Corsa Coal Corp.

Consolidated Financial Statements

December 31, 2019 and 2018

URISH POPECK
accountants and consultants

To the Shareholders of Corsa Coal Corp.

Opinion
We have audited the consolidated financial statements of Corsa Coal Corp. and its subsidiaries ("Corsa" or the "Company"), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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

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

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

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

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

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

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

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

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

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

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

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

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

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

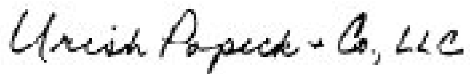
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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



Certified Public Accountants
Pittsburgh, Pennsylvania, USA
March 30, 2020

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

Assets	**December 31, 2019**	**December 31, 2018**
Cash	$ 4,296	$ 10,124
Accounts receivable (note 5)	29,292	28,502
Prepaid expenses and other current assets	4,461	4,058
Inventories (note 6)	10,477	12,944
Current Assets	48,526	55,628
Restricted cash (note 7)	37,166	32,503
Advance royalties and other assets	3,905	3,564
Property, plant and equipment, net (note 8)	179,729	191,605
Total Assets	$ 269,326	$ 283,300
Liabilities		
Accounts payable and accrued liabilities (note 9)	$ 22,552	$ 28,354
Notes payable (note 10)	7	418
Lease liabilities – current (note 11)	957	2,543
Loan payable (note 12)	2,576	9,066
Other liabilities (note 13)	2,684	5,407
Reclamation and water treatment provision (note 14)	3,419	5,615
Current Liabilities	32,195	51,403
Revolving credit facility (note 12)	14,490	—
Loan payable (note 12)	8,282	21,386
Notes payable (note 10)	—	7
Lease liabilities – long-term (note 11)	2,564	1,982
Other liabilities (note 13)	4,885	5,825
Reclamation and water treatment provision (note 14)	55,752	51,701
Total Liabilities	118,168	132,304
Equity		
Share capital	180,130	180,130
Contributed surplus	988	2,244
Accumulated deficit	(82,063)	(81,274)
Total Shareholders' Equity	99,055	101,100
Non-controlling interest	52,103	49,896
Total Equity	151,158	150,996
Total Liabilities and Equity	$ 269,326	$ 283,300

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

Approved by the Board of Directors:

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

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

Corsa Coal Corp.
Consolidated Statements of Operations and Comprehensive Income (Loss)
Expressed in United States dollars, tabular amounts in thousands except for per share amounts

	For the years ended December 31,	
	2019	**2018**
Revenue (note 17)	$ 230,869	$ 265,853
Cost of sales (note 18)	(216,050)	(236,840)
Gross Margin	14,819	29,013
Selling, general and administrative expense (notes 19 and 20)	(15,748)	(20,607)
Income (loss) from operations	(929)	8,406
Net finance expense (note 21)	(3,423)	(9,286)
Other income (expense) (note 22)	3,839	3,992
Income (loss) before tax	(513)	3,112
Current income tax (benefit) expense (note 24)	—	(2,759)
Deferred income tax expense (note 24)	—	—
Provision for income taxes	—	(2,759)
Net and comprehensive (loss) income from continuing operations	$ (513)	$ 5,871
Net and comprehensive loss from discontinued operations, net	—	(813)
Net and comprehensive (loss) income	$ (513)	$ 5,058
Attributable to:		
Shareholders	$ (2,720)	$ 2,459
Non-controlling interest	$ 2,207	$ 2,599
Basic earnings (loss) per share (note 23)		
Earnings from continuing operations	$ (0.03)	$ 0.03
Loss from discontinued operations	$ —	$ (0.01)
Basic earnings per share	$ (0.03)	$ 0.02
Diluted earnings (loss) per share (note 23)		
Earnings (loss) from continuing operations	$ (0.03)	$ 0.03
Loss from discontinued operations	$ —	$ (0.01)
Diluted earnings (loss) per share	$ (0.03)	$ 0.02

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

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

	For the year ended December 31, 2019					
	Number of Corsa Common Shares (000's)	**Share Capital**	**Contributed Surplus**	**Deficit**	**Non-Controlling Interest**	**Total Equity**
Balance - January 1, 2019	94,759	$ 180,130	$ 2,244	$ (81,274)	$ 49,896	$ 150,996
Stock based compensation (note 20)	—	—	675	—	—	675
Stock option expiration/forfeiture	—	—	(1,931)	1,931	—	—
Net and comprehensive income	—	—	—	(2,720)	2,207	(513)
Balance - December 31, 2019	94,759	$ 180,130	$ 988	$ (82,063)	$ 52,103	$ 151,158

	For the year ended December 31, 2018					
	Number of Corsa Common Shares (000's)	**Share Capital**	**Contributed Surplus**	**Deficit**	**Non-Controlling Interest**	**Total Equity**
Balance - January 1, 2018	94,591	$ 180,001	$ 2,501	$ (85,517)	$ 47,297	$ 144,282
Stock based compensation (note 20)	—	—	1,527	—	—	1,527
Stock option expiration/forfeiture	—	—	(1,784)	1,784	—	—
Exercise of Broker Warrants	168	129	—	—	—	129
Net and comprehensive income (loss)	—	—	—	2,459	2,599	5,058
Balance - December 31, 2018	94,759	$ 180,130	$ 2,244	$ (81,274)	$ 49,896	$ 150,996

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

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

	For the years ended December 31, 2019	2018
Operating Activities		
Net and comprehensive income (loss)	$ (513)	$ 5,058
Items not affecting cash:		
Net and comprehensive loss from discontinued operations	—	813
Amortization	25,961	25,020
Stock-based compensation expense (note 20)	675	1,527
Net finance expense (income)	(754)	3,599
Change in estimate of reclamation and water treatment provision (note 14)	1,190	(3,727)
Write-off of advance royalties and other assets	171	38
Other non-cash operating expense	795	(3,368)
Cash spent on reclamation and water treatment activities (note 14)	(6,130)	(6,913)
Changes in working capital balances related to operations (note 25)	(6,709)	(6,740)
Cash provided by operating activities of continuing operations	14,686	15,307
Cash provided by operating activities of discontinued operations	—	2,469
Cash provided by operating activities	14,686	17,776
Investing Activities		
Restricted cash	(2,077)	(710)
Advance royalties and other assets	(1,141)	(651)
Proceeds on sale of assets	339	511
Property, plant and equipment additions	(7,362)	(21,265)
Cash used in investing activities of continuing operations	(10,241)	(22,115)
Cash used in investing activities of discontinued operations	—	(2,358)
Cash used in investing activities	(10,241)	(24,473)
Financing Activities		
Proceeds from revolving credit facility borrowings	82,198	—
Repayments of revolving credit facility borrowings	(67,709)	—
Proceeds from broker warrant exercise	—	129
Proceeds from issuance of loan payable	12,000	—
Repayment of loan payable	(33,035)	—
Debt issuance costs	(538)	(640)
Proceeds from issuance of notes payable	—	54
Repayment of notes payable	(418)	(1,030)
Repayment of lease liabilities	(2,771)	(2,188)
Cash used in financing activities of continuing operations	(10,273)	(3,675)
Cash used in financing activities of discontinued operations	—	(225)
Cash used in financing activities	(10,273)	(3,900)
Net (decrease) increase in cash for the period	(5,828)	(10,597)
Cash, beginning of period continuing operations	10,124	20,607
Cash, beginning of period discontinued operations	—	114
Cash, beginning of period	10,124	20,721
Cash, end of period continuing operations	$ 4,296	$ 10,124

Supplemental disclosure (note 25)

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

1. Basis of Presentation and Nature of Operations

Nature of Operations

Corsa Coal Corp. ("Corsa" or the "Company") is in the business of mining, processing and selling of metallurgical coal, as well as exploring, acquiring and developing resource properties that are consistent with its existing coal business. The Company is a corporation existing under the *Canada Business Corporations Act* and is domiciled in Canada. The registered office of Corsa is located at 199 Bay Street, Suite 5300, Commerce Court West, Toronto, Ontario, Canada, M5L 1B9, and the head/corporate office of Corsa is located at 1576 Stoystown Road, P.O. Box 260, Friedens, Pennsylvania, USA, 15541.

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

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

At December 31, 2019, the Company had one operating division, Northern Appalachia ("NAPP Division" or "NAPP"). The NAPP Division, based in Somerset, Pennsylvania, USA, produces and sells low volatile metallurgical coal used for the production of coke from its mines in the Northern Appalachia coal region of the USA. The Company's corporate office provides support and manages the mining investments, and is also deemed a reportable segment.

All scientific and technical information contained in these consolidated financial statements has been reviewed and approved by Peter V. Merritts, Professional Engineer and the Company's Chief Executive Officer, who is a qualified person within the meaning of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

Statement of Compliance

These consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations as approved by the International Accounting Standards Board ("IASB"). The Company has consistently applied the same accounting policies throughout all periods presented.

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

These consolidated financial statements were authorized by the Board of Directors of the Company on March 30, 2020.

Basis of Measurement

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

Discontinued Operations

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

The CAPP Division is presented in the accompanying consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2018 as discontinued operations. Corsa recognized a gain on the disposition of the CAPP Division of $979, which is included in other income in the table below and is included in net and comprehensive loss from discontinued operations, net, in the consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2018. The following table details selected financial information for the divested CAPP Division business included within discontinued operations:

	For the year ended December 31, 2018
Revenue	$ 10,377
Cost of sales	(11,708)
Gross Margin	(1,331)
Selling, general and administrative expense	(337)
Loss from discontinued operations	(1,668)
Net finance expense	(86)
Other income	941
Loss before tax from discontinued operations	(813)
Tax expense	—
Net and comprehensive loss from discontinued operations	$ (813)
Attributable to:	
Shareholders	$ (668)
Non-controlling interest	$ (145)

2. Significant Accounting Policies

Functional and presentation currency

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

Basis of Consolidation

The legal ownership structure for the Company's subsidiaries is presented below. All intercompany balances and transactions are eliminated upon consolidation including any income and expenses arising from such intercompany transactions.

Legal Entity Name	Jurisdiction of Incorporation or Formation	Legal Parent	Operating Division	Corsa Indirect Ownership
Corsa Coal Corp.	Canada	Publicly Traded	Corporate	N/A
Wilson Creek Holdings, Inc. ("WCH")	Delaware, USA	Corsa - 100%	Corporate	N/A
Wilson Creek Energy, LLC ("WCE")	Delaware, USA	WCH - 81%	NAPP	81%
Maryland Energy Resources, LLC	Delaware, USA	WCE - 100%	NAPP	81%
Mincorp Acquisition Corp. ("MAC")	Delaware, USA	WCH - 100%	NAPP	100%
Mincorp, Inc.	Delaware, USA	MAC - 100%	NAPP	100%
PBS Coals, Inc. ("PBS")	Delaware, USA	Mincorp, Inc. - 100%	NAPP	100%
RoxCoal, Inc.	Pennsylvania, USA	Mincorp, Inc. - 100%	NAPP	100%
Quecreek Mining, Inc.	Pennsylvania, USA	PBS Coals, Inc. - 100%	NAPP	100%
Croner, Inc.	Pennsylvania, USA	PBS Coals, Inc. - 100%	NAPP	100%
Elk Lick Energy, Inc.	Pennsylvania, USA	PBS Coals, Inc. - 100%	NAPP	100%

Business Combination

The Company uses the acquisition method of accounting to account for business combinations. The fair value of the acquisition of a subsidiary is based on the fair value of the assets acquired, the liabilities assumed and the fair value of the consideration. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the acquisition date.

The excess, if any, of the consideration and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable net assets is recorded as goodwill. In the case of a bargain purchase, where the total consideration and any non-controlling interest recognized are less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of operations and comprehensive income (loss).

Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is acquired by the Company and are de-consolidated from the date control ceases. Financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. All intercompany balances, revenues, expenses, earnings and losses from intercompany transactions are eliminated upon consolidation.

Non-controlling interest

Non-controlling interests in the net assets of consolidated subsidiaries are a separate component of the Company's equity. Non-controlling interests consist of the non-controlling interests on the date of the original business combination, recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets, plus the non-controlling interests' share of changes in equity since the date of acquisition.

Foreign currency translation

Monetary assets and liabilities which are denominated in foreign currencies are translated into the Company's functional currency at the exchange rate prevailing at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at historical rates at each transaction date. Revenues and expenses are translated at exchange rates prevailing in the transaction period. All foreign exchange gains and losses are recognized in the consolidated statements of operations and comprehensive income (loss).

Inventories

Raw coal inventory is valued at the lower of the average mining cost (or average purchase cost) and net realizable value. Mining costs include contractor costs, direct labor, operating materials and supplies, transportation costs to the preparation plant, royalties and amortization of mining assets. Clean coal inventory is valued at the lower of average mining cost, including preparation plant costs and amortization of preparation plant assets, and net realizable value. Net realizable value represents the average selling price for coal less the costs to get the coal into saleable form and to the selling location. Parts and supplies inventory consists of parts, supplies and other consumables and is valued using the average cost method of accounting. Additionally, the Company evaluates its inventory in terms of excess and obsolete exposures. This evaluation includes such factors as anticipated usage, inventory turnover, inventory levels and ultimate market value.

Accounts receivable

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

Advance royalties and other assets

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

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

Property, plant and equipment

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

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

Development costs, which are the costs incurred to make the mineral physically accessible, include costs for driving main entries for ventilation, haulage, personnel, construction of airshafts, roof protection and support facilities. When the benefit from surface mining operations comes in the form of inventory produced, stripping costs incurred are charged to cost of sales or included in the cost of inventories at period end. To the extent the stripping activity provides a benefit in the form of improved access to coal reserves, and the Company can identify and reasonably estimate the future economic benefits of the improved access, a 'non-current stripping activity' asset is recognized. The 'non-current stripping activity' asset is then expensed through cost of sales over the expected useful life of the identified component of the coal reserves that becomes more accessible as a result of the stripping activity utilizing the units-of-production method.

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

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Depletion of producing mineral properties and other development costs is provided using a unit-of-production method based upon the proven and probable mineral reserve position of the mine at the beginning of the fiscal year.

Plant, structures and equipment are amortized using the straight-line method. The useful lives are generally three to five years for mobile equipment and five to twenty years for plants, structures and other equipment but do not exceed the related estimated mine life.

Exploration and evaluation costs

Exploration and evaluation costs include expenditures for the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling and other activities related to determining the technical feasibility and commercial viability of a specific property. Exploration costs not supported by geological evidence to support economically viable projects are expensed as incurred. Capitalized exploration and evaluation costs are carried initially at historical cost and are subject to impairment testing if there are indications of impairment identified.

Impairment of non-financial assets

Items of property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. For the purposes of recognition and measurement of an impairment loss, assets are grouped at the lowest levels for which there are identifiable separate cash flows referred to as cash generating units (“CGUs”). Recoverable amounts for impairment testing of assets to be held and used are measured by comparison of the carrying amount of an asset to the greater of the fair value less costs of disposal and value in use. Value in use is measured using the present value of the expected future cash flows to be derived for a specific asset or CGU that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition. Fair value less costs of disposal is measured using marketplace participant information for determining fair value.

An impairment loss is recognized when the carrying amount of the CGU exceeds the recoverable amount and is charged to the consolidated statements of operations and comprehensive income (loss). The Company evaluates impairment losses previously recognized for potential reversals when events or changes in circumstances warrant such consideration.

Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership. Financial liabilities are derecognized at the time a substantial modification of the liability occurs or when the Company discharges any continuing or further obligation for the specific liability.

The Company classifies its financial instruments in the categories below:

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

The Company recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost.

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

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

Impairment of financial assets

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

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

Cash

Cash consists of balances with banks and the carrying value approximates fair value.

Restricted cash

Cash which is subject to legal or contractual restrictions on its use is classified separately as restricted cash.

Leases

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

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

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

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

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

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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

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

Revenue recognition

Revenue associated with the sale of coal or processing service is recognized when control passes to the customer and the amount of revenue can be measured reliably. Coal is sold under fixed price, spot or index linked contracts. Transportation costs from preparation plants to customers are included in cost of sales in the consolidated statements of operations and comprehensive income (loss) and amounts billed by the Company to its customers for these transportation costs are included in revenue.

Reclamation provision

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

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

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

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

Water treatment provision

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

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

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

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

Share-based payments

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

If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. Should the stock-based awards expire before exercise, the appropriate amount of contributed surplus is reclassified within equity to retained earnings or accumulated deficit.

If and when the stock options are forfeited, the amount of stock-based compensation recognized historically, to contributed surplus, for vested stock options is transferred to retained earnings or accumulated deficit. For stock options forfeited which have not yet vested, the amount of stock-based compensation recognized historically is credited to selling, general and administrative expenses.

Income taxes

Income taxes consist of current and deferred taxes. Income tax expense is recognized in the consolidated statements of operations and comprehensive income (loss) except to the extent it relates to items recognized directly in equity, in which case the income tax is directly recognized in equity.

Current tax consists of the income tax payable by the Company on income, calculated using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The effect on deferred income taxes for a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that future benefit to the Company is probable. The Company records a valuation allowance to reduce deferred income tax assets to the amount that is believed more likely than not to be realized.

Earnings per share

The Company uses the treasury stock method to compute the dilutive effect of options and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic earnings (loss) per common share is calculated using the weighted-average number of shares outstanding during the period.

Critical accounting estimates and judgments

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

a. Property, plant and equipment

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

b. Reserve and resource estimates

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

c. Reclamation and water treatment provision estimates

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

d. Impairment of long-lived assets

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

For the purposes of determining whether an impairment of a long-lived asset has occurred, and the amount of any impairment or its reversal, management uses key assumptions in estimating the recoverable value of a CGU which is calculated as the higher of the CGU's value in-use and fair value less costs of disposal.

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

e. Evaluation of exploration and evaluation costs

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

f. Deferred income tax assets

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

Recently adopted accounting pronouncements

In 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. Refer to note 11 for additional discussion.

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

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

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.

3. Capital Management

The Company defines managed capital as its total equity. The objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders. At December 31, 2019 and 2018, total managed capital was $151,158 and $150,996, respectively.

The Company's capital structure reflects the requirements of a company focused on sustaining cash flows from its current mining operations and financing both internal and external growth opportunities and development projects. The Company faces lengthy development lead times as well as risks associated with increasing capital costs and project completion due to unavailability of resources, permits and other factors beyond the Company's control. The Company's operations are also significantly affected by the market price of coal. There are no external restrictions on managed capital of the Company.

The Company continually assesses its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics associated with its underlying assets. In order to maintain or adjust the capital structure, the Company may issue new common shares or enter into new debt arrangements.

4. Financial 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 years ended December 31, 2019 and 2018.

At December 31, 2019 and 2018, the Company had seven and six customers, respectively, that owed the Company more than $1,000 each and accounted for approximately 94% 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 December 31, 2019. At December 31, 2019 and 2018, 89% 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 December 31, 2019, the Company had a consolidated cash balance of $4,296, consolidated working capital of $16,331 and availability under the revolving credit facility of $6,736. 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 Sprott Facility (as both terms are defined in note 12). 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.

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

	Carrying Value at December 31, 2019	Payments due by period				
		Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accruals	$ 22,552	$ 22,552	$ 22,552	$ —	$ —	$ —
Notes payable	7	7	7	—	—	—
Lease liabilities	3,521	3,521	957	1,893	671	—
Revolving credit facility	14,490	14,490	—	14,490	—	—
Loan payable	10,858	10,982	2,610	6,066	2,306	—
Other liabilities	7,569	7,587	2,702	2,330	2,330	225
Asset retirement obligations - reclamation	33,848	33,848	2,143	4,027	6,595	21,083
Asset retirement obligations - water treatment	25,323	25,323	1,276	2,566	2,578	18,903
Purchase order firm commitments	—	1,271	1,271	—	—	—
Water treatment trust funding	—	1,046	468	578	—	—
Reclamation bond restricted cash deposits	—	11,463	1,500	2,000	2,000	5,963
Operating leases and other obligations	—	32	24	8	—	—
Total	$ 118,168	$ 132,122	$ 35,510	$ 33,958	$ 16,480	$ 46,174

<u>*Fair Value*</u>

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

	December 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loan payable - Sprott Facility	$ —	$ —	$ 30,452	$ 27,444
Loan payable - 36th Street Facility	$ 10,858	$ 11,074	$ —	$ —

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% and 12.5% at December 31, 2019

and 2018, respectively. 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.

	December 31, 2019		**December 31, 2018**	
	Level 1	**Level 2**	**Level 1**	**Level 2**
Cash	$ 4,296	$ —	$ 10,124	$ —
Restricted cash	37,166	—	32,503	—
	$ 41,462	$ —	$ 42,627	$ —

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

5. Accounts receivable

Accounts receivable consist of the following:

	December 31, 2019	**December 31, 2018**
Trade receivables	$ 28,387	$ 26,654
Income tax refundable credit	689	1,379
Redevelopment Assistance Capital Program Receivable	—	150
Other	216	319
	$ 29,292	$ 28,502

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

6. Inventories

Inventories consist of the following:

		December 31, 2019		December 31, 2018
Metallurgical coal				
Clean coal stockpiles	$	4,536	$	3,511
Raw coal stockpiles		1,365		5,067
		5,901		8,578
Thermal coal				
Clean coal stockpiles		—		74
Raw coal stockpiles		—		5
		—		79
Parts and supplies		4,576		4,287
	$	10,477	$	12,944

7. Restricted cash

Restricted cash consists of the following:

		December 31, 2019		December 31, 2018
Water treatment trust funds (a)	$	27,568	$	22,276
Collateral posted for reclamation bonds (b)		5,483		5,390
Workers' compensation trust funds (c)		4,104		4,826
Other restricted deposits		11		11
	$	37,166	$	32,503

(a) The Company has signed certain agreements with U.S. environmental and regulatory agencies which require the perpetual monitoring and treatment of water in areas where the Company is operating or has operated in the past. As a result of these agreements, the Company was required to establish separate trust funds to ensure water treatment activities would continue after the Company ceased operating in the affected areas. The cash is invested in fixed income and equities and income earned on such funds, under certain circumstances, may be used by the Company to pay for certain water treatment costs once the trust funds have been fully funded. As of December 31, 2019, the Company is required to contribute an additional $1,046 over the course of the next two years to fully fund the remaining unfunded trust, with $468 due in the next 12 months.

(b) The Company is required to post bonds to ensure reclamation is completed on its mining properties as required under U.S. state and federal regulations. The Company has agreements with insurers to provide these bonds. The cash collateral is invested in certificates of deposit that are insured by the U.S. Federal Deposit Insurance Corporation and are held in escrow. See subsequent events footnote for additional discussion on increased cash collateral requirements.

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

8. Property, plant and equipment

Property, plant and equipment consists of the following:

	Mineral Properties (a)	Plant and Equipment	Total
Cost			
Balance - January 1, 2018	$ 176,199	$ 182,653	$ 358,852
Additions	—	18,162	18,162
Capitalized development costs	8,258	—	8,258
Change in reclamation provision	180	—	180
CAPP Division Divestiture	(28,227)	(37,149)	(65,376)
Disposals	—	(5,933)	(5,933)
Balance - December 31, 2018	156,410	157,733	314,143
Additions	—	10,121	10,121
Capitalized development costs	54	—	54
Change in reclamation provision	5,271	—	5,271
ROU asset termination	—	(1,134)	(1,134)
Disposals	(2,827)	(14,207)	(17,034)
Balance - December 31, 2019	$ 158,908	$ 152,513	$ 311,421
Accumulated Amortization			
Balance - January 1, 2018	$ (41,133)	$ (120,680)	$ (161,813)
Amortization	(8,797)	(17,939)	(26,736)
CAPP Division Divestiture	24,695	35,910	60,605
Disposals	—	5,406	5,406
Balance - December 31, 2018	(25,235)	(97,303)	(122,538)
Amortization	(8,750)	(17,248)	(25,998)
ROU asset termination	—	127	127
Disposals	2,827	13,890	16,717
Balance - December 31, 2019	$ (31,158)	$ (100,534)	$ (131,692)
Net Book Value			
December 31, 2018	$ 131,175	$ 60,430	$ 191,605
December 31, 2019	$ 127,750	$ 51,979	$ 179,729

(a) Mineral properties include the cost of obtaining the mineral and surface rights required to conduct mining operations. The two types of lease rights in the states of Maryland and Pennsylvania are surface rights, which provide access to the surface of a specific property, and mineral rights, which provide the right to extract the minerals from a specific property. The Company either purchases outright or leases these rights from various owners specific to each property. Mineral and surface rights which are leased are subject to royalty payments to the various owners based on the tons of coal extracted from that specific property. Royalty rates on leased mineral rights can range from 5% to 16%, although typically range from 6% to 7%, of the selling price of the coal. Mineral and surface rights which are owned by the Company are not subject to royalties.

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consists of the following:

	December 31, 2019	December 31, 2018
Trade payables	$ 7,595	$ 7,747
Purchased coal payables	2,804	8,112
Freight payables	6,078	4,625
Other accrued liabilities	6,075	7,870
	$ 22,552	$ 28,354

10. Notes Payable

Notes payable consists of the following:

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

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

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

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

11. Lease Liabilities

Lease liabilities consists of the following:

	Interest Rate	Maturity	December 31, 2019	December 31, 2018
Equipment - Underground (a)	5.6%	October 2019	$ —	$ 1,328
Equipment - Preparation Plant (b)	11.0%	September 2023	1,005	1,855
Equipment - Preparation Plant (b)	11.0%	December 2021	403	567
Equipment - Surface	10.8% to 11%	May 2021- Feb. 2024	2,084	740
Equipment - Information Technology	11.0%	July 2022	29	35
Balance, end of period			3,521	4,525
Less: Current portion			(957)	(2,543)
Total long-term lease liabilities			$ 2,564	$ 1,982

(a) The terms of this lease were guided by a master lease agreement which was satisfied in October 2019 at which point the right-of-use assets were retained.

(b) Contingent rent related to these lease obligations is payable if the equipment exceeds certain operating levels. The contingent rent recognized in the years ended December 31, 2019 and 2018 was income of $22 and $2, respectively. Contingent rent is included in cost of sales in the consolidated statements of operations and comprehensive income (loss).

Lease liabilities are payable as follows:

Less than 1 year	$ 1,304
1-3 years	2,245
4-5 years	707
Thereafter	—
Total payments	4,256
Less: Amounts representing interest	(735)
Total finance lease obligations	$ 3,521

For the years ended December 31, 2019 and 2018, interest expense of $516 and $350, respectively, is included in net finance expense in the consolidated statements of operations and comprehensive income (loss). For the years ended December 31, 2019 and 2018, total cash outflows related to lease liabilities was $3,287 and $2,538, respectively. The expense relating to leases of low value assets was not material.

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

	Equipment					Office	
	U/G	Plant	Plant	Surface	IT	Lease	Total
Gross Right-of Use Asset							
Balance – January 1, 2018	$ 22,030	$ 1,696	$ —	$ —	$ —	$ —	$ 23,726
Additions	15	—	2,200	838	37	—	3,090
Balance – December 31, 2018	22,045	1,696	2,200	838	37	—	26,816
IFRS 16 adoption	—	—	—	—	—	1,193	1,193
Accrued lease payments	—	—	—	—	—	(59)	(59)
Additions	—	—	—	1,682	—	—	1,682
ROU asset termination	—	—	—	—	—	(1,134)	(1,134)
ROU asset transfer	(22,045)	—	—	—	—	—	(22,045)
Balance – December 31, 2019	$ —	$ 1,696	$ 2,200	$ 2,520	$ 37	$ —	$ 6,453
Accumulated Amortization							
Balance – January 1, 2018	$ (20,462)	$ (339)	$ —	$ —	$ —	$ —	$ (20,801)
Amortization	(1,032)	(339)	(177)	(105)	(3)	—	(1,656)
Balance – December 31, 2018	(21,494)	(678)	(177)	(105)	(3)	—	(22,457)
Amortization	(413)	(339)	(426)	(397)	(8)	(127)	(1,710)
ROU asset termination	—	—	—	—	—	127	127
ROU asset transfer	21,907	—	—	—	—	—	21,907
Balance – December 31, 2019	$ —	$ (1,017)	$ (603)	$ (502)	$ (11)	$ —	$ (2,133)
Net Book Value							
December 31, 2018	$ 551	$ 1,018	$ 2,023	$ 733	$ 34	$ —	$ 4,359
December 31, 2019	$ —	$ 679	$ 1,597	$ 2,018	$ 26	$ —	$ 4,320

In December 2019, the Company terminated the office lease which was initially recognized as a lease liability on January 1, 2019 for a cash payment of $167. At the point of termination, there were eight years remaining on the original lease. The total expense related to this lease termination was $100 and is included in other income and expense in the consolidated statements of operations and comprehensive income (loss). The total expense includes the removal of the right-of-use ("ROU") asset of $1,007, lease termination payment of $167 and additional lease termination costs, including contract terminations of $44, partially offset by income related to the removal of the lease liability of $1,118.

For the years ended December 31, 2019 and 2018, amortization expense of $1,710 and $1,656, respectively, related to the right-of-use assets, is included in cost of sales in the consolidated statements of operations and comprehensive income (loss).

12. Debt

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 LIBOR for loans with an interest period of one

month. The KeyBank Facility contains customary financial covenants. In December 2019, the Company entered into an amendment to update the calculation period of the financial covenants. In connection with the arrangement and subsequent amendment of the KeyBank Facility, the Company paid a commitment fee, upfront fee and administration fees totaling $403 which are included in prepaid expenses and other current assets and advance royalties and other assets in the consolidated balance sheets. The KeyBank Facility is secured against all currently owned and after acquired tangible and intangible assets of the borrowers and the guarantor. At December 31, 2019, the Company had outstanding borrowings on the KeyBank Facility of $14,490, a letter of credit issued to support historical workers compensation claims of $890 and additional availability which could have been borrowed of $6,736. 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 December 31, 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 December 2019, the Company entered into an amendment to update the calculation period of the 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 December 31, 2019.

The New Credit Facilities replaced the $25 million senior secured term credit facility with Sprott Resource Lending Corp. entered into on August 19, 2014 (the “Sprott Facility”), which was repaid using a portion of the proceeds from the New Credit Facilities. 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 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.

The changes in the loan payable balance for the years ended December 31, 2019 and 2018 are as follows:

	36th Street Facility			Sprott Facility			
	Principal	Unamortized Discount	Total	Principal	Unamortized Discount	Total	Total
Balance - January 1, 2018	$ —	$ —	$ —	$ 32,017	$ (2,254)	$ 29,763	$ 29,763
Accrued interest	—	—	—	3,887	—	3,887	3,887
Interest paid	—	—	—	(3,887)	—	(3,887)	(3,887)
Accretion of discount	—	—	—	—	1,329	1,329	1,329
Issuance costs of amending agreements	—	—	—	—	(640)	(640)	(640)
Balance - December 31, 2018	—	—	—	32,017	(1,565)	30,452	30,452
Initial borrowing	12,000	—	12,000	—	—	—	12,000
Accrued interest	338	—	338	2,501	—	2,501	2,839
Interest paid	(338)	—	(338)	(2,501)	—	(2,501)	(2,839)
Issuance costs	—	(135)	(135)	—	—	—	(135)
Accretion of discount (note 21)	—	11	11	—	541	541	552
Loss on extinguishment	—	—	—	—	1,024	1,024	1,024
Principal repayment	(1,018)	—	(1,018)	(32,017)	—	(32,017)	(33,035)
Balance - December 31, 2019	$ 10,982	$ (124)	$ 10,858	$ —	$ —	$ —	$ 10,858
Less: current portion	(2,610)	34	(2,576)	—	—		(2,576)
Total long-term loan payable	$ 8,372	$ (90)	$ 8,282	$ —	$ —	$ —	$ 8,282

13. Other Liabilities

Other liabilities consist of the following:

	December 31 2019	December 31, 2018
Workers' compensation provision (a)	$ 6,050	$ 6,219
Transportation contract liquidated damages (b)	732	1,657
Lucchini litigation (c)	—	2,703
Other (d)	787	653
	7,569	11,232
Less: current portion (a,b,c,d)	(2,684)	(5,407)
Total Other Liabilities	$ 4,885	$ 5,825

(a) The provision relates to workers' compensation and occupational disease claims that have not yet been paid by the Company. The estimates use an actuarial valuation approach based on historical claims and known events, where such estimates may differ materially from the estimates used herein. The balance that is expected to be settled within the next twelve months is $1,165. The Company has established separate trust funds with its insurance carriers to pay potential awards and claims related to workers' compensation claims (note 7).

(b) The Company's subsidiary, PBS Coals, Inc., had contractual agreements with a transportation provider, which indicated minimum levels of coal to be shipped via rail over an expired contract period, which was not met. Corsa acquired these contractual agreements as a result of the PBS Transaction (as defined in note 29) and at December 31, 2019, a provision of $732 exists for the estimated amount of fees owed to this transportation provider within the next twelve months.

(c) This litigation arose in January 2016 and was related to coal purchase and sale transactions between PBS Coals, Inc. and Lucchini S.p.A. This matter was settled in January 2019, see note 29 for additional information.

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

14. Reclamation and Water Treatment Provision

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

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

	Site Reclamation and Remediation (a)	Water Treatment Obligation (b)	Total
Balance - January 1, 2018	$ 36,124	$ 33,776	$ 69,900
Continuing operations:			
Costs incurred	(4,146)	(2,767)	(6,913)
Change in estimate	978	(4,525)	(3,547)
Accretion expense	748	785	1,533
	(2,420)	(6,507)	(8,927)
Discontinued operations:			
CAPP Division Divestiture	(3,657)	—	(3,657)
Balance - December 31, 2018	$ 30,047	$ 27,269	$ 57,316
Continuing operations:			
Costs incurred	(4,279)	(1,851)	(6,130)
Change in estimate	7,284	(824)	6,460
Accretion expense	796	729	1,525
	3,801	(1,946)	1,855
Balance - December 31, 2019	$ 33,848	$ 25,323	$ 59,171
Less: current portion	(2,143)	(1,276)	(3,419)
Long-Term Reclamation and Water Treatment Provision	$ 31,705	$ 24,047	$ 55,752
Estimated costs (undiscounted cash flow basis)	$ 33,937	$ 25,413	$ 59,350
End of reclamation period	1-20 years	Perpetual	
Discount rate	1.59%-2.22%	1.59%-2.25%	
Inflation rate	2.0%	2.0%	

(a) Site reclamation and remediation

(i) The current portion represents the amount expected to be incurred by the Company within one year from December 31, 2019.

(ii) At December 31, 2019, the Company had $58,716 in surety bonds outstanding to secure reclamation obligations.

(b) Water treatment obligation

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

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

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

The Company was required to establish separate trust funds to ensure water treatment activities would continue after the Company ceased operating in the affected areas. The cash is invested in fixed income and equities and income earned on such funds, under certain circumstances, may be used by the Company to pay for certain water treatment costs once the trust funds have been fully funded. See note 7(a) for a further description of the water treatment trust funds.

The current portion represents the amount expected to be incurred by the Company within one year from December 31, 2019.

15. Redeemable Units

WCE had 897,265,035 membership units outstanding at December 31, 2019. A majority of these membership units are owned by WCH which are eliminated upon consolidation of the financial results of the Company. The remaining membership units of WCE (referred to as "Redeemable Units") are owned by QKGI Legacy Holdings LP ("Legacy QKGI"), an affiliate of Quintana Energy Partners, L.P. and its affiliated investment funds, which entitle them to a pro-rata interest in the net and comprehensive income (loss) and net assets of WCE and are redeemable at the option of Legacy QKGI for cash equal to the product of (i) the number of membership units to be redeemed; and (ii) the 10-day volume weighted average trading price, prior to date of notice of redemption, of the Company's Common Shares. The Company has the option to satisfy the redemption price for the Redeemable Units with Common Shares on a 20 to one basis (i.e., 20 Redeemable Units for one Common Share). The Company is restricted from paying cash to Legacy QKGI for the redemption of Redeemable Units if a balance remains outstanding under the New Credit Facilities. At December 31, 2019 and 2018, Legacy QKGI held 170,316,639 Redeemable Units.

16. Share Capital

The authorized capital of the Company consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares issuable in series, with such rights, privileges, restrictions and conditions as the board of directors of the Company may determine from time to time. At December 31, 2019 and 2018, the Company had 94,759,245 Common Shares outstanding and no preferred shares outstanding. At December 31, 2019 and 2018, Legacy QKGI also owns 170,316,639 Redeemable Units entitling it to a 19% minority interest in the net assets, income and expenses of WCE and which can be redeemed for Common Shares. See note 15 for a description of the redemption mechanism relating to the Redeemable Units.

17. Revenue

Revenue consists of the following:

	For the years ended December 31,	
	2019	**2018**
Metallurgical coal sales	$ 223,642	$ 258,406
Thermal coal sales	883	949
Tolling revenue	6,344	6,498
	$ 230,869	$ 265,853

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

	For the years ended December 31,	
	2019	**2018**
Revenue from contracts with customers	$ 230,386	$ 265,355
Revenue from other sources	483	498
	$ 230,869	$ 265,853

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

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

	For the year ended December 31, 2019			
Geographic Region	**Metallurgical Coal**	**Thermal Coal**	**Tolling Revenue**	**Total**
Asia	$ 132,500	$ —	$ —	$ 132,500
United States	65,022	400	6,344	71,766
South America	24,464	—	—	24,464
Europe	1,656	—	—	1,656
Total revenue from contracts with customers	$ 223,642	$ 400	$ 6,344	$ 230,386

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

18. Cost of Sales

Cost of sales consists of the following:

	For the years ended December 31, 2019	For the years ended December 31, 2018
Mining and processing costs	$ 97,000	$ 76,130
Purchased coal costs	47,358	83,882
Royalty expense	6,968	6,808
Amortization expense	25,961	25,020
Transportation costs from preparation plant to customer	33,475	44,054
Change in estimate of reclamation and water treatment provision	1,190	(3,727)
Idle mine expense	938	1,200
Tolling costs	2,953	2,447
Write-off of advance royalties and other assets	171	38
Other costs	36	988
	$ 216,050	$ 236,840

19. Selling, General and Administrative Expense

Selling, general and administrative expense consists of the following:

	For the years ended December 31, 2019	For the years ended December 31, 2018
Salaries and other compensation	$ 6,262	$ 8,114
Employee benefits	1,406	1,256
Selling expense	3,446	3,843
Professional fees	2,039	4,044
Office expenses and insurance	2,002	2,638
Other	593	712
	$ 15,748	$ 20,607

20. Stock Based Compensation

The Company has a stock option plan and a restricted share unit ("RSU") plan providing for the issuance of stock options and RSUs, respectively, to directors, officers, employees and service providers. The number of Common Shares reserved for issuance under the stock option plan may not exceed 10% of the total number of issued and outstanding Common Shares on a non-diluted basis on the grant date. Additionally, the number of Common Shares that may be acquired under a stock option or RSU granted to a certain participant is determined by the Company's Board of Directors and may not exceed 5% of the total number of issued and outstanding Common Shares on the grant date on a non-diluted basis. The exercise price of the stock options granted shall comply with the requirements of the stock exchange on which the Common Shares are listed (currently the TSX Venture Exchange). The maximum term of any stock option may not exceed five years. Generally, stock options vest over three years. Each RSU granted entitles the participant to receive, from the Company, payment in cash or, at the option of the Company, payment in fully paid Common Shares. For a cash payment, the RSUs will be redeemed by the Company for cash equal to the market value of the Common Shares, determined based on the volume weighted average trading price of a Common Share on the stock exchange during the five trading days immediately preceding the payment date. In the event that the Company elects to satisfy all or part of its payment obligation in fully paid Common Shares, the Company will satisfy the payment obligation with the issuance, or delivery, of fully paid Common Shares on the payment date. No RSUs have been granted, including during the three months and

year ended December 31, 2019 and 2018. At December 31, 2019 and 2018, there were 1,516,977 and 237,518 stock options available for issuance under the stock option plan, respectively.

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

	Number of Stock Options (000's)	Weighted Average Exercise Price (C$)
Balance - January 1, 2018	8,618	$ 1.76
Options granted (a) (b)	2,742	0.92
Options cancelled/forfeited	(1,401)	1.61
Options expired	(721)	3.10
Balance - December 31, 2018	9,238	1.43
Options granted (c)	2,005	0.38
Options cancelled/forfeited	(3,056)	1.45
Options expired	(228)	4.38
Balance - December 31, 2019	7,959	$ 1.08

The following illustrates the stock options granted. These options were valued using a Black-Scholes pricing model at the date granted using the following valuation assumptions:

	(a)	(b)	(c)
Date of Grant:	January 15, 2018	November 7, 2018	November 6, 2019
Options Granted (000's)	55	2,687	2,005
Expected life in years:	2 to 4	2 to 4	2 to 4
Exercise price:	C$1.83	C$0.90	C$0.38
Risk-free interest rate:	1.98% to 2.22%	2.94% to 3.03%	1.59% to 1.61%
Common Share price:	C$1.83	C$0.90	C$0.38
Expected volatility	110% to 121%	66% to 112%	68% to 102%
Dividend yield:	—%	—%	—%
Forfeiture rate:	10.71%	11.16%	12.43%

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

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

The following table summarizes information about the stock options outstanding and exercisable at December 31, 2019:

Exercise Price (C$)	Options Outstanding (000's)	Weighted Average Remaining Contractual Life (years)	Outstanding Weighted Average Exercise Price (C$)	Stock Options Exercisable (000's)	Exercisable Weighted Average Exercise Price (C$)
$0.38	2,005	4.85	$0.38	—	—
$0.90	1,770	3.85	$0.90	590	$0.90
$1.00	1,546	0.86	$1.00	1,546	$1.00
$1.39	15	2.95	$1.39	10	$1.39
$1.40	380	1.38	$1.40	380	$1.40
$1.53	1,313	2.88	$1.53	875	$1.53
$1.83	55	3.04	$1.83	18	1.83
$2.30	825	1.86	$2.30	825	$2.30
$2.40	50	2.18	$2.40	34	$2.40
$0.38 to $2.40	7,959	3.39	$1.43	4,278	$1.40

For the years ended December 31, 2019 and 2018, the Company recorded stock-based compensation expense on the outstanding stock options to selling, general and administrative expense of $675 and $1,527, respectively.

21. Net Finance (Expense) Income

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

	For the years ended December 31,	
	2019	2018
Warrant financial liability	$ —	$ 769
Accretion of discount on loan payable (note 12)	(552)	(1,329)
Accretion of revolving credit facility fees	(52)	—
Bond premium expense	(1,481)	(1,395)
Interest expense	(4,000)	(4,697)
Interest income	140	101
Foreign exchange (loss) gain	(10)	(18)
Accretion on reclamation and water treatment provision (note 14)	(1,525)	(1,533)
Change in market value of restricted cash	4,065	(1,050)
Other	(8)	(134)
	$ (3,423)	$ (9,286)

22. Other Income and Expense

Other income (expense) of the Company included in the consolidated statements of operations and comprehensive income (loss) are summarized below.

	For the years ended December 31,	
	2019	**2018**
A-Seam condemnation judgement	$ 3,426	$ —
Royalty income	947	1,199
Limestone sales	502	344
Filter cake sales	343	82
Gain on property dispositions	332	716
Processing fee liability reversal	—	2,588
Debt extinguishment (note 12)	(1,238)	—
Restructuring charges	(278)	—
Lucchini settlement	(8)	(903)
Lease termination (note 11)	(100)	—
Other	(87)	(34)
	$ 3,839	$ 3,992

A-Seam Condemnation

In December 2014, PBS Coals, Inc. filed a petition with the Court of Common Pleas of Somerset County, Pennsylvania, seeking to convene a State Mining Commission (the "SMC") in order to determine the quantity and value of coal required to be left in place as a result 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. 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 a result of this judgement, PBS Coals, Inc. received $5,123 and paid contingent legal fees of $1,697 related to this settlement.

Processing Fee Liability Adjustment

In December 2018, the Company derecognized a processing fee payable as a result of a detailed review of the preparation plant associated with the liability and concluded that the plant will not meet the tons per hour rate defined in the royalty agreement. As a result of this matter, the royalty agreement permits a reduction of the minimum amount due based on a calculation, which was determined to reduce the minimum payment in full therefore no payment will be required to settle the obligation and the liability was derecognized.

23. Earnings per Share

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

	For the years ended December 31, 2019	For the years ended December 31, 2018
Basic and diluted earnings (loss) attributable to common shareholders		
Continuing operations	$ (2,720)	$ 3,127
Discontinued operations	—	(668)
Total basic and diluted earnings attributable to common shareholders	$ (2,720)	$ 2,459
Basic weighted average number of Common Shares outstanding (000's)	94,759	94,694
Dilutive effect of stock options (000's)	—	1,358
Diluted weighted average number of Common Shares outstanding (000's)	94,759	96,052
Basic earnings per share - continuing operations	$ (0.03)	$ 0.03
Basic loss per share - discontinued operations	—	(0.01)
Basic earnings per share - total	$ (0.03)	$ 0.02
Diluted earnings per share - continuing operations	$ (0.03)	$ 0.03
Diluted loss per share - discontinued operations	—	(0.01)
Diluted earnings per share - total	$ (0.03)	$ 0.02

In periods of net loss, the number of shares used to calculate diluted earnings per share is the same as basic earnings per share; therefore, the effect of the dilutive securities is zero for such periods. For the year ended December 31, 2019, there were no instruments, including stock options, which would result in the issuance of Common Shares whose effect would be dilutive on loss per share.

24. Income Taxes

Rate Reconciliation

Major items causing the Company's income tax rate to differ from the combined federal and provincial statutory rate were as follows:

	For the years ended December 31,	
	2019	**2018**
Net income before income taxes	$ (513)	$ 3,112
Statutory tax rate	26.5%	26.5 %
Expected income tax recovery based on statutory rate	(136)	825
Increase (decrease) resulting from:		
Unrecognized future tax benefits	179	485
Accounting expenses disallowed for tax	613	(1,435)
Alternative minimum tax credit (a)	—	(2,759)
Impact of taxable income passed through to Legacy QKGI (b)	(676)	53
Foreign tax rate differential	20	72
Income tax expense (benefit)	$ —	$ (2,759)
Effective tax rate	—%	(88.7)%

(a) As a result of the Act, the corporate AMT was repealed for tax years beginning after 2017 but before 2022, the AMT credit may offset regular tax liability for any year and is refundable in an amount equal to 50% of the excess of the minimum tax credit for the tax year over the amount of the credit allowable for the year against regular tax liability. As a result of the Act, the Company recognized a benefit of the AMT credit in the amount of $2,759. The Company received $1,379 in the year ended December 31, 2019 and an additional $689 been recognized in accounts receivable, the amount expected to be received within the next twelve months, and $691 continues to be recognized in advance royalties and other assets, the amount expected to be received in future years.

(b) WCE is a limited liability company and is treated as a partnership for U.S. federal and state tax purposes. The taxable income and loss of WCE is passed through to its two partners WCH and Legacy QKGI in proportion to their respective percentage interest in WCE. The current tax expense recognized in the consolidated financial statements includes only the income tax expense of WCH on its share of the taxable income or losses passed through from WCE.

Income tax receivable (payable)

The Company had no income tax payable at December 31, 2019 and 2018 and income tax receivable of $125 at December 31, 2018 which was included in accounts receivable but was received in the year ended December 31, 2019. Additionally, as noted in (b) above, the Company has recognized a receivable related to the AMT credit of $2,759 of which $689 is included in accounts receivable and $691 is included in advance royalties and other assets for the year ended December 31, 2019. For the year ended December 31, 2018, $1,379 is included in accounts receivable and $1,380 is included in advance royalties and other assets related to the refundable credit.

Deferred tax assets and liabilities

	December 31, 2019	December 31, 2018
Deferred tax assets:		
Property, plant and equipment	$ 6	$ 3
Asset retirement obligations	6,627	5,635
Water treatment reserves	7,465	8,000
Intercompany interest expense	3,561	1,484
Accrued expenses	1,691	1,740
Reserve for supply inventory	156	156
Acquisition costs	187	218
Finance expenses	244	137
Loss carry forwards and unused tax credits (i)	51,645	53,527
Other deferred tax assets	151	454
Gross deferred income tax assets	71,733	71,354
Unrecognized tax benefit related to tax losses	(48,497)	(47,024)
Total deferred income tax assets	23,236	24,330
Deferred tax liabilities:		
Property, plant and equipment	(9,702)	(9,646)
Coal reserves	(9,234)	(10,343)
Mine development costs	(3,410)	(3,907)
Unrealized foreign exchange gain	(162)	(162)
Finance expenses	—	(191)
Other deferred tax liabilities	(728)	(81)
Total deferred income tax liabilities	(23,236)	(24,330)
Net deferred tax assets (liabilities) (ii)	$ —	$ —

i. At December 31, 2019 and 2018, the Company had Canadian non-capital losses of $9,391 and $7,219, respectively. At December 31, 2019 and 2018, the Company had United States non-capital losses of $187,903 and $194,406, respectively, expiring between 2020 and 2038 for which no deferred income tax assets had been recognized.

ii. Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Corsa and its subsidiaries file income tax returns in Canada and in the United States. Currently, an examination is underway in relation to Corsa's October 22, 2015, December 31, 2015 and 2016 Canadian tax returns. The Company believes that these examinations will conclude without any material adjustments.

25. Supplemental Cash Flow Information

	For the years ended December 31,	
	2019	2018
Change in working capital balances related to operations:		
Accounts receivable	$ (100)	$ (3,633)
Prepaid expenses and other current assets	1,672	3,013
Inventories	2,352	5,951
Accounts payable and accrued liabilities	(7,064)	(11,527)
Deferred revenue	—	—
Other liabilities	(3,569)	(544)
	$ (6,709)	$ (6,740)
Cash paid for interest	$ 3,932	$ 4,697
Cash paid (received) for income taxes	$ (1,546)	$ —
Noncash investing and financing activities:		
CAPP Division Divestiture		
Change in assets	$ —	$ (11,730)
Change in liabilities	$ —	$ (11,730)
Lease liabilities		
Change in assets	$ 2,829	$ 3,074
Change in liabilities	$ 2,829	$ 3,074
Notes payable - vendor finance		
Change in assets	$ —	$ 417
Change in liabilities	$ —	$ 417
Purchase of property, plant and equipment		
Change in assets	$ (400)	$ 400
Change in liabilities	$ (400)	$ 400
Change in estimate of reclamation liability		
Change in assets	$ 5,271	$ 180
Change in liabilities	$ 5,271	$ 180

26. Related Party Transactions

Related party transactions include any transactions with employees, other than amounts earned as a result of their employment, transactions with companies that employees or directors either control or have significant influence over, transactions with companies who are under common control with the Company's controlling shareholder, Quintana Energy Partners L.P. ("QEP") and transactions with close family members of key management personnel. Related party activities which took place before the completion of the CAPP Division Divestiture on March 13, 2018 are reflected in the amounts below. Post-divestiture, Kopper Glo Mining, LLC is considered a related party as key management of QEP have significant influence over this entity. As such, transactions with Kopper Glo Mining, LLC after March 13, 2018 are considered related party transactions and reflected in the amounts below.

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

	For the years ended December 31,	
	2019	**2018**
Royalties and property taxes (a)	$ —	$ 185
Supplies purchase (b)	189	402
Equipment servicing fees (c)	—	1,185
Purchased coal (d)	74	10,121
	$ 263	$ 11,893

(a) During the year ended December 31, 2018, the Company paid royalties and property taxes to WPP, LLC, a subsidiary of Natural Resource Partners L.P., which is commonly controlled by QEP, for coal extracted from mineral properties where the surface or mineral right of the specific property are leased by the Company and owned by the related party. This amount was included in net and comprehensive loss from discontinued operations, net, in the consolidated statements of operations and comprehensive income (loss). No related party royalties and property taxes were paid during the year ended December 31, 2019.

(b) During the years ended December 31, 2019 and 2018, the Company purchased supplies used in the coal separation process from Quality Magnetite, which is significantly influenced by key management personnel of QEP. During the year ended December 31, 2019, amounts purchased by the NAPP Division totaled $189 and were included in cost of sales in the consolidated statements of operations and comprehensive income (loss). During the year ended December 31, 2018, amounts purchased by the NAPP Division, totaled $395. Additionally, amounts purchased by the CAPP Division totaled $7 and were included in net and comprehensive loss from discontinued operations, net, in the consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2018.

(c) During the year ended December 31, 2018, subsequent to the completion of the CAPP Division Divestiture, the Company purchased services to rebuild a continuous haulage system from Kopper Glo Mining, LLC, which is 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 year ended December 31, 2018, the Company purchased coal from Smoky Mountain Coal Company, a company considered 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 year ended December 31, 2018. These amounts were reflected in net and comprehensive loss from discontinued operations, net in the consolidated statements of operations and comprehensive income (loss). Subsequent to the completion of the CAPP Division Divestiture, the Company purchased coal from Kopper Glo Mining, LLC, which is now considered a related party as it is significantly influenced by key management personnel of QEP. For the year ended December 31, 2019, the Company recognized $74 in cost of sales in the consolidated statements of operations and comprehensive income (loss). For the year ending December 31, 2018, the Company recognized $8,971 in cost of sales in the consolidated statements of operations and comprehensive income (loss) related to these coal purchases.

Included in accounts payable and accrued liabilities at December 31, 2018 was $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 December 31, 2019. Included in accounts receivable at December 31, 2019 is $10 related to tax withholdings paid by the Company on behalf of QEP, which are to be reimbursed. These amounts are unsecured and non-interest bearing.

27. Key Management Personnel

Key management personnel are comprised of executives, directors and senior management of the Company. The following is a summary of compensation awarded to key management personnel for the periods presented.

	For the years ended December 31,	
	2019	2018
Salaries and short-term benefits	$ 2,452	$ 2,396
Post-employment benefits	92	55
Share-based payments	405	1,140
	$ 2,949	$ 3,591

Other Employee Benefits

The Company has a personal retirement savings plan available to all employees. The Company contributes 3% and 1% of each 1% that the employee contributes up to 3% of employee contributions, for a total Company contribution of up to 6%. Total Company contributions to this 401(k) plan were $1,495 and $1,047 for the years ended December 31, 2019 and 2018, respectively.

28. Segment Disclosures

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

NAPP is a distinct operating segment based on its metallurgical coal operations and location in the U.S. along the Northern Appalachia coal belt. The Company's corporate office provides support and manages the mining investments. The amounts charged for transactions between reportable segments were measured at the exchange value, which represented the amount of consideration established and agreed to by the reportable segments.

	For the year ended December 31, 2019		
	NAPP	**Corporate**	**Total**
Revenues	$ 230,869	$ —	$ 230,869
Cost of sales	(215,923)	(127)	(216,050)
Gross margin	14,946	(127)	14,819
Selling, general and administrative expenses	(11,376)	(4,372)	(15,748)
Income (loss) from operations	3,570	(4,499)	(929)
Net finance income (expense)	371	(3,794)	(3,423)
Other income (expense)	5,468	(1,629)	3,839
Income (loss) before tax	9,409	(9,922)	(513)
Current income tax (benefit) expense	—	—	—
Deferred income tax expense	—	—	—
Provision for income taxes	—	—	—
Net income (loss) from continuing operations	9,409	(9,922)	(513)
Net loss from discontinued operations, net	—	—	—
Net income (loss)	$ 9,409	$ (9,922)	$ (513)

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

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

	For the year ended December 31, 2019			For the year ended December 31, 2018		
	USA	Canada	Total	USA	Canada	Total
Revenue	$ 230,869	$ —	$ 230,869	$ 265,853	$ —	$ 265,853
Net income (loss) from continuing operations	$ 2,022	$ (2,535)	$ (513)	$ 9,892	$ (4,021)	$ 5,871

	At December 31, 2019			At December 31, 2018		
	USA	Canada	Total	USA	Canada	Total
Non-current assets	$ 220,800	$ —	$ 220,800	$ 227,672	$ —	$ 227,672
Total assets	$ 269,254	$ 72	$ 269,326	$ 283,215	$ 85	$ 283,300

The NAPP Division had five customers which accounted for 19%, 15%, 14%, 12% and 10%, respectively, of total NAPP revenue for the year ended December 31, 2019 and four customers which accounted for 19%, 19%, 12% and 11%, respectively, of total NAPP revenue for the year ended December 31, 2018.

29. Commitments and Contingencies

Litigation

In January 2016, Italian steel company, Lucchini S.p.A. ("Lucchini"), filed a claim (the "Lucchini Claim") for $52,000 against PBS Coals, Inc. in the Livorno (Italy) Tribunal. The Lucchini Claim arose from coal purchase and sale transactions between PBS Coals, Inc., as seller, and Lucchini, as purchaser. The transactions all occurred between November 2010 and April 2012, before Corsa acquired PBS Coals, Inc. in August 2014 (the "PBS Transaction"). The Lucchini Claim alleged that during the relevant time period, both PBS Coals, Inc. and Lucchini were owned and/or controlled by OAO Severstal and/or entities controlled by Alexey Mordashov (the "Mordashov Group"). According to the Lucchini Claim, among other things; (i) PBS Coals, Inc. sold Lucchini $52,000 of coal between October 2010 and November 2011; (ii) under Italian law, insolvent companies, such as Lucchini, may claw back payments from a group of companies without regard to value given; (iii) Lucchini was insolvent at all relevant times; (iv) PBS Coals, Inc. was part of the OAO Severstal/ Mordashov Group at all relevant times; (v) PBS Coals, Inc.'s knowledge of the insolvency can be imputed, and (vi) PBS Coals, Inc. had actual knowledge of the insolvency.

In January 2019, PBS Coals, Inc. settled the Lucchini Claim for a cash payment of $2,500 and legal fees and other expenses of $211.

Miscellaneous Litigation

The Company and its subsidiaries are also parties to a number of other lawsuits arising in the ordinary course of their businesses. The Company records costs relating to these matters when a loss is probable and the amount can be reasonably estimated. The effect of the outcome of these matters on the Company's future results of operations cannot be predicted with certainty as any such effect depends on future results of operations and the amount and timing of the resolution of such matters. While the results of litigation cannot be predicted with certainty, the Company believes that the final outcome of such other litigation will not have a material adverse effect on the Company's consolidated financial statements.

Redevelopment Assistance Capital Award

In September 2016, the Company was notified that it was awarded $3,000 in funding under the Pennsylvania Redevelopment Assistance Capital Program to develop an underground coal mine in Somerset County subject to certain conditions, including but not limited to: (i) completing the Redevelopment Assistance application; (ii) confirmation that at least 50% of the required non-state funds necessary to complete the project are secured at the time of application; (iii) execution of a grant agreement; and (iv) commencement of construction within six months of the final grant agreement. Once all the conditions have been met, the grant will be released on a periodic basis and the Company will be reimbursed for certain expenditures. In June 2018, the Company received notification that the conditions of the grant had been met and recognized a reduction to property, plant and equipment. The Company received 95% of the grant, or $2,850, in July 2018. The remaining 5%, or $150 was received in the third quarter of 2019.

Contingent Receivable - A Seam Condemnation

In addition to the SMC proceeding which was settled in December 2019, see note 22 for additional details, PBS Coals, Inc. also filed five Petitions for the Appointment of Board of Viewers for the determination of all damages suffered by PBS Coals, Inc. other than for the loss of support coal, each Petition for a different property in which PBS held a leasehold interest at the time of condemnation by the Pennsylvania Department of Transportation ("PennDOT") or at the time when the coal was taken but no Declaration of Taking was filed by PennDOT. Three of the cases involve Declarations of Taking filed by PennDOT, also known as De Jure Condemnations, and two of the properties involve De Facto Takings, where no Declaration of Taking was filed by PennDOT but the coal was in effect taken by actions relating to the construction of the road. In one of the De Facto cases, the issue of whether or not a taking occurred has been resolved in favor of PBS by the Pennsylvania Commonwealth Court, but the matter is before the Pennsylvania Supreme Court for review. In the second De Facto Taking case, the matter is awaiting a hearing on that issue. As to the three De Jure Taking cases, further proceedings are awaiting a decision by the Pennsylvania Supreme Court in the prior referenced case, which involves issues that will affect the proceedings in the three De Jure Condemnation cases. A ruling by the Pennsylvania Supreme Court is expected in 2020. As such, the Company has not recognized this contingent receivable and cannot provide a reasonable estimate for the potential magnitude of these claims.

30. Subsequent Events

Surety Bond Matter

Subsequent to December 31, 2019, in connection with the renewal of a permit required for a refuse area that is necessary to continue operations, the Pennsylvania Department of Environmental Protection advised the Company that a new $6,700 mining and reclamation bond would be required prior to any such renewal. As a result of this request, the Company's current surety bond provider, which has issued approximately $59,000 of reclamation and other bonds, requested a substantial increase in the restricted cash posted as collateral against these bonds as well as the new bond. Due to the request for additional collateral, the Company has entered into an agreement with a new surety bond provider to replace all of its existing reclamation and other bonds, as well as to issue the new bond. The new agreement will require the transfer of the existing collateral of $5,000, an initial deposit of $1,000 and quarterly installment payments of $250 to increase the level of cash collateral over time to reach the target set by the new surety of 25% of the issued bond amount.

COVID-19

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The current COVID-19 pandemic is significantly impacting the global economy and commodity and financial markets. The full extent and impact of the COVID-19 pandemic is unknown, and rapidly evolving, and to date included extreme volatility in financial markets, a slowdown in economic activity, extreme volatility in commodity prices and has raised the prospect of an extended global recession. In addition, many state and local governments in the U.S. are instituting measures designed to decrease the spread of the virus. If the impacts of the COVID-19 outbreak, including the decrease in economic activity or restrictions on certain business activities, continue for an extended period of time or worsen, it could have an impact on the demand for metallurgical coal and/or business activities, which would have a material adverse effect on our business, financial condition, cash flows and results of operations.