This average realized price is the approximate equivalent of \$147 to \$152 on an FOB vessel basis.⁽²⁾ For the third quarter 2019, Corsa's sales mix included 27% of sales to domestic customers and 73% of sales to international customers.
- In August 2019, certain wholly-owned subsidiaries of Corsa, as borrowers, entered into a senior secured revolving credit facility with KeyBank National Association for up to \$25 million and a lease financing agreement with Key Equipment Finance, as lessor and assignor, and 36th Street Capital Partners, LLC, as assignee, for the sale and leaseback of various coal mining equipment for a funding amount of \$12 million. These new facilities replaced the \$25 million senior secured term credit facility with Sprott Resource Lending Corp.
- In the third quarter 2019, Corsa recognized income of \$3.4 million related to the A-Seam Condemnation Judgement (as defined herein). This income is net of the contingent legal fees associated with the A-Seam Condemnation Judgement. This income was partially offset by debt extinguishment expense of \$1.2 million as a result of the debt refinancing noted above.

⁽¹⁾ This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" starting on page 25 of this MD&A.

⁽²⁾ Similar to most U.S. metallurgical coal producers, Corsa reports sales and costs per ton on an FOB mine site basis and denominated in short tons. Many international metallurgical coal producers report prices and costs on a delivered-to-the-port basis (or "FOB vessel basis"), thereby including freight costs between the mine and the port. Additionally, Corsa reports sales and costs per short ton, which is approximately 10% lower than a metric ton. For the purposes of this figure, we have used an illustrative freight rate of \$35-\$40 per short ton. Historically, freight rates rise and fall as market prices rise and fall. As a note, most published indices for metallurgical coal report prices on a delivered-to-the-port basis and denominated in metric tons.

BUSINESS OVERVIEW

Corsa is one of the leading United States suppliers of premium quality metallurgical coal, an essential ingredient in the production of steel. Corsa's core business is supplying premium quality metallurgical coal to domestic and international steel and coke producers. As of the date of this MD&A, Corsa produces coal from five mines, operates two preparation plants and has approximately 420 employees. Corsa's common shares ("Common Shares") are listed on the TSX Venture Exchange ("TSX-V") under the symbol "CSO". The Common Shares also trade on the OTCQX Best Market ("OTCQX") under the symbol "CRSXF".

The Company's coal operations are conducted through its Northern Appalachia division ("NAPP" or "NAPP Division") based in Somerset, Pennsylvania, U.S.A. The NAPP Division is primarily focused on metallurgical coal production in the states of Pennsylvania and Maryland. Corsa markets and sells its NAPP coal to customers in North America, South America, Asia and Europe.

Corsa's metallurgical coal sales figures are comprised of three types of sales: (i) selling coal that Corsa produces ("Company Produced"); (ii) selling coal that Corsa purchases and provides value added services (storing, washing, blending, loading) to make the coal saleable ("Value Added Services"); and (iii) selling coal that Corsa purchases on a clean or finished basis from suppliers outside the Northern Appalachia region ("Sales and Trading").

NAPP Division

Mines

NAPP currently operates the Casselman mine, an underground mine utilizing the room and pillar mining method; the Acosta mine, an underground mine utilizing the room and pillar mining method; the Horning mine, an underground mine utilizing the room and pillar mining method; the Schrock Run mine, a surface mine using contour mining methods; and the Schrock Run Extension mine, a surface mine using contour mining methods. The Casselman mine is located in Garrett County, Maryland and the Acosta, Horning, Schrock Run and Schrock Run Extension mines are located in Somerset County, Pennsylvania.

Preparation Plants

NAPP currently operates two preparation plants, the Cambria Plant and the Shade Creek Plant, and has one preparation plant idled, the Rockwood Plant. The raw metallurgical coal produced from the NAPP mines is trucked to the preparation plants where it is processed or "washed" using conventional coal processing techniques and stored for shipping. All plants have load out facilities adjacent to a rail line. Coal is usually shipped by rail; however, it can also be shipped by truck. All of the preparation plants are located in Somerset County, Pennsylvania. The Cambria Plant has an operating capacity of 325 tons of raw coal per hour, storage capacity for 130,000 tons of clean coal and 55,000 tons of raw coal and load out facilities adjacent to a CSX rail line. The Shade Creek Plant has an operating capacity of 450 tons of raw coal per hour, storage capacity for 75,000 tons of clean coal and 170,000 tons of raw coal and load out facilities adjacent to a Norfolk Southern rail line. The Rockwood Plant has an operating capacity of 325 tons of raw coal per hour, storage capacity of 24,000 tons of clean coal and 85,000 tons of raw coal and load out facilities adjacent to a CSX rail line.

Growth Projects

NAPP has several significant projects which are in various stages of permitting. Our future spending on development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment and financing availability.

Name	Type of Mine	Status
Keyser Project	Underground	Permit in Process
North Mine Project	Underground	Permit in Process
A Seam Project	Underground	Permitted

COAL PRICING TRENDS AND OUTLOOK

Price levels decreased during the third quarter from \$193/metric ton (“mt”) delivered-to-the-port based (“FOBT”) for spot deliveries of Australian premium low volatile metallurgical coal at the beginning of the quarter to a low of \$137/mt in late September and closed the third quarter at \$147/mt. Prices further rebounded to the low \$150s/mt through mid-October. Import permit halts instituted during the third quarter of 2019 by Chinese authorities were one of the main drivers of the price decline as they reduced the number of tons able to serve the Chinese market. The quarterly average price for the third quarter of 2019 was \$161/mt FOBT for Australian premium low volatile metallurgical coal, compared to \$203/mt in the second quarter of 2019. The coking coal market continues to react to concerns of a slowing global economy and uncertainty regarding a trade deal between the U. S. and China. As a result, coking coal consumers are evaluating their inventory levels and adjusting their destocking and purchasing activities accordingly. The forward curve for the fourth quarter of 2019 according to various indexes are trading in the mid- \$150s/mt FOBT range and the 2020 forward curve is in the low \$160s/mt.

In May 2019, Turkey reduced its tariff on imported coking coal from the U.S. from 13.7% to 5%. The lower import tariff in the third quarter of 2019, increased the ability of U.S. coking coal exporters to compete in the Turkish market. However, geopolitical events in the eastern Mediterranean and potential changes in trade relations between the U.S. and Turkey could negatively impact the competitiveness of U.S. coking coal exported to the Turkish market. In the U.S., negotiations with domestic coking coal consumers continued to progress in the quarter with pricing levels that reflect the year-over-year price decreases of the broader market. The supply of U.S. coking coals continues to be impacted by bankruptcy and related actions, announced production reductions and cessations. A reduction in U.S. port congestion and reduced railroad utilization support an environment of improved operational efficiencies and decreased transportation costs.

The World Steel Association reports that global steel production is up 4.4% year-to-date through August, with the U.S. up 4.1 %, China up 9.1% and Asia up 7.0%. Excluding China, which represents 54% of 2019 global steel production, year-to-date global steel production through August is down by 0.5%. Additionally, year-to-date steel production from the European Union and Brazil are down 2.9% and 5.4%, respectively. Chinese hot-rolled coil steel prices are down approximately 9.3% since the start of the year, with U.S. and Northern European prices down 34.9% and 19.0%, respectively, in the same time period. Preliminary U.S. coking coal export data through August, shows a 10.7% year-to-date decline for a total of 38 million tons. Extrapolating a 10% decline in coking coal exports results in approximately 56-57 million metric tons of exports versus 62 million metric tons in 2018.

The end use of our coal by our customers in coke plants and steel making, the combustion of fuel by equipment used in coal production and the transportation of our coal to our customers, are all sources of greenhouse gases (“GHGs”). As well, coal mining itself can release methane, which is considered to be a more potent GHG than CO₂, directly into the atmosphere. These emissions from coal consumption, transportation and production are subject to pending and proposed regulation as part of initiatives to address global climate change. As a result, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of GHGs. The market for our coal may be adversely impacted if comprehensive legislation or regulations focusing on GHG emission reductions are adopted, or if our customers are unable to obtain financing for their operations.

See “Risk Factors” in the Company’s annual information form dated February 21, 2019 for the year ended December 31, 2018 for an additional discussion regarding certain factors that could impact coal pricing trends and outlook, as well as the Company’s ongoing operations.

FINANCIAL AND OPERATIONAL RESULTS

(in thousands)	For the three months ended September 30,		
	2019	2018	Variance
Revenue	\$ 58,085	\$ 61,561	\$ (3,476)
Cost of sales	(53,527)	(56,923)	3,396
Gross margin	4,558	4,638	(80)
Selling, general and administrative expense	(4,013)	(4,960)	947
Income (loss) from operations	545	(322)	867
Net finance expense	(1,783)	(2,181)	398
Other income	2,271	1,033	1,238
Income (loss) before tax	1,033	(1,470)	2,503
Income tax (benefit)	—	—	—
Net and comprehensive income (loss) from continuing operations	\$ 1,033	\$ (1,470)	\$ 2,503
Diluted earnings (loss) per share from continuing operations	\$ 0.01	\$ (0.02)	\$ 0.03

(in thousands)	For the nine months ended September 30,		
	2019	2018	Variance
Revenue	\$ 178,393	\$ 199,340	\$ (20,947)
Cost of sales	(158,446)	(182,749)	24,303
Gross margin	19,947	16,591	3,356
Selling, general and administrative expense	(12,723)	(16,517)	3,794
Income from operations	7,224	74	7,150
Net finance expense	(3,170)	(5,455)	2,285
Other income	3,584	979	2,605
Income (loss) before tax	7,638	(4,402)	12,040
Income tax (benefit)	—	—	—
Net and comprehensive income (loss) from continuing operations	\$ 7,638	\$ (4,402)	\$ 12,040
Diluted earnings (loss) per share from continuing operations	\$ 0.06	\$ (0.06)	\$ 0.12

Operations Summary

(in thousands)	For the three months ended			For the nine months ended		
	September 30,			September 30,		
	2019	2018	Variance	2019	2018	Variance
Coal sold - tons						
NAPP - metallurgical coal	465	456	9	1,324	1,406	(82)
Realized price per ton sold⁽¹⁾						
NAPP - metallurgical coal	\$ 97.98	\$ 106.99	\$ (9.01)	\$ 110.32	\$ 113.92	\$ (3.60)
Cash production cost per ton sold⁽¹⁾⁽²⁾						
NAPP - metallurgical coal	\$ 77.91	\$ 77.37	\$ (0.54)	\$ 82.00	\$ 86.37	\$ 4.37
Cash cost per ton sold⁽¹⁾⁽³⁾						
NAPP - metallurgical coal	\$ 80.28	\$ 82.09	\$ 1.81	\$ 84.95	\$ 89.65	\$ 4.70
Cash margin per ton sold⁽¹⁾						
NAPP - metallurgical coal	\$ 17.70	\$ 24.90	\$ (7.20)	\$ 25.37	\$ 24.27	\$ 1.10
EBITDA⁽¹⁾						
NAPP	\$ 9,661	\$ 9,497	\$ 164	\$ 32,941	\$ 25,087	\$ 7,854
Corporate	(2,484)	(2,607)	123	(6,010)	(6,804)	794
Total	<u>\$ 7,177</u>	<u>\$ 6,890</u>	<u>\$ 287</u>	<u>\$ 26,931</u>	<u>\$ 18,283</u>	<u>\$ 8,648</u>
Adjusted EBITDA⁽¹⁾						
NAPP	\$ 6,795	\$ 9,865	\$ (3,070)	\$ 28,410	\$ 27,744	\$ 666
Corporate	(717)	(1,360)	643	(3,060)	(4,073)	1,013
Total	<u>\$ 6,078</u>	<u>\$ 8,505</u>	<u>\$ (2,427)</u>	<u>\$ 25,350</u>	<u>\$ 23,671</u>	<u>\$ 1,679</u>

(1) This is a non-GAAP financial measure. See “Non-GAAP Financial Measures” starting on page 25 of this MD&A.

(2) Cash production cost per ton sold excludes purchased coal. This non-GAAP Financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 25 of this MD&A.

(3) Cash cost per ton sold includes purchased coal. This non-GAAP Financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 25 of this MD&A.

REVIEW OF THIRD QUARTER FINANCIAL RESULTS

(in thousands)	For the three months ended September 30, 2019		
	NAPP	Corporate	Consolidated
Revenue	\$ 58,085	\$ —	\$ 58,085
Cost of sales	(53,495)	(32)	(53,527)
Gross margin	4,590	(32)	4,558
Selling, general and administrative expense	(2,994)	(1,019)	(4,013)
Income (loss) from operations	1,596	(1,051)	545
Net finance expense	(534)	(1,249)	(1,783)
Other income (expense)	3,636	(1,365)	2,271
Income (loss) before tax	4,698	(3,665)	1,033
Income tax (benefit)	—	—	—
Net and comprehensive income (loss) from continuing operations	\$ 4,698	\$ (3,665)	\$ 1,033

(in thousands)	For the three months ended September 30, 2018		
	NAPP	Corporate	Consolidated
Revenue	\$ 61,561	\$ —	\$ 61,561
Cost of sales	(56,923)	—	(56,923)
Gross margin	4,638	—	4,638
Selling, general and administrative expense	(2,743)	(2,217)	(4,960)
Income (loss) from operations	1,895	(2,217)	(322)
Net finance expense	(333)	(1,848)	(2,181)
Other income	1,033	—	1,033
Loss before tax	2,595	(4,065)	(1,470)
Income tax expense (benefit)	—	—	—
Net and comprehensive income (loss) from continuing operations	\$ 2,595	\$ (4,065)	\$ (1,470)

(in thousands)	Dollar variance for the three months ended September 30, 2019 versus 2018		
	NAPP	Corporate	Consolidated
Revenue	\$ (3,476)	\$ —	\$ (3,476)
Cost of sales	3,428	(32)	3,396
Gross margin	(48)	(32)	(80)
Selling, general and administrative expense	(251)	1,198	947
(Loss) income from operations	(299)	1,166	867
Net finance (expense) income	(201)	599	398
Other income (expense)	2,603	(1,365)	1,238
Income before tax	2,103	400	2,503
Income tax (benefit)	—	—	—
Net and comprehensive income from continuing operations	\$ 2,103	\$ 400	\$ 2,503

Operating Segments

Corsa's two distinct segments are NAPP and Corporate. The financial results of the continuing operating segments for the three months ended September 30, 2019 and 2018 are as follows:

NAPP Division

Revenue - NAPP Division

(in thousands)	For the three months ended September 30,		
	2019	2018	Variance
Metallurgical coal revenue (at preparation plant)	\$ 45,562	\$ 48,787	\$ (3,225)
Thermal coal revenue (at preparation plant)	157	170	(13)
Transportation revenue	10,396	10,934	(538)
Tolling revenue	1,970	1,670	300
	<u>\$ 58,085</u>	<u>\$ 61,561</u>	<u>\$ (3,476)</u>

- Metallurgical coal revenue, net of transportation charges, decreased \$3,225 as a result of lower sales prices which caused revenue to decrease by \$4,188. This decrease was partially offset by higher sales volumes which increased revenue by \$963. Metallurgical coal sold was 465 tons and 456 tons for the three months ended September 30, 2019 and 2018, respectively, an increase of 9 tons. Realized price per ton sold decreased \$9.01 primarily due to the decline in the metallurgical coal market that occurred during the third quarter of 2019.
- Revenue associated with the transportation of coal to the loading terminal or customer decreased \$538 as a result of reduced freight rates which coincided with the market decline and lower demurrage expenses in the three months ended September 30, 2019 as compared to the 2018 period due to reduced port congestion in the 2019 period.
- Tolling revenue increased \$300 as a result of the Company processing additional third-party coal through its preparation plant during the three months ended September 30, 2019.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the three months ended September 30,		
	2019	2018	Variance
Mining and processing costs	\$ 20,300	\$ 18,768	\$ 1,532
Purchased coal costs	15,374	17,089	(1,715)
Royalty expense	1,772	1,746	26
Amortization expense	4,763	6,671	(1,908)
Transportation costs from preparation plant to customer	10,396	10,934	(538)
Idle mine expense	69	368	(299)
Tolling costs	792	558	234
Write-off of advance royalties and other assets	48	33	15
Other costs	(19)	756	(775)
	<u>\$ 53,495</u>	<u>\$ 56,923</u>	<u>\$ (3,428)</u>

- Mining and processing costs increased primarily due to additional volumes produced and sold during the three months ended September 30, 2019 as compared to the three months ended September 30, 2018.
- Purchased coal costs decreased primarily due to reduced volumes and reduced price per ton of purchased metallurgical coal sold during the three months ended September 30, 2019 as compared to the three months ended September 30, 2018.
- Amortization expense decreased primarily as a result of the Quecreek mine closure where the assets were fully depreciated subsequent to the third quarter of 2018 and was partially offset by increased amortization expense at the active mines as a result of additional equipment placed in service subsequent to the 2018 period and increased company produced sales tons.
- Transportation costs decreased as a result of reduced freight rates related to the metallurgical market decline and reduced demurrage expenses in the three months ended September 30, 2019 as compared to the 2018 period. Demurrage expenses totaled \$391 in the three months ended September 30, 2019 compared to \$569 in the three months ended September 30, 2018.
- Other costs decreased due to various items, none of which were individually material.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the three months ended September 30,		
	2019	2018	Variance
Salaries and other compensations	\$ 917	\$ 959	\$ (42)
Employee benefits	287	248	39
Selling expense	831	566	265
Professional fees	364	256	108
Office expenses and insurance	492	614	(122)
Other	103	100	3
	<u>\$ 2,994</u>	<u>\$ 2,743</u>	<u>\$ 251</u>

- Selling, general and administrative expense related to the NAPP Division increased primarily due to increased selling expenses for export sales commissions paid to third party agents as a result of additional export vessels shipped in the three months ended September 30, 2019 compared to the 2018 period.

Net finance expense (income) - NAPP Division

(in thousands)	For the three months ended September 30,		
	2019	2018	Variance
Bond premium expense	\$ 381	\$ 352	\$ 29
Interest expense	200	231	(31)
Interest income	(30)	(8)	(22)
Accretion on reclamation provision	384	389	(5)
Change in market value of restricted cash (income) expense	(405)	(664)	259
Other	4	33	(29)
	<u>\$ 534</u>	<u>\$ 333</u>	<u>\$ 201</u>

- Net finance expense increased primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds are marked to market on a monthly basis and lower market gains were recognized during the three months ended September 30, 2019 compared to the three months ended September 30, 2018.

Other income (expense) - NAPP Division

Other income was \$3,636 for the three months ended September 30, 2019 compared to \$1,033 in the three months ended September 30, 2018. The change was primarily due to the recognition of the A-Seam condemnation receivable (as detailed in the Liquidity and Capital Resources section of this MD&A) and was partially offset by lower gains on the sale of assets.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the three months ended September 30,		
	2019	2018	Variance
Salaries and other compensations	\$ 622	\$ 1,194	\$ (572)
Employee benefits	46	106	(60)
Professional fees	183	686	(503)
Office expenses and insurance	125	184	(59)
Other	43	47	(4)
	<u>\$ 1,019</u>	<u>\$ 2,217</u>	<u>\$ (1,198)</u>

- Selling, general and administrative expense decreased primarily due to reduced salaries and other compensation expenses as a result of the decreased corporate staffing levels and lower expenses related to business development activities in the three months ended September 30, 2019 compared to the three months ended September 30, 2018.

Net finance expense (income) - Corporate Division

Net finance expense (income) consists of the following:

(in thousands)	For the three months ended September 30,		
	2019	2018	Variance
Interest expense	\$ 1,149	\$ 1,458	\$ (309)
Accretion of discount on loan payable	83	346	(263)
Accretion of revolving credit facility fees	17	—	17
Warrant financial liability (gain) loss	—	42	(42)
Foreign exchange loss	4	11	(7)
Interest income	(4)	(9)	5
	<u>\$ 1,249</u>	<u>\$ 1,848</u>	<u>\$ (599)</u>

- Net finance expense decreased in the three months ended September 30, 2019 compared to the three months ended September 30, 2018 primarily due to the debt refinancing that occurred in August 2019, see “Debt Refinancing” under the Liquidity and Capital Resources section of this MD&A. As a result of this refinancing, the total principal outstanding decreased and the combined interest rate of the new debt under the New Credit Facilities (as defined herein) is lower than the previous debt’s rate under the Sprott Facility (as defined herein). Also as a result of the refinancing, the debt discount accretion decreased as a result of expensing the discount associated with the previous debt to loss on debt extinguishment which is included in other income and expense.

Other expense - Corporate Division

Other expense included \$1,239 of debt extinguishment expenses which was primarily related to the expensing of the previous debt issuance costs and various other items, none of which were individually material. Other expense also included \$126 related to corporate restructuring as a result of a reduction of various corporate positions.

REVIEW OF YEAR-TO-DATE QUARTER FINANCIAL RESULTS

(in thousands)	For the nine months ended September 30, 2019		
	NAPP	Corporate	Consolidated
Revenue	\$ 178,393	\$ —	\$ 178,393
Cost of sales	(158,350)	(96)	(158,446)
Gross margin	20,043	(96)	19,947
Selling, general and administrative expense	(8,626)	(4,097)	(12,723)
Income (loss) from operations	11,417	(4,193)	7,224
Net finance income (expense)	108	(3,278)	(3,170)
Other income (expense)	4,949	(1,365)	3,584
Income (loss) before tax	16,474	(8,836)	7,638
Income tax (benefit)	—	—	—
Net and comprehensive income (loss) from continuing operations	\$ 16,474	\$ (8,836)	\$ 7,638

(in thousands)	For the nine months ended September 30, 2018		
	NAPP	Corporate	Consolidated
Revenue	\$ 199,340	\$ —	\$ 199,340
Cost of sales	(182,749)	—	(182,749)
Gross margin	16,591	—	16,591
Selling, general and administrative expense	(9,980)	(6,537)	(16,517)
Income (loss) from operations	6,611	(6,537)	74
Net finance expense	(2,120)	(3,335)	(5,455)
Other income	979	—	979
Income (loss) before tax	5,470	(9,872)	(4,402)
Income tax expense (benefit)	—	—	—
Net and comprehensive income (loss) from continuing operations	\$ 5,470	\$ (9,872)	\$ (4,402)

(in thousands)	Dollar variance for the nine months ended September 30, 2019 versus 2018		
	NAPP	Corporate	Consolidated
Revenue	\$ (20,947)	\$ —	\$ (20,947)
Cost of sales	24,399	(96)	24,303
Gross margin	3,452	(96)	3,356
Selling, general and administrative expense	1,354	2,440	3,794
Income from operations	4,806	2,344	7,150
Net finance income	2,228	57	2,285
Other income (expense)	3,970	(1,365)	2,605
Income before tax	11,004	1,036	12,040
Income tax (benefit)	—	—	—
Net and comprehensive income from continuing operations	\$ 11,004	\$ 1,036	\$ 12,040

Operating Segments

Corsa's two distinct segments are NAPP and Corporate. The financial results of the continuing operating segments for the nine months ended September 30, 2019 and 2018 are as follows:

NAPP Division

Revenue - NAPP Division

(in thousands)	For the nine months ended September 30,		
	2019	2018	Variance
Metallurgical coal revenue (at preparation plant)	\$ 146,064	\$ 160,170	\$ (14,106)
Thermal coal revenue (at preparation plant)	601	687	(86)
Transportation revenue	25,878	33,719	(7,841)
Tolling revenue	5,850	4,764	1,086
	<u>\$ 178,393</u>	<u>\$ 199,340</u>	<u>\$ (20,947)</u>

- Metallurgical coal revenue, net of transportation charges, decreased \$14,106 as a result of lower sales volumes which decreased revenue by \$9,341 and a lower sales price per ton sold which decreased revenue by \$4,765. Metallurgical coal sold was 1,324 tons and 1,406 tons for the nine months ended September 30, 2019 and 2018, respectively, a decrease of 82 tons. The decrease was primarily due to reduced export blend shipments in the nine months ended September 30, 2019 partially offset by increased domestic sales. Realized price per ton sold decreased \$3.60 primarily due to the decline in the metallurgical coal market that occurred during the 2019 period.
- Revenue associated with the transportation of coal to the loading terminal or customer decreased \$7,841 as a result of lower export volumes shipped where the Company is responsible for the freight charges and reduced demurrage expenses in the nine months ended September 30, 2019 as compared to the 2018 period. Demurrage expenses totaled \$841 in the nine months ended September 30, 2019 compared to \$3,431 in the 2018 period.
- Tolling revenue increased \$1,086 as a result of the Company processing additional third-party coal through its preparation plant during the nine months ended September 30, 2019.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the nine months ended September 30,		
	2019	2018	Variance
Mining and processing costs	\$ 67,599	\$ 56,215	\$ 11,384
Purchased coal costs	40,320	65,650	(25,330)
Royalty expense	5,178	4,870	308
Amortization expense	15,859	19,093	(3,234)
Transportation costs from preparation plant to customer	25,878	33,719	(7,841)
Idle mine expense	864	608	256
Tolling costs	2,663	1,689	974
Write-off of advance royalties and other assets	48	38	10
Other costs	(59)	867	(926)
	<u>\$ 158,350</u>	<u>\$ 182,749</u>	<u>\$ (24,399)</u>

- Mining and processing costs increased primarily due to additional volumes produced and sold during the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. This increase was partially offset by lower costs per ton as a result of improved operating performance at all of the Company's underground mines.
- Purchased coal costs decreased primarily due to reduced volumes of purchased metallurgical coal and lower cost per ton purchased and sold during the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018.
- Amortization expense decreased primarily as a result of the Quecreek mine closure where the assets were fully depreciated subsequent to the nine months ended September 30, 2018 and was partially offset by increased amortization expense at the active mines as a result of additional equipment placed in service subsequent to the 2018 period and increased Company Produced sales tons.
- Transportation costs decreased as a result of lower export volumes shipped where the Company is responsible for the freight charges and reduced demurrage expenses in the nine months ended September 30, 2019 as compared to the 2018 period. Demurrage expenses totaled \$841 in the nine months ended September 30, 2019 compared to \$3,431 in 2018 period.
- Tolling costs increased as a result of the Company processing additional third-party coal through its preparation plant during the nine months ended September 30, 2019.
- Other costs decreased due to various items, none of which were individually material.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the nine months ended September 30,		
	2019	2018	Variance
Salaries and other compensations	\$ 2,856	\$ 3,272	\$ (416)
Employee benefits	853	753	100
Selling expense	2,593	3,213	(620)
Professional fees	794	793	1
Office expenses and insurance	1,226	1,519	(293)
Other	304	430	(126)
	<u>\$ 8,626</u>	<u>\$ 9,980</u>	<u>\$ (1,354)</u>

- Selling, general and administrative expense related to the NAPP Division decreased primarily due to a reduction in selling expenses for export sales commissions paid to third party agents, a decrease in letter of credit fees as a result of fewer export vessels that required letters of credit and a reduction in the anticipated incentive compensation in the nine months ended September 30, 2019.

Net finance expense (income) - NAPP Division

(in thousands)	For the nine months ended September 30,		
	2019	2018	Variance
Bond premium expense	\$ 1,110	\$ 1,035	\$ 75
Interest expense	608	524	84
Interest income	(82)	(25)	(57)
Accretion on reclamation provision	1,140	1,149	(9)
Change in market value of restricted cash (income) expense	(2,893)	(662)	(2,231)
Other	9	99	(90)
	<u>\$ (108)</u>	<u>\$ 2,120</u>	<u>\$ (2,228)</u>

- Net finance expense decreased primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds are marked to market on a monthly basis and higher market gains were recognized during the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018.

Other income (expense) - NAPP Division

Other income was \$4,949 in the nine months ended September 30, 2019 compared to \$979 in the nine months ended September 30, 2018. The change was primarily due to the recognition of the A-Seam condemnation receivable in the 2019 period as well as recognizing additional expense in the 2018 period related to the settlement of a claim made by Lucchini S.p.a. against PBS Coals, Inc, as described in the notes to the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2019 (the “Lucchini Settlement”).

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the nine months ended September 30,		
	2019	2018	Variance
Salaries and other compensations	\$ 2,629	\$ 3,166	\$ (537)
Employee benefits	195	278	(83)
Professional fees	752	2,398	(1,646)
Office expenses and insurance	365	602	(237)
Other	156	93	63
	<u>\$ 4,097</u>	<u>\$ 6,537</u>	<u>\$ (2,440)</u>

- Selling, general and administrative expenses decreased primarily due to reduced expenses related to business development activities and reduced salaries and other compensation expenses as a result of the decreased corporate staffing levels in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018.

Net finance expense (income) - Corporate Division

Net finance expense (income) consists of the following:

(in thousands)	For the nine months ended September 30,		
	2019	2018	Variance
Warrant financial liability (gain) loss	\$ —	\$ (701)	\$ 701
Interest expense	2,730	3,068	(338)
Accretion of discount on loan payable	544	1,019	(475)
Accretion of revolving credit facility fees	17	—	17
Foreign exchange loss	6	13	(7)
Interest income	(19)	(64)	45
	<u>\$ 3,278</u>	<u>\$ 3,335</u>	<u>\$ (57)</u>

- The warrant financial liability had no impact in the nine months ended September 30, 2019 and the warrants expired on August 19, 2019. The nine months ended September 30, 2018 included income of \$701 as a result of changes in the underlying assumptions used to value the liability. Expense related to the accretion of the discount on loan payable and interest expense was lower in the nine months ended September 30, 2019 as a result of the debt refinancing that occurred in the 2019 period.

Other expense - Corporate Division

Other expense included \$1,239 of debt extinguishment expenses which was primarily related to the expensing of the previous debt issuance costs and various other items, none of which were individually material. Other expense also included \$126 related to corporate restructuring as a result of a reduction of various corporate positions.

FINANCIAL CONDITION

(in thousands)	September 30,	December 31,	Variance
	2019	2018	
Current assets	\$ 50,789	\$ 55,628	\$ (4,839)
Non-current assets	225,062	227,672	(2,610)
Total assets	<u>\$ 275,851</u>	<u>\$ 283,300</u>	<u>\$ (7,449)</u>
Current liabilities	\$ 40,425	\$ 51,403	\$ (10,978)
Non-current liabilities	75,837	80,901	(5,064)
Total liabilities	<u>\$ 116,262</u>	<u>\$ 132,304</u>	<u>\$ (16,042)</u>
Total equity	<u>\$ 159,589</u>	<u>\$ 150,996</u>	<u>\$ 8,593</u>

- Current assets decreased primarily due to reduced accounts receivable as a result of timing of customer collections and reduced cash as a result of utilizing cash on hand and operating cash flows to refinance the Company's debt. These decreases were partially offset by an increase in coal inventory as a result of the timing of shipments and the recognition of the A-Seam condemnation receivable as a result of the favorable ruling received and the expiration of the appeals process.
- Non-current assets decreased as a result of amortization of property, plant and equipment and was partially offset by capital expenditures and market gains on the restricted cash investments.
- Current liabilities decreased primarily due to the debt refinancing that occurred in August 2019 which reduced the current portion of the loan payable, the finalization of the Lucchini Settlement and general timing of accounts payable. These decreases were partially offset by recognition of the contingent legal fees associated with the A-Seam Condemnation Judgement.
- Non-current liabilities decreased primarily due to the debt restructuring that occurred in the 2019 period and reclamation and water treatment payments made. These decreases were partially offset by the recognition of a lease liability as a result of implementation of the new lease accounting standard and the recognition of new surface mining equipment leases.

- Total equity increased as a result of net and comprehensive income that occurred during the period and the impact of stock-based compensation.

LIQUIDITY AND CAPITAL RESOURCES

Our historical sources of cash have been coal sales to customers, processing fees earned, borrowings on the revolving credit facility and proceeds received from the issuance of securities. Our primary uses of cash have been for funding existing operations, capital expenditures, reclamation and water treatment obligations, water treatment trust funding, debt service costs and professional fees. We expect to fund maintenance capital, debt service and liquidity requirements with cash on hand, projected cash flow from operations and borrowings on the revolving credit facility. Our future spending on growth capital expenditures and development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment and financing availability.

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.

(in thousands)	September 30, 2019	December 31, 2018	Variance
Cash	\$ 3,739	\$ 10,124	\$ (6,385)
Working capital	\$ 10,364	\$ 4,225	\$ 6,139
Revolving credit facility unused availability	\$ 9,819	\$ —	\$ 9,819
Total Debt			
Notes payable	\$ 13	\$ 425	\$ (412)
Lease liabilities	5,146	4,525	621
Revolving credit facility	8,957	—	8,957
Loan payable	11,463	30,452	(18,989)
	<u>\$ 25,579</u>	<u>\$ 35,402</u>	<u>\$ (9,823)</u>

Working Capital

Working capital increased primarily due to increased inventory as a result of the operations producing additional coal and timing of shipments and a decrease in the current portion of the loan payable as a result of the debt refinancing that occurred during the 2019 period. These increases were partially offset by reduced accounts receivable as a result of timing of customer payments, capital expenditures and debt service payments related to the debt refinance and scheduled payments on notes payable and lease liabilities.

As a result of the various covenants related to the New Credit Facilities, we may defer maintenance and growth capital expenditures in order to service the New Credit Facilities.

We maintain either a sufficient cash balance or ample availability under the revolving credit facility to enable us to purchase the required coal in order to advance our Sales and Trading platform. As a result of the additional export sales under this platform, we are required to purchase coal and incur transportation costs prior to receiving payment from the customer on the coal sale. There are no legal or practical restrictions on the ability of Corsa's subsidiaries to transfer funds to Corsa or for Corsa to transfer funds to its subsidiaries for liquidity management.

Debt Refinancing

Revolving Credit Facility

On August 16, 2019, certain wholly-owned subsidiaries of the Company, as borrowers, entered into a three-year credit and security agreement (the "Credit Agreement") with KeyBank National Association ("KeyBank") for up to \$25 million (the "KeyBank Facility"). The KeyBank Facility bears interest at London Inter-Bank Offered Rate ("LIBOR") plus 350 basis points or the Base Rate plus 150 basis points. The Base Rate is the 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 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 for loans with an interest period of one month. The KeyBank Facility contains customary financial covenants. In connection with the arrangement of the KeyBank Facility, the Company paid a commitment fee, upfront fee and administration fees totaling \$390 which is included in prepaid expenses and other current assets and advance royalties and other assets in the condensed interim consolidated balance sheets. The KeyBank Facility is secured against all now owned and after acquired tangible and intangible assets of the borrowers and the guarantor. At September 30, 2019, the Company had outstanding borrowings on the KeyBank Facility of \$8,957 and additional availability which could have been borrowed of \$9,819. Total liquidity under the Key Bank Facility is subject to certain restrictions which include, among others, a percentage of accounts receivable and coal inventory. The Company was in compliance with all financial covenants at September 30, 2019.

Loan Payable

On August 16, 2019, Wilson Creek Holdings, Inc. ("WCH"), as lessee, and the Company along with all of the subsidiaries of WCH, as guarantors, 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 \$12 million (the "36th Street Facility" and together with KeyBank Facility, the "New Credit Facilities"). The 36th Street Facility has an effective interest rate of 9.50%, a lease term of 48 months and contains customary financial covenants. In connection with the 36th Street Facility, the Company paid certain fees in the amount of \$135. The 36th Street Facility is secured by the Leased Property. The Company was in compliance with all financial covenants at September 30, 2019.

The New Credit Facilities replaced the \$25 million senior secured term credit facility with Sprott Resource Lending Corp. ("SRLC") entered into on August 19, 2014 (the "Sprott Facility"), which was repaid using a portion of the proceeds from the New Credit Facilities. As a result of the Sprott Facility refinancing, the Company recognized a loss on debt extinguishment of \$1,238 which is included in other income and expense in the condensed interim consolidated statements of operations and comprehensive income (loss). The loss on debt extinguishment includes \$1,024 of expense related to the unamortized fees on the Sprott Facility and \$214 of related legal expenses.

Total Debt

Debt decreased as a result of the Company refinancing the Sprott Facility and replacing this facility with the New Credit Facilities. In conjunction with this refinancing, the Company utilized \$10 million of cash, proceeds from the 36th Street Facility and borrowings on the KeyBank Facility to extinguish the Sprott Facility. These decreases were partially offset by the recognition of a lease liability as a result of the implementation of the new lease accounting standard and additional lease liabilities related to new surface equipment.

A Seam Condemnation Receivable

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 of 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. (the "A-Seam Condemnation Judgement") 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. As the period for filing an appeal has lapsed, the Company has recognized a receivable from the Pennsylvania Department of Transportation. Additionally, the Company is obligated to pay contingent legal fees, which have been estimated

at \$1,680, and are included in Other Liabilities in the condensed interim consolidated balance sheet. The Company expects that the settlement of this receivable will occur in the fourth quarter of 2019.

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.

Cash Flows from Continuing Operations

	For the three months ended			For the nine months ended		
	September 30,			September 30,		
	2019	2018	Change	2019	2018	Change
Cash Flows:						
Provided by operating activities	\$ 2,172	\$ 6,465	\$ (4,293)	\$ 16,644	\$ 9,680	\$ 6,964
Used in investing activities	(3,544)	(4,222)	678	(8,364)	(19,040)	10,676
Used in financing activities	(9,789)	(877)	(8,912)	(14,665)	(2,111)	(12,554)
Increase (decrease) in cash	(11,161)	1,366	(12,527)	(6,385)	(11,471)	5,086
Cash at beginning of period	14,900	7,770	7,130	10,124	20,607	(10,483)
Cash at end of period	<u>\$ 3,739</u>	<u>\$ 9,136</u>	<u>\$ (5,397)</u>	<u>\$ 3,739</u>	<u>\$ 9,136</u>	<u>\$ (5,397)</u>

- Cash flow provided by operating activities decreased for the three months ended September 30, 2019 compared to the same period in the prior year as a result of working capital changes and increased spending on reclamation and water treatment expenditures. Cash flow provided by operating activities increased for the nine months ended September 30, 2019 compared to the same period in the prior year as a result of improved net and comprehensive income partially offset by items not impacting cash as well as various working capital changes.
- Cash used in investing activities was lower for the three and nine months ended September 30, 2019 primarily due to reduced capital expenditures in the 2019 periods as compared to the 2018 periods, which included significant growth capital related to the development of the Horning mine. The reduction in capital expenditures were partially offset by increased restricted cash funding as a result of restricted cash releases that occurred during the 2018 period.
- Cash used in financing activities increased for the three and nine months ended September 30, 2019 as a result of the debt refinancing which resulted in additional principal payments which were made to reduce total debt.

Capital Expenditures

The equipment and development added to property, plant and equipment and the cash flow impact (adjusting the increase to property plant and equipment for non-cash transactions) for the nine months ended September 30, 2019 were as follows:

	Increase to PP&E	Cash Flow Impact
Maintenance capital expenditures		
Deep mines	\$ 2,885	\$ 3,213
Surface mines	2,911	1,229
Plant	1,697	1,697
Administrative	5	5
	<u>7,498</u>	<u>6,144</u>
Growth capital expenditures		
Deep mines	(1,043)	(1,278)
Surface mines	783	695
Plant	312	312
	<u>52</u>	<u>(271)</u>
Corporate right-of-use asset	1,134	—
Total capital expenditures	<u>\$ 8,684</u>	<u>\$ 5,873</u>

Corsa's capital expenditures for the nine months ended September 30, 2019 were primarily focused on maintenance capital to replace mining equipment and growth capital to develop the Schrock Run Extension mine. Growth capital for deep mines included the capitalization of revenue related to the coal produced at the Horning mine in 2018, when the mine was under development. Corsa's future spending on property, plant and equipment at its operations and development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment and financing availability.

GUIDANCE^(a)

Corsa's updated guidance for the year ending December 31, 2019 reflects the impact of coal market reactions to concerns of a slowing global economy. This reaction caused index prices to weaken and is the primary reason that our guidance has been reduced. Additionally, in response to the market decline, Corsa has reduced general and administrative expense.

(all dollar amounts in U.S. dollars and tonnage in short tons)

	Updated Guidance Full Year 2019	Previous Guidance Full Year 2019 ^(b)	Change to Previous Guidance
Metallurgical Coal Sales Tons			
Company Produced	1.250 to 1.325 million	1.250 to 1.400 million	0 - (0.075) million
Purchased - Value Added Services	0.250 million	0.300 to 0.350 million	(0.050) - (0.100) million
Purchased - Sales and Trading	0.250 to 0.300 million	0.300 to 0.400 million	(0.050) - (0.100) million
Total Metallurgical Coal Sales Tons	1.750 to 1.875 million	1.850 to 2.150 million	(0.100) - (0.275) million
Share of Metallurgical Coal Sales Tons			
% Domestic Sales at the mid-point	30%	27%	3%
% Export Sales at the mid-point	70%	73%	(3)%
Metallurgical Coal Sales Tons Commitments^(f)			
Committed at the mid-point	100%	89%	11%
Committed and Priced at the mid-point	89%	74%	15%
Cash Production Cost per ton sold (FOB Mine)^{(c)(d)}			
NAPP Division Metallurgical Coal	\$78 - \$82	\$78 - \$82	—
General and Administrative Expenses^(e)			
NAPP Division	\$7.5 - \$8.0 million	\$7.5 - \$8.0 million	—
Corporate Division	\$3.7 - \$3.9 million	\$3.9 - \$4.4 million	(\$0.2) - (\$0.5) million
Total Corsa	\$11.2 - \$11.9 million	\$11.4 - \$12.4 million	(\$0.2) - (\$0.5) million
Note: Selling expenses are forecasted to be covered by margins from Sales and Trading tons sold.			
Net and comprehensive income	\$6.3 to \$7.1 million	\$7 to \$10 million	(\$0.7) - (\$2.9) million
Adjusted EBITDA^(e)	\$30.3 - \$31.3 million	\$33 - \$37 million	(\$2.7) - (\$5.7) million
Capital Expenditures per ton sold^(f)			
Maintenance capital expenditures	\$6	\$5	\$1
Total capital expenditures	\$5	\$5	—

(a) Guidance projections ("Guidance") are considered "forward-looking statements" and "forward looking information" and represent management's good faith estimates or expectations of future production and sales results as of the date hereof. Guidance is based upon certain assumptions, including, but not limited to, future cash production costs, future sales and production and the availability of coal from other suppliers that the Company may purchase. Such assumptions may prove to be incorrect and actual results may differ materially from those anticipated. Consequently, Guidance cannot be guaranteed. As such, investors are cautioned not to place undue reliance upon Guidance, forward-looking statements and forward-looking information as there can be no assurance that the plans, assumptions or expectations upon which they are placed will occur.

(b) Previous guidance was presented in the Company's MD&A for the three and six months ended June 30, 2019 dated August 20, 2019.

(c) This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" starting on page 25 of this MD&A for more information.

(d) Cash production cost per ton sold excludes purchased coal.

(e) Exclusive of stock-based compensation and selling related commissions, bank fees and finance charges.

(f) Tons sold excludes purchased coal used in the Sales and Trading platform.

2019 Net Income and Adjusted EBITDA Guidance Assumptions	
Price Case 4Q 2019: \$146.70/mt FOB Vessel (Previous Guidance: \$164.00/mt FOB Vessel)	Net and comprehensive income \$6.3 - \$7.1 million Adj. EBITDA \$30.3 - \$31.3 million
Current TSI FOB Aus. Spot Price	\$148.10/metric ton FOB Vessel
Forward TSI FOB Aus. Curve (\$/mt FOB Vessel) November-December 2019 (Average)	\$146.00
Adjusted EBITDA sensitivity to movement in seaborne price (unpriced volumes only):	
\$10/metric ton FOB Vessel:	\$0.3 to \$0.4 million

DEBT COVENANTS

Corsa has certain covenants it is required to meet under its New Credit Facilities and lease obligations. Certain measures included in the covenant calculations are not readily identifiable from Corsa's consolidated statements of operations and comprehensive income (loss) or consolidated balance sheets. These measures are considered to be non-GAAP financial measures and, as such, a further description of the covenant calculations is included below. Corsa was in compliance with all covenants at September 30, 2019.

KeyBank Facility

The covenants required to be met under the KeyBank Facility are described below. Such measurements are made with reference to the consolidated results of Corsa.

- Minimum Fixed Charge Coverage Ratio⁽¹⁾ of not less than 1.10 to 1.00 (measured quarterly)
- Capital Expenditures of not more than \$11,000 on an annual basis (measured quarterly)

(1) Minimum Fixed Charge Coverage Ratio is measured as EBITDA⁽²⁾ *less* the sum of : (i) capital expenditures, (ii) taxes paid, (iii) dividends and distributions, (iv) water treatment and reclamation payments and (v) water treatment trust funding, divided by the sum of (a) interest expense paid in cash *plus* (b) scheduled principal payments on indebtedness.

(2) EBITDA is defined as the sum of consolidated net and comprehensive income (or loss) *plus* (i) interest expense, (ii) provision for taxes based on income or profits (net of any income tax refunds), (iii) depletion, depreciation and impairment charges, (iv) amortization expense, (v) non-cash stock-based compensation expense, (vi) losses (or minus gains) for such period from the early extinguishment of indebtedness, (vii) transaction expenses, (viii) non-recurring transaction expenses, (ix) non-cash costs (or minus non-cash income) related to a change in estimate of water treatment or reclamation provision, (x) expense (or minus income) related to the change in market value of restricted cash, (xi) accretion expense related to asset retirement obligations and (xii) any other non-cash charges (or minus income) which have been subtracted in calculating net and comprehensive income from continuing operations.

36th Street Facility

The covenants required to be met under the 36th Street Facility include the same covenants as described above related to the KeyBank Facility and also include:

- Total debt⁽¹⁾ to EBITDA ratio of not more than 1.50 to 1.00 (measured quarterly)
- Total adjusted debt⁽²⁾ to EBITDA ratio of not more than 1.20 to 1.00 (measured quarterly)

(1) Total debt is defined as (a) the outstanding principal amount of all obligations, (b) all purchase money indebtedness, (c) all lease obligations, (d) any indebtedness incurred to finance the acquisition or construction of any fixed assets, (e) the present value of future rental payments under all operating leases and (f) all direct obligations arising under letters of credit, bankers' acceptances, bank guarantees, surety bonds and similar instruments.

(2) Total adjusted debt is defined as total debt less any outstanding on the revolving credit facility.

NAPP lease liability

In August 2016, Corsa entered into a Comprehensive Master Equipment Lease Financing Modification, Consolidation and Security Agreement (the “Modified Lease”) regarding various mobile equipment that was previously leased under a finance lease at Wilson Creek Energy, LLC, effective as of June 1, 2016. The covenants required to be met are described below for the noted agreement. Such measurements are made on the consolidated results of Wilson Creek Energy, LLC, a subsidiary of Corsa. This lease obligation was satisfied subsequent to September 30, 2019.

- Debt Service Coverage Ratio⁽¹⁾ must exceed 1.25 to 1.00 (measured quarterly).
- Maintain a minimum cash balance of \$2 million at all times, on a consolidated basis (measured monthly).

⁽¹⁾ Debt Service Coverage Ratio is measured as:

$$\frac{\text{Adjusted Net Income}^{(2)}}{\text{Total Payments Made on Financed Debt}^{(3)} + \text{Off-balance Sheet Obligations} + \text{Interest Expense}}$$

⁽²⁾ Adjusted net income is defined as Net Income plus the sum of (a) non-cash expenditures, (b) rent expense and (c) interest expense.

⁽³⁾ Financed debt includes notes payable, lease liabilities and other institutional debt.

CONTRACTUAL OBLIGATIONS

The purchase order firm commitments primarily relate to the procurement of replacement mining equipment to maintain Corsa’s capacity as well as purchased coal commitments. These expenditures are expected to be funded from cash on hand, cash flows from operations or borrowings on the revolving credit facility.

	Carrying Value at September 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	\$ 26,313	\$ 26,313	\$ 26,313	\$ —	\$ —	\$ —
Notes payable	13	13	13	—	—	—
Lease liabilities	5,146	5,147	1,290	2,177	1,123	557
Revolving credit facility	8,957	8,957	—	8,957	—	—
Loan payable	11,463	11,595	2,545	5,918	3,132	—
Other liabilities	9,516	9,548	4,714	2,294	2,294	246
Asset retirement obligations - reclamation	28,497	28,497	4,027	3,839	4,301	16,330
Asset retirement obligations - water treatment	26,357	26,357	1,588	2,892	2,862	19,015
Purchase order firm commitments	—	3,458	3,458	—	—	—
Water treatment trust funding	—	3,102	1,871	1,231	—	—
Operating leases and other obligations	—	40	27	13	—	—
Total	\$ 116,262	\$ 123,027	\$ 45,846	\$ 27,321	\$ 13,712	\$ 36,148

NON-GAAP FINANCIAL MEASURES

The Company has included certain non-GAAP financial measures throughout this MD&A. These performance measures are employed by the Company to measure its performance internally and to assist in business decision-making as well as providing key performance information to senior management. The Company believes that, in addition to the conventional measures prepared in accordance with IFRS, certain investors and other stakeholders also use these non-GAAP financial measures to evaluate the Company's performance; however, these non-GAAP financial measures do not have any standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Accordingly, these non-GAAP financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Commencing in the Company's first quarter for its 2017 fiscal year, the Company established a Sales and Trading platform which was not previously part of the Company's business model. In the Sales and Trading platform, the Company purchases and then sells coal on a clean or finished goods basis from suppliers outside of the Company's main operating area. The Company blends this coal, which primarily has a different quality basis than the coal the Company produces, to provide a blended product to customers who do not have the ability to purchase and blend different qualities of coal at their facilities. As a result of the addition of this platform to the Company's business model, new non-GAAP financial measures (i.e., cash production cost per ton sold and cash cost per sales and trading purchased coal per ton sold) were introduced to present the cost of the coal the Company produces and sells separately from the total costs of the coal sold, which total costs includes the coal we purchase under the Sales and Trading platform, i.e., Sales and Trading purchased coal. These are presented separately due to the purchases being derived from market prices that are considered to be higher than the Company's internal production costs. As the total cost per ton sold increases as a result of these coal purchases under the Sales and Trading platform, the Company believes that providing a breakdown of the cost of coal that the Company produces provides a meaningful metric to investors as this non-GAAP financial measure is utilized in evaluating the operational effectiveness of the Company's mines.

Management uses the following non-GAAP financial measures:

- **EBITDA** - earnings before deductions for interest, taxes, depreciation and amortization;
- **Adjusted EBITDA** - EBITDA adjusted for change in estimate of reclamation provision for non-operating properties, impairment and write-off of mineral properties and advance royalties, gain (loss) on sale of assets and other costs, stock-based compensation, non-cash finance expenses and other non-cash adjustments. Adjusted EBITDA is used as a supplemental financial measure by management and by external users of our financial statements to assess our performance as compared to the performance of other companies in the coal industry, without regard to financing methods, historical cost basis or capital structure; the ability of our assets to generate sufficient cash flow; and our ability to incur and service debt and fund capital expenditures;
- **Realized price per ton sold** - revenue from coal sales less transportation costs from the mine site to the loading terminal divided by tons of coal sold. Management evaluates our operations based on the volume of coal we can safely produce or purchase and sell in compliance with regulatory standards, and the prices we receive for our coal. Our sales volume and sales prices are largely dependent upon the terms of our contracts, for which prices generally are set based on an index. We evaluate the price we receive for our coal on an average realized price on an FOB mine site per short ton basis;
- **Cash production cost per ton sold** - cash production costs of sales excluding Sales and Trading purchased coal costs, all included within cost of sales, divided by tons of produced coal sold. Cash production cost is based on cost of sales and includes items such as manpower, royalties, fuel, and other similar production related items, pursuant to IFRS, but relate directly to the costs incurred to produce coal and sell it on an FOB mine site basis. Cash production cost per ton sold is used as a supplemental financial measure by management and by external users to assess our operating performance as compared to the operating performance of other companies in the coal industry. Sales and Trading purchased coal is excluded as the purchased coal costs are based on market prices of coal purchased and not the cost to produce the coal;
- **Cash cost per sales and trading purchased coal per ton sold** - Sales and Trading purchased coal costs divided by tons of Sales and Trading purchased coal sold. Management uses this measure to assess coal purchases against the market price at which this coal will be sold and the performance of the Sales and Trading platform;
- **Cash cost per ton sold** - cash production costs of sales, included within cost of sales, divided by total tons sold. Management uses cash cost per ton sold to assess our overall financial performance on a per ton basis to include the Company's production and purchased coal cost in total; and
- **Cash margin per ton sold** - calculated difference between realized price per ton sold and cash cost per ton sold. Cash margin per ton sold is used by management and external users to assess the operating performance as compared to the operating performance of other coal companies in the coal industry.

Since non-GAAP financial measures do not have a standardized meaning and may not be comparable to similar measures presented by other companies, the non-GAAP financial measures are clearly defined, quantified and reconciled with their nearest IFRS measure as follows:

EBITDA and Adjusted EBITDA for the three months ended September 30, 2019 and 2018

(in thousands)	For the three months ended September 30, 2019			For the three months ended September 30, 2018		
	NAPP	Corp.	Total	NAPP	Corp.	Total
Net and comprehensive income (loss) from continuing operations	\$ 4,698	\$ (3,665)	\$ 1,033	\$ 2,595	\$ (4,065)	\$ (1,470)
Add (Deduct):						
Amortization expense	4,763	32	4,795	6,671	—	6,671
Interest expense	200	1,149	1,349	231	1,458	1,689
Income tax benefit	—	—	—	—	—	—
EBITDA	9,661	(2,484)	7,177	9,497	(2,607)	6,890
Add (Deduct):						
Write-off of advance royalties and other assets	48	—	48	33	—	33
Stock-based compensation	—	303	303	—	444	444
Net finance (income) expense, excluding interest expense	334	100	434	102	390	492
Gain on disposal of assets	(38)	—	(38)	(556)	—	(556)
Loss on debt extinguishment	—	1,238	1,238	—	—	—
Restructuring charges	—	126	126	—	—	—
A-Seam Condemnation Judgement	(3,394)	—	(3,394)	—	—	—
Other (income) costs	184	—	184	789	413	1,202
Adjusted EBITDA	\$ 6,795	\$ (717)	\$ 6,078	\$ 9,865	\$ (1,360)	\$ 8,505

EBITDA and Adjusted EBITDA for the nine months ended September 30, 2019 and 2018

(in thousands)	For the nine months ended September 30, 2019			For the nine months ended September 30, 2018		
	NAPP	Corp.	Total	NAPP	Corp.	Total
Net and comprehensive income (loss) from continuing operations	\$ 16,474	\$ (8,836)	\$ 7,638	\$ 5,470	\$ (9,872)	\$ (4,402)
Add (Deduct):						
Amortization expense	15,859	96	15,955	19,093	—	19,093
Interest expense	608	2,730	3,338	524	3,068	3,592
Income tax benefit	—	—	—	—	—	—
EBITDA	32,941	(6,010)	26,931	25,087	(6,804)	18,283
Add (Deduct):						
Write-off of advance royalties and other assets	48	—	48	38	—	38
Stock-based compensation	—	955	955	—	1,175	1,175
Net finance (income) expense, excluding interest expense	(716)	548	(168)	1,596	267	1,863
Gain on disposal of assets	(357)	—	(357)	(628)	—	(628)
Loss on debt extinguishment	—	1,238	1,238	—	—	—
Restructuring charges	—	126	126	—	—	—
A-Seam Condemnation Judgement	(3,394)	—	(3,394)	—	—	—
Other (income) costs	(112)	83	(29)	1,651	1,289	2,940
Adjusted EBITDA	\$ 28,410	\$ (3,060)	\$ 25,350	\$ 27,744	\$ (4,073)	\$ 23,671

Realized price per ton sold for the three months ended September 30, 2019 and 2018

(in thousands except per ton amounts)	For the three months ended September 30, 2019			For the three months ended September 30, 2018		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Revenue	\$ 57,981	\$ 104	\$ 58,085	\$ 61,391	\$ 170	\$ 61,561
Add (Deduct):						
Tolling revenue	(1,970)	—	(1,970)	(1,670)	—	(1,670)
Transportation costs from preparation plant to customer	(10,449)	53	(10,396)	(10,934)	—	(10,934)
Net coal sales (at preparation plant)	\$ 45,562	\$ 157	\$ 45,719	\$ 48,787	\$ 170	\$ 48,957
Coal sold - tons	465	3	468	456	4	460
Realized price per ton sold (at preparation plant)	\$ 97.98	\$ 52.33	\$ 97.69	\$ 106.99	\$ 42.50	\$ 106.43

Realized price per ton sold for the nine months ended September 30, 2019 and 2018

(in thousands except per ton amounts)	For the nine months ended September 30, 2019			For the nine months ended September 30, 2018		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Revenue	\$177,766	\$ 627	\$178,393	\$198,653	\$ 687	\$199,340
Add (Deduct):						
Tolling revenue	(5,850)	—	(5,850)	(4,764)	—	(4,764)
Transportation costs from preparation plant to customer	(25,852)	(26)	(25,878)	(33,719)	—	(33,719)
Net coal sales (at preparation plant)	\$146,064	\$ 601	\$146,665	\$160,170	\$ 687	\$160,857
Coal sold - tons	1,324	13	1,337	1,406	14	1,420
Realized price per ton sold (at preparation plant)	\$ 110.32	\$ 46.23	\$ 109.70	\$ 113.92	\$ 49.07	\$ 113.28

Cash cost per ton sold, cash production cost per ton sold, and cash cost per sales and trading purchased coal per ton sold for the three months ended September 30, 2019 and 2018

(in thousands except per ton amounts)	For the three months ended September 30, 2019			For the three months ended September 30, 2018		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Cost of Sales:						
Mining and processing costs	\$ 20,210	\$ 90	\$ 20,300	\$ 18,603	\$ 165	\$ 18,768
Purchased coal costs	15,359	15	15,374	17,083	6	17,089
Royalty expense	1,761	11	1,772	1,746	—	1,746
Total cash costs of tons sold	\$ 37,330	\$ 116	\$ 37,446	\$ 37,432	\$ 171	\$ 37,603
Total tons sold	465	3	468	456	4	460
Cash cost per ton sold (at preparation plant)	\$ 80.28	\$ 38.67	\$ 80.01	\$ 82.09	\$ 42.75	\$ 81.75
Total cash costs of tons sold	\$ 37,330	\$ 116	\$ 37,446	\$ 37,432	\$ 171	\$ 37,603
Less: Sales and Trading purchased coal	(15,359)	—	(15,359)	(17,083)	—	(17,083)
Cash cost of produced coal sold	\$ 21,971	\$ 116	\$ 22,087	\$ 20,349	\$ 171	\$ 20,520
Tons sold - produced	282	3	285	263	4	\$ 267
Cash production cost per ton sold (at preparation plant)	\$ 77.91	\$ 38.67	\$ 77.50	\$ 77.37	\$ 42.75	\$ 76.85
Sales and Trading purchased coal	\$ 15,359	\$ —	\$ 15,359	\$ 17,083	\$ —	\$ 17,083
Tons sold - Sales and Trading	183	—	183	193	—	193
Cash cost per Sales and Trading purchased coal per ton sold (at preparation plant)	\$ 83.93	\$ —	\$ 83.93	\$ 88.51	\$ —	\$ 88.51

Cash cost per ton sold, cash production cost per ton sold, and cash cost per sales and trading purchased coal per ton sold for the nine months ended September 30, 2019 and 2018

(in thousands except per ton amounts)	For the nine months ended September 30, 2019			For the nine months ended September 30, 2018		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Cost of Sales:						
Mining and processing costs	\$ 67,158	\$ 441	\$ 67,599	\$ 55,590	\$ 625	\$ 56,215
Purchased coal costs	40,150	170	40,320	65,586	64	65,650
Royalty expense	5,166	12	5,178	4,870	—	4,870
Total cash costs of tons sold	\$112,474	\$ 623	\$113,097	\$126,046	\$ 689	\$126,735
Total tons sold	1,324	13	1,337	1,406	14	1,420
Cash cost per ton sold (at preparation plant)	\$ 84.95	\$ 47.92	\$ 84.59	\$ 89.65	\$ 49.21	\$ 89.25
Total cash costs of tons sold	\$112,474	\$ 623	\$113,097	\$126,046	\$ 689	\$126,735
Less: Sales and Trading purchased coal	(40,150)	—	(40,150)	(65,586)	—	(65,586)
Cash cost of produced coal sold	\$ 72,324	\$ 623	\$ 72,947	\$ 60,460	\$ 689	\$ 61,149
Tons sold - produced	882	13	895	700	14	\$ 714
Cash production cost per ton sold (at preparation plant)	\$ 82.00	\$ 47.92	\$ 81.51	\$ 86.37	\$ 49.21	\$ 85.64
Sales and Trading purchased coal	\$ 40,150	\$ —	\$ 40,150	\$ 65,586	\$ —	\$ 65,586
Tons sold - Sales and Trading	442	—	442	706	—	706
Cash cost per Sales and Trading purchased coal per ton sold (at preparation plant)	\$ 90.84	\$ —	\$ 90.84	\$ 92.90	\$ —	\$ 92.90

Cash margin per ton sold for the three months ended September 30, 2019 and 2018

	For the three months ended September 30, 2019			For the three months ended September 30, 2018		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	NAPP
Realized price per ton sold (at preparation plant)	\$ 97.98	\$ 52.33	\$ 97.69	\$ 106.99	\$ 42.50	\$ 106.43
Cash cost per ton sold (at preparation plant)	\$ 80.28	\$ 38.67	\$ 80.01	\$ 82.09	\$ 42.75	\$ 81.75
Cash margin per ton sold	\$ 17.70	\$ 13.66	\$ 17.68	\$ 24.90	\$ (0.25)	\$ 24.68

Cash margin per ton sold for the nine months ended September 30, 2019 and 2018

	For the nine months ended September 30, 2019			For the nine months ended September 30, 2018		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	NAPP
Realized price per ton sold (at preparation plant)	\$ 110.32	\$ 46.23	\$ 109.70	\$ 113.92	\$ 49.07	\$ 113.28
Cash cost per ton sold (at preparation plant)	\$ 84.95	\$ 47.92	\$ 84.59	\$ 89.65	\$ 49.21	\$ 89.25
Cash margin per ton sold	\$ 25.37	\$ (1.69)	\$ 25.11	\$ 24.27	\$ (0.14)	\$ 24.03

Below is a reconciliation of Adjusted EBITDA guidance, a non-GAAP financial measure, to the nearest GAAP financial measure:

(in millions)	Full Year 2019			
	Updated Guidance		Previous Guidance	
	Low	High	Low	High
Net and comprehensive income from continuing operations	\$ 6.3	\$ 7.1	\$ 7.0	\$ 10.0
Add (Deduct):				
Amortization expense	21.3	21.5	19.6	20.6
Interest expense	4.1	4.1	4.8	4.8
Income tax expense	—	—	—	—
EBITDA	31.7	32.7	31.4	35.4
Add (Deduct):				
Stock-based compensation	1.3	1.3	1.2	1.2
Net finance expense, excluding interest	(0.4)	(0.4)	0.9	0.9
Gain on disposal of assets	(0.4)	(0.4)	(0.3)	(0.3)
Other (income) costs (includes A-Seam Condemnation Judgement, loss on debt extinguishment and restructuring charges)	(1.9)	(1.9)	(0.2)	(0.2)
Adjusted EBITDA	\$ 30.3	\$ 31.3	\$ 33.0	\$ 37.0

OUTSTANDING SHARE DATA

The following table sets forth the particulars of Corsa's fully diluted share capital as of the date of this MD&A.

	<u>Number of Common Shares</u>
Common Shares issued and outstanding	94,759,245
Common Shares issuable upon exercise of stock options	7,321,287
Common Shares issuable upon redemption of Redeemable Units	8,515,831
Total	<u>110,596,363</u>

As of the date of this MD&A, QKGI Legacy Holdings LP, holds 170,316,639 common membership units ("Redeemable Units") of Wilson Creek Energy, LLC, a subsidiary of Corsa. Redeemable Units are redeemable at the option of the holder for cash equal to the product of: (i) the number of Redeemable Units to be redeemed divided by 20, and (ii) the 10-day volume weighted average trading price, prior to the date of notice of redemption, of the Common Shares. The Company has the option to satisfy the redemption price for the Redeemable Units with Common Shares on a 20 to one basis (i.e., 20 Redeemable Units for one Common Share). The Company is restricted from paying cash to the holder for the redemption of Redeemable Units if a balance remains outstanding under the New Credit Facilities.

In consideration for the Sprott Facility, Corsa issued 1,805,000 Common Share purchase warrants ("Bonus Warrants") to SRLC. The Bonus Warrants expired on August 19, 2019 unexercised.

SUMMARY OF QUARTERLY RESULTS

The following table sets out certain information derived from Corsa's audited consolidated financial statements or unaudited condensed interim consolidated financial statements for each of the eight most recently completed quarters. Numbers presented in the table were prepared in accordance with IFRS and interpretations approved by the IASB.

(in thousands except per share amounts)	Quarter Ended			
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Revenue from continuing operations	\$ 58,085	\$ 62,974	\$ 57,334	\$ 66,513
Net and comprehensive income (loss)				
Continuing operations	\$ 1,033	\$ 3,603	\$ 3,002	\$ 10,273
Discontinued operations	—	—	—	—
	<u>\$ 1,033</u>	<u>\$ 3,603</u>	<u>\$ 3,002</u>	<u>\$ 10,273</u>
Earnings (loss) per share:				
Basic - continuing operations	\$ 0.01	\$ 0.03	\$ 0.02	\$ 0.09
Basic - discontinued operations	—	—	—	—
Basic - total	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ 0.02</u>	<u>\$ 0.09</u>
Diluted - continuing operations	\$ 0.01	\$ 0.03	\$ 0.02	\$ 0.09
Diluted - discontinued operations	—	—	—	—
Diluted - total	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ 0.02</u>	<u>\$ 0.09</u>

(in thousands except per share amounts)	Quarter Ended			
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Revenue from continuing operations	\$ 61,561	\$ 57,331	\$ 80,448	\$ 47,846
Net and comprehensive income (loss)				
Continuing operations	\$ (1,470)	\$ (4,889)	\$ 1,957	\$ 83,527
Discontinued operations	—	—	(813)	(21,293)
	<u>\$ (1,470)</u>	<u>\$ (4,889)</u>	<u>\$ 1,144</u>	<u>\$ 62,234</u>
Earnings (loss) per share:				
Basic - continuing operations	\$ (0.02)	\$ (0.05)	\$ 0.01	\$ 0.75
Basic - discontinued operations	—	—	(0.01)	(0.18)
Basic - total	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ —</u>	<u>\$ 0.57</u>
Diluted - continuing operations	\$ (0.02)	\$ (0.05)	\$ 0.01	\$ 0.74
Diluted - discontinued operations	—	—	(0.01)	(0.18)
Diluted - total	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ —</u>	<u>\$ 0.56</u>

Our recent financial results reflect the impact of the improved performance at the Company's underground mines and through the second quarter of 2019, an improved metallurgical coal market and price environment. The metallurgical coal market became challenged in the third quarter 2019 as a result of a slowdown in economic growth and muted demand for metallurgical coal. The first two quarterly periods of 2018 were impacted by increased costs at the Company's mines as a result of difficult geological conditions. The full year 2018 period was also impacted by increased demurrage expense as a result of port and rail congestion and increased amortization expense as a result of the increased carrying values due to the impairment reversal in December 2017. These negatively impacted earnings. Net and comprehensive income for the quarter ended December 31, 2017 was also impacted by the net asset impairment reversal of \$66,224 which was primarily due to the improvement in the metallurgical coal market and partially offset by an impairment charge at the CAPP Division as a result of the divestiture of this division.

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") and transactions with close family members of key management personnel. 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		For the nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Royalties and property taxes (a)	\$ —	\$ —	\$ —	\$ 185
Supplies purchase (b)	—	100	189	281
Equipment servicing fees (c)	—	185	—	1,185
Purchased coal (d)	—	3,372	74	9,131
	<u>\$ —</u>	<u>\$ 3,657</u>	<u>\$ 263</u>	<u>\$ 10,782</u>

- (a) During the nine months ended September 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 nine months ended September 30, 2019.
- (b) During the three months ended September 30, 2018 and nine months ended September 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 nine months ended September 30, 2019, amounts purchased by the NAPP Division totaled \$189 and were included in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss). During the three and nine months ended September 30, 2018, amounts purchased by the NAPP Division, totaled \$100 and \$274, respectively. Additionally, amounts purchased by the CAPP Division totaled \$7 and 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 nine months ended September 30, 2018.
- (c) During the three and nine months ended September 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 nine months ended September 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 nine months ended September 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 September 30, 2019. For the nine months ended September 30, 2019, the Company recognized \$74 in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss). For the three and nine months ending September 30, 2018, the Company recognized \$3,372 and \$7,981, 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 September 30, 2019. Included in accounts receivable at September 30, 2019 is \$10 related to tax withholdings on behalf of QEP, which are to be reimbursed to the Company. These amounts are unsecured and non-interest bearing.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual outcomes may differ from those estimates should different assumptions or conditions arise. Significant areas of estimation uncertainty that could cause a material adjustment to the carrying amounts of assets and liabilities within one year are presented below.

Property, plant and equipment

The useful life of property, plant and equipment is based on management's best estimate of the useful life at the time of acquisition. The useful lives are reviewed at least annually or when other changes or circumstances warrant this review. The useful lives impact the amortization expense recorded in the statement of operations and the carrying value of the items of property, plant and equipment. Accordingly, a significant departure from management's expectation, including the impact of any changes in economic, technological or regulatory circumstances beyond management's control, may impact the carrying value of items of property, plant and equipment.

Reserve and resource estimates

Coal reserve and resource estimates indicate the amount of coal that can be feasibly extracted from Corsa's mineral properties. The estimates involve the inclusion of various complex inputs requiring interpretation by qualified geological personnel such as the size, shape and depth of the mineral deposit and other geological assumptions. Other estimates include commodity prices, production costs and capital expenditure requirements. Significant departures from the estimates utilized in management's calculations may impact the carrying value of the mineral properties, reclamation provisions and amortization expense.

Reclamation provision estimates

Reclamation provisions are recognized by Corsa for the estimated costs to reclaim the site at the end of mine life. The carrying amount of the reclamation provision in the consolidated financial statements is subject to various estimates including mine life, undiscounted cash flows to reclaim mineral properties, inflation and discount rates. The provision at the balance sheet date represents management's best estimate but significant departures from management's expectation, including the impact of any changes in economic, technological or regulatory circumstances, may impact the carrying value of the reclamation provision and associated reclamation cost asset included in property, plant and equipment.

Water treatment provision estimates

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. The Company has the obligation to fund such water treatment activities and has recorded a provision for the total expected costs of such water treatment. The water treatment provision is estimated based on a determination of the estimated costs of treatment using assumptions effective as of the end of the reporting period discounted using a pre-tax risk-free discount rate consistent with the expected timing of the cash flows. The provision at the balance sheet date represents management's best estimate as of such date but may result in significant departures from management's expectation, including the impact of any changes in economic, technological or regulatory circumstances may impact the carrying value of the water treatment provision.

Impairment of long-term assets

Corsa reviews and tests the carrying amounts of long-lived assets when an indicator of impairment is considered to exist. Corsa considers both external and internal sources of information in assessing whether there are any indications that long-lived assets are impaired. External sources of information that Corsa considers include changes in the market, economic and legal environment in which Corsa operates that are not within its control and affect the recoverable amounts of long-term assets. Internal sources of information that Corsa considers include the manner in which long-lived assets are being used or are expected to be used and indications of economic performance of the assets.

For the purposes of determining whether an impairment of an asset has occurred, and the amount of any impairment or its reversal, management uses key assumptions in estimating the recoverable value of a cash generating unit (“CGU”) which is calculated as the higher of the CGU’s value in-use and fair value less costs of disposal.

Changes in these estimates which decrease the estimated recoverable amount of the CGU could affect the carrying amounts of assets and result in an impairment charge.

Evaluation of exploration and evaluation costs

Management makes estimates as to when a known mineral deposit would provide future benefit sufficient enough to begin capitalization of exploration and evaluation costs. Actual results as to when a project provides future benefit may vary from management’s estimate.

Deferred income tax assets

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered. There is no certainty that income tax rates will be consistent with current estimates. Changes in tax rates increase the volatility of Corsa’s earnings.

CHANGES IN ACCOUNTING POLICIES

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.

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.

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.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company’s financial instruments consist of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, notes payable, lease liabilities, revolving credit facility, 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 nine months ended September 30, 2019 and 2018.

At September 30, 2019 and December 31, 2018, the Company had six customers that owed the Company more than \$1,000 each and accounted for approximately 98% 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 September 30, 2019. At September 30, 2019 and December 31, 2018, 70% 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 September 30, 2019, the Company had a consolidated cash balance of \$3,739, consolidated working capital of \$10,364 and availability under the revolving credit facility of \$9,819. 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 August 2019, the Company entered into the New Credit Facilities to refinance the Spratt Facility. The Company plans to utilize expected operating cash flows to service the New Credit Facilities.

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.

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:

	<u>September 30, 2019</u>		<u>December 31, 2018</u>	
	<u>Carrying</u>		<u>Carrying</u>	
	<u>Amount</u>	<u>Fair Value</u>	<u>Amount</u>	<u>Fair Value</u>
Loan payable - Sprott Facility	\$ —	\$ —	\$ 30,452	\$ 27,444
Loan payable - 36 th Street Facility	\$ 11,463	\$ 9,522	\$ —	\$ —

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 10.0% at September 30, 2019 and 12.5% at December 31, 2018. Management's estimate of the fair value of the loan payable is classified as level 2 in the fair value hierarchy, as explained below.

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.

	<u>September 30, 2019</u>		<u>December 31, 2018</u>	
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 1</u>	<u>Level 2</u>
Financial assets				
Cash	\$ 3,739	\$ —	\$ 10,124	\$ —
Restricted cash	36,610	—	32,503	—
	<u>\$ 40,349</u>	<u>\$ —</u>	<u>\$ 42,627</u>	<u>\$ —</u>

At September 30, 2019 and December 31, 2018, the Company had no financial instruments which used Level 3 fair value measurements.

ADDITIONAL INFORMATION

Additional information regarding Corsa, including its annual information form dated February 21, 2019, is available under Corsa's profile at www.sedar.com.