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**Corsa Coal Corp.**  
**Management's Discussion and Analysis**  
**March 31, 2021**

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**Management’s Discussion and Analysis**  
**For the three months ended March 31, 2021**

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, 2021 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, 2021 and 2020 and the related notes thereto and the audited consolidated financial statements for the years ended December 31, 2020 and 2019 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, 2021 and 2020 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 5, 2021.

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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: 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, 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 19 of this MD&A. The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in performing year-over-year comparisons. However, these non-GAAP measures should be considered together with other data prepared in accordance with IFRS, and these measures, taken by themselves, are not necessarily indicative of operating costs or cash flow measures prepared in accordance with IFRS.

## **SCIENTIFIC AND TECHNICAL INFORMATION**

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

## FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

- Corsa reported net and comprehensive loss of \$4.4 million, or \$(0.05) per share attributable to shareholders, for the three months ended March 31, 2021 compared to a loss of \$5.8 million, or \$(0.06) per share attributable to shareholders, for the three months ended March 31, 2020.
- Corsa's adjusted EBITDA<sup>(1)</sup> was \$0.1 million for the three months ended March 31, 2021 compared to \$6.4 million for the three months ended March 31, 2020. Corsa's EBITDA<sup>(1)</sup> was \$0.1 million for the three months ended March 31, 2021 compared to \$1.3 million for the three months ended March 31, 2020.
- Cash production cost per ton sold<sup>(1)</sup> was \$79.15 for the three months ended March 31, 2021, an increase of \$8.03 per ton, or 11%, as compared to the three months ended March 31, 2020.
- Cash flow provided by operating activities was \$1.5 million for the three months ended March 31, 2021 compared to \$8.3 million for the three months ended March 31, 2020.
- Total revenues were \$24.6 million for the three months ended March 31, 2021 compared to \$46.8 million for the three months ended March 31, 2020.
- Low volatile metallurgical coal sales tons, comprised of "Company Produced" tons and "Value Added Services" purchased coal tons, were 251,465 and 6,495, respectively, in the three months ended March 31, 2021 compared to 384,750 and 29,576, respectively, in the three months ended March 31, 2020. In the three months ended March 31, 2021, Corsa did not sell any "Sales and Trading" purchased coal tons, which are treated as pass-through from a profitability perspective, compared to 34,587 tons in the three months ended March 31, 2020.
- Corsa's average realized price per ton of metallurgical coal sold<sup>(1)</sup> was \$86.62 per short ton for all metallurgical qualities in the three months ended March 31, 2021 compared to \$90.49 in the three months ended March 31, 2020. This average realized price for the first quarter 2021 is the approximate equivalent of between \$112 to \$117 per metric ton on an FOB vessel basis<sup>(2)</sup>. For the first quarter 2021, Corsa's sales mix included 68% of sales to domestic customers and 32% of sales to international customers.
- Following the end of the quarter, QKGI Legacy Holdings, LP delivered a notice of redemption in respect of their 170,316,639 Redeemable Units of Wilson Creek Energy, LLC specifying a May 31, 2021 redemption date. The Company will elect to satisfy the redemption by issuing 8,515,831 Common Shares.

<sup>(1)</sup> This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" starting on page 19 of this MD&A.

<sup>(2)</sup> 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 \$25-\$30 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 (the Cambria Plant and the Shade Creek Plant) and has approximately 330 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 (collectively, the "NAPP Mines"). 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 plant 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.

<b>Name</b>	<b>Type of Mine</b>	<b>Status</b>
North Mine Project	Underground	Permitted
Keyser Project	Underground	Permit in Process
A Seam Project	Underground	Permitted

## COAL PRICING TRENDS AND OUTLOOK

Price levels opened the first quarter 2021 at \$102.50/metric ton (“mt”) delivered-to-the-port (“FOBT”) for spot deliveries of Australian premium low volatile metallurgical coal and closed the quarter at \$112.50/mt FOBT. The quarterly average price for the first quarter of 2021 was \$127.14/mt FOBT for Australian premium low volatile metallurgical coal, compared to \$108.20/mt FOBT in the fourth quarter of 2020, and traded in a range from a high of \$160.50/mt FOBT to a low of \$102.00/mt FOBT. April 2021 spot market pricing opened the month at \$112.50/mt FOBT, and as of mid-April were \$110.00/mt FOBT with trades in a range from a high of \$114.00/mt FOBT to a low of \$110.00 /mt FOBT for an average price of \$110.89 /mt FOBT.

The World Steel Association reported that through March, global crude steel production increased by 10.0% in 2021 versus 2020 with China up 15.6%, India up 10.4%, Turkey up 9.5%, Brazil up 6.2% and Russia up 4.4%. Steel production decreases were reported for the U.S. (6.3%) and Japan (1.7%). Regionally, Asia and Oceania, which includes China and India, increased by 13.2%, South America increased by 7.1%, the EU increased by 3.1% and North America decreased by (5.2%). Hot-rolled steel coil prices rose significantly in 2020 and continued to improve through the first quarter of 2021. Increased vaccinations, government stimulus programs and the potential impacts from increased infrastructure spending in the U.S. are driving improved economic activities and fueling growth both domestically and in various international countries. From the beginning of 2021 through mid-April, hot-rolled steel coil prices rose 44%, 42% and 34% in Northern Europe, the U.S. and China, respectively.

The World Steel Association Short Range Outlook released in April 2021 forecasted that steel demand will increase by 5.8% in 2021 versus 2020 and increase by 2.7% in 2022 over 2021. Global steel demand in 2021 is expected to exceed 2019 levels by over 6%, driven primarily by Chinese increases compared to 2019. Chinese steel demand is expected to increase by 3.0% in 2021 as compared to 2020 and remain flat in 2022. Excluding China, steel demand from the rest of the world will increase by 9.3% in 2021 and increase by 4.7% in 2022. Regionally, the collective demand from the United States, Canada and Mexico is forecasted to increase by 7.6% in 2021 and increase by 4.6% in 2022; demand from the European Union is forecasted to increase by 10.2% in 2021 and increase by 4.8% in 2022; the collective demand from Asia and Oceania (excluding China) is forecasted to increase by 10.2% in 2021 and increase by 5.1% in 2022; and the collective demand from Central and South America is forecasted to increase by 10.6% in 2021 and increase by 4.2% in 2022.

After opening the second quarter of 2021 at \$112.50/mt FOBT, the forward curve for the second quarter of 2021 according to the TSI index is trading near \$120/mt FOBT with May and June at \$118.00/mt FOBT and \$124.00/mt FOBT, respectively. Forward curve pricing for 2021 and 2022 is showing pricing the low \$130s to upper \$140s/mt FOBT range. Increased global steel demand and increased global steel production are improving the demand for metallurgical coal and driving prices up as production resumes and supply slowly returns. Trade tensions between China and Australia continue to impact the supply and demand balance of the seaborne metallurgical coal market and resulted in changing dynamics and trade routes for U.S. east coast metallurgical coal shipments. Domestic metallurgical coal consumption remains steady and according to the U.S. Energy Information Administration (the “EIA”), coking coal consumption is forecasted to be 15.3 million tons in 2021 as compared to 14.5 million ton in 2020 and 18 million tons in 2019. The EIA also reported that 2021 metallurgical coal exports are expected to increase by to 48.5 million tons, or a 15% increase over the 42.1 million tons of metallurgical coal exported in 2020. Due to the continued uncertainty of the COVID-19 pandemic, the price volatility experienced in the first quarter of 2021 is expected to continue in the near term but will give way to improved, stabilized prices as COVID-19 related restrictions are loosened and economic recoveries take hold.

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 CO<sub>2</sub>, 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 3, 2021 for the year ended December 31, 2020 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,		
	2021	2020	Variance
Revenue	\$ 24,619	\$ 46,841	\$ (22,222)
Cost of sales	(26,316)	(45,182)	18,866
Gross (loss) margin	(1,697)	1,659	(3,356)
Selling, general and administrative expense	(2,029)	(2,109)	80
Loss from operations	(3,726)	(450)	(3,276)
Finance expense	(1,332)	(5,438)	4,106
Finance income	401	14	387
Other income	224	85	139
Loss before tax	(4,433)	(5,789)	1,356
Income tax expense	—	—	—
Net and comprehensive loss	<u>\$ (4,433)</u>	<u>\$ (5,789)</u>	<u>\$ 1,356</u>
Diluted loss per share	<u>\$ (0.05)</u>	<u>\$ (0.06)</u>	<u>\$ 0.01</u>

## Operations Summary

(in thousands)	For the three months ended		
	March 31,		
	2021	2020	Variance
Coal sold - tons			
NAPP - metallurgical coal	258	449	(191)
Realized price per ton sold <sup>(1)</sup>			
NAPP - metallurgical coal	\$ 86.62	\$ 90.49	\$ (3.87)
Cash production cost per ton sold <sup>(1)(2)</sup>			
NAPP - metallurgical coal	\$ 79.15	\$ 71.12	\$ (8.03)
Cash cost per ton sold <sup>(1)(3)</sup>			
NAPP - metallurgical coal	\$ 79.08	\$ 71.61	\$ (7.47)
Cash margin per ton sold <sup>(1)</sup>			
NAPP - metallurgical coal	\$ 7.54	\$ 18.88	\$ (11.34)
EBITDA <sup>(1)</sup>			
NAPP	\$ 1,090	\$ 2,177	\$ (1,087)
Corporate	(1,005)	(856)	(149)
Total	<u>\$ 85</u>	<u>\$ 1,321</u>	<u>\$ (1,236)</u>
Adjusted EBITDA <sup>(1)</sup>			
NAPP	\$ 852	\$ 7,161	\$ (6,309)
Corporate	(731)	(769)	38
Total	<u>\$ 121</u>	<u>\$ 6,392</u>	<u>\$ (6,271)</u>

(1) This is a non-GAAP financial measure. See “Non-GAAP Financial Measures” starting on page 19 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 19 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 19 of this MD&A.



## REVIEW OF FIRST QUARTER FINANCIAL RESULTS

(in thousands)	For the three months ended March 31, 2021		
	NAPP	Corporate	Consolidated
Revenue	\$ 24,619	\$ —	\$ 24,619
Cost of sales	(26,316)	—	(26,316)
Gross loss	(1,697)	—	(1,697)
Selling, general and administrative expense	(1,101)	(928)	(2,029)
Loss from operations	(2,798)	(928)	(3,726)
Finance expense	(843)	(489)	(1,332)
Finance income	399	2	401
Other income	224	—	224
Loss before tax	(3,018)	(1,415)	(4,433)
Income tax expense	—	—	—
Net and comprehensive loss	\$ (3,018)	\$ (1,415)	\$ (4,433)

(in thousands)	For the three months ended March 31, 2020		
	NAPP	Corporate	Consolidated
Revenue	\$ 46,841	\$ —	\$ 46,841
Cost of sales	(45,182)	—	(45,182)
Gross margin	1,659	—	1,659
Selling, general and administrative expense	(1,299)	(810)	(2,109)
Income (loss) from operations	360	(810)	(450)
Finance expense	(5,004)	(434)	(5,438)
Finance income	14	—	14
Other income (expense)	86	(1)	85
Loss before tax	(4,544)	(1,245)	(5,789)
Income tax expense (benefit)	—	—	—
Net and comprehensive loss	\$ (4,544)	\$ (1,245)	\$ (5,789)

(in thousands)	Dollar variance for the three months ended March 31, 2021 versus 2020		
	NAPP	Corporate	Consolidated
Revenue	\$ (22,222)	\$ —	\$ (22,222)
Cost of sales	18,866	—	18,866
Gross loss	(3,356)	—	(3,356)
Selling, general and administrative expense	198	(118)	80
Loss from operations	(3,158)	(118)	(3,276)
Finance expense	4,161	(55)	4,106
Finance income	385	2	387
Other (loss) income	138	1	139
Income (loss) before tax	1,526	(170)	1,356
Income tax expense	—	—	—
Net and comprehensive income (loss)	\$ 1,526	\$ (170)	\$ 1,356

## 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, 2021 and 2020 are as follows:

### NAPP Division

#### *Revenue - NAPP Division*

<b>(in thousands)</b>	<b>For the three months ended March 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>Variance</b>
Metallurgical coal revenue (at preparation plant)	\$ 22,347	\$ 40,632	\$ (18,285)
Thermal coal revenue (at preparation plant)	788	165	623
Transportation revenue	1,310	5,531	(4,221)
Tolling revenue	30	397	(367)
Limestone sales	144	116	28
	<u>\$ 24,619</u>	<u>\$ 46,841</u>	<u>\$ (22,222)</u>

- Metallurgical coal revenue, net of transportation charges, decreased \$18,285 as a result of reduced sales volumes, which decreased revenue by \$17,284, and lower sales prices which caused revenue to decrease by \$1,001. Metallurgical coal sold was 258 tons and 449 tons for the three months ended March 31, 2021 and 2020, respectively, a decrease of 191 tons, primarily due to the operational reductions that were implemented as a result of the market decline. Realized price per ton sold decreased \$3.87 due to the continued weakness in the metallurgical coal market.
- Revenue associated with the transportation of coal to the loading terminal or customer decreased \$4,221 as a result of the Company not shipping any export tons directly to the customer in the 2021 period.
- Tolling revenue decreased as a result of processing less third-party coal at the preparation plant due to production being idled at the third-party mine.

#### *Cost of sales - NAPP Division*

Cost of sales consists of the following:

<b>(in thousands)</b>	<b>For the three months ended March 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>Variance</b>
Mining and processing costs	\$ 18,851	\$ 25,642	\$ (6,791)
Purchased coal costs	1,058	4,777	(3,719)
Royalty expense	1,239	1,901	(662)
Amortization expense	3,849	6,504	(2,655)
Transportation costs from preparation plant to customer	1,310	5,531	(4,221)
Idle mine expense	152	87	65
Tolling costs	19	259	(240)
Limestone costs	168	99	69
Change in estimate of reclamation and water treatment provision	—	—	—
Write-off of advance royalties and other assets	—	432	(432)
Other costs	(330)	(50)	(280)
Total cost of sales	<u>\$ 26,316</u>	<u>\$ 45,182</u>	<u>\$ (18,866)</u>

- Mining and processing costs decreased primarily due to a reduction in the produced volumes sold during the three months ended March 31, 2021 compared to the 2020 period as a result of the operational changes implemented due to

the continued weakness in the metallurgical coal market. This decrease was partially offset by higher produced costs per ton sold in the 2021 period due to geological conditions at one of our underground mines.

- As a result of the export market weakness, purchased coal costs decreased primarily due to reduced volumes of metallurgical coal purchased during the three months ended March 31, 2021 as compared to 2020 period.
- Royalty expense decreased due primarily to the reduction in the produced volumes sold as well as the lower sales price per ton sold during the three months ended March 31, 2021 as compared to the 2020 period.
- Amortization expense decreased due primarily to the reduction in the produced volumes sold during the three months ended March 31, 2021 as compared to the 2020 period.
- Transportation costs decreased as a result of the Company not shipping any export tons directly to the customer in the 2021 period.

*Selling, general and administrative expense - NAPP Division*

Selling, general and administrative expense consists of the following:

<b>(in thousands)</b>	<b>For the three months ended March 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>Variance</b>
Salaries and other compensations	\$ 522	\$ 730	\$ (208)
Employee benefits	146	196	(50)
Selling expense	110	(143)	253
Professional fees	95	206	(111)
Office expenses and insurance	175	225	(50)
Other	53	85	(32)
	<u>\$ 1,101</u>	<u>\$ 1,299</u>	<u>\$ (198)</u>

- Selling, general and administrative expense related to the NAPP Division decreased primarily due to various staffing changes that occurred subsequent to the three months ended March 31, 2020 and lower legal expenses. These decreases were partially offset by increased selling expenses due to an expense reversal for commissions that were not subject to be paid in the three months ended March 31, 2020.

*Finance expense - NAPP Division*

<b>(in thousands)</b>	<b>For the three months ended March 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>Variance</b>
Change in market value of restricted investments expense	\$ —	\$ 4,138	\$ (4,138)
Bond premium expense	448	368	80
Accretion on reclamation and water treatment provision	136	281	(145)
Interest expense	259	217	42
	<u>\$ 843</u>	<u>\$ 5,004</u>	<u>\$ (4,161)</u>

- Finance expense decreased primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds are marked to market on a monthly basis and market losses were recognized in the three months ended March 31, 2020 compared to market gains in the three months ended March 31, 2021, which are reflected in finance income.

Finance (income) - NAPP Division

(in thousands)	For the three months ended March 31,		
	2021	2020	Variance
Change in market value of restricted investments (income)	\$ (399)	\$ —	\$ (399)
Interest income	—	(14)	14
	<u>\$ (399)</u>	<u>\$ (14)</u>	<u>\$ (385)</u>

- Finance income 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 increased market gains were recognized in the three months ended March 31, 2021.

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,		
	2021	2020	Variance
Salaries and other compensations	\$ 280	\$ 365	\$ (85)
Employee benefits	22	29	(7)
Professional fees	437	282	155
Office expenses and insurance	76	122	(46)
Other	113	12	101
	<u>\$ 928</u>	<u>\$ 810</u>	<u>\$ 118</u>

- Selling, general and administrative expenses increased primarily due to increased legal fees associated with the independent investigation related to a matter involving a former sales agent of the Company and increased board committee fees.

## FINANCIAL CONDITION

<b>(in thousands)</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>Variance</b>
Current assets	\$ 42,778	\$ 42,514	\$ 264
Non-current assets	164,902	167,638	(2,736)
Total assets	<u>\$ 207,680</u>	<u>\$ 210,152</u>	<u>\$ (2,472)</u>
Current liabilities	\$ 24,395	\$ 20,416	\$ 3,979
Non-current liabilities	99,964	102,019	(2,055)
Total liabilities	<u>\$ 124,359</u>	<u>\$ 122,435</u>	<u>\$ 1,924</u>
Total equity	<u>\$ 83,321</u>	<u>\$ 87,717</u>	<u>\$ (4,396)</u>

- Current assets increased primarily due to an increase in coal inventory as a result of timing of coal production and sales and an increase in accounts receivable due to timing of shipments. These increases were partially offset by a reduction in cash.
- Non-current assets decreased due to the amortization of property, plant and equipment.
- Current liabilities increased due to the general timing of accounts payable.
- Non-current liabilities decreased primarily due to repayments the loan payable in connection with the 36<sup>th</sup> Street Facility (as defined below), equipment lease payments and reclamation and water treatment 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 Credit Facilities (as defined below) since August 16, 2019, borrowings under the U.S. Small Business Administration's Paycheck Protection Program (the "Paycheck Protection Program") in April 2020, borrowings on the Main Street Facility (as defined below) in December 2020 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 (as defined below). 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 cash flows from operations are less than required, the Company may need to incur additional debt or issue additional equity. From time-to-time the Company may need to access the long-term and short-term capital markets to obtain financing. Although the Company believes it can currently finance its operations on acceptable terms and conditions, the Company's 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 the Company's existing debt agreements and any other future debt agreements. There can be no assurance that the Company will have or continue to have access to the capital markets on acceptable terms.

<b>(in thousands)</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>Variance</b>
Cash	\$ 22,467	\$ 24,480	\$ (2,013)
Working capital	\$ 18,383	\$ 22,098	\$ (3,715)
Revolving Credit Facility unused availability	\$ 3,963	\$ 3,390	\$ 573
<b>Total Debt</b>			
Lease liabilities	\$ 3,843	\$ 4,181	\$ (338)
Revolving Credit Facility	—	—	—
Loan payable - 36 <sup>th</sup> Street Facility	6,396	8,282	(1,886)
Loan payable - Main Street Facility	24,539	24,306	233
Paycheck Protection Program loans payable	1,126	1,126	—
	<u>\$ 35,904</u>	<u>\$ 37,895</u>	<u>\$ (1,991)</u>

### Working Capital

Working capital decreased primarily due to the general timing of trade payables and a decrease in cash as a result of an additional principal payment required under the 36<sup>th</sup> Street Facility. These decreases were partially offset by an increase in coal inventory and trade payables due to timing of shipments.

As a result of the various covenants related to the Main Street Facility and the Credit Facilities, the Company intends to manage maintenance and growth capital expenditures in order to service the Main Street Facility and Credit Facilities and comply with their financial covenants.

The Main Street Facility contains covenants that would restrict the ability to pay dividends, make distributions as well as restrictions on the ability of certain of the Company's subsidiaries, as borrowers under the facility, to transfer funds to the Company, although Corsa does not anticipate the need to receive funds from its U.S. subsidiaries for the purposes of liquidity management.

### Total Debt

Debt decreased as a result of scheduled debt service payments related to the loan payable in connection with the 36th Street Facility and lease liabilities. An additional principal payment of \$1,190 was required to be made in the three months ended March 31, 2021 as a result of the annual equipment appraisal covenant.

## **Cash Flows from Continuing Operations**

	For the three months ended		
	March 31,		
	2021	2020	Change
Cash Flows:			
Provided by operating activities	\$ 1,501	\$ 8,307	\$ (6,806)
Used in investing activities	(1,282)	(1,527)	245
Used in financing activities	(2,232)	(6,970)	4,738
(Decrease) in cash	(2,013)	(190)	(1,823)
Cash at beginning of period	24,480	4,296	20,184
Cash at end of period	<u>\$ 22,467</u>	<u>\$ 4,106</u>	<u>\$ 18,361</u>

- Cash flow from operating activities decreased during the three months ended March 31, 2021 compared to the 2020 period primarily due to the continued weakness in the metallurgical coal market.
- Cash used in investing activities was lower for the three months ended March 31, 2021 compared to the 2020 period due to reduced restricted cash deposits and reduced capital expenditures.
- Cash used in financing activities was lower for the three months ended March 31, 2021 compared to the 2020 period as a result of not utilizing the Revolving Credit Facility. The Company repaid \$6,105 of Revolving Credit Facility borrowings in the three months ended March 31, 2020. This decrease was partially offset by an additional principal payment under the 36<sup>th</sup> Street Facility of \$1,190 in 2021 period.

### *Contingent Liability - Sales Agent Matter*

In September 2020, the Company learned that an overseas third-party sales agent had been charged in an overseas jurisdiction in connection with allegedly unlawful benefits given to a representative of an overseas customer in relation to the sale of coal from operations of U.S. subsidiaries of the Company. A special committee of the Board of Directors of the Company (the “Special Committee”) was promptly constituted and the Special Committee engaged outside legal counsel to conduct an independent investigation as to whether any employees of the Company or any of its subsidiaries were aware of, or involved in, the alleged conduct and whether any such knowledge or involvement may have given rise to a violation of anti-corruption laws by the Company or any of its subsidiaries. On the basis of preliminary findings resulting from such investigation, which is ongoing, the Company has taken corrective action to minimize risk. At this time, no charges have been brought against the Company or any of its subsidiaries in any jurisdiction. The risks associated with any such charges are uncertain. However, such risks may include resulting fines and penalties, as well as the disgorgement of some of the profits on revenues received from the customer. Due to the preliminary nature of the investigation and limitations on the ability of the Company to collect evidence, the Company’s exposure is difficult to estimate and a reliable range of potential exposure is not presently determinable.

The Company and its subsidiaries are committed to the highest standards of integrity and diligence in their business dealings and to the ethical and legally compliant business conduct by their employees and representatives. Potentially unlawful business conduct is in direct conflict with corporate and compliance policies. The Company will continue the independent investigation of this matter and cooperate with authorities as needed with a view to a prompt and appropriate resolution.

### *Contingent Liability - Environmental Matter*

In January 2021, the Pennsylvania Department of Environmental Protection (the “PaDEP”) issued a compliance order (“C.O.”) which rescinds a permitted right of PBS Coals, Inc. (“PBS”), a wholly-owned subsidiary, to inject water treatment sludge into an adjacent abandoned mine by June 30, 2021. The sludge emanates from a mine drainage treatment system associated with an active coal refuse disposal site. The coal refuse disposal site is included in a water treatment trust. PBS appealed the issuance of the C.O., but its request for temporary relief to stay the effect of the C.O. was denied on March 30, 2021. PBS discontinued its appeal on April 27, 2021. PBS is currently evaluating several alternatives to sludge injection and intends to cease injection by the June 30, 2021 abatement date in the C.O. Due to the preliminary nature of the evaluation process, it is difficult to estimate the cost of alternative disposal methods, but the cost to treat, handle and dispose of the sludge will increase above historical costs. Additionally, the anticipated increase in such costs is expected to increase the total amount required in the trust fund which previously had been fully funded. The exposure for the alternative disposal methods, the anticipated increased contribution to the trust fund, and the scheduling thereof is difficult to estimate, and a reliable range of potential exposure is not presently determinable.

## 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, 2021 were as follows:

	<b>Increase to</b>	<b>Cash Flow</b>
	<b>PP&amp;E</b>	<b>Impact</b>
<b>Maintenance capital expenditures</b>		
Deep mines	\$ 261	\$ 263
Surface mines	86	86
Plant	35	35
Administrative	—	—
	<u>382</u>	<u>384</u>
<b>Growth capital expenditures</b>		
Deep mines	19	19
Surface mines	—	—
Plant	—	—
	<u>19</u>	<u>19</u>
<b>Total capital expenditures</b>	<u><u>\$ 401</u></u>	<u><u>\$ 403</u></u>

Corsa's capital expenditures for the three months ended March 31, 2021 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. For disclosure regarding Corsa's purchase order firm commitments, relating to the procurement of replacement mining equipment to maintain Corsa's capacity, see "Contractual Obligations".



## DEBT COVENANTS

Corsa has certain covenants it is required to meet under its Main Street Facility and Credit Facilities. 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, 2021.

### Main Street Facility

The covenants required to be met under the facility (the "Main Street Facility") available under the five-year credit agreement dated December 14, 2020 between KeyBank, as lender, and certain wholly-owned subsidiaries of the Company, as borrowers, are described below. Such measurements are made with reference to the consolidated results of Corsa.

- Liquidity, as defined as the sum of unrestricted cash and cash equivalents, above \$6,250.
- Capital Expenditures of not more than \$11,000 on an annual basis.
- If liquidity, at any time, is less than \$6,250, then a trailing twelve month Minimum Fixed Charge Coverage Ratio<sup>(1)</sup> of not less than 1.10 to 1.00 (measured monthly).

<sup>(1)</sup> Minimum Fixed Charge Coverage Ratio is measured as EBITDA<sup>(2)</sup> *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.

<sup>(2)</sup> 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.

### Revolving Credit Facility

The covenants required to be met under the three-year credit and security agreement dated August 16, 2019, as amended on December 18, 2020 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.

- Liquidity, as defined as the sum of unrestricted cash and cash equivalents, above \$6,250.
- Capital Expenditures of not more than \$11,000 on an annual basis.
- If liquidity, at any time, is less than \$6,250, then a trailing twelve month Minimum Fixed Charge Coverage Ratio<sup>(1)</sup> of not less than 1.10 to 1.00 (measured monthly).

<sup>(1)</sup> Minimum Fixed Charge Coverage Ratio is measured as defined under the Main Street Facility above.

### Loan Payable - 36<sup>th</sup> Street Facility

The covenants required to be met under the lease financing agreement dated August 16, 2019, as amended on December 21, 2020 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 "36<sup>th</sup> Street Facility"), and together with the Revolving Credit Facility, (the "Credit Facilities") include the same covenants as described above related to the Main Street Facility and the Revolving Credit Facility. The additional covenants, described below, have been waived so long as the Main Street Facility shall remain in effect.

- Total debt<sup>(1)</sup> to EBITDA ratio of not more than 1.50 to 1.00 (waived so long as the Main Street Facility is still in effect).

- Total adjusted debt<sup>(2)</sup> to EBITDA ratio of not more than 1.20 to 1.00 (waived so long as the Main Street Facility is still in effect).
- (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. 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 Mar. 31, 2021	Payments due by period				
		Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accrued liabilities	\$ 15,138	\$ 15,138	\$ 15,138	\$ —	\$ —	\$ —
Lease liabilities	3,843	3,843	1,393	2,044	406	—
Revolving Credit Facility	—	—	—	—	—	—
Loan payable - 36th Street Facility	6,396	6,478	3,081	3,397	—	—
Loan payable - Main Street Facility	24,539	25,218	—	3,783	21,435	—
Paycheck Protection Program loan payable	1,126	1,126	795	331	—	—
Other liabilities	6,303	6,310	1,383	1,820	1,820	1,287
Asset retirement obligations - reclamation	36,800	36,800	1,229	3,553	3,718	28,300
Asset retirement obligations - water treatment	30,214	30,214	1,417	2,911	2,997	22,889
Purchase order firm commitments	—	351	351	—	—	—
Water treatment trust funding	—	769	769	—	—	—
Reclamation bond restricted cash deposits	—	8,068	1,000	2,000	2,000	3,068
Operating leases and other obligations	—	5	5	—	—	—
<b>Total</b>	<b>\$ 124,359</b>	<b>\$ 134,320</b>	<b>\$ 26,561</b>	<b>\$ 19,839</b>	<b>\$ 32,376</b>	<b>\$ 55,544</b>

## 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.

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, 2021 and 2020**

<b>(in thousands)</b>	<b>For the three months ended March 31, 2021</b>			<b>For the three months ended March 31, 2020</b>		
	<b>NAPP</b>	<b>Corp.</b>	<b>Total</b>	<b>NAPP</b>	<b>Corp.</b>	<b>Total</b>
Net and comprehensive income (loss) from continuing operations	\$ (3,018)	\$ (1,415)	\$ (4,433)	\$ (4,544)	\$ (1,245)	\$ (5,789)
Add (Deduct):						
Amortization expense	3,849	—	3,849	6,504	—	6,504
Interest expense	259	410	669	217	389	606
Income tax expense	—	—	—	—	—	—
EBITDA	1,090	(1,005)	85	2,177	(856)	1,321
Add (Deduct):						
Write-off of advance royalties and other assets	—	—	—	432	—	432
Stock-based compensation	—	37	37	—	41	41
Net finance (income) expense, excluding interest expense	185	77	262	4,773	45	4,818
Gain on disposal of assets	(76)	—	(76)	—	—	—
Other (income) costs	(347)	160	(187)	(221)	1	(220)
Adjusted EBITDA	<u>\$ 852</u>	<u>\$ (731)</u>	<u>\$ 121</u>	<u>\$ 7,161</u>	<u>\$ (769)</u>	<u>\$ 6,392</u>

**Realized price per ton sold for the three months ended March 31, 2021 and 2020**

<b>(in thousands except per ton amounts)</b>	<b>For the three months ended March 31, 2021</b>			<b>For the three months ended March 31, 2020</b>		
	<b>NAPP</b>	<b>NAPP</b>	<b>Total</b>	<b>NAPP</b>	<b>NAPP</b>	<b>Total</b>
	<b>Met</b>	<b>Thermal</b>		<b>Met</b>	<b>Thermal</b>	
Revenue	\$ 23,828	\$ 791	\$ 24,619	\$ 46,676	\$ 165	\$ 46,841
Add (Deduct):						
Tolling revenue	(30)	—	(30)	(397)	—	(397)
Transportation costs from preparation plant to customer	(1,307)	(3)	(1,310)	(5,531)	—	(5,531)
Limestone sales	(144)	—	(144)	(116)	—	(116)
Net coal sales (at preparation plant)	\$ 22,347	\$ 788	\$ 23,135	\$ 40,632	\$ 165	\$ 40,797
Coal sold - tons	258	20	278	449	4	453
Realized price per ton sold (at preparation plant)	<u>\$ 86.62</u>	<u>\$ 39.40</u>	<u>\$ 83.22</u>	<u>\$ 90.49</u>	<u>\$ 41.25</u>	<u>\$ 90.06</u>

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, 2021 and 2020

(in thousands except per ton amounts)	For the three months ended March 31, 2021			For the three months ended March 31, 2020		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Cost of Sales:						
Mining and processing costs	\$ 18,706	\$ 145	\$ 18,851	\$ 25,480	\$ 162	\$ 25,642
Purchased coal costs	457	601	1,058	4,774	3	4,777
Royalty expense	1,239	—	1,239	1,901	—	1,901
Total cash costs of tons sold	\$ 20,402	\$ 746	\$ 21,148	\$ 32,155	\$ 165	\$ 32,320
Total tons sold	258	20	278	449	4	453
Cash cost per ton sold (at preparation plant)	\$ 79.08	\$ 37.30	\$ 76.07	\$ 71.61	\$ 41.25	\$ 71.35
Total cash costs of tons sold	\$ 20,402	\$ 746	\$ 21,148	\$ 32,155	\$ 165	\$ 32,320
Less: Sales and Trading purchased coal	(457)	—	(457)	(4,774)	—	(4,774)
Cash cost of produced coal sold	\$ 19,945	\$ 746	\$ 20,691	\$ 27,381	\$ 165	\$ 27,546
Tons sold - produced	252	20	272	385	4	\$ 389
Cash production cost per ton sold (at preparation plant)	\$ 79.15	\$ 37.30	\$ 76.07	\$ 71.12	\$ 41.25	\$ 70.81
Purchased coal	\$ 457	\$ —	\$ 457	\$ 4,774	\$ —	\$ 4,774
Tons sold - purchased coal	6	—	6	64	—	64
Cash cost per Sales and Trading purchased coal per ton sold (at preparation plant)	\$ 76.17	\$ —	\$ 76.17	\$ 74.59	\$ —	\$ 74.59

Cash margin per ton sold for the three months ended March 31, 2021 and 2020

	For the three months ended March 31, 2021			For the three months ended March 31, 2020		
	NAPP	NAPP	Total	NAPP	NAPP	Total NAPP
	Met	Thermal		Met	Thermal	
Realized price per ton sold (at preparation plant)	\$ 86.62	\$ 39.40	\$ 83.22	\$ 90.49	\$ 41.25	\$ 90.06
Cash cost per ton sold (at preparation plant)	\$ 79.08	\$ 37.30	\$ 76.07	\$ 71.61	\$ 41.25	\$ 71.35
Cash margin per ton sold	\$ 7.54	\$ 2.10	\$ 7.15	\$ 18.88	\$ —	\$ 18.71

## 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.

	<b>Number of Common Shares</b>
Common Shares issued and outstanding	94,759,245
Common Shares issuable upon exercise of stock options	5,206,545
Common Shares issuable upon redemption of Redeemable Units	8,515,831
Total	<u>108,481,621</u>

As of the date of this MD&A, QKGI Legacy Holdings LP, holds 170,316,639 common membership units ("Redeemable Units") of Wilson Creek Energy, LLC, a subsidiary of Corsa. Redeemable Units are redeemable at the option of the holder for cash equal to the product of: (i) the number of Redeemable Units to be redeemed divided by 20, and (ii) the 10-day volume weighted average trading price, prior to the date of notice of redemption, of the Common Shares. The Company has the option to satisfy the redemption price for the Redeemable Units with Common Shares on a 20 to one basis (i.e., 20 Redeemable Units for one Common Share). The Company is restricted from paying cash to the holder for the redemption of Redeemable Units if a balance remains outstanding under the Main Street Facility and Credit Facilities. Following the end of the quarter, QKGI Legacy Holdings, LP delivered a notice of redemption in respect of their 170,316,639 Redeemable Units of Wilson Creek Energy, LLC specifying a May 31, 2021 redemption date. The Company will elect to satisfy the redemption by issuing 8,515,831 Common Shares.

## 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.

	<b>Quarter Ended</b>			
	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>	<b>June 30, 2020</b>
<b>(in thousands except per share amounts)</b>				
Revenue from continuing operations	\$ 24,619	\$ 16,835	\$ 23,586	\$ 41,224
Net and comprehensive loss	\$ (4,433)	\$ (13,042)	\$ (3,579)	\$ (41,313)
Earnings (loss) per share:				
Basic	<u>\$ (0.05)</u>	<u>\$ (0.13)</u>	<u>\$ (0.04)</u>	<u>\$ (0.36)</u>
Diluted	<u>\$ (0.05)</u>	<u>\$ (0.13)</u>	<u>\$ (0.04)</u>	<u>\$ (0.36)</u>
	<b>Quarter Ended</b>			
	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>	<b>June 30, 2019</b>
<b>(in thousands except per share amounts)</b>				
Revenue from continuing operations	\$ 46,841	\$ 52,641	\$ 58,370	\$ 63,501
Net and comprehensive (loss) income	\$ (5,789)	\$ (8,151)	\$ 1,033	\$ 3,603
Earnings (loss) per share:				
Basic	<u>\$ (0.06)</u>	<u>\$ (0.09)</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>
Diluted	<u>\$ (0.06)</u>	<u>\$ (0.09)</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>

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 that was further weakened by the COVID-19 pandemic in the second, third and fourth quarters of 2020 and continued in the first quarter of 2021. In the fourth quarter ended December 31, 2020, the Company recognized a change in estimate of the reclamation and water treatment provision of \$7,513. In the three months ended September 30, 2020, the Company made operational changes to limit coal production and sales in response to the market weakness which resulted in significantly lower revenues. In the three months ended June 30, 2020, the Company also recognized an asset impairment due to the identification of a triggering event as a result of the continued deterioration of both the domestic and export metallurgical coal markets, driven in large part by the COVID-19 pandemic. With the lower sales price expectations, the Company took steps to reduce general and administrative costs and implemented additional operational changes to reduce coal production due to the market conditions.

## RELATED PARTY TRANSACTIONS

Related party transactions include any transactions with employees, other than amounts earned as a result of their employment, transactions with companies that employees or directors either control or have significant influence over, transactions with companies who are under common control with the Company's controlling shareholder, Quintana Energy Partners L.P. ("QEP"), transactions with companies who are under common control of the Company's minority shareholder, Sev.en Met Coal Corp. ("Sev.en") and transactions with close family members of key management personnel.

Transactions with related parties are summarized below:

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
Supplies purchased (a)	\$ 37	\$ 27

- (a) During the three months ended March 31, 2021 and 2020, 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).

Included in accounts payable and accrued liabilities at March 31, 2021 and December 31, 2020 was \$9 and \$18, respectively, due to related parties. Included in accounts receivable at December 31, 2020 was \$166 related to coal sales to Blackhawk Coal Sales, LLC, which is considered a related party as this entity was acquired by the Company's minority shareholder, Sev.en. At December 31, 2020, \$10 was included in accounts receivable related to tax withholdings paid by the Company on behalf of QEP, which were reimbursed in the three months ended March 31, 2021. 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 applicable 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 and investments, accounts receivable, accounts payable and accrued liabilities, lease liabilities, Revolving Credit Facility, loans payable in connection with the Main Street Facility, the 36<sup>th</sup> Street Facility and the Paycheck Protection Program, 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 cash, money market accounts and certificates of deposit. Restricted investments consist of 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, 2021 and 2020.

At March 31, 2021 and December 31, 2020, the Company had three and two customers, respectively, that owed the Company more than \$1,000 each and accounted for approximately 92% and 56%, respectively, of total accounts receivable. At March 31, 2021 and December 31, 2020, none of the Company’s accounts receivables were covered by letters of credit or other forms of credit insurance.

#### *Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include the Main Street loan payable, the Revolving Credit Facility and restricted cash and investments.

#### *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, 2021, the Company had a consolidated cash balance of \$22,467, consolidated working capital of \$18,383 and availability under the Revolving Credit Facility of \$3,963. The future operations of the Company are dependent on the continued generation of positive cash flows from operations which in turn 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 cash flows from operations are less than required, the Company may need to incur additional debt or issue additional equity. From time-to-time the Company may need to access the long-term and short-term capital markets to obtain financing. Although the Company believes it can currently finance its operations on acceptable terms and conditions, the Company's 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 the Company's existing debt agreements and any other future debt agreements. There can be no assurance that the Company will have or continue to have access to the capital markets on acceptable terms.

#### Fair Value

The estimated fair values of all financial instruments approximate their respective carrying values except for the loans payable in connection with the Main Street Facility, the 36<sup>th</sup> Street Facility and the Paycheck Protection Program. The loans payable are carried at amortized cost and the carrying amount and fair value is presented below:

	<b>March 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Loan payable - Main Street Facility	\$ 24,539	\$ 14,238	\$ 24,306	\$ 14,126
Loan payable - 36 <sup>th</sup> Street Facility	6,396	6,327	8,282	8,183
Paycheck Protection Program loan payable	1,126	1,031	1,126	1,003
	<u>\$ 32,061</u>	<u>\$ 21,596</u>	<u>\$ 33,714</u>	<u>\$ 23,312</u>

The fair value of the loan payables were 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 13.5%. Management's estimate of the fair value of the loan payables are classified as level 2 in the fair value hierarchy, as explained below.

#### *Fair value hierarchy*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date.

The fair value hierarchy categorizes into three levels the inputs in valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are those other than quoted market prices in active markets, which are observable for the asset or liability, either directly or indirectly, such as inputs derived from market prices.

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

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
	<u>Level 1</u>	<u>Level 1</u>
Restricted cash	\$ 15,335	\$ 28,257
Restricted investments		
Debt securities	8,453	2,711
Equity securities	16,507	8,452
	<u>24,960</u>	<u>11,163</u>
<b>Total restricted cash and investments</b>	<b><u>\$ 40,295</u></b>	<b><u>\$ 39,420</u></b>

At March 31, 2021 and December 31, 2020, the Company had no financial instruments which used Level 2 or 3 fair value measurements.

#### **ADDITIONAL INFORMATION**

Additional information regarding Corsa, including its annual information form dated March 3, 2021, is available under Corsa's profile at [www.sedar.com](http://www.sedar.com).