



Corsa Coal Corp.
Management's Discussion and Analysis
March 31, 2020

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For the three months ended March 31, 2020

The purpose of the Corsa Coal Corp. (“Corsa” or the “Company”) Management’s Discussion and Analysis (“MD&A”) for the three months ended March 31, 2020 is to provide a narrative explanation of Corsa’s operating and financial results for the period, Corsa’s financial condition at the end of the period and Corsa’s future prospects. This MD&A is intended to be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020 and 2019 and the related notes thereto and the audited consolidated financial statements for the years ended December 31, 2019 and 2018 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020 and 2019 have been prepared in accordance with IFRS 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). Unless otherwise indicated, all dollar amounts in this MD&A are expressed in United States dollars, all tonnage amounts are short tons (2,000 pounds per ton) and all amounts are shown in thousands. Pricing and cost per ton information is expressed on a free on board (“FOB”) mine site basis. Please refer to “Cautionary Statement Regarding Forward-Looking Statements” and “Cautionary Statement Regarding Certain Measures of Performance.” This MD&A is dated as of May 6, 2020.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain information set forth in this MD&A contains “forward-looking statements” and “forward-looking information” (collectively, “forward looking statements”) under applicable securities laws. Except for statements of historical fact, certain information contained herein relating to projected sales, coal prices, coal production, mine development, the capacity and recovery of Corsa’s preparation plants, expected cash production costs, geological conditions, future capital expenditures and expectations of market demand for coal, constitutes forward-looking statements which include management’s assessment of future plans and operations and are based on current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as “estimates”, “expects”, “anticipates”, “believes”, “projects”, “plans”, “capacity”, “hope”, “forecast”, “anticipate”, “could” and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause Corsa’s actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: risks that the actual production or sales for the 2020 fiscal year will be less than projected production or sales for this period; risks that the prices for coal sales will be less than projected; liabilities inherent in coal mine development and production; geological, mining and processing technical problems; inability to obtain required mine licenses, mine permits and regulatory approvals or renewals required in connection with the mining and processing of coal; risks that Corsa’s preparation plants will not operate at production capacity during the relevant period, unexpected changes in coal quality and specification; variations in the coal mine or preparation plant recovery rates; dependence on third party coal transportation systems; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in commodity prices and exchange rates; changes in the regulations in respect to the use, mining and processing of coal; changes in regulations on refuse disposal; the effects of competition and pricing pressures in the coal market; the oversupply of, or lack of demand for, coal; inability of management to secure coal sales or third party purchase contracts; currency and interest rate fluctuations; various events which could disrupt operations and/or the transportation of coal products, including labor stoppages, severe weather conditions, public health crises and government regulations that are implemented to address them; the demand for and availability of rail, port and other transportation services; the ability to purchase third party coal for processing and delivery under purchase agreements; the ability to resolve litigation and similar matters involving the Company and/or its assets; the ability to pay down indebtedness; and management’s ability to anticipate and manage the foregoing factors and risks. The forward-looking statements and information contained in this MD&A are based on certain assumptions regarding, among other things, coal sales being consistent with expectations; future prices for coal; future currency and exchange rates; Corsa’s ability to generate sufficient cash flow from operations and access capital markets to meet its future obligations; the regulatory framework representing royalties, taxes and environmental matters in the countries in which Corsa conducts business; coal production levels; Corsa’s ability to retain qualified staff and equipment in a cost-efficient manner to meet its demand; and Corsa being able to execute its program of operational improvement and initiatives. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The reader is cautioned not to place undue reliance on forward-looking statements. Corsa does not undertake to update any of the forward-looking statements contained in this MD&A unless required by law. The statements as to Corsa’s capacity to produce coal are no assurance that it will achieve these levels of production or that it will be able to achieve these sales levels.

CAUTIONARY STATEMENT REGARDING CERTAIN MEASURES OF PERFORMANCE

This MD&A presents certain measures, including “EBITDA”; “Adjusted EBITDA”; “realized price per ton sold”; “cash production cost per ton sold”; “cash cost per ton sold”; and “cash margin per ton sold”, that are not recognized measures under IFRS. This data may not be comparable to data presented by other coal producers. For a definition and reconciliation of these measures to the most directly comparable financial information presented in the consolidated financial statements prepared in accordance with IFRS, see Non-GAAP Financial Measures starting on page 18 of this MD&A. The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in performing year-over-year comparisons. However, these non-GAAP measures should be considered together with other data prepared in accordance with IFRS, and these measures, taken by themselves, are not necessarily indicative of operating costs or cash flow measures prepared in accordance with IFRS.

SCIENTIFIC AND TECHNICAL INFORMATION

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE FIRST QUARTER ENDED MARCH 31, 2020

- Corsa reported net and comprehensive loss of \$5.8 million, or \$0.06 per share attributable to shareholders, for the first quarter 2020, compared to income of \$3.0 million, or \$0.02 per share attributable to shareholders, for the first quarter 2019.
- Corsa's net and comprehensive loss includes a non-cash adjustment of \$4.1 million related to market value declines in the restricted cash investments of the Company's water treatment trusts which was primarily the result of market losses related to the COVID-19 pandemic.
- Corsa's adjusted EBITDA⁽¹⁾ was \$6.4 million for the three months ended March 31, 2020 compared to \$9.2 million for the three months ended March 31, 2019. Corsa's EBITDA⁽¹⁾ was \$1.3 million for the three months ended March 31, 2020 compared to \$9.5 million for the three months ended March 31, 2019.
- Cash production cost per ton sold⁽¹⁾ was \$71.12 for the first quarter 2020, a decrease of \$12.09 per ton, or 15%, as compared to the first quarter 2019.
- Cash flows provided by operating activities for the three months ended March 31, 2020 were \$8.3 million compared to \$5.7 million for the three months ended March 31, 2019.
- Total revenues for the three months ended March 31, 2020 were \$46.7 million compared to \$57.3 million for the three months ended March 31, 2019.
- Low volatile metallurgical coal sales tons, comprised of "Company Produced" tons and "Value Added Services" purchased coal tons, were 414,326 in the first quarter 2020 compared to 358,854 in the first quarter 2019. In the first quarter 2020, Corsa sold a total of 34,587 "Sales and Trading" purchased coal tons, which are treated as pass-through from a profitability perspective, compared to 49,982 tons in the first quarter 2019.
- Corsa achieved an average realized price per ton of metallurgical coal sold⁽¹⁾ of \$90.49 for all metallurgical qualities in the first quarter 2020 compared to \$116.47 in the first quarter 2019. This average realized price for the first quarter 2020 is the approximate equivalent of \$133 to \$138 on an FOB vessel basis.⁽²⁾ For the first quarter 2020, Corsa's sales mix included 34% of sales to domestic customers and 66% of sales to international customers.
- In April 2020, certain wholly-owned subsidiaries of Corsa, as borrowers, entered into loan agreements with KeyBank National Association ("KeyBank") for an aggregate amount of approximately \$8.4 million under the Paycheck Protection Program, which amounts are guaranteed by the U.S. Small Business Administration Paycheck Protection Program and are expected to be fully or substantially forgiven under the terms of the Paycheck Protection Program. For further details see the Liquidity and Capital Resources section of this MD&A.

⁽¹⁾ This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" starting on page 18 of this MD&A.

⁽²⁾ Similar to most U.S. metallurgical coal producers, Corsa reports sales and costs per ton on an FOB mine site basis and denominated in short tons. Many international metallurgical coal producers report prices and costs on a delivered-to-the-port basis (or "FOB vessel basis"), thereby including freight costs between the mine and the port. Additionally, Corsa reports sales and costs per short ton, which is approximately 10% lower than a metric ton. For the purposes of this figure, we have used an illustrative freight rate of \$30-\$35 per short ton. Historically, freight rates rise and fall as market prices rise and fall. As a note, most published indices for metallurgical coal report prices on a delivered-to-the-port basis and denominated in metric tons.

BUSINESS OVERVIEW

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

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

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

NAPP Division

Mines

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

Preparation Plants

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

Growth Projects

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

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

COAL PRICING TRENDS AND OUTLOOK

Price levels opened the first quarter at \$141/metric ton (“mt”) delivered-to-the-port based (“FOBT”) for spot deliveries of Australian premium low volatile metallurgical coal and closed the quarter at \$148/mt FOBT. The quarterly average price for the first quarter of 2020 was \$155/mt FOBT for Australian premium low volatile metallurgical coal, compared to \$140/mt FOBT in the fourth quarter of 2019, and traded in a range from a high of \$164/mt FOBT to a low of \$141/mt FOBT.

Average spot market pricing for metallurgical coal in April 2020 was \$130/mt FOBT, with the month opening at a high of \$145/mt FOBT and closing at a low of \$109/mt FOBT. Price volatility is expected as the metallurgical coal market responds to changes in both supply and demand across different geographical areas resulting from the workforce restrictions and economic impacts of the COVID-19 pandemic. Due to the uncertainty of the global business impact of COVID-19 on both metallurgical coal supply and demand, on March 30, 2020, Corsa suspended the provision of additional commentary regarding expectations for 2020 metallurgical coal prices. Metallurgical coal supply, demand and pricing outlook commentary will be resumed when deemed appropriate by the Company.

The World Steel Association reported that, through March 2020, global crude steel production fell by 1.4% in the first quarter of 2020 versus the first quarter of 2019. However, the report cautioned that the number could be revised in the next update due to the impact of the COVID-19 pandemic on those reporting production data. For the first quarter, production was up 1.2% in China and 9.6% in Turkey and was down 1.0% in the U.S., 2.4% in Japan and 5.3% in India. Crude steel production from the European Union and Brazil were down 10.0% and 7.0%, respectively. Regionally, Asia, which includes China and India, decreased by 0.3%, North America decreased by 4.0% and South America decreased by 7.1%. For the first three months of the year, the World Steel Association reported that global crude steel production was up in January by 2.1%, up in February by 2.1% and down in March by 6.0% when compared to the same months in 2019. When comparing the month of March 2020 to March 2019, crude steel production was down 20.4% in the European Union, 9.4% in South America, 9.4% in North America and 4.1% in Asia. Individual country comparisons of March 2020 to March 2019 show Turkey up 4.1% with India down 13.9%, Japan down 9.7%, Brazil down 8.2%, the U.S. down 6.0% and China down 1.7%.

The most recent global steel demand forecast for 2020 was provided by the World Steel Association in October 2019 before the COVID-19 outbreak and therefore does not reflect its impact on the global steel market. Due to the COVID-19 pandemic, the World Steel Association will not publish a Short Range Outlook until June 2020. Future demand for metallurgical coal and the availability of supply will be impacted by, among other things, country specific and regional efforts to contain and control the spread of the COVID-19 virus, the economic stimulus activities of each country and global organizations and the operating status and capabilities of our customers and competitors. Additional information regarding global steel demand and production will be provided in the future as it becomes available.

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

See “Risk Factors” in the Company’s annual information form dated March 30, 2020 for the year ended December 31, 2019 for an additional discussion regarding certain factors that could impact coal pricing trends and outlook, as well as the Company’s ongoing operations.

FINANCIAL AND OPERATIONAL RESULTS

(in thousands)	For the three months ended March 31,		
	2020	2019	Variance
Revenue	\$ 46,725	\$ 57,334	\$ (10,609)
Cost of sales	(45,083)	(49,902)	4,819
Gross margin	1,642	7,432	(5,790)
Selling, general and administrative expense	(2,109)	(4,555)	2,446
(Loss) income from operations	(467)	2,877	(3,344)
Net finance expense	(5,424)	(368)	(5,056)
Other income	102	493	(391)
(Loss) income before tax	(5,789)	3,002	(8,791)
Income tax (benefit)	—	—	—
Net and comprehensive (loss) income	\$ (5,789)	\$ 3,002	\$ (8,791)
Diluted (loss) earnings per share	\$ (0.06)	\$ 0.02	\$ (0.08)

Operations Summary

(in thousands)	For the three months ended		
	March 31,		
	2020	2019	Variance
Coal sold - tons			
NAPP - metallurgical coal	449	409	40
Realized price per ton sold ⁽¹⁾			
NAPP - metallurgical coal	\$ 90.49	\$ 116.47	\$ (25.98)
Cash production cost per ton sold ⁽¹⁾⁽²⁾			
NAPP - metallurgical coal	\$ 71.12	\$ 83.21	\$ 12.09
Cash cost per ton sold ⁽¹⁾⁽³⁾			
NAPP - metallurgical coal	\$ 71.61	\$ 86.18	\$ 14.57
Cash margin per ton sold ⁽¹⁾			
NAPP - metallurgical coal	\$ 18.88	\$ 30.29	\$ (11.41)
EBITDA ⁽¹⁾			
NAPP	\$ 2,177	\$ 11,415	\$ (9,238)
Corporate	(856)	(1,897)	1,041
Total	<u>\$ 1,321</u>	<u>\$ 9,518</u>	<u>\$ (8,197)</u>
Adjusted EBITDA ⁽¹⁾			
NAPP	\$ 7,161	\$ 10,460	\$ (3,299)
Corporate	(769)	(1,276)	507
Total	<u>\$ 6,392</u>	<u>\$ 9,184</u>	<u>\$ (2,792)</u>

(1) This is a non-GAAP financial measure. See “Non-GAAP Financial Measures” starting on page 18 of this MD&A.

(2) Cash production cost per ton sold excludes purchased coal. This non-GAAP Financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 18 of this MD&A.

(3) Cash cost per ton sold includes purchased coal. This non-GAAP Financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 18 of this MD&A.

REVIEW OF FIRST QUARTER FINANCIAL RESULTS

(in thousands)	For the three months ended March 31, 2020		
	NAPP	Corporate	Consolidated
Revenue	\$ 46,725	\$ —	\$ 46,725
Cost of sales	(45,083)	—	(45,083)
Gross margin	1,642	—	1,642
Selling, general and administrative expense	(1,299)	(810)	(2,109)
Income (loss) from operations	343	(810)	(467)
Net finance expense	(4,990)	(434)	(5,424)
Other income (expense)	103	(1)	102
(Loss) income before tax	(4,544)	(1,245)	(5,789)
Income tax (benefit)	—	—	—
Net and comprehensive loss	\$ (4,544)	\$ (1,245)	\$ (5,789)

(in thousands)	For the three months ended March 31, 2019		
	NAPP	Corporate	Consolidated
Revenue	\$ 57,334	\$ —	\$ 57,334
Cost of sales	(49,871)	(31)	(49,902)
Gross margin	7,463	(31)	7,432
Selling, general and administrative expense	(2,883)	(1,672)	(4,555)
Income (loss) from operations	4,580	(1,703)	2,877
Net finance income (expense)	681	(1,049)	(368)
Other income	493	—	493
Income (loss) before tax	5,754	(2,752)	3,002
Income tax expense (benefit)	—	—	—
Net and comprehensive income (loss)	\$ 5,754	\$ (2,752)	\$ 3,002

(in thousands)	Dollar variance for the three months ended March 31, 2020 versus 2019		
	NAPP	Corporate	Consolidated
Revenue	\$ (10,609)	\$ —	\$ (10,609)
Cost of sales	4,788	31	4,819
Gross margin	(5,821)	31	(5,790)
Selling, general and administrative expense	1,584	862	2,446
(Loss) income from operations	(4,237)	893	(3,344)
Net finance (expense) income	(5,671)	615	(5,056)
Other expense	(390)	(1)	(391)
(Loss) income before tax	(10,298)	1,507	(8,791)
Income tax (benefit)	—	—	—
Net and comprehensive (loss) income	\$ (10,298)	\$ 1,507	\$ (8,791)

Operating Segments

Corsa's two distinct segments are NAPP and Corporate. The financial results of the continuing operating segments for the three months ended March 31, 2020 and 2019 are as follows:

NAPP Division

Revenue - NAPP Division

(in thousands)	For the three months ended March 31,		
	2020	2019	Variance
Metallurgical coal revenue (at preparation plant)	\$ 40,632	\$ 47,636	\$ (7,004)
Thermal coal revenue (at preparation plant)	165	337	(172)
Transportation revenue	5,531	7,201	(1,670)
Tolling revenue	397	2,160	(1,763)
	<u>\$ 46,725</u>	<u>\$ 57,334</u>	<u>\$ (10,609)</u>

- Metallurgical coal revenue, net of transportation charges, decreased \$7,004 as a result of lower sales prices which caused revenue to decrease by \$11,663; however, the decrease in metallurgical coal revenue was partially offset by increased sales volumes which increased revenue by \$4,659. Metallurgical coal sold was 449 tons and 409 tons for the three months ended March 31, 2020 and 2019, respectively, an increase of 40 tons. Realized price per ton sold decreased \$25.98 primarily due to the decline in the metallurgical coal market.
- Revenue associated with the transportation of coal to the loading terminal or customer decreased \$1,670 as a result of reduced rail rates which was the result of the decline in the metallurgical coal market as well as increased domestic sales where the Company is not responsible for the transportation costs.
- Tolling revenue decreased as a result of processing less third party coal at the preparation plant due to the conclusion of a toll washing contract on December 31, 2019.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the three months ended March 31,		
	2020	2019	Variance
Mining and processing costs	\$ 25,642	\$ 22,050	\$ 3,592
Purchased coal costs	4,777	12,018	(7,241)
Royalty expense	1,901	1,580	321
Amortization expense	6,504	5,462	1,042
Transportation costs from preparation plant to customer	5,531	7,201	(1,670)
Idle mine expense	87	472	(385)
Tolling costs	259	1,069	(810)
Write-off of advance royalties and other assets	432	—	432
Other costs	(50)	19	(69)
	<u>\$ 45,083</u>	<u>\$ 49,871</u>	<u>\$ (4,788)</u>

- Mining and processing costs increased primarily due to additional volumes produced and sold during the three months ended March 31, 2020 as compared to 2019 period. This increase was partially offset by lower costs per ton as a result of improved operating performance at all of the Company's underground and surface mines.
- Purchased coal costs decreased primarily due to reduced volumes of purchased metallurgical coal and lower cost per ton purchased and sold during the three months ended March 31, 2020 as compared to 2019 period.
- Amortization expense increased primarily due to additional Company Produced sales volumes.
- Transportation costs decreased as a result of reduced rail rates which was the result of the decline in the metallurgical coal market as well as increased domestic sales where the Company is not responsible for the transportation costs.
- Tolling costs decreased as a result processing less third party coal at the preparation plant.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the three months ended March 31,		
	2020	2019	Variance
Salaries and other compensations	\$ 730	\$ 1,039	\$ (309)
Employee benefits	196	260	(64)
Selling expense	(143)	897	(1,040)
Professional fees	206	203	3
Office expenses and insurance	225	366	(141)
Other	85	118	(33)
	<u>\$ 1,299</u>	<u>\$ 2,883</u>	<u>\$ (1,584)</u>

- Selling, general and administrative expense related to the NAPP Division decreased primarily due to a reduction in selling expenses for export sales commissions paid to third party agents, a decrease in letter of credit fees as a result of fewer export vessels that required letters of credit and a reduction in staffing levels as a result of various administrative changes that occurred subsequent to the three months ended March 31, 2019.

Net finance expense (income) - NAPP Division

(in thousands)	For the three months ended March 31,		
	2020	2019	Variance
Change in market value of restricted cash expense (income)	\$ 4,138	\$ (1,603)	\$ 5,741
Bond premium expense	368	364	4
Accretion on reclamation provision	281	376	(95)
Interest expense	217	199	18
Interest income	(14)	(20)	6
Other	—	3	(3)
	<u>\$ 4,990</u>	<u>\$ (681)</u>	<u>\$ 5,671</u>

- Net finance expense increased primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds are marked to market on a monthly basis and significant market losses were recognized in the three months ended March 31, 2020 compared to market gains during the 2019 period.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the three months ended March 31,		
	2020	2019	Variance
Salaries and other compensations	\$ 365	\$ 1,083	\$ (718)
Employee benefits	29	75	(46)
Professional fees	282	331	(49)
Office expenses and insurance	122	123	(1)
Other	12	60	(48)
	<u>\$ 810</u>	<u>\$ 1,672</u>	<u>\$ (862)</u>

- Selling, general and administrative expenses decreased primarily due to reduced corporate staffing levels in the 2020 period.

Net finance expense (income) - Corporate Division

Net finance expense (income) consists of the following:

(in thousands)	For the three months ended March 31,		
	2020	2019	Variance
Interest expense	389	824	(435)
Accretion of discount on loan payable	9	229	(220)
Accretion of Revolving Credit Facility fees	36	—	36
Foreign exchange loss	—	3	(3)
Interest income	—	(7)	7
	<u>\$ 434</u>	<u>\$ 1,049</u>	<u>\$ (615)</u>

- Net finance expense decreased in the three months ended March 31, 2020 compared to 2019 period primarily due to the debt refinancing that occurred in August 2019. As a result of this refinancing, the total principal outstanding decreased and the combined interest rate of the new debt under the New Credit Facilities (as defined herein) is lower than the previous debt's rate under the \$25 million senior secured term credit facility between the Company and Sprott Resource Lending Corp., dated August 19, 2014. Also, as a result of the refinancing, the debt discount accretion decreased as a result of expensing the discount associated with the previous debt in August 2019.

FINANCIAL CONDITION

(in thousands)	March 31, 2020	December 31, 2019	Variance
Current assets	\$ 43,286	\$ 48,526	\$ (5,240)
Non-current assets	210,153	220,800	(10,647)
Total assets	<u>\$ 253,439</u>	<u>\$ 269,326</u>	<u>\$ (15,887)</u>
Current liabilities	\$ 30,280	\$ 32,195	\$ (1,915)
Non-current liabilities	77,749	85,973	(8,224)
Total liabilities	<u>\$ 108,029</u>	<u>\$ 118,168</u>	<u>\$ (10,139)</u>
Total equity	<u>\$ 145,410</u>	<u>\$ 151,158</u>	<u>\$ (5,748)</u>

- Current assets decreased primarily due to a reduction in accounts receivable due to increased collections and timing of shipments where the operating cash flows were utilized to reduce the borrowings on the Revolving Credit Facility (as defined herein). Additionally, prepaid expenses and other current assets decreased due to the normal amortization of prepaid insurance and bond premiums.
- Non-current assets decreased as a result of amortization of property, plant and equipment and a decrease in the market value of the restricted cash investments.
- Current liabilities decreased primarily due to the general timing of accounts payable.
- Non-current liabilities decreased primarily due to repayments on the Revolving Credit Facility, the loan payable in connection with the 36th Street Facility (as defined herein) and equipment lease payments.
- Total equity decreased as a result of the net and comprehensive loss that occurred during the period and the impact of stock-based compensation.

LIQUIDITY AND CAPITAL RESOURCES

Our historical sources of cash have been coal sales to customers, processing fees earned, borrowings on the New Credit Facilities since August 16, 2019 and proceeds received from the issuance of securities. Our primary uses of cash have been for funding existing operations, capital expenditures, reclamation and water treatment obligations, water treatment trust funding, debt service costs and professional fees. We expect to fund maintenance capital, debt service, bonding collateral increases and liquidity requirements with cash on hand, projected cash flow from operations and borrowings on the Revolving Credit Facility. Our future spending on growth capital expenditures and development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment and financing availability.

If our cash flows from operations are less than we require, we may need to incur additional debt or issue additional equity. From time to time we may need to access the long-term and short-term capital markets to obtain financing. Although we believe that 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 that are acceptable to us.

(in thousands)	March 31, 2020	December 31, 2019	Variance
Cash	\$ 4,106	\$ 4,296	\$ (190)
Working capital	\$ 13,006	\$ 16,331	\$ (3,325)
Revolving Credit Facility unused availability	\$ 9,271	\$ 6,736	\$ 2,535
Total Debt			
Notes payable	\$ —	\$ 7	\$ (7)
Lease liabilities	3,292	3,521	(229)
Revolving Credit Facility	8,385	14,490	(6,105)
Loan payable	10,239	10,858	(619)
	<u>\$ 21,916</u>	<u>\$ 28,876</u>	<u>\$ (6,960)</u>

Working Capital

Working capital decreased primarily due to increased customer collections and timing of shipments and amortization of prepaid insurance and bond premiums. These decreases were partially offset by general timing of trade payables.

As a result of the various covenants related to the New Credit Facilities, we intend to manage maintenance and growth capital expenditures in order to service the New Credit Facilities and comply with the financial covenants.

There are no legal or practical restrictions on the ability of Corsa's subsidiaries to transfer funds to Corsa or for Corsa to transfer funds to its subsidiaries for liquidity management.

Surety Bond Cash Collateral

In January 2020, 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 previous surety bond provider, which had 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 at a future date as required by the Pennsylvania Department of Environmental Protection. The new agreement required the transfer of the existing collateral of \$5,000, an initial deposit of \$1,000 and requires 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.

Total Debt

Debt decreased as a result of utilizing operating cash flows to reduce the borrowings on the Revolving Credit Facility as well as normal debt service payments related to the loan payable in connection with the 36th Street Facility, note payable and lease liabilities.

Paycheck Protection Program Loan

In connection with the COVID-19 pandemic, the U.S. Small Business Administration ("SBA"), an agency of the U.S. federal government, is administering the Paycheck Protection Program (15 U.S.C. § 636(a)(36)), a loan program designed to incentivize qualifying businesses to keep their workers on payroll. Under the Paycheck Protection Program: (i) loans will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent and utilities (at least 75% of the forgiven amount must be used for payroll), and partially forgiven if full-time equivalent headcount declines, or if salaries and wages decrease; (ii) interest on the loans is charged at 1% and principal and interest payments are to begin seven months from the date of the loan, with a maturity date of two years from the date of the loan; (iii) no collateral is required; (iv) neither the U.S. federal government nor lenders will charge any fees; and (v) the loans are guaranteed by the SBA.

In April 2020, two of Corsa's U.S. subsidiaries, Wilson Creek Holdings, Inc. and Wilson Creek Energy, LLC, entered into loan agreements under the Paycheck Protection Program providing for loans in an aggregate amount of \$8,353. The loan agreements are with KeyBank, as lender, and include standard terms and conditions under the Paycheck Protection Program. The Company intends to use the funds as contemplated under the Paycheck Protection Program and, accordingly, expects the loans to be fully or substantially forgiven.

Cash Flows from Continuing Operations

	For the three months ended		
	March 31,		
	2020	2019	Change
Cash Flows:			
Provided by operating activities	\$ 8,307	\$ 5,718	\$ 2,589
Used in investing activities	(1,527)	(1,509)	(18)
Used in financing activities	(6,970)	(3,978)	(2,992)
(Decrease) increase in cash	(190)	231	(421)
Cash at beginning of period	4,296	10,124	(5,828)
Cash at end of period	<u>\$ 4,106</u>	<u>\$ 10,355</u>	<u>\$ (6,249)</u>

- Cash flow provided by operating activities increased as a result of timing of working capital items in which the 2019 period was impacted by a settlement of a legal obligation as well as reduced reclamation and water treatment activities in the 2020 period due the timing of reclamation projects. These increases were partially offset by a decrease in net and comprehensive income adjusted for non-cash items as a result of the metallurgical coal market decline in the 2020 period.
- Cash used in financing activities increased in the 2020 period as a result of utilizing operating cash flows to reduce the Company's Revolving Credit Facility. This increase in cash used was partially offset by reduced loan payable repayments in connection with the 36th Street Facility as a result of higher principal payments in the 2019 period for the Company's previous loan payable.

Capital Expenditures

The equipment and development added to property, plant and equipment and the cash flow impact (adjusting the increase to property plant and equipment for non-cash transactions) for the three months ended March 31, 2020 were as follows:

	Increase to PP&E	Cash Flow Impact
Maintenance capital expenditures		
Deep mines	\$ 279	\$ 279
Surface mines	77	77
Plant	104	104
Administrative	—	—
	<u>460</u>	<u>460</u>
Growth capital expenditures		
Deep mines	21	21
Surface mines	—	—
Plant	—	—
	<u>21</u>	<u>21</u>
Corporate right-of-use asset	—	—
Total capital expenditures	<u>\$ 481</u>	<u>\$ 481</u>

Corsa's capital expenditures for the three months ended March 31, 2020 were primarily focused on maintenance capital to replace mining equipment. Corsa's future spending on property, plant and equipment at its operations and development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment, compliance with financial covenants and financing availability.

GUIDANCE

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. Given the extreme volatility in financial markets and commodity prices, along with uncertainty regarding the impact thereof on the performance of the Company, the Company does not believe it is appropriate to issue full year guidance at this time for fiscal 2020. The Company will continue to evaluate events and circumstances and will provide guidance when appropriate and as information is available.

DEBT COVENANTS

Corsa has certain covenants it is required to meet under its New Credit Facilities and lease obligations. Certain measures included in the covenant calculations are not readily identifiable from Corsa’s consolidated statements of operations and comprehensive income (loss) or consolidated balance sheets. These measures are considered to be non-GAAP financial measures and, as such, a further description of the covenant calculations is included below. Corsa was in compliance with all covenants at March 31, 2020.

Revolving Credit Facility

The covenants required to be met under the three-year credit and security agreement dated August 16, 2019 between KeyBank, as lender, and certain wholly-owned subsidiaries of the Company, as borrowers (the “Revolving Credit Facility”), are described below. Such measurements are made with reference to the consolidated results of Corsa.

- Minimum Fixed Charge Coverage Ratio⁽¹⁾ of not less than 1.10 to 1.00 (measured quarterly)
 - Capital Expenditures of not more than \$11,000 on an annual basis (measured quarterly)
- (1) Minimum Fixed Charge Coverage Ratio is measured as EBITDA⁽²⁾ *less* the sum of: (i) capital expenditures, (ii) taxes paid, (iii) dividends and distributions, (iv) water treatment and reclamation payments and (v) water treatment trust funding, divided by the sum of (a) interest expense paid in cash *plus* (b) scheduled principal payments on indebtedness.
- (2) EBITDA is defined as the sum of consolidated net and comprehensive income (or loss) *plus* (i) interest expense, (ii) provision for taxes based on income or profits (net of any income tax refunds), (iii) depletion, depreciation and impairment charges, (iv) amortization expense, (v) non-cash stock-based compensation expense, (vi) losses (or minus gains) for such period from the early extinguishment of indebtedness, (vii) transaction expenses, (viii) non-recurring transaction expenses, (ix) non-cash costs (or minus non-cash income) related to a change in estimate of water treatment or reclamation provision, (x) expense (or minus income) related to the change in market value of restricted cash, (xi) accretion expense related to asset retirement obligations and (xii) any other non-cash charges (or minus income) which have been subtracted in calculating net and comprehensive income from continuing operations.

Loan Payable

The covenants required to be met under the lease financing agreement dated August 16, 2019 between Key Equipment Finance, as lessor and assignor, Wilson Creek Holdings, Inc. (“WCH”), as lessee, and the Company along with all of the subsidiaries of WCH, as guarantors (the “36th Street Facility”) include the same covenants as described above related to the Revolving Credit Facility and also include:

- Total debt⁽¹⁾ to EBITDA ratio of not more than 1.50 to 1.00 (measured quarterly)
 - Total adjusted debt⁽²⁾ to EBITDA ratio of not more than 1.20 to 1.00 (measured quarterly)
- (1) Total debt is defined as (a) the outstanding principal amount of all obligations, (b) all purchase money indebtedness, (c) all lease obligations, (d) any indebtedness incurred to finance the acquisition or construction of any fixed assets, (e) the present value of future rental payments under all operating leases and (f) all direct obligations arising under letters of credit, bankers’ acceptances, bank guarantees, surety bonds and similar instruments.
- (2) Total adjusted debt is defined as total debt less any outstanding on the Revolving Credit Facility.

CONTRACTUAL OBLIGATIONS

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

	Carrying Value at March 31, 2020	Payments due by period				
		Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accruals	\$ 20,941	\$ 20,941	\$ 20,941	\$ —	\$ —	\$ —
Lease liabilities	3,292	3,292	986	1,826	480	—
Revolving Credit Facility	8,385	8,385	—	8,385	—	—
Loan payable	10,239	10,353	2,675	6,219	1,459	—
Other liabilities	6,674	6,683	2,301	2,332	2,050	—
Asset retirement obligations - reclamation	33,476	33,476	2,143	4,027	6,595	20,711
Asset retirement obligations - water treatment	25,022	25,022	1,276	2,566	2,578	18,602
Purchase order firm commitments	—	958	958	—	—	—
Water treatment trust funding	—	839	468	371	—	—
Reclamation bond restricted cash deposits	—	9,778	1,750	2,000	2,000	4,028
Operating leases and other obligations	—	25	20	5	—	—
Total	\$ 108,029	\$ 119,752	\$ 33,518	\$ 27,731	\$ 15,162	\$ 43,341

NON-GAAP FINANCIAL MEASURES

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

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

Management uses the following non-GAAP financial measures:

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

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

EBITDA and Adjusted EBITDA for the three months ended March 31, 2020 and 2019

(in thousands)	For the three months ended March 31, 2020			For the three months ended March 31, 2019		
	NAPP	Corp.	Total	NAPP	Corp.	Total
Net and comprehensive income (loss) from continuing operations	\$ (4,544)	\$ (1,245)	\$ (5,789)	\$ 5,754	\$ (2,752)	\$ 3,002
Add (Deduct):						
Amortization expense	6,504	—	6,504	5,462	31	5,493
Interest expense	217	389	606	199	824	1,023
Income tax benefit	—	—	—	—	—	—
EBITDA	2,177	(856)	1,321	11,415	(1,897)	9,518
Add (Deduct):						
Write-off of advance royalties and other assets	432	—	432	—	—	—
Stock-based compensation	—	41	41	—	321	321
Net finance (income) expense, excluding interest expense	4,773	45	4,818	(880)	225	(655)
Gain on disposal of assets	—	—	—	(71)	—	(71)
Other (income) costs	(221)	1	(220)	(4)	75	71
Adjusted EBITDA	\$ 7,161	\$ (769)	\$ 6,392	\$ 10,460	\$ (1,276)	\$ 9,184

Realized price per ton sold for the three months ended March 31, 2020 and 2019

(in thousands except per ton amounts)	For the three months ended March 31, 2020			For the three months ended March 31, 2019		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Revenue	\$ 46,560	\$ 165	\$ 46,725	\$ 56,918	\$ 416	\$ 57,334
Add (Deduct):						
Tolling revenue	(397)	—	(397)	(2,160)	—	(2,160)
Transportation costs from preparation plant to customer	(5,531)	—	(5,531)	(7,122)	(79)	(7,201)
Net coal sales (at preparation plant)	\$ 40,632	\$ 165	\$ 40,797	\$ 47,636	\$ 337	\$ 47,973
Coal sold - tons	449	4	453	409	6	415
Realized price per ton sold (at preparation plant)	\$ 90.49	\$ 41.25	\$ 90.06	\$ 116.47	\$ 56.17	\$ 115.60

Cash cost per ton sold, cash production cost per ton sold, and cash cost per sales and trading purchased coal per ton sold for the three months ended March 31, 2020 and 2019

(in thousands except per ton amounts)	For the three months ended March 31, 2020			For the three months ended March 31, 2019		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Cost of Sales:						
Mining and processing costs	\$ 25,480	\$ 162	\$ 25,642	\$ 21,803	\$ 247	\$ 22,050
Purchased coal costs	4,774	3	4,777	11,866	152	12,018
Royalty expense	1,901	—	1,901	1,580	—	1,580
Total cash costs of tons sold	\$ 32,155	\$ 165	\$ 32,320	\$ 35,249	\$ 399	\$ 35,648
Total tons sold	449	4	453	409	6	415
Cash cost per ton sold (at preparation plant)	\$ 71.61	\$ 41.25	\$ 71.35	\$ 86.18	\$ 66.50	\$ 85.90
Total cash costs of tons sold	\$ 32,155	\$ 165	\$ 32,320	\$ 35,249	\$ 399	\$ 35,648
Less: Sales and Trading purchased coal	(4,774)	—	(4,774)	(11,866)	—	(11,866)
Cash cost of produced coal sold	\$ 27,381	\$ 165	\$ 27,546	\$ 23,383	\$ 399	\$ 23,782
Tons sold - produced	385	4	389	281	6	287
Cash production cost per ton sold (at preparation plant)	\$ 71.12	\$ 41.25	\$ 70.81	\$ 83.21	\$ 66.50	\$ 82.86
Sales and Trading purchased coal	\$ 4,774	\$ —	\$ 4,774	\$ 11,866	\$ —	\$ 11,866
Tons sold - Sales and Trading	64	—	64	128	—	128
Cash cost per Sales and Trading purchased coal per ton sold (at preparation plant)	\$ 74.59	\$ —	\$ 74.59	\$ 92.70	\$ —	\$ 92.70

Cash margin per ton sold for the three months ended March 31, 2020 and 2019

	For the three months ended March 31, 2020			For the three months ended March 31, 2019		
	NAPP	NAPP	Total	NAPP	NAPP	Total NAPP
	Met	Thermal		Met	Thermal	
Realized price per ton sold (at preparation plant)	\$ 90.49	\$ 41.25	\$ 90.06	\$ 116.47	\$ 56.17	\$ 115.60
Cash cost per ton sold (at preparation plant)	\$ 71.61	\$ 41.25	\$ 71.35	\$ 86.18	\$ 66.50	\$ 85.90
Cash margin per ton sold	\$ 18.88	\$ —	\$ 18.71	\$ 30.29	\$ (10.33)	\$ 29.70

OUTSTANDING SHARE DATA

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

	Number of Common Shares
Common Shares issued and outstanding	94,759,245
Common Shares issuable upon exercise of stock options	7,276,634
Common Shares issuable upon redemption of Redeemable Units	8,515,831
Total	110,551,710

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

SUMMARY OF QUARTERLY RESULTS

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

(in thousands except per share amounts)	Quarter Ended			
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Revenue from continuing operations	\$ 46,725	\$ 52,476	\$ 58,085	\$ 62,974
Net and comprehensive (loss) income	\$ (5,789)	\$ (8,151)	\$ 1,033	\$ 3,603
Earnings (loss) per share:				
Basic	\$ (0.06)	\$ (0.09)	\$ 0.01	\$ 0.03
Diluted	\$ (0.06)	\$ (0.09)	\$ 0.01	\$ 0.03

(in thousands except per share amounts)	Quarter Ended			
	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Revenue from continuing operations	\$ 57,334	\$ 66,513	\$ 61,561	\$ 57,331
Net and comprehensive income (loss)	\$ 3,002	\$ 10,273	\$ (1,470)	\$ (4,889)
Earnings (loss) per share:				
Basic	\$ 0.02	\$ 0.09	\$ (0.02)	\$ (0.05)
Diluted	\$ 0.02	\$ 0.09	\$ (0.02)	\$ (0.05)

The most recent quarters commencing with the third quarter of 2019 reflect the impact of a weakening of the metallurgical coal market and price environment coupled with significant mark-to-market adjustments related to the Company's restricted cash investments due primarily to the market reaction of the COVID-19 pandemic for the three months ended March 31, 2020. With the lower sales prices, the Company took steps to reduce general and administrative costs and the performance of the Company's mines have improved, although these cost decreases and the mines' performance improvements were not able to completely offset the decline in revenue.

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.

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

	For the three months ended	
	March 31,	
	2020	2019
Supplies purchase (a)	\$ 27	\$ 120
Purchased coal (b)	—	74
	<u>\$ 27</u>	<u>\$ 194</u>

- (a) During the three months ended March 31, 2020 and 2019, the Company purchased supplies used in the coal separation process from Quality Magnetite, which is significantly influenced by key management personnel of QEP. These amounts were included in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss).
- (b) During the three months ended March 31, 2019, the Company purchased coal from Kopper Glo Mining, LLC, which is considered a related party as it is significantly influenced by key management personnel of QEP. This amount was recognized in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss).

Included in accounts payable and accrued liabilities at March 31, 2020 was \$27 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 March 31, 2020 and December 31, 2019 is \$30 and \$10, respectively, 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.

CRITICAL ACCOUNTING ESTIMATES

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

Property, plant and equipment

The useful life of property, plant and equipment is based on management's best estimate of the useful life at the time of acquisition. The useful lives are reviewed at least annually or when other changes or circumstances warrant this review. The useful lives impact the amortization expense recorded in the 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.

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.

Reclamation provision estimates

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

Water treatment provision estimates

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

Impairment of long-term assets

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 cash generating unit ("CGU") which is calculated as the higher of the CGU's value in-use and fair value less costs of disposal.

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

Evaluation of exploration and evaluation costs

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

Deferred income tax assets

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

CHANGES IN ACCOUNTING POLICIES

Future accounting pronouncements

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company’s financial instruments consist of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, notes payable, lease liabilities, Revolving Credit Facility, loan payable in connection with the 36th Street Facility and other liabilities.

Financial risk management

The Company is exposed, in varying degrees, to a variety of financial instrument related risks as described below.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. These deposit accounts are held with high credit quality institutions in Canada and the United States. Restricted cash consists of certificates of deposit and interest-bearing securities invested with highly rated financial institutions.

Customer credit risk is managed by the Company’s established policy, procedures and control relating to customer credit risk management. The Company trades only with recognized creditworthy third parties who are subject to credit verification procedures, and often times are backed by letters of credit or trade credit insurance. In addition, outstanding receivable balances are regularly monitored on an ongoing basis. The Company has not recorded any allowance for credit losses for the three months ended March 31, 2020 and 2019.

At March 31, 2020 and December 31, 2019, the Company had eight and seven customers, respectively, that owed the Company more than \$1,000 each and accounted for approximately 98% and 94%, respectively, of total accounts receivable. There were no customers with a balance greater than \$10,000 at March 31, 2020 and December 31, 2019. At March 31, 2020 and December 31, 2019, 84% and 89%, respectively, of the Company’s total accounts receivables were covered by letters of credit and other forms of credit insurance.

Commodity Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At March 31, 2020, the Company had a consolidated cash balance of \$4,106, consolidated working capital of \$13,006 and availability under the Revolving Credit Facility of \$9,271. 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. The Company plans to utilize expected operating cash flows to service the Company’s debt obligations.

If our cash flows from operations are less than we require, we may need to incur additional debt or issue additional equity. From time-to-time we may need to access the long-term and short-term capital markets to obtain financing. Although we believe we can currently finance our operations on acceptable terms and conditions, our access to, and the availability of, financing on acceptable terms and conditions in the future will be affected by many factors, including the liquidity of the overall capital markets, the current state of the global economy and restrictions in our existing debt agreements and any other future debt agreements. There can be no assurance that we will have or continue to have access to the capital markets on terms acceptable to us.

Fair Value

The estimated fair values of all financial instruments approximate their respective carrying values except for the loan payable in connection with the 36th Street Facility. The loan payable is carried at amortized cost and the carrying amount and fair value is presented below:

	March 31, 2020		December 31, 2019	
	Carrying		Carrying	
	Amount	Fair Value	Amount	Fair Value
Loan payable - 36 th Street Facility	\$ 10,239	\$ 10,441	\$ 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% at March 31, 2020 and December 31, 2019. 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.

	March 31, 2020		December 31, 2019	
	Level 1	Level 2	Level 1	Level 2
Cash	\$ 4,106	\$ —	\$ 4,296	\$ —
Restricted cash	33,609	—	37,166	—
	<u>\$ 37,715</u>	<u>\$ —</u>	<u>\$ 41,462</u>	<u>\$ —</u>

At March 31, 2020 and December 31, 2019, the Company had no financial instruments which used Level 3 fair value measurements.

ADDITIONAL INFORMATION

Additional information regarding Corsa, including its annual information form dated March 30, 2020, is available under Corsa's profile at www.sedar.com.