



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

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For the year ended December 31, 2020

The purpose of the Corsa Coal Corp. (“Corsa” or the “Company”) Management’s Discussion and Analysis (“MD&A”) for the three months and full year ended December 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 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”). 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 March 3, 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 27 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 AND YEAR ENDED DECEMBER 31, 2020

- Corsa reported net and comprehensive loss of \$13.0 million and \$63.7 million, or \$(0.13) and \$(0.60) per share attributable to shareholders, for the three months and year ended December 31, 2020, respectively, compared to a loss of \$8.2 million and \$0.5 million, or \$(0.09) and \$(0.03) per share attributable to shareholders, for the three months and year ended December 31, 2019, respectively. The year ended December 31, 2020 includes a non-cash adjustment of \$41.7 million related to an asset impairment.
- Corsa's adjusted EBITDA⁽¹⁾ was a loss of \$1.4 million and income of \$4.4 million for the three months and year ended December 31, 2020, respectively, compared to income of \$3.5 million and \$28.9 million for the three months and year ended December 31, 2019, respectively. Corsa's EBITDA⁽¹⁾ was a loss of \$9.2 million and \$41.8 million (impacted by the previously mentioned non-cash impairment) for the three months and year ended December 31, 2020, respectively, compared to income of \$2.5 million and \$29.4 million for the three months and year ended December 31, 2019, respectively.
- Cash production cost per ton sold⁽¹⁾ was \$77.11 for the three months ended December 31, 2020, an increase of \$3.24 per ton, or 4%, as compared to the three months ended December 31, 2019. Cash production cost per ton sold⁽¹⁾ was \$71.24 for the year ended December 31, 2020, a decrease of \$8.14 per ton, or 10%, as compared to the year ended December 31, 2019.
- Cash flow (used in) provided by operating activities were \$(0.2) million and \$10.7 million for the three months and year ended December 31, 2020, respectively, compared to cash flow (used in) provided by operating activities of \$(2.0) million and \$14.7 million for the three months and year ended December 31, 2019, respectively.
- Total revenues were \$16.8 million and \$128.5 million for the three months and year ended December 31, 2020, respectively, compared to \$52.6 million and \$232.1 million for the three months and year ended December 31, 2019, respectively.
- Low volatile metallurgical coal sales tons, comprised of "Company Produced" tons and "Value Added Services" purchased coal tons, were 190,412 and 3,314, respectively, in the three months ended December 31, 2020 and 1,199,034 and 35,933, respectively, for the year ended December 31, 2020 compared to 418,794 and 21,292, respectively, in the three months ended December 31, 2019 and 1,301,244 and 250,638, respectively, for the year ended December 31, 2019. In the three months and year ended December 31, 2020, Corsa sold a total of 360 and 137,023 "Sales and Trading" purchased coal tons, respectively, which are treated as pass-through from a profitability perspective, compared to 68,879 and 281,471 tons, respectively, in the three months and year ended December 31, 2019.
- Corsa's average realized price per ton of metallurgical coal sold⁽¹⁾ was \$82.03 and \$81.77 per short ton for all metallurgical qualities in the three months and year ended December 31, 2020, respectively, compared to \$86.70 and \$103.76 in the three months and year ended December 31, 2019, respectively. This average realized price for the fourth quarter 2020 is the approximate equivalent of between \$112 to \$118 per metric ton on an FOB vessel basis⁽²⁾. For the fourth quarter 2020, Corsa's sales mix included 51% of sales to domestic customers and 49% 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 and at least \$7.2 million is expected to be forgiven under the terms of the Paycheck Protection Program. For further details see the Liquidity and Capital Resources section of this MD&A.
- In December 2020, certain wholly-owned subsidiaries of Corsa, as borrowers, entered into a five-year secured term loan with KeyBank for \$25.0 million through the Main Street Lending 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 27 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 \$20-\$25 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 275 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.

| Name | Type of Mine | Status |
|--------------------|---------------------|-------------------|
| 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 fourth quarter 2020 at \$139.00/metric ton (“mt”) delivered-to-the-port (“FOBT”) for spot deliveries of Australian premium low volatile metallurgical coal and closed the quarter at \$102.50/mt FOBT. The quarterly average price for the fourth quarter of 2020 was \$108.20/mt FOBT for Australian premium low volatile metallurgical coal, compared to \$114.75/mt FOBT in the third quarter of 2020, and traded in a range from a high of \$139.00/mt FOBT to a low of \$97.25/mt FOBT. January 2021 spot market pricing for Australian premium low volatile metallurgical coal opened at \$102.50/mt FOBT, closed the month at \$160.50/mt FOBT and traded in a range from a high of \$160.50/mt FOBT to a low of \$102.00/mt FOBT for an average price of \$124.44/mt FOBT. February 2021 spot market pricing opened the month at \$160.50/mt FOBT, closed the month at \$125.75/mt FOBT and traded in a range from a high of \$160.50/mt FOBT to a low of \$124.75/mt FOBT for an average price of \$143.70/mt FOBT.

The World Steel Association reported that global crude steel production decreased by 0.9% in 2020 versus 2019 with China up 5.2%, Turkey up 6.0% and Russia up 2.6%. Significant decreases were reported for many countries as the COVID-19 pandemic and related restrictions negatively impacted demand and production. Notable steel production decreases were reported for the U.S. (17.2%), Japan (16.2%), India (10.6%), Germany (10.0%), South Korea (6.0%) and Brazil (4.9%). Regionally, the Middle East grew by 2.5%, Asia, which includes China and India, increased by 1.5%, North America decreased by 15.5%, South America decreased by 8.4% and Europe decreased by 5.3%. According to the U.S. Energy Information Administration, U.S. metallurgical coal exports totaled 30.9 million tons through September, a decrease of approximately 25% when compared to the same period in the previous year. Annualized, 2020 U.S. coking coal exports would be approximately 41 million tons as compared to 55 million tons in 2019. Hot-rolled coil prices varied throughout the year in response to the economic impacts of the COVID-19 pandemic but ended the year significantly higher as vaccinations were administered and restrictions were eased in various countries. When comparing hot-rolled steel coil prices at the end of 2020 to the beginning of the 2020, U.S. prices rose 75%, Northern European prices rose 53% and Chinese prices rose 41%.

The World Steel Association Short Range Outlook released in October forecasted that steel demand will contract by 2.4% in 2020 versus 2019 and will increase by 4.1% in 2021 versus 2020. Global steel demand in 2021 is expected to exceed 2019 levels, driven primarily by Chinese increases compared to 2019. Chinese steel demand is expected to increase by 8.0% in 2020 as compared to 2019 and remain flat in 2021. Excluding China, steel demand from the rest of the world will decrease by 13.3% in 2020 and increase by 9.4% in 2021. Regionally, the collective demand from the United States, Canada and Mexico is forecasted to decrease by 15.3% in 2020 and increase by 6.7% in 2021; demand from the European Union is forecasted to decrease by 15.2% in 2020 and increase by 11.0% in 2021; the collective demand from Asia and Oceania (excluding China) is forecasted to decrease by 13.3% in 2020 and increase by 10.7% in 2021; and the collective demand from Central and South America is forecasted to decrease by 10.1% in 2020 and increase by 8.2% in 2021. Through January 2021, the World Steel Association reported that global crude steel production rose 4.8% in 2021 versus 2020 with Turkey up 12.7%, Brazil up 10.8%, India up 7.6% and China up 6.8% while the United States and Japan were down 9.9% and 3.9%, respectively. Regionally, South America grew by 11.4%, Asia and Oceania, which includes China and India, increased by 6.3%, the EU was lower by 0.4% and North America was lower by 7.0%. Hot-rolled steel coil prices have increased since the start of 2021 in U.S., Northern Europe and China by 20%, 11% and 6%, respectively.

After opening the first quarter of 2021 at \$102.50/mt FOBT, the forward curve for the first quarter of 2021 according to the TSI index is trading in the \$130s/mt FOBT range with March at \$131/mt FOBT. Forward curve pricing for 2021 and 2022 is showing pricing the low \$140s to upper \$150s/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 market contract negotiations for 2021 were completed in the fourth quarter of 2020 and demand is expected to exceed contracted tonnages for the year. Due to the continued uncertainty of the COVID-19 pandemic, price volatility is expected as 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, new variants of the virus, the pace and effectiveness of vaccinations, the economic stimulus activities of each country and global organizations and the operating status and capabilities of our customers and competitors.

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 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.

SELECTED ANNUAL INFORMATION

| | For the years ended December 31, | | |
|---|---|-------------|-------------|
| | 2020 | 2019 | 2018 |
| Total revenue - continuing operations | \$ 128,486 | \$ 232,069 | \$ 266,909 |
| Net and comprehensive income (loss) - total | | | |
| Attributable to shareholders | \$ (56,722) | \$ (2,720) | \$ 2,459 |
| Attributable to non-controlling interest | (7,001) | 2,207 | 2,599 |
| Total net and comprehensive income (loss) | \$ (63,723) | \$ (513) | \$ 5,058 |
| Basic earnings (loss) per share - continuing operations | \$ (0.60) | \$ (0.03) | \$ 0.03 |
| Basic earnings (loss) per share - discontinued operations | — | — | (0.01) |
| Basic earnings (loss) per share - total | \$ (0.60) | \$ (0.03) | \$ 0.02 |
| Diluted earnings (loss) per share - continuing operations | \$ (0.60) | \$ (0.03) | \$ 0.03 |
| Diluted earnings (loss) per share - discontinued operations | — | — | (0.01) |
| Diluted earnings (loss) per share - total | \$ (0.60) | \$ (0.03) | \$ 0.02 |
| Total assets | \$ 210,152 | \$ 269,326 | \$ 283,300 |
| Total non-current financial liabilities | \$ 102,019 | \$ 85,973 | \$ 80,901 |
| Dividends per share | \$ — | \$ — | \$ — |

Corsa’s 2020 results were impacted by a significant decline in the metallurgical coal price environment which resulted in lower total revenue than previous years. The market decline primarily resulted from the COVID-19 pandemic and caused management to reduce production to limit the number of tons sold into the depressed export markets. Additionally, as a result of the market weakness, the Company incurred an asset impairment charge in 2020 of \$41,684. The metallurgical coal market weakness started in the 2019 period and impacted 2019 total revenue although tons sold remained relatively consistent with 2018. Driven by the metallurgical coal price decline, the Company undertook various measures to reduce administrative costs in the year ended December 31, 2019.

For each of the years presented, the consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with IFRS and interpretations approved by the International Accounting Standards Board (the “IASB”). The Company has consistently applied the same accounting policies throughout all periods presented. The Company’s presentation currency is the United States dollar.

FINANCIAL AND OPERATIONAL RESULTS

| (in thousands) | For the three months ended December 31, | | |
|---|---|------------|-------------|
| | 2020 | 2019 | Variance |
| Revenue | \$ 16,835 | \$ 52,641 | \$ (35,806) |
| Cost of sales | (26,901) | (57,746) | 30,845 |
| Cost of sales - asset impairment | — | — | — |
| Total cost of sales | (26,901) | (57,746) | 30,845 |
| Gross loss | (10,066) | (5,105) | (4,961) |
| Selling, general and administrative expense | (2,997) | (3,025) | 28 |
| Loss from operations | (13,063) | (8,130) | (4,933) |
| Finance (expense) | (1,094) | (1,464) | 370 |
| Finance income | 786 | 1,211 | (425) |
| Other income | 329 | 232 | 97 |
| Loss before tax | (13,042) | (8,151) | (4,891) |
| Income tax expense | — | — | — |
| Net and comprehensive loss | \$ (13,042) | \$ (8,151) | \$ (4,891) |
| Diluted loss per share | \$ (0.13) | \$ (0.09) | \$ (0.04) |

| (in thousands) | For the years ended December 31, | | |
|---|----------------------------------|------------|--------------|
| | 2020 | 2019 | Variance |
| Revenue | \$ 128,486 | \$ 232,069 | \$ (103,583) |
| Cost of sales | (144,402) | (216,748) | 72,346 |
| Cost of sales - asset impairment | (41,684) | — | (41,684) |
| Total cost of sales | (186,086) | (216,748) | 30,662 |
| Gross (loss) margin | (57,600) | 15,321 | (72,921) |
| Selling, general and administrative expense | (10,057) | (15,748) | 5,691 |
| Loss from operations | (67,657) | (427) | (67,230) |
| Finance (expense) | (5,170) | (7,628) | 2,458 |
| Finance income | 812 | 4,205 | (3,393) |
| Other income | 8,381 | 3,337 | 5,044 |
| Loss before tax | (63,634) | (513) | (63,121) |
| Income tax expense | 89 | — | 89 |
| Net and comprehensive loss | \$ (63,723) | \$ (513) | \$ (63,210) |
| Diluted loss per share | \$ (0.60) | \$ (0.03) | \$ (0.57) |

Operations Summary

| (in thousands) | For the three months ended | | | For the years ended | | |
|---|----------------------------|-----------------|--------------------|---------------------|------------------|--------------------|
| | December 31, | | | December 31, | | |
| | 2020 | 2019 | Variance | 2020 | 2019 | Variance |
| Coal sold - tons | | | | | | |
| NAPP - metallurgical coal | 194 | 509 | (315) | 1,372 | 1,833 | (461) |
| Realized price per ton sold ⁽¹⁾ | | | | | | |
| NAPP - metallurgical coal | \$ 82.03 | \$ 86.70 | \$ (4.67) | \$ 81.77 | \$ 103.76 | \$ (21.99) |
| Cash production cost per ton sold ⁽¹⁾⁽²⁾ | | | | | | |
| NAPP - metallurgical coal | \$ 77.11 | \$ 73.87 | \$ (3.24) | \$ 71.24 | \$ 79.38 | \$ 8.14 |
| Cash cost per ton sold ⁽¹⁾⁽³⁾ | | | | | | |
| NAPP - metallurgical coal | \$ 76.77 | \$ 74.59 | \$ (2.18) | \$ 72.35 | \$ 82.07 | \$ 9.72 |
| Cash margin per ton sold ⁽¹⁾ | | | | | | |
| NAPP - metallurgical coal | \$ 5.26 | \$ 12.11 | \$ (6.85) | \$ 9.42 | \$ 21.69 | \$ (12.27) |
| EBITDA ⁽¹⁾ | | | | | | |
| NAPP | \$ (8,116) | \$ 3,082 | \$ (11,198) | \$ (38,256) | \$ 36,023 | \$ (74,279) |
| Corporate | (1,133) | (565) | (568) | (3,556) | (6,575) | 3,019 |
| Total | <u>\$ (9,249)</u> | <u>\$ 2,517</u> | <u>\$ (11,766)</u> | <u>\$ (41,812)</u> | <u>\$ 29,448</u> | <u>\$ (71,260)</u> |
| Adjusted EBITDA ⁽¹⁾ | | | | | | |
| NAPP | \$ (775) | \$ 4,082 | \$ (4,857) | \$ 6,954 | \$ 32,492 | \$ (25,538) |
| Corporate | (656) | (554) | (102) | (2,564) | (3,614) | 1,050 |
| Total | <u>\$ (1,431)</u> | <u>\$ 3,528</u> | <u>\$ (4,959)</u> | <u>\$ 4,390</u> | <u>\$ 28,878</u> | <u>\$ (24,488)</u> |

(1) This is a non-GAAP financial measure. See “Non-GAAP Financial Measures” starting on page 27 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 27 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 27 of this MD&A.

REVIEW OF FOURTH QUARTER FINANCIAL RESULTS

| (in thousands) | For the three months ended December 31, 2020 | | |
|---|--|------------|--------------|
| | NAPP | Corporate | Consolidated |
| Revenue | \$ 16,835 | \$ — | \$ 16,835 |
| Cost of sales | (26,901) | — | (26,901) |
| Cost of sales - impairment | — | — | — |
| Total cost of sales | (26,901) | — | (26,901) |
| Gross loss | (10,066) | — | (10,066) |
| Selling, general and administrative expense | (1,885) | (1,112) | (2,997) |
| Loss from operations | (11,951) | (1,112) | (13,063) |
| Finance (expense) | (795) | (299) | (1,094) |
| Finance income | 786 | — | 786 |
| Other income | 329 | — | 329 |
| Loss before tax | (11,631) | (1,411) | (13,042) |
| Income tax expense | — | — | — |
| Net and comprehensive loss | \$ (11,631) | \$ (1,411) | \$ (13,042) |

| (in thousands) | For the three months ended December 31, 2019 | | |
|---|--|------------|--------------|
| | NAPP | Corporate | Consolidated |
| Revenue | \$ 52,641 | \$ — | \$ 52,641 |
| Cost of sales | (57,715) | (31) | (57,746) |
| Gross loss | (5,074) | (31) | (5,105) |
| Selling, general and administrative expense | (2,750) | (275) | (3,025) |
| Loss from operations | (7,824) | (306) | (8,130) |
| Finance (expense) | (927) | (537) | (1,464) |
| Finance income | 1,190 | 21 | 1,211 |
| Other income (expense) | 496 | (264) | 232 |
| Loss before tax | (7,065) | (1,086) | (8,151) |
| Income tax expense (benefit) | — | — | — |
| Net and comprehensive loss | \$ (7,065) | \$ (1,086) | \$ (8,151) |

| (in thousands) | Dollar variance for the three months ended December 31, 2020 versus 2019 | | |
|---|---|-----------|--------------|
| | NAPP | Corporate | Consolidated |
| Revenue | \$ (35,806) | \$ — | \$ (35,806) |
| Cost of sales | 30,814 | 31 | 30,845 |
| Cost of sales - asset impairment | — | — | — |
| Total cost of sales | 30,814 | 31 | 30,845 |
| Gross (loss) margin | (4,992) | 31 | (4,961) |
| Selling, general and administrative expense | 865 | (837) | 28 |
| Income (loss) from operations | (4,127) | (806) | (4,933) |
| Finance (expense) | 132 | 238 | 370 |
| Finance income | (404) | (21) | (425) |
| Other (loss) income | (167) | 264 | 97 |
| Income (loss) before tax | (4,566) | (325) | (4,891) |
| Income tax expense | — | — | — |
| Net and comprehensive loss | \$ (4,566) | \$ (325) | \$ (4,891) |

Operating Segments

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

NAPP Division

Revenue - NAPP Division

| (in thousands) | For the three months ended December 31, | | |
|---|--|------------------|--------------------|
| | 2020 | 2019 | Variance |
| Metallurgical coal revenue (at preparation plant) | \$ 15,914 | \$ 44,129 | \$ (28,215) |
| Thermal coal revenue (at preparation plant) | 227 | 256 | (29) |
| Transportation revenue | 401 | 7,597 | (7,196) |
| Tolling revenue | 95 | 494 | (399) |
| Limestone sales | 198 | 165 | 33 |
| | <u>\$ 16,835</u> | <u>\$ 52,641</u> | <u>\$ (35,806)</u> |

- Metallurgical coal revenue, net of transportation charges, decreased \$28,215 as a result of reduced sales volumes, which decreased revenue by \$27,310, and lower sales prices which caused revenue to decrease by \$905. Metallurgical coal sold was 194 tons and 509 tons for the three months ended December 31, 2020 and 2019, respectively, a decrease of 315 tons, primarily due to the operational reductions that were implemented as a result of the market decline. Realized price per ton sold decreased \$4.67 due to the continued weakness in the metallurgical coal market.
- Revenue associated with the transportation of coal to the loading terminal or customer decreased \$7,196 as a result of the Company not shipping any export tons directly to the customer in the 2020 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:

| (in thousands) | For the three months ended December 31, | | |
|---|--|------------------|--------------------|
| | 2020 | 2019 | Variance |
| Mining and processing costs | \$ 13,933 | \$ 29,401 | \$ (15,468) |
| Purchased coal costs | 243 | 7,038 | (6,795) |
| Royalty expense | 945 | 1,790 | (845) |
| Amortization expense | 3,335 | 9,975 | (6,640) |
| Transportation costs from preparation plant to customer | 401 | 7,597 | (7,196) |
| Idle mine expense | 153 | 74 | 79 |
| Tolling costs | 119 | 290 | (171) |
| Limestone costs | 142 | 142 | — |
| Change in estimate of reclamation and water treatment provision | 7,513 | 1,190 | 6,323 |
| Write-off of advance royalties and other assets | — | 123 | (123) |
| Other costs | 117 | 95 | 22 |
| Cost of sales | <u>26,901</u> | <u>57,715</u> | <u>(30,814)</u> |
| Cost of sales - asset impairment | <u>—</u> | <u>—</u> | <u>—</u> |
| Total cost of sales | <u>\$ 26,901</u> | <u>\$ 57,715</u> | <u>\$ (30,814)</u> |

- Mining and processing costs decreased primarily due to a reduction in the produced volumes sold during the three months ended December 31, 2020 compared to the 2019 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.
- 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 December 31, 2020 as compared to 2019 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 December 31, 2020 as compared to the 2019 period.
- Amortization expense decreased due primarily to the reduction in the produced volumes sold during the three months ended December 31, 2020 as compared to the 2019 period. The 2019 period included additional amortization expense associated with an asset retirement obligation for a surface mine where management decided not to pursue future mining.
- Transportation costs decreased as a result of the Company not shipping any export tons directly to the customer in the 2020 period.
- Change in the estimate of reclamation and water treatment provision was the result of changes in the underlying assumptions utilized to measure the liability.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

| (in thousands) | For the three months ended December 31, | | |
|----------------------------------|--|-----------------|-----------------|
| | 2020 | 2019 | Variance |
| Salaries and other compensations | \$ 990 | \$ 860 | \$ 130 |
| Employee benefits | 263 | 335 | (72) |
| Selling expense | 90 | 853 | (763) |
| Professional fees | 239 | 281 | (42) |
| Office expenses and insurance | 245 | 301 | (56) |
| Other | 58 | 120 | (62) |
| | <u>\$ 1,885</u> | <u>\$ 2,750</u> | <u>\$ (865)</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 and a decrease in letter of credit fees as a result of fewer export vessels that required letters of credit.

Finance expense - NAPP Division

| (in thousands) | For the three months ended December 31, | | |
|---|--|---------------|-----------------|
| | 2020 | 2019 | Variance |
| Change in market value of restricted investments expense (income) | \$ (159) | \$ — | \$ (159) |
| Bond premium expense | 490 | 371 | 119 |
| Accretion on reclamation and water treatment provision | 283 | 384 | (101) |
| Interest expense | 180 | 172 | 8 |
| Other | 1 | — | 1 |
| | <u>\$ 795</u> | <u>\$ 927</u> | <u>\$ (132)</u> |

- Finance expense decreased primarily due to the change in market value of the water treatment trust fund accounts and lower accretion on the reclamation and water treatment provision partially offset by increased bond premium expense due to an increase in premium rates.

Finance (income) - NAPP Division

| (in thousands) | For the three months ended December 31, | | |
|---|--|-------------------|-----------------|
| | 2020 | 2019 | Variance |
| Change in market value of restricted investments (income) | \$ (786) | \$ (1,172) | \$ 386 |
| Interest income | — | (18) | 18 |
| | <u>\$ (786)</u> | <u>\$ (1,190)</u> | <u>\$ 404</u> |

- Finance income 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 increased market gains were recognized in the three months ended December 31, 2019 compared to the 2020 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 December 31, | | |
|----------------------------------|--|---------------|-----------------|
| | 2020 | 2019 | Variance |
| Salaries and other compensations | \$ 468 | \$ (83) | \$ 551 |
| Employee benefits | 23 | 23 | — |
| Professional fees | 511 | 212 | 299 |
| Office expenses and insurance | 86 | 110 | (24) |
| Other | 24 | 13 | 11 |
| | <u>\$ 1,112</u> | <u>\$ 275</u> | <u>\$ 837</u> |

- Selling, general and administrative expenses increased primarily due to a forfeiture of unvested stock-based compensation awards that occurred in the 2019 period as a result of the decreased corporate staffing levels. Professional fees increased as a result of increased legal fees associated with the independent investigation related to a matter involving a former sales agent of the Company. See “Contingent Liability - Sales Agent Matter”.

Finance expense - Corporate Division

Net finance expense (income) consists of the following:

| (in thousands) | For the three months ended December 31, | | |
|--|--|---------------|-----------------|
| | 2020 | 2019 | Variance |
| Interest expense | \$ 278 | \$ 490 | \$ (212) |
| Amortization of discount on loan payable | 15 | 8 | 7 |
| Amortization of Revolving Credit Facility fees | 36 | 35 | 1 |
| Foreign exchange loss | 12 | 4 | 8 |
| Other | (42) | — | (42) |
| | <u>\$ 299</u> | <u>\$ 537</u> | <u>\$ (238)</u> |

- Net finance expense decreased in the three months ended December 31, 2020 compared to 2019 period primarily due to the reduced borrowings on the Revolving Credit Facility (as defined herein) during the 2020 period.

Other income (expense) - Corporate Division

| (in thousands) | For the three months ended December 31, | | |
|------------------------|--|-----------------|-----------------|
| | 2020 | 2019 | Variance |
| Restructuring | \$ — | \$ (151) | \$ 151 |
| Lease termination | — | (100) | 100 |
| Loss on sale of assets | — | (13) | 13 |
| | <u>\$ —</u> | <u>\$ (264)</u> | <u>\$ 264</u> |

Other expense decreased primarily due to restructuring charges recognized in the 2019 period as a result of the reduction in corporate staffing levels and lease termination and loss on sale of assets as a result of the corporate office closure.

REVIEW OF YEAR-TO-DATE FINANCIAL RESULTS

| (in thousands) | For the year ended December 31, 2020 | | |
|---|--------------------------------------|------------|--------------|
| | NAPP | Corporate | Consolidated |
| Revenue | \$ 128,486 | \$ — | \$ 128,486 |
| Cost of sales | (144,402) | — | (144,402) |
| Cost of sales - asset impairment | (41,684) | — | (41,684) |
| Total cost of sales | (186,086) | — | (186,086) |
| Gross loss | (57,600) | — | (57,600) |
| Selling, general and administrative expense | (6,445) | (3,612) | (10,057) |
| Loss from operations | (64,045) | (3,612) | (67,657) |
| Finance (expense) | (3,704) | (1,466) | (5,170) |
| Finance income | 812 | — | 812 |
| Other income | 8,133 | 248 | 8,381 |
| Loss before tax | (58,804) | (4,830) | (63,634) |
| Income tax expense | — | 89 | 89 |
| Net and comprehensive loss | \$ (58,804) | \$ (4,919) | \$ (63,723) |

| (in thousands) | For the year ended December 31, 2019 | | |
|---|--------------------------------------|------------|--------------|
| | NAPP | Corporate | Consolidated |
| Revenue | \$ 232,069 | \$ — | \$ 232,069 |
| Cost of sales | (216,621) | (127) | (216,748) |
| Gross margin (loss) | 15,448 | (127) | 15,321 |
| Selling, general and administrative expense | (11,376) | (4,372) | (15,748) |
| Income (loss) from operations | 4,072 | (4,499) | (427) |
| Finance (expense) | (3,794) | (3,834) | (7,628) |
| Finance income | 4,165 | 40 | 4,205 |
| Other income (expense) | 4,966 | (1,629) | 3,337 |
| Income (loss) before tax | 9,409 | (9,922) | (513) |
| Income tax expense (benefit) | — | — | — |
| Net and comprehensive income (loss) | \$ 9,409 | \$ (9,922) | \$ (513) |

| (in thousands) | Dollar variance for the year ended December 31, 2020 versus 2019 | | |
|---|---|-----------|--------------|
| | NAPP | Corporate | Consolidated |
| Revenue | \$ (103,583) | \$ — | \$ (103,583) |
| Cost of sales | 72,219 | 127 | 72,346 |
| Cost of sales - asset impairment | (41,684) | — | (41,684) |
| Total cost of sales | 30,535 | 127 | 30,662 |
| Gross (loss) margin | (73,048) | 127 | (72,921) |
| Selling, general and administrative expense | 4,931 | 760 | 5,691 |
| (Loss) income from operations | (68,117) | 887 | (67,230) |
| Finance (expense) | 90 | 2,368 | 2,458 |
| Finance income | (3,353) | (40) | (3,393) |
| Other income | 3,167 | 1,877 | 5,044 |
| (Loss) income before tax | (68,213) | 5,092 | (63,121) |
| Income tax expense | — | 89 | 89 |
| Net and comprehensive (loss) income | \$ (68,213) | \$ 5,003 | \$ (63,210) |

Operating Segments

The financial results of the continuing operating segments for the years ended December 31, 2020 and 2019 for the NAPP Division and Corporate are as follows:

NAPP Division

Revenue - NAPP Division

| (in thousands) | For the years ended December 31, | | |
|---|---|-------------------|---------------------|
| | 2020 | 2019 | Variance |
| Metallurgical coal revenue (at preparation plant) | \$ 112,191 | \$ 190,193 | \$ (78,002) |
| Thermal coal revenue (at preparation plant) | 816 | 857 | (41) |
| Transportation revenue | 13,236 | 33,475 | (20,239) |
| Tolling revenue | 1,345 | 6,344 | (4,999) |
| Limestone sales | 898 | 1,200 | (302) |
| | <u>\$ 128,486</u> | <u>\$ 232,069</u> | <u>\$ (103,583)</u> |

- Metallurgical coal revenue, net of transportation charges, decreased \$78,002 as a result of lower sales volumes, which decreased revenue by \$47,834, and lower sales prices which caused revenue to decrease by \$30,168. Metallurgical coal sold was 1,372 tons and 1,833 tons for the years ended December 31, 2020 and 2019, respectively, a decrease of 461 tons, primarily due to the operational reductions that were implemented as a result of the metallurgical market decline largely driven by the COVID-19 pandemic. Similarly, realized price per ton sold decreased \$21.99 primarily due to the decline in the metallurgical coal market.
- Revenue associated with the transportation of coal to the loading terminal or customer decreased \$20,239 as a result of reduced export volumes shipped directly to the customer due to market conditions and lower rail rates which was the result of the decline in the metallurgical coal market as well as increased domestic sales and sales to coal traders 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 production being idled at the third-party mine.

Cost of sales - NAPP Division

Cost of sales consists of the following:

| (in thousands) | For the years ended December 31, | | |
|---|----------------------------------|-------------------|--------------------|
| | 2020 | 2019 | Variance |
| Mining and processing costs | \$ 80,080 | \$ 97,000 | \$ (16,920) |
| Purchased coal costs | 13,856 | 47,358 | (33,502) |
| Royalty expense | 6,149 | 6,968 | (819) |
| Amortization expense | 19,825 | 25,834 | (6,009) |
| Transportation costs from preparation plant to customer | 13,236 | 33,475 | (20,239) |
| Idle mine expense | 447 | 938 | (491) |
| Tolling costs | 912 | 2,953 | (2,041) |
| Limestone costs | 457 | 698 | (241) |
| Change in estimate of reclamation and water treatment provision | 7,791 | 1,190 | 6,601 |
| Write-off of advance royalties and other assets | 484 | 171 | 313 |
| Other costs | 1,165 | 36 | 1,129 |
| Cost of sales | 144,402 | 216,621 | (72,219) |
| Cost of sales - asset impairment | 41,684 | — | 41,684 |
| Total cost of sales | <u>\$ 186,086</u> | <u>\$ 216,621</u> | <u>\$ (30,535)</u> |

- Mining and processing costs decreased primarily due to lower costs per ton resulting from improved operating performance, reduced overtime, reduced repairs and maintenance expenses, and fewer produced volumes sold, during the year ended December 31, 2020 as compared to 2019 period resulting from the continued metallurgical coal market weakness.
- Purchased coal costs decreased primarily due to reduced volumes of purchased metallurgical coal and lower cost per ton purchased and sold during the year ended December 31, 2020 as compared to 2019 period.
- Royalty expense decreased primarily due to the lower realized prices and fewer tons sold.
- Amortization expense decreased primarily due to the reduction in the produced volumes sold during the three months ended December 31, 2020 as compared to the 2019 period. The 2019 period included additional amortization expense associated with an asset retirement obligation for a surface mine where management decided not to pursue future mining.
- Transportation costs decreased as a result of reduced volumes of export coal sold and reduced rail rates which was the result of the decline in the metallurgical coal market as well as increased domestic sales and sales to coal traders where the Company is not responsible for the transportation costs.
- Idle mine expense decreased as a result of the Quecreek mine sealing efforts that occurred in the 2019 period. The mine was sealed in the third quarter of 2019.
- Tolling costs decreased as a result of processing less third party coal at the preparation plant.
- Change in the estimate of reclamation and water treatment provision was the result of changes in the underlying assumptions utilized to measure the liability.
- The Company recognized an asset impairment charge during the year ended December 31, 2020 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.
- Other costs increased due to various items, none of which were individually material.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

| (in thousands) | For the years ended December 31, | | |
|----------------------------------|---|------------------|-------------------|
| | 2020 | 2019 | Variance |
| Salaries and other compensations | \$ 2,957 | \$ 3,716 | \$ (759) |
| Employee benefits | 944 | 1,188 | (244) |
| Selling expense | 424 | 3,446 | (3,022) |
| Professional fees | 910 | 1,075 | (165) |
| Office expenses and insurance | 971 | 1,527 | (556) |
| Other | 239 | 424 | (185) |
| | <u>\$ 6,445</u> | <u>\$ 11,376</u> | <u>\$ (4,931)</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 December 31, 2019.

Finance expense - NAPP Division

| (in thousands) | For the years ended December 31, | | |
|--|---|-----------------|-----------------|
| | 2020 | 2019 | Variance |
| Bond premium expense | \$ 1,854 | \$ 1,481 | \$ 373 |
| Accretion on reclamation and water treatment provision | 1,126 | 1,525 | (399) |
| Interest expense | 723 | 780 | (57) |
| Other | 1 | 8 | (7) |
| | <u>\$ 3,704</u> | <u>\$ 3,794</u> | <u>\$ (90)</u> |

- Finance expense decreased primarily due to lower accretion on the reclamation and water treatment provision and reduced interest expense which was partially offset by increased bond premium expense due to increased premium rates.

Finance (income) - NAPP Division

| (in thousands) | For the years ended December 31, | | |
|---|---|-------------------|-----------------|
| | 2020 | 2019 | Variance |
| Change in market value of restricted investments (income) | \$ (786) | \$ (4,065) | \$ 3,279 |
| Interest income | (26) | (100) | 74 |
| | <u>\$ (812)</u> | <u>\$ (4,165)</u> | <u>\$ 3,353</u> |

- Finance income 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 reduced market gains were recognized in the year ended December 31, 2020 compared to the 2019 period.

Other income (expense) - NAPP Division

| | For the years ended December 31, | | |
|---|---|-----------------|-----------------|
| | 2020 | 2019 | Variance |
| Paycheck Protection Program loan grant income | \$ 6,978 | \$ — | \$ 6,978 |
| A-Seam condemnation judgement | — | 3,426 | (3,426) |
| Filter cake sales | 528 | 343 | 185 |
| Royalty income | 250 | 947 | (697) |
| Gain on property dispositions | 60 | 345 | (285) |
| Other | 317 | (95) | 412 |
| | <u>\$ 8,133</u> | <u>\$ 4,966</u> | <u>\$ 3,167</u> |

- Other income increased primarily due to the proceeds from the Paycheck Protection Program Loans (as defined herein) being used as contemplated under the loan program and the Company expects these amounts to be forgiven and accordingly recognized the grant income. See “Paycheck Protection Program Loans”. This improvement in Other income was partially offset by the A-Seam condemnation judgement that was recognized in the 2019 period. Royalty income decreased primarily due to a third-party completing mining on the Company’s coal reserves. Gain on property dispositions decreased as a result of the reduction in sales of surplus equipment in the 2020 period. Other increased due to various items, none of which were individually material.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

| (in thousands) | For the years ended December 31, | | |
|----------------------------------|---|-----------------|-----------------|
| | 2020 | 2019 | Variance |
| Salaries and other compensations | \$ 1,635 | \$ 2,546 | \$ (911) |
| Employee benefits | 110 | 218 | (108) |
| Professional fees | 1,426 | 964 | 462 |
| Office expenses and insurance | 403 | 475 | (72) |
| Other | 38 | 169 | (131) |
| | <u>\$ 3,612</u> | <u>\$ 4,372</u> | <u>\$ (760)</u> |

- Selling, general and administrative expenses decreased primarily due to reduced corporate staffing levels in the 2020 period and was partially offset by increased professional fees which were primarily related to increased legal fees associated with the independent investigation related to a matter involving a former sales agent of the Company. See “Contingent Liability - Sales Agent Matter”.

Finance expense - Corporate Division

Finance expense consists of the following:

| (in thousands) | For the years ended December 31, | | |
|---|---|-----------------|-------------------|
| | 2020 | 2019 | Variance |
| Interest expense | \$ 1,274 | \$ 3,220 | \$ (1,946) |
| Accretion of discount on loan payable | 40 | 552 | (512) |
| Accretion of Revolving Credit Facility fees | 143 | 52 | 91 |
| Foreign exchange loss | 24 | 10 | 14 |
| Other | (15) | — | (15) |
| | <u>\$ 1,466</u> | <u>\$ 3,834</u> | <u>\$ (2,368)</u> |

- Net finance expense decreased in the year ended December 31, 2020 compared to 2019 period primarily due to the debt refinancing that occurred in August 2019 pursuant to which the Company replaced its \$25 million senior secured term credit facility with Sprott Resource Lending Corp., dated August 19, 2014 (the “Sprott Facility”) with the New Credit Facilities (as defined herein). 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 is lower than the previous debt’s rate under the Sprott Facility. 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.

Other income (expense) - Corporate Division

| (in thousands) | For the years ended December 31, | | |
|---|---|-------------------|-----------------|
| | 2020 | 2019 | Variance |
| Paycheck Protection Program loan grant income | \$ 249 | \$ — | \$ 249 |
| Debt extinguishment | — | (1,238) | 1,238 |
| Restructuring | — | (278) | 278 |
| Lease termination | — | (100) | 100 |
| Loss on sale of assets | — | (13) | 13 |
| Other | (1) | — | (1) |
| | <u>\$ 248</u> | <u>\$ (1,629)</u> | <u>\$ 1,877</u> |

- Other expense decreased primarily due to debt extinguishment expenses which related to the expensing of the debt issuance costs associated with the debt which was refinanced in the 2019 period. Additionally, restructuring charges were recognized in the 2019 period as a result of the reduction in corporate staffing levels, expenses associated with a lease termination, and losses on the sale of assets, all of which were the result of the corporate office closure, which also occurred in the 2019 period. For the year ended December 31, 2020, other income included grant income related to the Paycheck Protection Program loan which were used in accordance with the loan program and which the Company expects to be forgiven. See “Paycheck Protection Program Loans”. Accordingly, the Company recognized the grant income.

FINANCIAL CONDITION

| (in thousands) | December 31, 2020 | December 31, 2019 | Variance |
|-------------------------|----------------------|----------------------|--------------------|
| Current assets | \$ 42,514 | \$ 48,526 | \$ (6,012) |
| Non-current assets | 167,638 | 220,800 | (53,162) |
| Total assets | <u>\$ 210,152</u> | <u>\$ 269,326</u> | <u>\$ (59,174)</u> |
| Current liabilities | \$ 20,416 | \$ 32,195 | \$ (11,779) |
| Non-current liabilities | 102,019 | 85,973 | 16,046 |
| Total liabilities | <u>\$ 122,435</u> | <u>\$ 118,168</u> | <u>\$ 4,267</u> |
| Total equity | <u>\$ 87,717</u> | <u>\$ 151,158</u> | <u>\$ (63,441)</u> |

- Current assets decreased primarily due to a reduction in accounts receivable resulting from increased collections and timing of shipments where the operating cash flows were utilized to reduce the borrowings on the Revolving Credit Facility. Additionally, coal inventory was reduced due to the operational changes implemented to limit exposure to the depressed export market. These decreases were partially offset by an increase in cash which was due to the borrowing under the Main Street Facility (as defined herein).
- Non-current assets decreased as a result of an asset impairment charge due to the identification of a triggering event resulting from the continued deterioration of both the domestic and export metallurgical coal markets, driven in large part by the COVID-19 pandemic. Non-current assets also decreased due to the amortization of property, plant and equipment.
- Current liabilities decreased primarily due to the general timing of accounts payable and were partially offset by an increase in the current portion of the 36th Street Facility (as defined herein) and the current portion of the Paycheck Protection Program Loans.
- Non-current liabilities increased primarily due to borrowing under the Main Street Facility, an increase in the long-term portion of the reclamation and water treatment liabilities as a result of changes in the underlying assumptions, and the long-term portion of the Paycheck Protection Program Loans. These increases were partially offset by repayments on the Revolving Credit Facility, repayments the loan payable in connection with the 36th Street Facility, 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 New Credit Facilities since August 16, 2019, borrowings on the Main Street Facility in December 2020, borrowings under the U.S. Small Business Administration's Paycheck Protection Program (the "Paycheck Protection Program") in April 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. 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.

| (in thousands) | December 31, 2020 | December 31, 2019 | Variance |
|---|----------------------|----------------------|-----------------|
| Cash | \$ 24,480 | \$ 4,296 | \$ 20,184 |
| Working capital | \$ 22,098 | \$ 16,331 | \$ 5,767 |
| Revolving Credit Facility unused availability | \$ 3,390 | \$ 6,736 | \$ (3,346) |
| Total Debt | | | |
| Notes payable | \$ — | \$ 7 | \$ (7) |
| Lease liabilities | 4,181 | 3,521 | 660 |
| Revolving Credit Facility | — | 14,490 | (14,490) |
| Loan payable - 36 th Street Facility | 8,282 | 10,858 | (2,576) |
| Loan payable - Main Street Facility | 24,306 | — | 24,306 |
| Paycheck Protection Program loans payable | 1,126 | — | 1,126 |
| | <u>\$ 37,895</u> | <u>\$ 28,876</u> | <u>\$ 9,019</u> |

Working Capital

Working capital increased primarily due to the borrowing under the Main Street Facility and general timing of trade payables. These increases were partially offset by customer collections and timing of shipments as well as reduced coal production due to market conditions.

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

The Main Street Facility contains 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.

Surety Bond Cash Collateral

In January 2020, in connection with a request for a bond increase, the Company's previous surety bond provider, which had issued approximately \$59,000 of reclamation and other bonds, required 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 when required. 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 increased as a result of borrowings under the Main Street Facility, which was partially offset as a result of utilizing operating cash flows and borrowings from the Paycheck Protection Program to fund payroll expenses which permitted operating cash flows to be utilized to reduce the borrowings on the Revolving Credit Facility and allowed the Company to make normal debt service payments related to the loan payable in connection with the 36th Street Facility, note payable and lease liabilities.

Paycheck Protection Program Loans

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 60% 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 "Paycheck Protection Program Loans"). The loan agreements are with KeyBank National Association ("KeyBank"), as lender, and include standard terms and conditions under the Paycheck Protection Program. The Company used the funds as contemplated under the Paycheck Protection Program and, accordingly, expects \$7,227 to be forgiven and has recognized the expected grant income in the 2020 period.

Main Street Facility

On December 14, 2020, certain wholly-owned subsidiaries of the Company, as borrowers, entered into a five-year secured term loan with KeyBank for \$25 million (the "Main Street Facility") through the Main Street Lending Program established by the board of governors of the U.S. Federal Reserve System. Under this program, lending is facilitated through a special purpose vehicle established by the Federal Reserve Bank of Boston which, on December 21, 2020, committed to purchase a participation interest equal to 95% of the Main Street Facility. The Main Street Facility bears interest, payable monthly, at LIBOR plus 3.00% and contains customary financial covenants as well as affirmative and negative covenants, including covenants that would restrict the ability to pay dividends, make distributions and transfer funds from the subsidiaries to Corsa. Until the first anniversary of the closing date of the Main Street Facility, interest will be paid-in-kind (capitalized) and added to the principal balance thereof. The Main Street Facility is repayable on each of the third and fourth anniversaries of the closing date of the Main Street Facility, in an amount equal to 15% of the principal amount, with the remaining balance due in full on the fifth anniversary of the closing date and is pre-payable at any time without any premium or penalty. In connection with the arrangement of the Main Street Facility, the borrowers paid a transaction fee, an origination fee and administration fees in the aggregate amount of \$720. The Main Street Facility is secured against certain real and personal property of the borrowers under the Main Street Facility.

Cash Flows from Continuing Operations

| | For the three months ended | | | For the years ended | | |
|--|----------------------------|-----------------|------------------|---------------------|-----------------|------------------|
| | December 31, | | | December 31, | | |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Cash Flows: | | | | | | |
| (Used in) Provided by operating activities | \$ (188) | \$ (1,958) | \$ 1,770 | \$ 10,694 | \$ 14,686 | \$ (3,992) |
| Used in investing activities | (1,396) | (1,877) | 481 | (4,914) | (10,241) | 5,327 |
| Provided by (Used in) financing activities | 23,276 | 4,392 | 18,884 | 14,404 | (10,273) | 24,677 |
| (Decrease) increase in cash | 21,692 | 557 | 21,135 | 20,184 | (5,828) | 26,012 |
| Cash at beginning of period | 2,788 | 3,739 | (951) | 4,296 | 10,124 | (5,828) |
| Cash at end of period | <u>\$ 24,480</u> | <u>\$ 4,296</u> | <u>\$ 20,184</u> | <u>\$ 24,480</u> | <u>\$ 4,296</u> | <u>\$ 20,184</u> |

- Cash flow from operating activities increased during the three months ended December 31, 2020 compared to the 2019 period primarily due to the timing of working capital items and reduced spending on reclamation activities. These increases were partially offset by the continued weakness of the metallurgical coal market.
- Cash flow from operating activities decreased during the year ended December 31, 2020 compared to the 2019 period as a result of the deterioration of the metallurgical coal market which was partially offset by working capital items and reduced spending on reclamation and water treatment activities.
- Cash used in investing activities for the three months and year ended December 31, 2020 were lower than the respective periods in 2019 primarily due to reduced capital expenditures as a result of the metallurgical coal market conditions.
- Cash provided by financing activities increased during the three months ended December 31, 2020 compared to the 2019 period primarily due to the borrowing under the Main Street Facility which was partially offset by lower net borrowings on the Revolving Credit Facility.

- Cash provided by financing activities increased for the year ended December 31, 2020 compared to the 2019 period primarily due to the borrowing under the Main Street Facility partially offset by the debt refinancing that occurred during the 2019 period which resulted in additional principal payments which were made to reduce total debt in the 2019 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.

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 year ended December 31, 2020 were as follows:

| | Increase to PP&E | Cash Flow Impact |
|---|---------------------------------|-----------------------------|
| Maintenance capital expenditures | | |
| Deep mines | \$ 1,408 | \$ 1,058 |
| Surface mines | 2,040 | 258 |
| Plant | 255 | 255 |
| Administrative | — | — |
| | <u>3,703</u> | <u>1,571</u> |
| Growth capital expenditures | | |
| Deep mines | 279 | 279 |
| Surface mines | — | — |
| Plant | — | — |
| | <u>279</u> | <u>279</u> |
| Total capital expenditures | <u><u>\$ 3,982</u></u> | <u><u>\$ 1,850</u></u> |

Corsa’s capital expenditures for the year ended December 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. 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 New 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 December 31, 2020.

Main Street Facility

The covenants required to be met 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⁽¹⁾ of not less than 1.10 to 1.00 (measured monthly).

⁽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.

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⁽¹⁾ of not less than 1.10 to 1.00 (measured monthly).

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

Loan Payable - 36th 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 "36th Street Facility") 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⁽¹⁾ 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⁽²⁾ 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 Dec. 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 accrued liabilities | \$ 9,940 | \$ 9,940 | \$ 9,940 | \$ — | \$ — | \$ — |
| Lease liabilities | 4,181 | 4,181 | 1,409 | 2,235 | 537 | — |
| Revolving Credit Facility | — | — | — | — | — | — |
| Loan payable - 36th Street Facility | 8,282 | 8,372 | 4,176 | 4,196 | — | — |
| Loan payable - Main Street Facility | 24,306 | 25,020 | — | 3,753 | 21,267 | — |
| Paycheck Protection Program loan payable | 1,126 | 1,126 | 654 | 472 | — | — |
| Other liabilities | 7,091 | 7,097 | 1,631 | 1,960 | 1,960 | 1,546 |
| Asset retirement obligations - reclamation | 36,909 | 36,909 | 1,229 | 3,553 | 3,718 | 28,409 |
| Asset retirement obligations - water treatment | 30,600 | 30,600 | 1,417 | 2,911 | 2,997 | 23,275 |
| Purchase order firm commitments | — | 271 | 271 | — | — | — |
| Water treatment trust funding | — | 1,011 | 1,011 | — | — | — |
| Reclamation bond restricted cash deposits | — | 8,313 | 1,000 | 2,000 | 2,000 | 3,313 |
| Operating leases and other obligations | — | 8 | 8 | — | — | — |
| Total | <u>\$ 122,435</u> | <u>\$ 132,848</u> | <u>\$ 22,746</u> | <u>\$ 21,080</u> | <u>\$ 32,479</u> | <u>\$ 56,543</u> |

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 December 31, 2020 and 2019

| (in thousands) | For the three months ended | | | For the three months ended | | |
|---|----------------------------|-----------------|-------------------|----------------------------|-----------------|-----------------|
| | December 31, 2020 | | | December 31, 2019 | | |
| | NAPP | Corp. | Total | NAPP | Corp. | Total |
| Net and comprehensive income (loss) from continuing operations | \$ (11,631) | \$ (1,411) | \$ (13,042) | \$ (7,065) | \$ (1,086) | \$ (8,151) |
| Add (Deduct): | | | | | | |
| Amortization expense | 3,335 | — | 3,335 | 9,975 | 31 | 10,006 |
| Interest expense | 180 | 278 | 458 | 172 | 490 | 662 |
| Income tax expense | — | — | — | — | — | — |
| EBITDA | (8,116) | (1,133) | (9,249) | 3,082 | (565) | 2,517 |
| Add (Deduct): | | | | | | |
| Write-off of advance royalties and other assets | — | — | — | 123 | — | 123 |
| Change in estimate of reclamation and water treatment provision | 7,513 | — | 7,513 | 1,190 | — | 1,190 |
| Stock-based compensation | — | (14) | (14) | — | (280) | (280) |
| Net finance (income) expense, excluding interest expense | (171) | 21 | (150) | (435) | 26 | (409) |
| Gain on disposal of assets | (37) | — | (37) | 12 | 13 | 25 |
| Restructuring charges | — | — | — | — | 152 | 152 |
| A-Seam Condemnation Judgement | — | — | — | (32) | — | (32) |
| Other (income) costs | 36 | 470 | 506 | 142 | 100 | 242 |
| Adjusted EBITDA | <u>\$ (775)</u> | <u>\$ (656)</u> | <u>\$ (1,431)</u> | <u>\$ 4,082</u> | <u>\$ (554)</u> | <u>\$ 3,528</u> |

EBITDA and Adjusted EBITDA for the years ended December 31, 2020 and 2019

| (in thousands) | For the year ended December 31, 2020 | | | For the year ended December 31, 2019 | | |
|---|---|-------------------|-----------------|---|-------------------|------------------|
| | NAPP | Corp. | Total | NAPP | Corp. | Total |
| Net and comprehensive income (loss) from continuing operations | \$ (58,804) | \$ (4,919) | \$ (63,723) | \$ 9,409 | \$ (9,922) | \$ (513) |
| Add (Deduct): | | | | | | |
| Amortization expense | 19,825 | — | 19,825 | 25,834 | 127 | 25,961 |
| Interest expense | 723 | 1,274 | 1,997 | 780 | 3,220 | 4,000 |
| Income tax expense | — | 89 | 89 | — | — | — |
| EBITDA | (38,256) | (3,556) | (41,812) | 36,023 | (6,575) | 29,448 |
| Add (Deduct): | | | | | | |
| Asset Impairment | 41,684 | — | 41,684 | — | — | — |
| Paycheck Protection Program grant income | (6,978) | (249) | (7,227) | — | — | — |
| Write-off of advance royalties and other assets | 484 | — | 484 | 171 | — | 171 |
| Change in estimate of reclamation and water treatment provision | 7,791 | — | 7,791 | 1,190 | — | 1,190 |
| Stock-based compensation | — | 282 | 282 | — | 675 | 675 |
| Net finance (income) expense, excluding interest expense | 2,169 | 192 | 2,361 | (1,151) | 574 | (577) |
| Gain on disposal of assets | (60) | — | (60) | (345) | 13 | (332) |
| Loss on debt extinguishment | — | — | — | — | 1,238 | 1,238 |
| Restructuring charges | — | — | — | — | 278 | 278 |
| A-Seam Condemnation Judgement | — | — | — | (3,426) | — | (3,426) |
| Other (income) costs | 120 | 767 | 887 | 30 | 183 | 213 |
| Adjusted EBITDA | <u>\$ 6,954</u> | <u>\$ (2,564)</u> | <u>\$ 4,390</u> | <u>\$ 32,492</u> | <u>\$ (3,614)</u> | <u>\$ 28,878</u> |

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

| (in thousands except per ton amounts) | For the three months ended December 31, 2020 | | | For the three months ended December 31, 2019 | | |
|---|---|-----------------|-----------------|---|-----------------|-----------------|
| | NAPP | NAPP | Total | NAPP | NAPP | Total |
| | Met | Thermal | | Met | Thermal | |
| Revenue | \$ 16,589 | \$ 246 | \$ 16,835 | \$ 52,385 | \$ 256 | \$ 52,641 |
| Add (Deduct): | | | | | | |
| Tolling revenue | (95) | — | (95) | (494) | — | (494) |
| Transportation costs from preparation plant to customer | (382) | (19) | (401) | (7,597) | — | (7,597) |
| Limestone sales | (198) | — | (198) | (165) | — | (165) |
| Net coal sales (at preparation plant) | \$ 15,914 | \$ 227 | \$ 16,141 | \$ 44,129 | \$ 256 | \$ 44,385 |
| Coal sold - tons | 194 | 5 | 199 | 509 | 6 | 515 |
| Realized price per ton sold (at preparation plant) | <u>\$ 82.03</u> | <u>\$ 45.40</u> | <u>\$ 81.11</u> | <u>\$ 86.70</u> | <u>\$ 42.67</u> | <u>\$ 86.18</u> |

Realized price per ton sold for the years ended December 31, 2020 and 2019

| (in thousands except per ton amounts) | For the year ended December 31, 2020 | | | For the year ended December 31, 2019 | | |
|---|---|-----------------|-----------------|---|-----------------|------------------|
| | NAPP | NAPP | Total | NAPP | NAPP | Total |
| | Met | Thermal | | Met | Thermal | |
| Revenue | \$ 127,535 | \$ 951 | \$ 128,486 | \$ 231,186 | \$ 883 | \$ 232,069 |
| Add (Deduct): | | | | | | |
| Tolling revenue | (1,345) | — | (1,345) | (6,344) | — | (6,344) |
| Transportation costs from preparation plant to customer | (13,101) | (135) | (13,236) | (33,449) | (26) | (33,475) |
| Limestone sales | (898) | — | (898) | (1,200) | — | (1,200) |
| Net coal sales (at preparation plant) | \$ 112,191 | \$ 816 | \$ 113,007 | \$ 190,193 | \$ 857 | \$ 191,050 |
| Coal sold - tons | 1,372 | 25 | 1,397 | 1,833 | 19 | 1,852 |
| Realized price per ton sold (at preparation plant) | <u>\$ 81.77</u> | <u>\$ 32.64</u> | <u>\$ 80.89</u> | <u>\$ 103.76</u> | <u>\$ 45.11</u> | <u>\$ 103.16</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 December 31, 2020 and 2019

| (in thousands except per ton amounts) | For the three months ended December 31, 2020 | | | For the three months ended December 31, 2019 | | |
|--|---|----------|-----------|---|----------|-----------|
| | NAPP | NAPP | Total | NAPP | NAPP | Total |
| | Met | Thermal | | Met | Thermal | |
| Cost of Sales: | | | | | | |
| Mining and processing costs | \$ 13,706 | \$ 227 | \$ 13,933 | \$ 29,168 | \$ 233 | \$ 29,401 |
| Purchased coal costs | 243 | — | 243 | 7,016 | 22 | 7,038 |
| Royalty expense | 945 | — | 945 | 1,782 | 8 | 1,790 |
| Total cash costs of tons sold | \$ 14,894 | \$ 227 | \$ 15,121 | \$ 37,966 | \$ 263 | \$ 38,229 |
| Total tons sold | 194 | 5 | 199 | 509 | 6 | 515 |
| Cash cost per ton sold (at preparation plant) | \$ 76.77 | \$ 45.40 | \$ 75.98 | \$ 74.59 | \$ 43.83 | \$ 74.23 |
| Total cash costs of tons sold | \$ 14,894 | \$ 227 | \$ 15,121 | \$ 37,966 | \$ 263 | \$ 38,229 |
| Less: Sales and Trading purchased coal | (243) | — | (243) | (7,016) | — | (7,016) |
| Cash cost of produced coal sold | \$ 14,651 | \$ 227 | \$ 14,878 | \$ 30,950 | \$ 263 | \$ 31,213 |
| Tons sold - produced | 190 | 5 | 195 | 419 | 6 | 425 |
| Cash production cost per ton sold (at preparation plant) | \$ 77.11 | \$ 45.40 | \$ 76.30 | \$ 73.87 | \$ 43.83 | \$ 73.44 |
| Sales and Trading purchased coal | \$ 243 | \$ — | \$ 243 | \$ 7,016 | \$ — | \$ 7,016 |
| Tons sold - Sales and Trading | 4 | — | 4 | 90 | — | 90 |
| Cash cost per Sales and Trading purchased coal per ton sold (at preparation plant) | \$ 60.75 | \$ — | \$ 60.75 | \$ 77.96 | \$ — | \$ 77.96 |

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 years ended December 31, 2020 and 2019

| (in thousands except per ton amounts) | For the year ended December 31, 2020 | | | For the year ended December 31, 2019 | | |
|--|---|-----------------|------------|---|-----------------|------------|
| | NAPP Met | NAPP Thermal | Total | NAPP Met | NAPP Thermal | Total |
| Cost of Sales: | | | | | | |
| Mining and processing costs | \$ 79,267 | \$ 813 | \$ 80,080 | \$ 96,326 | \$ 674 | \$ 97,000 |
| Purchased coal costs | 13,853 | 3 | 13,856 | 47,166 | 192 | 47,358 |
| Royalty expense | 6,149 | — | 6,149 | 6,948 | 20 | 6,968 |
| Total cash costs of tons sold | \$ 99,269 | \$ 816 | \$ 100,085 | \$ 150,440 | \$ 886 | \$ 151,326 |
| Total tons sold | 1,372 | 25 | 1,397 | 1,833 | 19 | 1,852 |
| Cash cost per ton sold (at preparation plant) | \$ 72.35 | \$ 32.64 | \$ 71.64 | \$ 82.07 | \$ 46.63 | \$ 81.71 |
| Total cash costs of tons sold | \$ 99,269 | \$ 816 | \$ 100,085 | \$ 150,440 | \$ 886 | \$ 151,326 |
| Less: Sales and Trading purchased coal | (13,853) | — | (13,853) | (47,166) | — | (47,166) |
| Cash cost of produced coal sold | \$ 85,416 | \$ 816 | \$ 86,232 | \$ 103,274 | \$ 886 | \$ 104,160 |
| Tons sold - produced | 1,199 | 25 | 1,224 | 1,301 | 19 | 1,320 |
| Cash production cost per ton sold (at preparation plant) | \$ 71.24 | \$ 32.64 | \$ 70.45 | \$ 79.38 | \$ 46.63 | \$ 78.91 |
| Sales and Trading purchased coal | \$ 13,853 | \$ — | \$ 13,853 | \$ 47,166 | \$ — | \$ 47,166 |
| Tons sold - Sales and Trading | 173 | — | 173 | 532 | — | 532 |
| Cash cost per Sales and Trading purchased coal per ton sold (at preparation plant) | \$ 80.08 | \$ — | \$ 80.08 | \$ 88.66 | \$ — | \$ 88.66 |

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

| | For the three months ended December 31, 2020 | | | For the three months ended December 31, 2019 | | |
|--|---|----------|----------|---|-----------|---------------|
| | NAPP | NAPP | Total | NAPP | NAPP | Total NAPP |
| | Met | Thermal | | Met | Thermal | |
| Realized price per ton sold (at preparation plant) | \$ 82.03 | \$ 45.40 | \$ 81.11 | \$ 86.70 | \$ 42.67 | \$ 86.18 |
| Cash cost per ton sold (at preparation plant) | \$ 76.77 | \$ 45.40 | \$ 75.98 | \$ 74.59 | \$ 43.83 | \$ 74.23 |
| Cash margin per ton sold | \$ 5.26 | \$ — | \$ 5.13 | \$ 12.11 | \$ (1.16) | \$ 11.95 |

Cash margin per ton sold for the years ended December 31, 2020 and 2019

| | For the year ended December 31, 2020 | | | For the year ended December 31, 2019 | | |
|--|---|----------|----------|---|-----------|---------------|
| | NAPP | NAPP | Total | NAPP | NAPP | Total NAPP |
| | Met | Thermal | | Met | Thermal | |
| Realized price per ton sold (at preparation plant) | \$ 81.77 | \$ 32.64 | \$ 80.89 | \$ 103.76 | \$ 45.11 | \$ 103.16 |
| Cash cost per ton sold (at preparation plant) | \$ 72.35 | \$ 32.64 | \$ 71.64 | \$ 82.07 | \$ 46.63 | \$ 81.71 |
| Cash margin per ton sold | \$ 9.42 | \$ — | \$ 9.25 | \$ 21.69 | \$ (1.52) | \$ 21.45 |

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 | 5,268,384 |
| Common Shares issuable upon redemption of Redeemable Units | 8,515,831 |
| Total | <u>108,543,460</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 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 | | | |
|---|----------------------|-----------------------|------------------|-------------------|
| | December 31, 2020 | September 30, 2020 | June 30, 2020 | March 31, 2020 |
| Revenue from continuing operations | \$ 16,835 | \$ 23,586 | \$ 41,224 | \$ 46,841 |
| Net and comprehensive (loss) income | \$ (13,042) | \$ (3,579) | \$ (41,313) | \$ (5,789) |
| Earnings (loss) per share: | | | | |
| Basic | \$ (0.13) | \$ (0.04) | \$ (0.36) | \$ (0.06) |
| Diluted | \$ (0.13) | \$ (0.04) | \$ (0.36) | \$ (0.06) |

| (in thousands except per share amounts) | Quarter Ended | | | |
|---|----------------------|-----------------------|------------------|-------------------|
| | December 31, 2019 | September 30, 2019 | June 30, 2019 | March 31, 2019 |
| Revenue from continuing operations | \$ 52,641 | \$ 58,370 | \$ 63,501 | \$ 57,557 |
| Net and comprehensive income (loss) | \$ (8,151) | \$ 1,033 | \$ 3,603 | \$ 3,002 |
| Earnings (loss) per share: | | | | |
| Basic | \$ (0.09) | \$ 0.01 | \$ 0.03 | \$ 0.02 |
| Diluted | \$ (0.09) | \$ 0.01 | \$ 0.03 | \$ 0.02 |

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. 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. Through the fourth quarter of 2020, 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"), 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:

| | For the three months ended | | For the years ended | |
|------------------------|----------------------------|-------------|---------------------|-----------------|
| | December 31, | | December 31, | |
| | 2020 | 2019 | 2020 | 2019 |
| Coal sales (a) | \$ 667 | \$ — | \$ 2,049 | \$ — |
| Supplies purchased (b) | (56) | — | (184) | (189) |
| Purchased coal (c) | — | — | — | (74) |
| | <u>\$ 611</u> | <u>\$ —</u> | <u>\$ 1,865</u> | <u>\$ (263)</u> |

- (a) During the three months and year ended December 31, 2020, the Company sold coal to Blackhawk Coal Sales, LLC, which is considered a related party as this entity was acquired by the Company's minority shareholder, Sev.en, on June 1, 2020. Sev.en became a minority shareholder on May 12, 2020. These amounts were included in revenue in the consolidated statements of operations and comprehensive income (loss).
- (b) During the three months and year ended December 31, 2020 and the year ended December 31, 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 consolidated statements of operations and comprehensive income (loss).
- (c) During the year ended December 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 December 31, 2020 was \$18 due to related parties. No accounts payable and accrued liabilities due to related parties existed at December 31, 2019. Included in accounts receivable at December 31, 2020 is \$166 related to coal sales. There were no related party coal sales receivable at December 31, 2019. At December 31, 2020 and 2019 \$10 was included in accounts receivable 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 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 36th 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 years ended December 31, 2020 and 2019.

At December 31, 2020 and 2019, the Company had two and seven customers, respectively, that owed the Company more than \$1,000 each and accounted for approximately 56% and 94%, respectively, of total accounts receivable. There were no customers with a balance greater than \$10,000 at December 31, 2020 and 2019. At December 31, 2020 and 2019, 0% and 89%, respectively, of the Company’s total accounts receivables were covered by letters of credit and 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 December 31, 2020, the Company had a consolidated cash balance of \$24,480, consolidated working capital of \$22,098 and availability under the Revolving Credit Facility of \$3,390. 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 36th Street Facility and the Paycheck Protection Program. The loan payables are carried at amortized cost and the carrying amount and fair value is presented below:

| | <u>December 31, 2020</u> | | <u>December 31, 2019</u> | |
|---|--------------------------|-------------------|--------------------------|-------------------|
| | Carrying | | Carrying | |
| | Amount | Fair Value | Amount | Fair Value |
| Loan payable - Main Street Facility | \$ 24,306 | \$ 14,126 | \$ — | \$ — |
| Loan payable - 36 th Street Facility | 8,282 | 8,183 | 10,858 | 11,074 |
| Paycheck Protection Program loan payable | 1,126 | 1,003 | — | — |
| | <u>\$ 33,714</u> | <u>\$ 23,312</u> | <u>\$ 10,858</u> | <u>\$ 11,074</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% and 10.0% at December 31, 2020 and 2019, respectively. 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.

| | December 31, 2020 | | December 31, 2019 | |
|--|-------------------|-------------|-------------------|-------------|
| | Level 1 | Level 2 | Level 1 | Level 2 |
| Restricted cash | \$ 28,257 | \$ — | \$ 9,514 | \$ — |
| Restricted investments | | | | |
| Debt securities | 2,711 | — | 8,314 | — |
| Equity securities | 8,452 | — | 19,338 | — |
| | 11,163 | — | 27,652 | — |
| Total restricted cash and investments | \$ 39,420 | \$ — | \$ 37,166 | \$ — |

At December 31, 2020 and 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.