



Corsa Coal Corp.

Unaudited Condensed Interim Consolidated Financial Statements

June 30, 2021 and 2020

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

Assets	June 30, 2021	December 31, 2020
Cash	\$ 16,508	\$ 24,480
Accounts receivable (note 3)	13,825	5,442
Prepaid expenses and other current assets	1,984	3,443
Inventories (note 4)	12,151	9,149
Current Assets	44,468	42,514
Restricted cash and investments (note 5)	41,835	39,420
Advance royalties and other assets	2,977	2,798
Property, plant and equipment, net (note 6)	118,637	125,420
Total Assets	\$ 207,917	\$ 210,152
Liabilities		
Accounts payable and accrued liabilities (note 7)	\$ 15,075	\$ 9,940
Lease liabilities – current (note 8)	1,353	1,409
Loans payable, net – current (note 9)	3,125	4,142
Paycheck Protection Program loan payable – current (note 9)	279	654
Other liabilities – current (note 10)	1,392	1,625
Reclamation and water treatment provision (note 11)	2,646	2,646
Current Liabilities	23,870	20,416
Revolving credit facility (note 9)	—	—
Loans payable, net – long-term (note 9)	27,311	28,446
Paycheck Protection Program loan payable – long-term (note 9)	847	472
Lease liabilities – long-term (note 8)	2,142	2,772
Other liabilities – long-term (note 10)	4,831	5,466
Reclamation and water treatment provision (note 11)	63,400	64,863
Total Liabilities	122,401	122,435
Equity		
Share capital (note 12)	225,091	180,130
Contributed surplus	163	341
Accumulated deficit	(139,738)	(137,856)
Total Shareholders' Equity	85,516	42,615
Non-controlling interest	—	45,102
Total Equity	85,516	87,717
Total Liabilities and Equity	\$ 207,917	\$ 210,152

Commitments and Contingencies (note 23)

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

Approved by the Board of Directors:

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

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

Corsa Coal Corp.

Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)

Expressed in United States dollars, tabular amounts in thousands except for per share amounts

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Revenue (note 13)	\$ 30,426	\$ 41,224	\$ 55,045	\$ 88,065
Cost of sales (note 14)	(30,474)	(40,316)	(56,790)	(85,498)
Cost of sales - asset impairment (note 14)	—	(41,684)	—	(41,684)
Total cost of sales	(30,474)	(82,000)	(56,790)	(127,182)
Gross loss	(48)	(40,776)	(1,745)	(39,117)
Selling, general and administrative expense (notes 15 and 16)	(2,201)	(2,444)	(4,230)	(4,553)
Loss from operations	(2,249)	(43,220)	(5,975)	(43,670)
Finance expense (note 17)	(1,398)	1,479	(2,730)	(3,959)
Finance income (note 17)	1,081	10	1,482	24
Other income, net (note 18)	4,719	507	4,943	592
Income (loss) before tax	2,153	(41,224)	(2,280)	(47,013)
Current income tax expense	—	89	—	89
Deferred income tax expense	—	—	—	—
Provision for income taxes	—	89	—	89
Net and comprehensive income (loss)	\$ 2,153	\$ (41,313)	\$ (2,280)	\$ (47,102)
Attributable to:				
Shareholders	\$ 2,243	\$ (34,383)	\$ (2,139)	\$ (40,539)
Non-controlling interest	\$ (90)	\$ (6,930)	\$ (141)	\$ (6,563)
Basic earnings (loss) per share (note 19)	\$ 0.02	\$ (0.36)	\$ (0.02)	\$ (0.43)
Diluted earnings (loss) per share (note 19)	\$ 0.02	\$ (0.36)	\$ (0.02)	\$ (0.43)

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

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

For the six months ended June 30, 2021						
	Number of Corsa Common Shares (000's)	Share Capital	Contributed Surplus	Accumulated Deficit	Non- Controlling Interest	Total Equity
Balance - January 1, 2021	94,759	\$ 180,130	\$ 341	\$ (137,856)	\$ 45,102	\$ 87,717
Stock-based compensation expense (note 16)	—	—	79	—	—	79
Stock option expiration/forfeiture	—	—	(257)	257	—	—
Redeemable unit redemption (note 12)	8,516	44,961	—	—	(44,961)	—
Net and comprehensive loss	—	—	—	(2,139)	(141)	(2,280)
Balance - June 30, 2021	<u>103,275</u>	<u>\$ 225,091</u>	<u>\$ 163</u>	<u>\$ (139,738)</u>	<u>\$ —</u>	<u>\$ 85,516</u>

For the six months ended June 30, 2020						
	Number of Corsa Common Shares (000's)	Share Capital	Contributed Surplus	Accumulated Deficit	Non- Controlling Interest	Total Equity
Balance - January 1, 2020	94,759	\$ 180,130	\$ 988	\$ (82,063)	\$ 52,103	\$ 151,158
Stock-based compensation expense (note 16)	—	—	165	—	—	165
Stock option expiration/forfeiture	—	—	(186)	186	—	—
Net and comprehensive loss	—	—	—	(40,539)	(6,563)	(47,102)
Balance - June 30, 2020	<u>94,759</u>	<u>\$ 180,130</u>	<u>\$ 967</u>	<u>\$ (122,416)</u>	<u>\$ 45,540</u>	<u>\$ 104,221</u>

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

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Operating Activities				
Net and comprehensive income (loss)	2,153	(41,313)	\$ (2,280)	\$ (47,102)
Items not affecting cash:				
Amortization	4,207	5,020	8,056	11,524
Stock-based compensation expense (note 16)	42	124	79	165
Non-cash finance expense (income)	(615)	(2,381)	(560)	2,121
Asset impairment (note 6)	—	41,684	—	41,684
Change in estimate of reclamation provision	—	278	—	278
Write-off of advance royalties and other assets	—	(13)	—	419
Other non-cash operating expense	367	506	—	279
Cash spent on reclamation and water treatment activities (note 11)	(1,106)	(838)	(1,738)	(1,792)
Changes in working capital balances related to operations (note 20)	(7,804)	9,835	(4,812)	13,633
Cash (used in) provided by operating activities	(2,756)	12,902	(1,255)	21,209
Investing Activities				
Restricted cash and investments	(1,324)	(1,308)	(2,085)	(2,204)
Restricted cash and investments released	519	935	519	935
Advance royalties and other assets	(127)	(153)	(245)	(303)
Proceeds from sale of assets	143	—	143	—
Property, plant and equipment additions	(1,324)	(545)	(1,727)	(1,026)
Cash used in investing activities	(2,113)	(1,071)	(3,395)	(2,598)
Financing Activities				
Proceeds from Revolving Credit Facility borrowings	—	12,881	—	59,011
Repayments of Revolving Credit Facility borrowings	—	(21,265)	—	(73,500)
Proceeds from Paycheck Protection Program borrowings	—	8,353	—	8,353
Repayment of loan payable	(742)	(644)	(2,636)	(1,272)
Repayment of notes payable	—	—	—	(7)
Repayment of lease liabilities	(348)	(261)	(686)	(491)
Cash used in financing activities	(1,090)	(936)	(3,322)	(7,906)
Net (decrease) increase in cash for the period	(5,959)	10,895	(7,972)	10,705
Cash, beginning of period	22,467	4,106	24,480	4,296
Cash, end of period	\$ 16,508	\$ 15,001	\$ 16,508	\$ 15,001

Supplemental disclosure (note 20)

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

1. Basis of Presentation and Nature of Operations

Nature of Operations and COVID-19 Matter

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

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

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The current COVID-19 pandemic has and continues to significantly impact the global economy and commodity and financial markets and could have a negative impact on the demand for metallurgical coal and/or business activities, which could have a material adverse effect on the Company’s business, financial condition, cash flows and results of operations.

As a result of the liquidity risks, due in large part to the COVID-19 pandemic, the Company obtained debt financing in April 2020 and December 2020 to provide the necessary liquidity to continue as a going concern. To the extent that demand and metallurgical coal prices do not increase, or additional liquidity enhancing measures are not successful, the Company will have to obtain additional debt or equity financing. Although debt and equity financings have been successful in the past, there is no assurance that Corsa will be able to successfully complete such financings in the future.

Unless otherwise indicated, all dollar amounts in these unaudited condensed interim consolidated financial statements are expressed in United States dollars. References to “C\$” are to Canadian dollars.

At June 30, 2021, the Company had one operating division, Northern Appalachia (“NAPP Division” or “NAPP”). The NAPP Division, based in Somerset, Pennsylvania, USA, produces and sells low volatile metallurgical coal used for the production of coke from its mines in the Northern Appalachia coal region of the USA. The Company’s corporate office provides support and manages the mining investments, and is also deemed a reportable segment.

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

Statement of Compliance

These unaudited condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standard 34 – *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”), and do not include all of the information required for full annual financial statements. The Company has consistently applied the same accounting policies throughout all periods presented.

Certain reclassifications of prior period data, which include the gross presentation of limestone sales from other income and expense to revenue and cost of sales and the gross presentation of finance income and expense, have been made to conform to the current unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements are intended to be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2020 and the related notes thereto.

These unaudited condensed interim consolidated financial statements were authorized by the Board of Directors of the Company on August 11, 2021.

Basis of Measurement

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

Future accounting pronouncements

No new standards, interpretations, amendments and improvements to existing standards issued by the IASB or the International Financial Reporting Interpretations Committee 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.

2. Financial 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 (as defined herein), loan payable in connection with the Main Street Facility (as defined herein), loan payable in connection with the 36th Street Facility (as defined herein), loan payable in connection with the Paycheck Protection Program (as defined herein) 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 six months ended June 30, 2021 and 2020.

At June 30, 2021 and December 31, 2020, the Company had four and two customers, respectively, that owed the Company more than \$1,000 each and accounted for approximately 61% and 56%, respectively, of total accounts receivable. At June 30, 2021, 40% of the Company's accounts receivables were covered by letters of credit or other forms of credit insurance. There were no receivables covered by letters of credit or other forms of credit insurance at December 31, 2020.

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 Facility, the Revolving Credit Facility and restricted cash and investments.

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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 June 30, 2021, the Company had a consolidated cash balance of \$16,508, consolidated working capital of \$20,598 and availability under the Revolving Credit Facility of \$4,110. 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.

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

	Carrying Value at June 30, 2021	Payments due by period				
		Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accrued liabilities	\$ 15,075	\$ 15,075	\$ 15,075	\$ —	\$ —	\$ —
Lease liabilities	3,495	3,495	1,353	1,846	296	—
Revolving Credit Facility	—	—	—	—	—	—
Loan payable - 36th Street Facility	5,663	5,736	3,158	2,578	—	—
Loan payable - Main Street Facility	24,773	25,416	—	3,812	21,604	—
Paycheck Protection Program loan payable	1,126	1,126	279	847	—	—
Other liabilities	6,223	6,225	1,394	2,276	2,276	279
Asset retirement obligations - reclamation	36,265	36,265	1,229	3,553	3,718	27,765
Asset retirement obligations - water treatment	29,781	29,781	1,417	2,911	2,997	22,456
Purchase order firm commitments	—	735	735	—	—	—
Water treatment trust funding	—	1,084	—	1,084	—	—
Reclamation bond restricted cash deposits	—	9,636	1,000	2,000	2,000	4,636
Operating leases and other obligations	—	2	2	—	—	—
Total	\$ 122,401	\$ 134,576	\$ 25,642	\$ 20,907	\$ 32,891	\$ 55,136

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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 loans payable are carried at amortized cost and the carrying amount and fair value is presented below:

	June 30, 2021		December 31, 2020	
	Carrying		Carrying	
	Amount	Fair Value	Amount	Fair Value
Loan payable - Main Street Facility	\$ 24,773	\$ 14,350	\$ 24,306	\$ 14,126
Loan payable - 36 th Street Facility	5,663	5,625	8,282	8,183
Paycheck Protection Program loan payable	1,126	929	1,126	1,003
	<u>\$ 31,562</u>	<u>\$ 20,904</u>	<u>\$ 33,714</u>	<u>\$ 23,312</u>

The fair value of the loans payable were determined by discounting the future contractual cash flows at a discount rate that represents an approximation of the borrowing rates presently available to the Company which was 13.5%. Management's estimate of the fair value of the loans payable 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.

	June 30, 2021	December 31, 2020
	Level 1	Level 1
Restricted cash	\$ 11,893	\$ 28,257
Restricted investments		
Debt securities	8,719	2,711
Equity securities	21,223	8,452
	<u>29,942</u>	<u>11,163</u>
Total restricted cash and investments	<u>\$ 41,835</u>	<u>\$ 39,420</u>

At June 30, 2021 and December 31, 2020, the Company had no financial instruments which used Level 2 or 3 fair value measurements.

Corsa Coal Corp.
Notes to Unaudited Condensed Interim Consolidated Financial Statements
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3. Accounts Receivable

Accounts receivable consist of the following:

	June 30, 2021	December 31, 2020
Trade receivables	\$ 8,943	\$ 5,144
Employee retention credit	4,409	—
Other	473	298
	<u>\$ 13,825</u>	<u>\$ 5,442</u>

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

Employee retention credit

The Taxpayer Certainty and Disaster Tax Relief Act of 2020, enacted December 27, 2020, made a number of changes to the employee retention tax credits previously made available under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), including modifying and extending the Employee Retention Credit (“ERC”) for six months through June 30, 2021. The ERC was also expanded and extended under the Consolidated Appropriations Act of 2020 and the American Rescue Plan Act of 2021. As a result of the new legislation, eligible employers can now claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages they pay to employees after December 31, 2020, through December 31, 2021. Qualified wages are limited to \$10,000 per employee per calendar quarter in 2021. Thus, the maximum ERC amount available is \$7,000 per employee per calendar quarter, for a total of \$28,000 in 2021.

Employers are eligible if they operate a trade or business during 2021 and experience either: (1) a full or partial suspension of the operation of their trade or business during this period because of governmental orders or (2) a decline in gross receipts in a calendar quarter in 2021 where the gross receipts of that calendar quarter are less than 80% of the gross receipts in the same calendar quarter in 2019.

The Company’s subsidiary, Wilson Creek Energy, LLC, is eligible for employee retention credits in the amount of \$4,409 for the six months ended June 30, 2021 and recognized the employee retention credit in other income and expense in the condensed interim consolidated statements of comprehensive income (loss).

4. Inventories

Inventories consist of the following:

	June 30, 2021	December 31, 2020
Metallurgical coal		
Clean coal stockpiles	\$ 5,023	\$ 2,727
Raw coal stockpiles	2,726	1,900
	<u>7,749</u>	<u>4,627</u>
Parts and supplies, net	4,402	4,522
	<u>\$ 12,151</u>	<u>\$ 9,149</u>

The net realizable value adjustment for the six months ended June 30, 2021, measured as the inventory balances at full cost less the net realizable value at June 30, 2021, was \$257. There was no net realizable value adjustment for the six months ended June 30, 2020. An obsolescence reserve of \$566 has been provided for the parts and supplies inventory for the periods ended June 30, 2021 and December 31, 2020.

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5. Restricted Cash and Investments

Restricted cash and investments consists of the following:

	June 30, 2021				December 31, 2020			
	Cash	Debt		Equity	Cash	Debt		Equity
		Securities	Securities	Total		Securities	Securities	Total
Water treatment (a)	\$ 715	\$ 8,355	\$ 20,734	\$ 29,804	\$ 17,620	\$ 2,281	\$ 8,021	\$ 27,922
Reclamation bonds (b)	7,033	353	36	7,422	6,515	369	35	6,919
Workers' compensation (c)	4,145	—	453	4,598	4,122	50	396	4,568
Other restricted deposits	—	11	—	11	—	11	—	11
	<u>\$ 11,893</u>	<u>\$ 8,719</u>	<u>\$ 21,223</u>	<u>\$ 41,835</u>	<u>\$ 28,257</u>	<u>\$ 2,711</u>	<u>\$ 8,452</u>	<u>\$ 39,420</u>

- (a) The Company has signed certain agreements with U.S. environmental and regulatory agencies which require the perpetual monitoring and treatment of water in areas where the Company is operating or has operated in the past. As a result of these agreements, the Company was required to establish separate trust funds to ensure water treatment activities would continue after the Company ceased operating in the affected areas. The cash is either held or invested in debt and equity securities and income earned on such funds, under certain circumstances, may be used by the Company to pay for certain water treatment costs once the trust funds have been fully funded. At June 30, 2021, all of the water treatment trusts were fully funded.

In January 2021, the Pennsylvania Department of Environmental Protection issued a compliance order (the "C.O.") which rescinds a permitted right of PBS Coals, Inc. ("PBS"), a wholly-owned subsidiary, to inject water treatment sludge into an adjacent abandoned mine. The sludge emanates from a mine drainage treatment system associated with an active coal refuse disposal site. The coal refuse disposal site is included in a water treatment trust. PBS appealed the issuance of the C.O., but its request for temporary relief to stay the effect of the C.O. was denied on March 30, 2021. PBS discontinued its appeal on April 27, 2021. PBS is currently evaluating several alternatives to sludge injection and has ceased injection by the June 30, 2021 abatement date in the C.O. Due to the preliminary nature of the evaluation process, it is difficult to estimate the cost of alternative disposal methods, but the cost to treat, handle and dispose of the sludge will increase above historical costs. Additionally, the anticipated rise in such costs is expected to increase the total amount required in the trust fund which previously had been fully funded. Based on current estimates, the Company expects to be required to contribute approximately \$1,084 in calendar year 2024 to fully fund the trust.

- (b) The Company is required to post bonds to ensure reclamation is completed on its mining properties as required under U.S. state and federal regulations. The Company has agreements with insurers to provide these bonds. The cash collateral is held or invested in certificates of deposit, that are insured by the U.S. Federal Deposit Insurance Corporation, or in debt and equity security investments. The Company is required to increase the level of cash collateral over time to reach the target set by the surety of 25% of the issued bond amount. The collateral increase will be funded by quarterly installment payments of \$250.
- (c) The Company has established separate trust funds with its insurance carriers to pay potential awards and claims related to workers' compensation.

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6. Property, Plant and Equipment, net

Property, plant and equipment consists of the following:

	Mineral Properties (a)	Plant and Equipment	Total
Cost			
Balance - January 1, 2020	\$ 158,908	\$ 152,513	\$ 311,421
Additions	—	3,707	3,707
Capitalized development costs	275	—	275
Change in reclamation provision	2,672	—	2,672
Disposals	—	(1,385)	(1,385)
Balance - December 31, 2020	161,855	154,835	316,690
Additions	—	1,617	1,617
Capitalized development costs	41	—	41
Disposals	—	(606)	(606)
Balance - June 30, 2021	\$ 161,896	\$ 155,846	\$ 317,742
Accumulated Amortization and Impairment Losses			
Balance - January 1, 2020	\$ (31,158)	\$ (100,534)	\$ (131,692)
Amortization	(5,777)	(13,502)	(19,279)
Asset impairment (b)	(30,205)	(11,479)	(41,684)
Disposals	—	1,385	1,385
Balance - December 31, 2020	(67,140)	(124,130)	(191,270)
Amortization	(3,344)	(5,023)	(8,367)
Disposals	—	532	532
Balance - June 30, 2021	\$ (70,484)	\$ (128,621)	\$ (199,105)
Net Book Value			
December 31, 2020	\$ 94,715	\$ 30,705	\$ 125,420
June 30, 2021	\$ 91,412	\$ 27,225	\$ 118,637

- (a) Mineral properties include the cost of obtaining the mineral and surface rights required to conduct mining operations. The two types of lease rights in the states of Maryland and Pennsylvania are surface rights, which provide access to the surface of a specific property, and mineral rights, which provide the right to extract the minerals from a specific property. The Company either purchases outright or leases these rights from various owners specific to each property. Mineral and surface rights which are leased are subject to royalty payments to the various owners based on the tons of coal extracted from that specific property. Royalty rates on leased mineral rights can range from 5% to 16%, although they typically range from 6% to 7%, of the selling price of the coal. Mineral and surface rights which are owned by the Company are not subject to royalties. The net book value of mineral properties that are not in production at June 30, 2021 was \$24,626.

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(b) A triggering event was identified 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. Accordingly, an impairment charge of \$41,684 was recognized in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss) for the three and six months ended June 30, 2020, reducing the carrying values of mineral properties and plant and equipment. The impairment loss reflected a strategic review of the NAPP Division performed by management, which resulted in an impairment analysis of the recoverable amount of the division's assets.

Key Assumptions

The recoverable amount of the NAPP CGU was \$128,176 and was determined based on the fair value less cost of disposal ("FVLCD") using discounted cash flow projections. Key assumptions used in the calculation of recoverable amounts include discount rates, coal prices, future timing of production, including the date when a mineral property can be brought into production, the expected cost to produce coal, future care and maintenance and operating costs.

The assumed metallurgical coal prices used to determine the FVLCD were in a price range from \$59-\$110 per ton free-on-board at the Company's preparation plant for the period from 2021 through 2041. The discount rate used of 14.8% was based on the Company's estimated weighted-average cost of capital for discounting the cash flow projections. Management's estimate of the FVLCD of the NAPP Division is classified as level 3 in the fair value hierarchy.

Sensitivity Assumptions

The projected cash flows and estimated FVLCD can be affected by any one or more changes in the estimates used. Changes in coal prices and discount rates have the greatest impact on value, where a 1% change impacts the FVLCD as follows:

Change to FVLCD			
1% Decrease in	1% Increase in	1% Increase in	1% Decrease in
Coal Prices	Coal Prices	Discount Rate	Discount Rate
\$ (9,314)	\$ 9,314	\$ (10,666)	\$ 11,965

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consists of the following:

	June 30,	December 31,
	2021	2020
Trade payables	\$ 8,404	\$ 4,891
Purchased coal payables	427	—
Freight payables	1,474	753
Other accrued liabilities	4,770	4,296
	<u>\$ 15,075</u>	<u>\$ 9,940</u>

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8. Lease Liabilities

Lease liabilities consists of the following:

	Interest Rate	Maturity	June 30, 2021	December 31, 2020
Equipment - Preparation Plant (a)	11.0%	September 2023	\$ 660	\$ 783
Equipment - Preparation Plant (a)	11.0%	December 2021	110	215
Equipment - Surface	10.8% to 11%	May 2022 - July 2025	2,706	3,161
Equipment - Information Technology	11.0%	July 2023	19	22
Balance, end of period			3,495	4,181
Less: Current portion			(1,353)	(1,409)
Total long-term lease liabilities			\$ 2,142	\$ 2,772

- (a) Contingent rent related to these lease obligations is payable if the equipment exceeds certain operating levels. The contingent rent recognized in the three and six months ended June 30, 2021 was expense of \$19 and income of \$1, respectively. The contingent rent recognized in the three and six months ended June 30, 2020 was income of \$3 and \$1, respectively. Contingent rent is included in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss).

Lease liabilities and minimum lease payments at June 30, 2021 are as follows:

Less than 1 year	\$ 1,658
1-3 years	2,079
4-5 years	310
Thereafter	—
Total payments	4,047
Less: Amounts representing interest	(552)
Total finance lease obligations	\$ 3,495

For the three and six months ended June 30, 2021 and 2020, interest expense, which is included in finance expense in the condensed interim consolidated statements of operations and comprehensive income (loss) and total cash outflows related to lease liabilities were as follows:

	For the three months ended		For the six months ended	
	June 30, 2021	2020	June 30, 2021	2020
Interest expense related to lease liabilities	\$ 100	\$ 104	\$ 210	\$ 201
Total cash outflows related to lease liabilities	\$ 448	\$ 365	\$ 896	\$ 692

The expense relating to leases of low value assets was not material.

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

	Equipment				Total
	Plant	Plant	Surface	IT	
<u>Gross Right-of-Use Asset</u>					
Balance – January 1, 2020	\$ 1,696	\$ 2,200	\$ 2,520	\$ 37	\$ 6,453
Additions	—	—	1,782	—	1,782
Balance – December 31, 2020	1,696	2,200	4,302	37	8,235
Additions	—	—	—	—	—
Balance – June 30, 2021	<u>\$ 1,696</u>	<u>\$ 2,200</u>	<u>\$ 4,302</u>	<u>\$ 37</u>	<u>\$ 8,235</u>
<u>Accumulated Amortization</u>					
Balance – January 1, 2020	\$ (1,017)	\$ (603)	\$ (502)	\$ (11)	\$ (2,133)
Amortization	(339)	(426)	(787)	(7)	(1,559)
Balance – December 31, 2020	(1,356)	(1,029)	(1,289)	(18)	(3,692)
Amortization	(170)	(213)	(479)	(4)	(866)
Balance – June 30, 2021	<u>\$ (1,526)</u>	<u>\$ (1,242)</u>	<u>\$ (1,768)</u>	<u>\$ (22)</u>	<u>\$ (4,558)</u>
<u>Net Book Value</u>					
December 31, 2020	<u>\$ 340</u>	<u>\$ 1,171</u>	<u>\$ 3,013</u>	<u>\$ 19</u>	<u>\$ 4,543</u>
June 30, 2021	<u>\$ 170</u>	<u>\$ 958</u>	<u>\$ 2,534</u>	<u>\$ 15</u>	<u>\$ 3,677</u>

For the three and six months ended June 30, 2021, amortization expense of \$434 and \$866, respectively, and \$372 and \$710, for the three and six months ended June 30, 2020, respectively, related to the right-of-use assets, is included in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss).

9. Debt

Revolving Credit Facility

On August 16, 2019, certain wholly-owned subsidiaries of the Company, as borrowers, entered into a three-year credit and security agreement (the “Credit Agreement”) with KeyBank National Association (“KeyBank”) for up to \$25 million and which was reduced to \$5 million in December 2020 in connection with an amendment thereto (the “Revolving Credit Facility”). The Revolving Credit Facility bears interest at London Inter-Bank Offered Rate (“LIBOR”) plus 350 basis points or the Base Rate plus 150 basis points. The Base Rate is the rate per annum equal to the highest of (i) the rate of interest established by KeyBank, from time-to-time, as its “prime rate,” (ii) the Federal Funds Effective Rate, as defined in the Credit Agreement, in effect from time-to-time plus ½ of 1% per annum, and (iii) 100 basis points in excess of LIBOR for loans with an interest period of one month. The Revolving Credit Facility also includes a 0.50% unused facility fee. The Revolving Credit Facility contains customary financial covenants which were amended in December 2020 to align with the financial covenants of the Main Street Loan Facility (as defined below). The Revolving Credit Facility is secured against all currently owned and after acquired tangible and intangible assets of the borrowers and the guarantor. At June 30, 2021, the Company had no outstanding borrowings on the Revolving Credit Facility, a letter of credit had been issued to support historical workers compensation claims in the amount of \$890 and the Company had additional availability to borrow \$4,110. Total liquidity under the Revolving Credit Facility is subject to certain restrictions which include, among others, a percentage of accounts receivable and coal inventory. The Company was in compliance with all financial covenants at June 30, 2021.

Loan Payable - 36th Street Facility

On August 16, 2019, Wilson Creek Holdings, Inc. (“WCH”), as lessee, and the Company along with all of the subsidiaries of WCH, as guarantors, entered into a lease financing agreement with Key Equipment Finance, as lessor and assignor, and 36th Street Capital Partners, LLC, as assignee, for the sale and leaseback of various coal mining equipment (the “Leased Property”) for a funding amount of \$12 million (the “36th Street Facility” and together with the Revolving Credit Facility, the “Credit Facilities”). The 36th Street Facility has an effective interest rate of 9.50%, a lease term of 48 months and contains customary financial covenants which were amended in December 2020 to align with the financial covenants of the Main Street Facility. The 36th Street Facility is secured by the Leased Property. The Company was in compliance with all financial covenants at June 30, 2021.

Loan Payable - 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 committed to purchase, on December 21, 2020, 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 to the Canadian parent entity. 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 amount of \$720. The Main Street Facility is secured against certain real and personal property of the borrowers. The borrowers were in compliance with all financial covenants at June 30, 2021.

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The changes in the loan payable balance are as follows:

	36 th Street Facility			Main Street Facility			
	Unamortized			Unamortized			
	Principal	Discount	Total	Principal	Discount	Total	Total
Balance - January 1, 2020	\$ 10,982	\$ (124)	\$ 10,858	\$ —	\$ —	\$ —	\$ 10,858
Initial borrowing	—	—	—	25,000	—	25,000	25,000
Accrued interest	980	—	980	20	—	20	1,000
Interest paid	(980)	—	(980)	—	—	—	(980)
Issuance costs	—	—	—	—	(720)	(720)	(720)
Amortization of discount	—	34	34	—	6	6	40
Principal repayment	(2,610)	—	(2,610)	—	—	—	(2,610)
Balance - December 31, 2020	<u>\$ 8,372</u>	<u>\$ (90)</u>	<u>\$ 8,282</u>	<u>\$ 25,020</u>	<u>\$ (714)</u>	<u>\$ 24,306</u>	<u>\$ 32,588</u>
	36 th Street Facility			Main Street Facility			
	Unamortized			Unamortized			
	Principal	Discount	Total	Principal	Discount	Total	Total
Balance - January 1, 2021	\$ 8,372	\$ (90)	\$ 8,282	\$ 25,020	\$ (714)	\$ 24,306	\$ 32,588
Accrued interest	349	—	349	396	—	396	745
Interest paid	(349)	—	(349)	—	—	—	(349)
Amortization of discount (note 17)	—	17	17	—	71	71	88
Principal repayment	(2,636)	—	(2,636)	—	—	—	(2,636)
Balance - June 30, 2021	<u>\$ 5,736</u>	<u>\$ (73)</u>	<u>\$ 5,663</u>	<u>\$ 25,416</u>	<u>\$ (643)</u>	<u>\$ 24,773</u>	<u>\$ 30,436</u>
Less: current portion	<u>(3,159)</u>	<u>34</u>	<u>(3,125)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,125)</u>
Total long-term loan payable	<u>\$ 2,577</u>	<u>\$ (39)</u>	<u>\$ 2,538</u>	<u>\$ 25,416</u>	<u>\$ (643)</u>	<u>\$ 24,773</u>	<u>\$ 27,311</u>

Paycheck Protection Program Loans Payable

In connection with the COVID-19 pandemic, the U.S. Small Business Administration (“SBA”), an agency of the U.S. federal government, administered 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, WCH and Wilson Creek Energy, LLC, entered into loan agreements under the Paycheck Protection Program providing for loans in an aggregate amount of \$8,353. The loan agreements are with KeyBank, as lender, and include standard terms and conditions under the Paycheck Protection Program. The Company 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 three and nine months ended September 30, 2020 in other income and expense in the condensed interim consolidated statements of operations and comprehensive income (loss).

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10. Other Liabilities

Other liabilities consist of the following:

	June 30, 2021	December 31, 2020
Workers' compensation provision (a)	\$ 5,969	\$ 6,446
Transportation contract liquidated damages (b)	201	394
Other (c)	53	251
	<u>6,223</u>	<u>7,091</u>
Less: current portion (a,b,c)	<u>(1,392)</u>	<u>(1,625)</u>
Total Other Liabilities	<u>\$ 4,831</u>	<u>\$ 5,466</u>

- (a) The provision relates to workers' compensation and occupational disease claims that have not yet been paid by the Company. The estimates use an actuarial valuation approach based on historical claims and known events, where such estimates may differ materially from the estimates used herein. The balance that is expected to be settled within the next twelve months is \$1,138. The Company has established separate trust funds with its insurance carriers to pay potential awards and claims related to workers' compensation claims (note 5).
- (b) The Company's subsidiary, PBS Coals, Inc., had contractual agreements with a transportation provider, which indicated minimum levels of coal to be shipped via rail over an expired contract period, which was not met. Corsa acquired these contractual agreements as a result of an acquisition. The balance that is expected to be settled within the next twelve months is \$201.
- (c) Other includes various accruals based on management's best estimate of other matters, all of which are expected to be settled within the next twelve months.

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11. Reclamation and Water Treatment Provision

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

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

	Site Reclamation and Remediation (a)	Water Treatment Obligation (b)	Total
Balance - January 1, 2020	\$ 33,848	\$ 25,323	\$ 59,171
Costs incurred	(1,445)	(1,806)	(3,251)
Change in estimate	3,866	6,597	10,463
Accretion expense	640	486	1,126
	<u>3,061</u>	<u>5,277</u>	<u>8,338</u>
Balance - December 31, 2020	\$ 36,909	\$ 30,600	\$ 67,509
Costs incurred	(789)	(949)	(1,738)
Accretion expense (note 17)	145	130	275
	<u>(644)</u>	<u>(819)</u>	<u>(1,463)</u>
Balance - June 30, 2021	\$ 36,265	\$ 29,781	\$ 66,046
Less: current portion	(1,229)	(1,417)	(2,646)
Long-Term Reclamation and Water Treatment Provision	<u>\$ 35,036</u>	<u>\$ 28,364</u>	<u>\$ 63,400</u>
Estimated costs (undiscounted cash flow basis)	<u>\$ 32,754</u>	<u>\$ 26,863</u>	<u>\$ 59,617</u>
End of reclamation period	<u>1-21 years</u>	<u>Perpetual</u>	
Discount rate	<u>0.10%-1.47%</u>	<u>0.10%-1.45%</u>	
Inflation rate	<u>2.0%</u>	<u>2.0%</u>	

(a) Site reclamation and remediation

- (i) The current portion represents the amount of costs expected to be incurred by the Company within one year from June 30, 2021.
- (ii) At June 30, 2021, the Company had \$65,440 in surety bonds outstanding to secure reclamation obligations.

(b) Water treatment obligation

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

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

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

The Company was required to establish separate trust funds to ensure water treatment activities would continue after the Company ceased operating in the affected areas. The cash is invested in debt and equity securities and income earned on such funds, under certain circumstances, may be used by the Company to pay for certain water treatment costs once the trust funds have been fully funded. See note 5(a) for a further description of the water treatment trust funds.

The current portion represents the amount of costs expected to be incurred by the Company within one year from June 30, 2021.

12. Share Capital

The authorized capital of the Company consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares issuable in series, with such rights, privileges, restrictions and conditions as the Board of Directors of the Company may determine from time to time. At June 30, 2021 and December 31, 2020, the Company had 103,275,076 and 94,759,245 Common Shares outstanding, respectively, and no preferred shares outstanding.

On May 31, 2021, QKGI Legacy Holdings, LP ("Legacy QKGI") redeemed 170,316,639 common membership units of Wilson Creek Energy, LLC ("WCE") which entitled Legacy QKGI to a 19% non-controlling interest in the net assets, income and expenses of WCE. The Company elected to satisfy the redemption by issuing 8,515,831 Common Shares and Legacy QKGI no longer has a minority interest in the net assets, income and expenses of WCE.

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13. Revenue

Revenue consists of the following:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Metallurgical coal sales	\$ 29,281	\$ 40,359	\$ 52,935	\$ 86,522
Thermal coal sales	428	44	1,219	209
Tolling revenue	426	505	456	902
Limestone sales	291	316	435	432
	<u>\$ 30,426</u>	<u>\$ 41,224</u>	<u>\$ 55,045</u>	<u>\$ 88,065</u>

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Revenue from contracts with customers	\$ 30,122	\$ 40,888	\$ 54,481	\$ 87,479
Revenue from other sources	304	336	564	586
	<u>\$ 30,426</u>	<u>\$ 41,224</u>	<u>\$ 55,045</u>	<u>\$ 88,065</u>

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

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

Geographic Region	For the three months ended June 30, 2021			
	Metallurgical	Thermal	Tolling	Total
	Coal	Coal	Revenue	
Asia	\$ 12,545	\$ —	\$ —	\$ 12,545
United States	16,736	415	426	17,577
Total revenue from contracts with customers	<u>\$ 29,281</u>	<u>\$ 415</u>	<u>\$ 426</u>	<u>\$ 30,122</u>

Geographic Region	For the three months ended June 30, 2020			
	Metallurgical	Thermal	Tolling	Total
	Coal	Coal	Revenue	
Asia	\$ 23,251	\$ —	\$ —	\$ 23,251
United States	13,241	24	505	13,770
South America	3,867	—	—	3,867
Europe	—	—	—	—
Total revenue from contracts with customers	<u>\$ 40,359</u>	<u>\$ 24</u>	<u>\$ 505</u>	<u>\$ 40,888</u>

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Geographic Region	For the six months ended June 30, 2021			
	Metallurgical	Thermal	Tolling	Total
	Coal	Coal	Revenue	
Asia	\$ 18,989	\$ —	\$ —	\$ 18,989
United States	33,946	1,090	456	35,492
Total revenue from contracts with customers	<u>\$ 52,935</u>	<u>\$ 1,090</u>	<u>\$ 456</u>	<u>\$ 54,481</u>

Geographic Region	For the six months ended June 30, 2020			
	Metallurgical	Thermal	Tolling	Total
	Coal	Coal	Revenue	
Asia	\$ 39,226	\$ —	\$ —	\$ 39,226
United States	29,815	55	902	30,772
South America	16,359	—	—	16,359
Europe	1,122	—	—	1,122
Total revenue from contracts with customers	<u>\$ 86,522</u>	<u>\$ 55</u>	<u>\$ 902</u>	<u>\$ 87,479</u>

14. Cost of Sales

Cost of sales consists of the following:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Mining and processing costs	\$ 21,206	\$ 19,493	\$ 40,057	\$ 45,135
Purchased coal costs	1,415	8,797	2,473	13,574
Royalty expense	1,208	1,794	2,447	3,695
Amortization expense	4,207	5,020	8,056	11,524
Transportation costs from preparation plant to customer	1,414	3,878	2,724	9,409
Idle mine expense	151	78	303	165
Tolling costs	218	313	237	572
Limestone costs	258	241	426	340
Change in estimate of reclamation provision	—	278	—	278
Write-off of advance royalties and other assets	—	(13)	—	419
Other costs	397	437	67	387
Cost of sales	<u>30,474</u>	<u>40,316</u>	<u>56,790</u>	<u>85,498</u>
Cost of sales - asset impairment	—	41,684	—	41,684
Total cost of sales	<u>\$ 30,474</u>	<u>\$ 82,000</u>	<u>\$ 56,790</u>	<u>\$ 127,182</u>

15. Selling, General and Administrative Expense

Selling, general and administrative expense consists of the following:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Salaries and other compensation	\$ 1,023	\$ 1,043	\$ 1,935	\$ 2,138
Employee benefits	240	262	408	487
Selling expense	117	255	227	112
Professional fees	466	475	998	963
Office expenses and insurance	289	356	540	703
Other	66	53	122	150
	<u>\$ 2,201</u>	<u>\$ 2,444</u>	<u>\$ 4,230</u>	<u>\$ 4,553</u>

16. Stock-Based Compensation

The Company has a stock option plan and a restricted share unit (“RSU”) plan providing for the issuance of stock options and RSUs, respectively, to directors, officers, employees and service providers. The number of Common Shares reserved for issuance under the stock option plan may not exceed 10% of the total number of issued and outstanding Common Shares on a non-diluted basis on the grant date. Additionally, the number of Common Shares that may be acquired under a stock option or RSU granted to a certain participant is determined by the Company’s Board of Directors and may not exceed 5% of the total number of issued and outstanding Common Shares on the grant date on a non-diluted basis. The exercise price of the stock options granted shall comply with the requirements of the stock exchange on which the Common Shares are listed (currently the TSX Venture Exchange). The maximum term of any stock option may not exceed five years unless approved by the Company’s Board of Directors. Generally, stock options vest over three years. Each RSU granted entitles the participant to receive, from the Company, payment in cash or, at the option of the Company, payment in fully paid Common Shares. For a cash payment, the RSUs will be redeemed by the Company for cash equal to the market value of the Common Shares, determined based on the volume weighted average trading price of a Common Share on the stock exchange during the five trading days immediately preceding the payment date. In the event that the Company elects to satisfy all or part of its payment obligation in fully paid Common Shares, the Company will satisfy the payment obligation with the issuance, or delivery, of fully paid Common Shares on the payment date. No RSUs have been granted, including during the three and six months ended June 30, 2021 and 2020. At June 30, 2021 and 2020, there were 5,458,258 and 2,199,291 stock options available for issuance under the stock option plan, respectively.

The following illustrates the changes in issued and outstanding stock options:

	Number of Stock Options (000’s)	Weighted Average Exercise Price (C\$)
Balance - January 1, 2020	7,959	\$1.08
Options cancelled/forfeited	(1,233)	1.11
Options expired	(1,449)	1.00
Balance - December 31, 2020	5,277	1.09
Options cancelled/forfeited	(70)	1.08
Options expired	(338)	1.40
Balance - June 30, 2021	<u>4,869</u>	<u>\$1.07</u>

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For the three and six months ended June 30, 2021 and 2020, the Company recorded stock-based compensation expense on the outstanding stock options, which is included in selling, general and administrative expense, as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Stock-based compensation expense	\$ 42	\$ 124	\$ 79	\$ 165

17. Finance (Expense) and Income

Finance (expense) and income included in the condensed interim consolidated statements of operations and comprehensive income (loss) are summarized as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Finance expense				
Amortization of discount on loan payable (note 9)	\$ (45)	\$ (8)	\$ (88)	\$ (17)
Amortization of Revolving Credit Facility fees	(34)	(35)	(70)	(71)
Bond premium expense	(530)	(509)	(977)	(877)
Interest expense	(651)	(500)	(1,320)	(1,106)
Foreign exchange loss	—	(5)	—	(5)
Accretion on reclamation and water treatment provision (note 11)	(138)	(279)	(275)	(560)
Income (loss) on restricted investments	—	2,815	—	(1,323)
Total finance (expense) income	\$ (1,398)	\$ 1,479	\$ (2,730)	\$ (3,959)
Finance income				
Interest income	\$ —	\$ 10	\$ —	\$ 24
Foreign exchange gain	6	—	8	—
Income on restricted investments	1,075	—	1,474	—
Total finance income	\$ 1,081	\$ 10	\$ 1,482	\$ 24
Net finance (expense) income	\$ (317)	\$ 1,489	\$ (1,248)	\$ (3,935)

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18. Other Income and Expense

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Employee retention credit (note 3)	\$ 4,409	\$ —	\$ 4,409	\$ —
Filter cake sales and refuse disposal income	202	116	400	125
Gain on property dispositions	62	—	138	—
Royalty income	32	76	62	191
Other	14	315	(66)	276
	<u>\$ 4,719</u>	<u>\$ 507</u>	<u>\$ 4,943</u>	<u>\$ 592</u>

19. Earnings per Share

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Basic and diluted loss attributable to common shareholders	\$ 2,243	\$ (34,383)	\$ (2,139)	\$ (40,539)
Basic weighted average number of Common Shares outstanding (000's)	97,660	94,759	96,218	94,759
Dilutive effect of stock options (000's)	51	—	—	—
Diluted weighted average number of Common Shares outstanding (000's)	<u>97,711</u>	<u>94,759</u>	<u>96,218</u>	<u>94,759</u>
Basic earnings (loss) per share	<u>\$ 0.02</u>	<u>\$ (0.36)</u>	<u>\$ (0.02)</u>	<u>\$ (0.43)</u>
Diluted earnings (loss) per share	<u>\$ 0.02</u>	<u>\$ (0.36)</u>	<u>\$ (0.02)</u>	<u>\$ (0.43)</u>

In periods of net loss, the number of shares used to calculate diluted earnings per share is the same as basic earnings per share; therefore, the effect of the dilutive securities is zero for such periods. For the six months ended June 30, 2021 and the three and six months ended June 30, 2020, there were no instruments, including stock options, which would result in the issuance of Common Shares whose effect would be dilutive on loss per share.

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20. Supplemental Cash Flow Information

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Change in working capital balances related to operations:				
Accounts receivable	\$ (7,187)	\$ 18,303	\$ (8,391)	\$ 23,099
Prepaid expenses and other current assets	530	1,149	1,459	2,626
Inventories	(937)	(1,816)	(2,692)	(2,266)
Accounts payable and accrued liabilities	3	(7,655)	5,204	(9,286)
Other liabilities	(213)	(146)	(392)	(540)
	<u>\$ (7,804)</u>	<u>\$ 9,835</u>	<u>\$ (4,812)</u>	<u>\$ 13,633</u>
Cash paid for interest	<u>\$ 453</u>	<u>\$ 519</u>	<u>\$ 926</u>	<u>\$ 1,156</u>
Cash paid (received) for income taxes	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Noncash investing and financing activities:				
Lease liabilities				
Change in assets	\$ —	\$ 841	\$ —	\$ 841
Change in liabilities	\$ —	\$ 841	\$ —	\$ 841
Purchase of property, plant and equipment				
Change in assets	\$ (66)	\$ 110	\$ (69)	\$ 110
Change in liabilities	\$ (66)	\$ 110	\$ (69)	\$ 110

21. 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 included in the condensed interim consolidated statement of operations and comprehensive income (loss) and consolidated balance sheets of the Company are summarized below:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Coal sales (a)	\$ 2,275	\$ —	\$ 2,275	\$ —
Supplies purchased (b)	(34)	(47)	(71)	(74)
	<u>\$ 2,241</u>	<u>\$ (47)</u>	<u>\$ 2,204</u>	<u>\$ (74)</u>

(a) During the three and six months ended June 30, 2021, 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. These amounts were included in revenue in the condensed interim consolidated financial statements of operations and comprehensive income (loss).

(b) During the three and six months ended June 30, 2021 and 2020, the Company purchased supplies used in the coal separation process from Quality Magnetite, which is significantly influenced by key management personnel of QEP.

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These amounts were included in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss).

Included in accounts payable and accrued liabilities at June 30, 2021 and December 31, 2020 was \$11 and \$18, respectively, due to related parties. Included in accounts receivable at June 30, 2021 and December 31, 2020 was \$1,275 and \$166, respectively, related to coal sales to Blackhawk Coal Sales, LLC. At December 31, 2020, \$10 was included in accounts receivable related to tax withholdings paid by the Company on behalf of QEP, which were reimbursed in the six months ended June 30, 2021. These amounts are unsecured and non-interest bearing.

22. Segment Information

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

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

	For the three months ended June 30, 2021		
	NAPP	Corporate	Total
Revenues	\$ 30,426	\$ —	\$ 30,426
Cost of sales	(30,474)	—	(30,474)
Gross loss	(48)	—	(48)
Selling, general and administrative expenses	(1,274)	(927)	(2,201)
Loss from operations	(1,322)	(927)	(2,249)
Finance expense	(949)	(449)	(1,398)
Finance income	1,075	6	1,081
Other income	4,719	—	4,719
Income (loss) before tax	3,523	(1,370)	2,153
Current income tax expense	—	—	—
Deferred income tax expense	—	—	—
Provision for income taxes	—	—	—
Net income (loss)	\$ 3,523	\$ (1,370)	\$ 2,153

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	For the three months ended June 30, 2020		
	NAPP	Corporate	Total
Revenues	\$ 41,224	\$ —	\$ 41,224
Cost of sales	(40,316)	—	(40,316)
Cost of sales - asset impairment	(41,684)	—	(41,684)
Total cost of sales	(82,000)	—	(82,000)
Gross loss	(40,776)	—	(40,776)
Selling, general and administrative expenses	(1,674)	(770)	(2,444)
Loss from operations	(42,450)	(770)	(43,220)
Finance expense	1,854	(375)	1,479
Finance income	10	—	10
Other income (expense)	507	—	507
Loss before tax	(40,079)	(1,145)	(41,224)
Current income tax (benefit) expense	—	89	89
Deferred income tax expense	—	—	—
Provision for income taxes	—	89	89
Net loss	\$ (40,079)	\$ (1,234)	\$ (41,313)
	For the six months ended June 30, 2021		
	NAPP	Corporate	Total
Revenues	\$ 55,045	\$ —	\$ 55,045
Cost of sales	(56,790)	—	(56,790)
Gross loss	(1,745)	—	(1,745)
Selling, general and administrative expenses	(2,375)	(1,855)	(4,230)
Loss from operations	(4,120)	(1,855)	(5,975)
Finance expense	(1,792)	(938)	(2,730)
Finance income	1,474	8	1,482
Other income	4,943	—	4,943
Income (loss) before tax	505	(2,785)	(2,280)
Current income tax expense	—	—	—
Deferred income tax expense	—	—	—
Provision for income taxes	—	—	—
Net income (loss)	\$ 505	\$ (2,785)	\$ (2,280)

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	For the six months ended June 30, 2020		
	NAPP	Corporate	Total
Revenues	\$ 88,065	\$ —	\$ 88,065
Cost of sales	(85,498)	—	(85,498)
Cost of sales - asset impairment	(41,684)	—	(41,684)
Total cost of sales	(127,182)	—	(127,182)
Gross loss	(39,117)	—	(39,117)
Selling, general and administrative expenses	(2,973)	(1,580)	(4,553)
Loss from operations	(42,090)	(1,580)	(43,670)
Finance expense	(3,150)	(809)	(3,959)
Finance income	24	—	24
Other income (expense)	593	(1)	592
Loss before tax	(44,623)	(2,390)	(47,013)
Current income tax (benefit) expense	—	89	89
Deferred income tax expense	—	—	—
Provision for income taxes	—	89	89
Net loss	\$ (44,623)	\$ (2,479)	\$ (47,102)

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

	For the three months ended June 30, 2021			For the three months ended June 30, 2020		
	USA	Canada	Total	USA	Canada	Total
Revenue	\$ 30,426	\$ —	\$ 30,426	\$ 41,224	\$ —	\$ 41,224
Net income (loss)	\$ 2,322	\$ (169)	\$ 2,153	\$ (40,821)	\$ (492)	\$ (41,313)
	For the six months ended June 30, 2021			For the six months ended June 30, 2020		
	USA	Canada	Total	USA	Canada	Total
Revenue	\$ 55,045	\$ —	\$ 55,045	\$ 88,065	\$ —	\$ 88,065
Net loss	\$ (1,978)	\$ (302)	\$ (2,280)	\$ (46,143)	\$ (959)	\$ (47,102)
	At June 30, 2021			At December 31, 2020		
	USA	Canada	Total	USA	Canada	Total
Non-current assets	\$ 163,449	\$ —	\$ 163,449	\$ 167,638	\$ —	\$ 167,638
Total assets	\$ 207,563	\$ 354	\$ 207,917	\$ 210,126	\$ 26	\$ 210,152
Total liabilities	\$ 122,278	\$ 123	\$ 122,401	\$ 122,319	\$ 116	\$ 122,435

23. Commitments and Contingencies

Litigation

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

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, the Company has taken corrective action to minimize risk. Furthermore, the Company reported the matter to the U.S. Department of Justice and the Royal Canadian Mounted Police, which are conducting investigations. The Company and its subsidiaries are cooperating with these investigations.

At this time, no charges have been brought against the Company, any of its subsidiaries, or any employees thereof in any jurisdiction. The risks associated with any charges that may be brought against any such entity or any related processes are uncertain. However, such risks may include resulting fines and penalties, as well as the disgorgement of profits on revenues received from the overseas customer. A range of potential exposure to the Company and its subsidiaries is uncertain and 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 and its subsidiaries will continue to cooperate with authorities with a view to a prompt and appropriate resolution.

Contingent Receivable - A Seam Condemnation

PBS filed five Petitions for the Appointment of Board of Viewers for the determination of all damages suffered by PBS, other than for the loss of support, in connection with the taking of leased land by the Pennsylvania Department of Transportation ("PennDOT"). Each Petition was in connection with a different property in which PBS held a leasehold interest at the time of condemnation by PennDOT or at the time when the coal was taken but no Declaration of Taking was filed by PennDOT. Three of the cases involve Declarations of Taking filed by PennDOT, also known as De Jure Condemnations, and two of the properties involve De Facto Takings, where no Declaration of Taking was filed by PennDOT but the coal was in effect taken by actions relating to the construction of the road. In one of the De Facto Taking cases, the issue of whether or not a taking occurred was resolved in favor of PBS by the Pennsylvania Commonwealth Court, but on January 20, 2021, the Pennsylvania Supreme Court reversed the Commonwealth Court on this issue. The Pennsylvania Supreme Court, though, left open the possibility that PBS can prove consequential damages in this case due to PennDOT's action of cutting off access to this coal property. PBS requested reconsideration by the Pennsylvania Supreme Court of its decision but this request was denied. Therefore, on July 19, 2021, PBS filed a petition asking the United States Supreme Court to grant PBS certiorari to review the case. In the second De Facto Taking case, the matter is awaiting hearing on the issue of whether or not a De Facto Taking occurred and if so, the extent. As to the three De Jure Taking cases, further proceedings are being planned in the form of Board of View hearings. There is the potential, though, for further delay while the United States Supreme Court decides whether or not to grant the writ of certiorari. As such, the Company has not recognized this contingent receivable and cannot provide a reasonable estimate for the potential magnitude of these claims.