



Corsa Coal Corp.
Consolidated Financial Statements
December 31, 2021 and 2020

Independent Auditor's Report

To the Shareholders of Corsa Coal Corp.

Opinion

We have audited the consolidated financial statements of Corsa Coal Corp. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of operations and comprehensive income (loss), consolidated statements of changes in shareholders' equity, and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Joshua Vehec.

Coulter & Justus, P.C.

Certified Public Accountants
Knoxville, Tennessee
March 1, 2022

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

Assets	December 31, 2021	December 31, 2020
Cash	\$ 12,714	\$ 24,480
Accounts receivable (note 5)	21,710	5,442
Prepaid expenses and other current assets	3,493	3,443
Inventories (note 6)	8,893	9,149
Current Assets	46,810	42,514
Restricted cash and investments (note 7)	43,334	39,420
Advance royalties and other assets	3,244	2,798
Property, plant and equipment, net (note 8)	122,108	125,420
Total Assets	\$ 215,496	\$ 210,152
Liabilities		
Accounts payable and accrued liabilities (note 9)	\$ 22,838	\$ 9,940
Lease liabilities – current (note 10)	1,255	1,409
Loans payable, net – current (note 11)	3,276	4,142
Paycheck Protection Program loan payable – current (note 11)	—	654
Other liabilities – current (note 12)	1,070	1,625
Reclamation and water treatment provision (note 13)	4,145	2,646
Current Liabilities	32,584	20,416
Revolving Credit Facility (note 11)	—	—
Loans payable, net – long-term (note 11)	26,115	28,446
Paycheck Protection Program loan payable – long-term (note 11)	—	472
Lease liabilities – long-term (note 10)	1,880	2,772
Other liabilities – long-term (note 12)	5,255	5,466
Reclamation and water treatment provision (note 13)	60,381	64,863
Total Liabilities	126,215	122,435
Equity		
Share capital (note 14)	225,091	180,130
Contributed surplus	1,758	341
Accumulated deficit	(137,568)	(137,856)
Total Shareholders' Equity	89,281	42,615
Non-controlling interest	—	45,102
Total Equity	89,281	87,717
Total Liabilities and Equity	\$ 215,496	\$ 210,152

Commitments and Contingencies (note 27)

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

Approved by the Board of Directors:

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

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

Corsa Coal Corp.

Consolidated Statements of Operations and Comprehensive Income (Loss)

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

	For the years ended	
	December 31,	
	2021	2020
Revenue (note 15)	\$ 131,475	\$ 128,486
Cost of sales (note 16)	(128,366)	(144,402)
Cost of sales - asset impairment (note 16)	—	(41,684)
Total cost of sales	(128,366)	(186,086)
Gross margin (loss)	3,109	(57,600)
Selling, general and administrative expense (notes 17 and 18)	(9,853)	(10,057)
Loss from operations	(6,744)	(67,657)
Finance expense (note 19)	(5,595)	(5,170)
Finance income (note 19)	2,752	812
Other income, net (note 20)	10,996	8,381
Income (loss) before tax	1,409	(63,634)
Current income tax expense (note 22)	—	89
Deferred income tax expense (note 22)	—	—
Provision for income taxes (note 22)	—	89
Net and comprehensive income (loss)	\$ 1,409	\$ (63,723)
Attributable to:		
Shareholders	\$ 1,550	\$ (56,722)
Non-controlling interest	\$ (141)	\$ (7,001)
Basic earnings (loss) per share (note 21)	\$ 0.02	\$ (0.60)
Diluted earnings (loss) per share (note 21)	\$ 0.02	\$ (0.60)

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

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

For the year ended December 31, 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 18)	—	—	155	—	—	155
Stock option expiration/forfeiture	—	—	1,262	(1,262)	—	—
Redeemable unit redemption (note 14)	8,516	44,961	—	—	(44,961)	—
Net and comprehensive income (loss)	—	—	—	1,550	(141)	1,409
Balance - December 31, 2021	<u>103,275</u>	<u>\$ 225,091</u>	<u>\$ 1,758</u>	<u>\$ (137,568)</u>	<u>\$ —</u>	<u>\$ 89,281</u>

For the year ended December 31, 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 18)	—	—	282	—	—	282
Stock option expiration/forfeiture	—	—	(929)	929	—	—
Net and comprehensive loss	—	—	—	(56,722)	(7,001)	(63,723)
Balance - December 31, 2020	<u>94,759</u>	<u>\$ 180,130</u>	<u>\$ 341</u>	<u>\$ (137,856)</u>	<u>\$ 45,102</u>	<u>\$ 87,717</u>

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

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

	For the years ended	
	December 31,	
	2021	2020
Operating Activities		
Net and comprehensive income (loss)	\$ 1,409	\$ (63,723)
Items not affecting cash:		
Paycheck Protection Program grant income (note 11)	(1,126)	(7,227)
Amortization	16,408	19,825
Stock-based compensation expense (note 18)	155	282
Non-cash finance expense (income)	(942)	760
Asset impairment (note 8)	—	41,684
Change in estimate of reclamation provision	(3,310)	7,791
Write-off of advance royalties and other assets	—	484
Other non-cash operating expense	(570)	1,189
Cash spent on reclamation and water treatment activities (note 13)	(4,055)	(3,251)
Changes in working capital balances related to operations (note 23)	(4,014)	12,880
Cash provided by operating activities	3,955	10,694
Investing Activities		
Restricted cash and investments acquired	(3,391)	(3,432)
Restricted cash and investments released	519	935
Advance royalties and other assets	(528)	(567)
Proceeds from sale of assets	1,979	—
Property, plant and equipment additions	(8,692)	(1,850)
Cash used in investing activities	(10,113)	(4,914)
Financing Activities		
Proceeds from Revolving Credit Facility borrowings	—	64,698
Repayments of Revolving Credit Facility borrowings	—	(79,187)
Proceeds from issuance of loan payable	—	25,000
Debt issuance costs	—	(720)
Proceeds from Paycheck Protection Program borrowings	—	8,353
Repayment of loan payable	(4,175)	(2,610)
Repayment of notes payable	—	(7)
Repayment of lease liabilities	(1,433)	(1,123)
Cash (used in) provided by financing activities	(5,608)	14,404
Net (decrease) increase in cash for the year	(11,766)	20,184
Cash, beginning of year	24,480	4,296
Cash, end of year	\$ 12,714	\$ 24,480

Supplemental disclosure (note 23)

The accompanying notes are an integral part of these 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 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 significantly impacted the global economy and commodity and financial markets. The ongoing impacts of the COVID-19 outbreak has and could continue to 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, management reduced coal production during 2020 in order to limit the amount of coal sold under depressed market conditions. In addition, the Company obtained debt financing in April 2020 and December 2020 that provided sufficient liquidity. While demand and metallurgical coal prices have improved in the second half of 2021, to the extent that industry conditions decline due to the ongoing pandemic, the Company may 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 consolidated financial statements are expressed in United States dollars. References to “C\$” are to Canadian dollars.

At December 31, 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 consolidated financial statements has been reviewed and approved by David E. Yingling, Professional Engineer and the Company’s mining engineer, who is a qualified person within the meaning of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

Statement of Compliance

These consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations as approved by the International Accounting Standards Board (“IASB”) effective as of December 31, 2021. The Company has consistently applied the same accounting policies throughout all periods presented.

These consolidated financial statements were authorized by the Board of Directors of the Company on March 1, 2022.

Basis of Measurement

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

Corsa Coal Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

2. Significant Accounting Policies

Functional and presentation currency

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

Basis of Consolidation

The legal ownership structure for the Company's subsidiaries is presented below.

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

Subsidiaries

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

Non-controlling interest

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

Foreign currency translation

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

Inventories

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

Accounts receivable

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

Advance royalties and other assets

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

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

Property, plant and equipment

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

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

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

Interest and financing costs relating to the construction or development of an item of property, plant and equipment as well as costs incurred to bring the asset to the condition intended by management are capitalized as part of the cost of mineral property, plant and equipment. Interest and financing costs are capitalized for projects for which a direct relationship between the borrowed funds and use of these funds towards the development or construction of an item of property, plant and equipment

Corsa Coal Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

can be established. Interest and financing costs related to general borrowings are capitalized towards qualifying assets by applying a capitalization rate to the expenditures on that asset.

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

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

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

Exploration and evaluation costs

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

Impairment of non-financial assets

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

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

Financial instruments

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

The Company classifies its financial instruments in the categories below:

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

- b. Financial assets and liabilities at fair value through profit or loss (“FVTPL”): Financial assets and liabilities are measured at FVTPL and are assets which do not qualify as financial assets or financial liabilities at amortized cost or at fair value through other comprehensive income. Restricted cash and investments are classified as FVTPL. These financial assets and liabilities are initially recognized at their fair value with changes to fair values recognized in the consolidated statements of operations and comprehensive income (loss) within finance expense or finance income in the period in which they arise.
- c. Financial liabilities at amortized cost: Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at FVTPL, or the Company has opted to measure them at FVTPL. Accounts payable and accrued liabilities, revolving credit facility borrowings, lease liabilities, loans payable, Paycheck Protection Program loan payable and other liabilities are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost, using the effective interest method.

Impairment of financial assets

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

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

Cash

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

Restricted cash and investments

Cash and investments, which are subject to legal or contractual restrictions on their use, are classified separately as restricted cash and investments.

Leases

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

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

Corsa Coal Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

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

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

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

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

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

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

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

Revenue recognition

Revenue is recognized when performance obligations under the terms of a contract with our customers are satisfied. For revenue associated with the sale of coal, processing service or sale of limestone, the performance obligation is satisfied when control passes to the customer and the amount of revenue can be measured reliably. Coal is sold under fixed price, spot or index linked contracts. Transportation costs from preparation plants to customers are included in cost of sales in the consolidated statements of operations and comprehensive income (loss) and amounts billed by the Company to its customers for these transportation costs are included in revenue. Our coal sales generally include up to 90-day payment terms following the transfer of control of the goods to the customer and averaged 54 days for the year ended December 31, 2021. We do not include extended payment terms in our contracts with customers.

Reclamation provision

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

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

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

Corsa Coal Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

offsetting charge for the change in estimate is recorded to cost of sales in the consolidated statements of operations and comprehensive income (loss).

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

Water treatment provision

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

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

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

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

Share-based payments

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

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

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

Income taxes

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

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

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

Earnings per share

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

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

Critical accounting estimates and judgments

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

a. Property, plant and equipment

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

b. Reserve and resource estimates

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

c. Reclamation and water treatment provision estimates

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

d. Impairment of long-lived assets

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

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

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

e. Evaluation of exploration and evaluation costs

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

f. Deferred income tax assets

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

Future accounting pronouncements

Certain amendments to existing standards issued by the IASB will impact the Company's financial statements and are mandatory for accounting periods after January 1, 2022. Updates that are not applicable or are not consequential to the Company have been excluded.

In May 2020, the IASB amended International Accounting Standard 16 – Property, Plant and Equipment (“IAS 16”), to prohibit a company from deducting, from the cost of property, plant and equipment, amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. The amendment to this standard is effective for annual reporting periods beginning on or after January 1, 2022 and the Company intends to implement this amendment in its consolidated financial statements for the annual period beginning January 1, 2022. The impact of adopting the amendment to IAS 16 will not be material.

3. Capital Management

The Company defines managed capital as its total equity. The objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders. At December 31, 2021 and 2020, total managed capital was \$89,281 and \$87,717, respectively.

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

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

4. Financial Instruments

The Company's financial instruments consist of cash, restricted cash 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) 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, 2021 and 2020.

At December 31, 2021 and 2020, the Company had four and two customers, respectively, that owed the Company more than \$1,000 each and accounted for approximately 66% and 56%, respectively, of total accounts receivable. At December 31, 2021, 58% 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.

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, 2021, the Company had a consolidated cash balance of \$12,714, consolidated working capital of \$14,226 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

Corsa Coal Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

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 Dec. 31, 2021	Payments due by period				
		Total	Less Than	1 to	4 to	After 5
			1 Year	3 Years	5 Years	Years
Accounts payable and accrued liabilities	\$ 22,838	\$ 22,838	\$ 22,838	\$ —	\$ —	\$ —
Lease liabilities	3,135	3,135	1,255	1,622	258	—
Revolving Credit Facility	—	—	—	—	—	—
Loan payable - 36th Street Facility	4,142	4,197	3,319	878	—	—
Loan payable - Main Street Facility	25,249	25,780	—	3,867	21,913	—
Other liabilities	6,325	6,325	1,070	2,022	2,022	1,211
Asset retirement obligations - reclamation	40,497	40,497	2,966	4,555	6,421	26,555
Asset retirement obligations - water treatment	24,029	24,029	1,179	2,386	2,405	18,059
Purchase order firm commitments	—	736	736	—	—	—
Minimum royalty commitments	—	1,923	641	1,282	—	—
Reclamation bond restricted cash deposits	—	8,812	1,500	3,000	3,000	1,312
Total	<u>\$ 126,215</u>	<u>\$ 138,272</u>	<u>\$ 35,504</u>	<u>\$ 19,612</u>	<u>\$ 36,019</u>	<u>\$ 47,137</u>

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 amounts and fair values are presented below:

	December 31, 2021		December 31, 2020	
	Carrying		Carrying	
	Amount	Fair Value	Amount	Fair Value
Loan payable - Main Street Facility	\$ 25,249	\$ 17,686	\$ 24,306	\$ 14,126
Loan payable - 36 th Street Facility	4,142	4,255	8,282	8,183
Paycheck Protection Program loan payable	—	—	1,126	1,003
	<u>\$ 29,391</u>	<u>\$ 21,941</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. At December 31, 2021, the discount rates were 11.3% and 9.0%, for the Main Street Facility and the 36th Street Facility, respectively. At December 31, 2020, the discount rate for each loan 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).

Corsa Coal Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

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

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

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Level 1</u>	<u>Level 1</u>
Restricted cash	\$ 11,917	\$ 28,257
Restricted investments		
Debt securities	8,725	2,711
Equity securities	22,692	8,452
	<u>31,417</u>	<u>11,163</u>
Total restricted cash and investments	<u>\$ 43,334</u>	<u>\$ 39,420</u>

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

5. Accounts Receivable

Accounts receivable consist of the following:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Trade receivables	\$ 14,805	\$ 5,144
Employee retention credit	6,832	—
Other	73	298
	<u>\$ 21,710</u>	<u>\$ 5,442</u>

The Company has not recorded any allowance for credit losses for the years presented. The accounts receivable balance at January 1, 2020 was \$29,292.

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, including modifying and extending the Employee Retention Credit ("ERC") for 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 claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages paid to employees after December 31, 2020 through September 30, 2021. Qualified wages are limited to \$10 per employee per calendar quarter in 2021. Thus, the maximum ERC amount available is \$7 per employee per calendar quarter, for a total of \$21 in 2021.

Employers were 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.

Corsa Coal Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

The Company's subsidiaries, WCE and WCH, are eligible for employee retention credits in the amount of \$6,867 for the year ended December 31, 2021 and recognized the employee retention credit in other income and expense in the consolidated statements of comprehensive income (loss).

6. Inventories

Inventories consist of the following:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Metallurgical coal		
Clean coal stockpiles	\$ 2,843	\$ 2,727
Raw coal stockpiles	1,522	1,900
	<u>4,365</u>	<u>4,627</u>
Parts and supplies, net	4,528	4,522
	<u>\$ 8,893</u>	<u>\$ 9,149</u>

There was no net realizable value adjustment, measured as the inventory balances at full cost less net realizable value, for the year ended December 31, 2021. The net realizable value adjustment at December 31, 2020 was \$214. An obsolescence reserve of \$566 has been provided for the parts and supplies inventory for the years ended December 31, 2021 and 2020.

7. Restricted Cash and Investments

Restricted cash and investments consists of the following:

	<u>December 31, 2021</u>				<u>December 31, 2020</u>			
	Debt		Equity		Debt		Equity	
	Cash	Securities	Securities	Total	Cash	Securities	Securities	Total
Water treatment (a)	\$ 400	\$ 8,341	\$ 22,232	\$ 30,973	\$ 17,620	\$ 2,281	\$ 8,021	\$ 27,922
Reclamation bonds (b)	7,640	373	37	8,050	6,515	369	35	6,919
Workers' compensation (c)	3,877	—	423	4,300	4,122	50	396	4,568
Other restricted deposits	—	11	—	11	—	11	—	11
	<u>\$ 11,917</u>	<u>\$ 8,725</u>	<u>\$ 22,692</u>	<u>\$ 43,334</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 December 31, 2021, all of the water treatment trusts were fully funded.
- (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 \$375.
- (c) The Company has established separate trust funds with its insurance carriers to pay potential awards and claims related to workers' compensation.

8. 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	—	8,117	8,117
Capitalized development costs	968	—	968
Change in reclamation provision	3,828	—	3,828
Disposals	—	(9,742)	(9,742)
Balance - December 31, 2021	\$ 166,651	\$ 153,210	\$ 319,861
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	(6,589)	(9,562)	(16,151)
Disposals	—	9,668	9,668
Balance - December 31, 2021	\$ (73,729)	\$ (124,024)	\$ (197,753)
Net Book Value			
December 31, 2020	\$ 94,715	\$ 30,705	\$ 125,420
December 31, 2021	\$ 92,922	\$ 29,186	\$ 122,108

- (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 December 31, 2021 and 2020 was \$24,732 and \$24,585, respectively.
- (b) A triggering event was identified during 2020, 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 consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 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

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consists of the following:

	December 31,	December 31,
	2021	2020
Trade payables	\$ 8,628	\$ 4,891
Purchased coal payables	6,781	—
Freight payables	1,644	753
Other accrued liabilities	5,785	4,296
	<u>\$ 22,838</u>	<u>\$ 9,940</u>

10. Lease Liabilities

Lease liabilities consists of the following:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Equipment - Preparation Plant (a)	11.0%	September 2023	\$ 532	\$ 783
Equipment - Preparation Plant (a)	11.0%	December 2021	—	215
Equipment - Surface	2.5% to 11%	May 2022 - Aug. 2026	2,588	3,161
Equipment - Information Technology	11.0%	July 2023	15	22
Balance, end of year			<u>3,135</u>	<u>4,181</u>
Less: Current portion			<u>(1,255)</u>	<u>(1,409)</u>
Total long-term lease liabilities			<u>\$ 1,880</u>	<u>\$ 2,772</u>

- (a) Contingent rent related to these lease obligations is payable if the equipment exceeds certain operating levels. The contingent rent recognized in the years ended December 31, 2021 and 2020 increased expense by \$38 and decreased expense by \$163, respectively. Contingent rent is included in cost of sales in the consolidated statements of operations and comprehensive income (loss).

Lease liabilities and minimum lease payments at December 31, 2021 are as follows:

Less than 1 year	\$ 1,497
1-3 years	1,775
4-5 years	265
Thereafter	—
Total payments	<u>3,537</u>
Less: Amounts representing interest	<u>(402)</u>
Total finance lease obligations	<u>\$ 3,135</u>

For the years ended December 31, 2021 and 2020, interest expense, which is included in finance expense in the consolidated statements of operations and comprehensive income (loss) and total cash outflows related to lease liabilities were as follows:

	For the years ended	
	December 31,	
	<u>2021</u>	<u>2020</u>
Interest expense related to lease liabilities	\$ 385	\$ 441
Total cash outflows related to lease liabilities	\$ 1,818	\$ 1,564

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

Corsa Coal Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

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

	Equipment				Total
	Plant	Plant	Surface	IT	
Gross Right-of-Use Asset					
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	—	—	481	—	481
Lease expiration	(1,696)	—	—	—	(1,696)
Balance – December 31, 2021	<u>\$ —</u>	<u>\$ 2,200</u>	<u>\$ 4,783</u>	<u>\$ 37</u>	<u>\$ 7,020</u>
Accumulated Amortization					
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	(340)	(426)	(985)	(7)	(1,758)
Lease expiration	1,696	—	—	—	1,696
Balance – December 31, 2021	<u>\$ —</u>	<u>\$ (1,455)</u>	<u>\$ (2,274)</u>	<u>\$ (25)</u>	<u>\$ (3,754)</u>
Net Book Value					
December 31, 2020	\$ 340	\$ 1,171	\$ 3,013	\$ 19	\$ 4,543
December 31, 2021	<u>\$ —</u>	<u>\$ 745</u>	<u>\$ 2,509</u>	<u>\$ 12</u>	<u>\$ 3,266</u>

For the years ended December 31, 2021 and 2020, amortization expense of \$1,758 and \$1,559, respectively, related to the right-of-use assets, is included in cost of sales in the consolidated statements of operations and comprehensive income (loss).

11. 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 December 31, 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 December 31, 2021.

Loan Payable - 36th Street Facility

On August 16, 2019, 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 December 31, 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 December 31, 2021.

Corsa Coal Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

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 (note 19)	—	34	34	—	6	6	40
Principal repayment	(2,610)	—	(2,610)	—	—	—	(2,610)
Balance - December 31, 2020	\$ 8,372	\$ (90)	\$ 8,282	\$ 25,020	\$ (714)	\$ 24,306	\$ 32,588
	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	604	—	604	800	—	800	1,404
Interest paid	(604)	—	(604)	—	—	—	(604)
Amortization of discount (note 19)	—	35	35	—	143	143	178
Principal repayment	(4,175)	—	(4,175)	—	—	—	(4,175)
Balance - December 31, 2021	\$ 4,197	\$ (55)	\$ 4,142	\$ 25,820	\$ (571)	\$ 25,249	\$ 29,391
Less: current portion	(3,319)	43	(3,276)	—	—	—	(3,276)
Total long-term loan payable	\$ 878	\$ (12)	\$ 866	\$ 25,820	\$ (571)	\$ 25,249	\$ 26,115

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 WCE, 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 previously expected \$7,227 to be forgiven and recognized the expected grant income, under the provisions of IAS 20 – *Accounting for Government Grants and Disclosure of Government Assistance*, in the year ended December 31, 2020 in other income and expense in the consolidated statements of operations and comprehensive income (loss). In the year ended December 31, 2021, both loans were fully forgiven and the remaining \$1,126 was recognized as grant income.

12. Other Liabilities

Other liabilities consist of the following:

	December 31,	December 31,
	2021	2020
Workers' compensation provision (a)	\$ 6,266	\$ 6,446
Transportation contract liquidated damages (b)	—	394
Other (c)	59	251
	<u>6,325</u>	<u>7,091</u>
Less: current portion (a,b,c)	(1,070)	(1,625)
Total Other Liabilities	<u>\$ 5,255</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 \$1,011. The Company has established separate trust funds with its insurance carriers to pay potential awards and claims related to workers' compensation claims (note 7).
- (b) The Company's subsidiary, PBS Coals, Inc., had contractual agreements with a transportation provider, which indicated minimum levels of coal to be shipped via rail over an expired contract period, which was not met. Corsa acquired these contractual agreements as a result of an acquisition. The balance was settled in the year ended December 31, 2021.
- (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.

13. 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 (note 19)	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	(1,758)	(2,297)	(4,055)
Change in estimate	5,053	(4,535)	518
Accretion expense (note 19)	293	261	554
	<u>3,588</u>	<u>(6,571)</u>	<u>(2,983)</u>
Balance - December 31, 2021	\$ 40,497	\$ 24,029	\$ 64,526
Less: current portion	<u>(2,966)</u>	<u>(1,179)</u>	<u>(4,145)</u>
Long-Term Reclamation and Water Treatment Provision	<u>\$ 37,531</u>	<u>\$ 22,850</u>	<u>\$ 60,381</u>
Estimated costs (undiscounted cash flow basis)	<u>\$ 39,019</u>	<u>\$ 23,204</u>	<u>\$ 62,223</u>
End of reclamation period	<u>1-21 years</u>	<u>Perpetual</u>	
Discount rate	<u>0.39%-1.94%</u>	<u>0.39%-1.94%</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 December 31, 2021.
- (ii) At December 31, 2021, the Company had \$64,531 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 is required to maintain 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 7(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 December 31, 2021.

14. Share Capital

The authorized capital of the Company consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares issuable in series, with such rights, privileges, restrictions and conditions as the Board of Directors of the Company may determine from time to time. At December 31, 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 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 to Legacy QKGI and Legacy QKGI no longer has a minority interest in the net assets, income and expenses of WCE.

Shareholder Rights Plan

On December 17, 2021, the Company adopted a shareholder rights plan (the "Rights Plan") with immediate effect. The adoption of the Rights Plan is intended to ensure, to the extent possible, that all shareholders of the Company are treated fairly in connection with any take-over bid for Corsa's common shares and to protect against acquisitions of control of Corsa through purchases of common shares that are exempt from applicable Canadian take-over bid rules, also referred to as "creeping" take-over bids. The Rights Plan is substantially similar to shareholder rights plans adopted by other Canadian issuers and, while it was not adopted in response to any specific proposal or intention to acquire control of the Company, Corsa's board of directors considered a number of relevant factors in connection with its adoption, including the potential for near-term pressure on the Company's share price given that on December 15, 2021, funds controlled by Quintana Capital Group L.P. had completed an in-kind distribution of common shares of the Company representing approximately 45% of the outstanding common shares of the Company to the limited partners of such funds.

Subject to the terms of the Rights Plan, in the event that rights become exercisable under the Rights Plan, holders of the rights (other than the acquiring person and certain other customary parties, including parties acting jointly or in concert with the acquiring person) will be permitted to exercise their rights to purchase additional common shares of the Company at a 50% discount to the then prevailing market price of the common shares. Pursuant to the Rights Plan, one right attaches to each issued and outstanding common share.

The Rights Plan was made effective immediately on December 17, 2021, but is subject to ratification by shareholders of the Company at Corsa's 2022 annual meeting of shareholders expected to be held in June 2022. If the Rights Plan is not ratified by

Corsa Coal Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

Corsa shareholders on or prior to June 17, 2022, the Rights Plan will terminate and all rights issued thereunder will be cancelled.

15. Revenue

Revenue consists of the following:

	For the years ended	
	December 31,	
	2021	2020
Metallurgical coal sales	\$ 127,056	\$ 125,292
Thermal coal sales	1,806	951
Tolling revenue	1,543	1,345
Limestone revenue	1,070	898
	<u>\$ 131,475</u>	<u>\$ 128,486</u>

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

	For the years ended	
	December 31,	
	2021	2020
Revenue from contracts with customers	\$ 130,080	\$ 127,263
Revenue from other sources	1,395	1,223
	<u>\$ 131,475</u>	<u>\$ 128,486</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 year ended December 31, 2021			
	Metallurgical	Thermal	Tolling	Total
	Coal	Coal	Revenue	
Asia	\$ 44,699	\$ —	\$ —	\$ 44,699
United States	66,348	1,481	1,543	69,372
South America	6,811	—	—	6,811
Europe	9,198	—	—	9,198
Total revenue from contracts with customers	<u>\$ 127,056</u>	<u>\$ 1,481</u>	<u>\$ 1,543</u>	<u>\$ 130,080</u>

Geographic Region	For the year ended December 31, 2020			
	Metallurgical	Thermal	Tolling	Total
	Coal	Coal	Revenue	
Asia	\$ 49,257	\$ —	\$ —	\$ 49,257
United States	47,646	626	1,345	49,617
South America	27,213	—	—	27,213
Europe	1,176	—	—	1,176
Total revenue from contracts with customers	<u>\$ 125,292</u>	<u>\$ 626</u>	<u>\$ 1,345</u>	<u>\$ 127,263</u>

16. Cost of Sales

Cost of sales consists of the following:

	For the years ended	
	December 31,	
	2021	2020
Mining and processing costs	\$ 86,728	\$ 80,080
Purchased coal costs	12,118	13,856
Royalty expense	5,858	6,149
Amortization expense	16,408	19,825
Transportation costs from preparation plant to customer	6,650	13,236
Idle mine expense	777	447
Tolling costs	960	912
Limestone costs	909	457
Change in estimate of reclamation and water treatment provision	(3,310)	7,791
Write-off of advance royalties and other assets	—	484
Other costs	1,268	1,165
Cost of sales	128,366	144,402
Cost of sales - asset impairment	—	41,684
Total cost of sales	\$ 128,366	\$ 186,086

17. Selling, General and Administrative Expense

Selling, general and administrative expense consists of the following:

	For the years ended	
	December 31,	
	2021	2020
Salaries and other compensation	\$ 4,873	\$ 4,592
Employee benefits	1,039	1,054
Selling expense	535	424
Professional fees	1,875	2,336
Office expenses and insurance	1,232	1,374
Other	299	277
	\$ 9,853	\$ 10,057

18. 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,

Corsa Coal Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

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 years ended December 31, 2021 and 2020. At December 31, 2021 and 2020, there were 6,077,008 and 4,199,041 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 granted	150	0.45
Options cancelled/forfeited	(70)	1.08
Options expired	(1,106)	2.03
Balance - December 31, 2021	4,251	\$0.83

The following illustrates the stock options granted. These stock options were granted to a director and officer of the Company and were valued using a Black-Scholes pricing model at the date granted using the following valuation assumptions:

Date of grant:	August 11, 2021
Options granted (000's):	150
Expected life in years:	2 to 4
Exercise price:	C\$0.45
Risk-free interest rate:	0.23% to 0.63%
Common Share price:	C\$0.45
Expected volatility:	93% to 114%
Dividend yield:	—%
Forfeiture rate:	14.85%

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

Corsa Coal Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

The following table summarizes information about the stock options outstanding and exercisable at December 31, 2021:

Exercise Price (C\$)	Options Outstanding (000's)	Weighted Average Remaining Contractual Life (years)	Outstanding Weighted Average Exercise Price (C\$)	Stock Options Exercisable (000's)	Exercisable Weighted Average Exercise Price (C\$)
\$0.38	1,822	2.85	\$0.38	1,214	\$0.38
\$0.45	150	4.61	\$0.45	—	—
\$0.90	1,193	1.85	\$0.90	1,193	\$0.90
\$1.39	8	0.95	\$1.39	8	\$1.39
\$1.53	1,023	0.87	\$1.53	1,023	\$1.53
\$1.83	55	1.04	\$1.83	55	\$1.83
\$0.38 to \$1.83	4,251	2.13	\$0.83	3,493	\$0.92

For the years ended December 31, 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 years ended	
	December 31,	
	2021	2020
Stock-based compensation expense	\$ 155	\$ 282

19. Finance (Expense) and Income

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

	For the years ended	
	December 31,	
	2021	2020
Finance expense		
Amortization of discount on loan payable (note 11)	\$ (178)	\$ (40)
Amortization of Revolving Credit Facility fees	(186)	(143)
Bond premium expense	(2,147)	(1,854)
Interest expense	(2,530)	(1,997)
Foreign exchange loss	—	(24)
Accretion on reclamation and water treatment provision (note 13)	(554)	(1,126)
Other	—	14
Total finance expense	<u>\$ (5,595)</u>	<u>\$ (5,170)</u>
Finance income		
Interest income	\$ 1	\$ 26
Foreign exchange gain	3	—
Income on restricted investments	2,748	786
Total finance income	<u>\$ 2,752</u>	<u>\$ 812</u>
Net finance expense	<u>\$ (2,843)</u>	<u>\$ (4,358)</u>

20. Other Income and Expense

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

	For the years ended	
	December 31,	
	2021	2020
Employee retention credit (note 5)	\$ 6,867	\$ —
Paycheck Protection Program grant income (note 11)	1,126	7,227
Filter cake sales and refuse disposal income	933	528
Gain on property dispositions	1,982	60
Royalty income	128	250
Other	(40)	316
	<u>\$ 10,996</u>	<u>\$ 8,381</u>

21. Earnings per Share

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

	For the years ended	
	December 31,	
	2021	2020
Basic and diluted earnings (loss) attributable to common shareholders	\$ 1,550	\$ (56,722)
Basic weighted average number of Common Shares outstanding (000's)	99,775	94,759
Dilutive effect of weighted average of stock options (000's)	462	—
Diluted weighted average number of Common Shares outstanding (000's)	<u>100,237</u>	<u>94,759</u>
Basic earnings (loss) per share	<u>\$ 0.02</u>	<u>\$ (0.60)</u>
Diluted earnings (loss) per share	<u>\$ 0.02</u>	<u>\$ (0.60)</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 year ended December 31, 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.

22. Income Taxes

Rate Reconciliation

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

	For the years ended	
	December 31,	
	2021	2020
Net income (loss) before income taxes	\$ 1,409	\$ (63,634)
Statutory tax rate	26.5 %	26.5 %
Expected income tax recovery based on statutory rate	373	(16,863)
Increase (decrease) resulting from:		
Unrecognized future tax benefits	41	75
Accounting expenses disallowed for tax, net	(377)	17,403
Impact of taxable income passed through to Legacy QKGI (a)	(57)	13
U.S. state income tax	—	89
Foreign tax rate differential	20	(628)
Income tax expense (benefit)	<u>\$ —</u>	<u>\$ 89</u>
Effective tax rate	<u>— %</u>	<u>(0.14)%</u>

- (a) WCE is a limited liability company and is treated as a partnership for U.S. federal and state tax purposes. The taxable income and loss of WCE, through May 31, 2021, was passed through to its two partners WCH and Legacy QKGI in proportion to their respective percentage interest in WCE. The current tax expense recognized in the consolidated

Corsa Coal Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

financial statements includes only the income tax expense of WCH on its share of the taxable income or losses passed through from WCE.

Income tax receivable (payable)

The Company had no income tax payable or receivable at December 31, 2021 and 2020.

Deferred tax assets and liabilities

	December 31, 2021	December 31, 2020
Deferred tax assets:		
Property, plant and equipment	\$ 4	\$ 5
Asset retirement obligations	7,172	7,205
Water treatment reserves	7,109	8,917
Interest expense	3,578	3,022
Accrued expenses	1,729	1,799
Reserve for supply inventory	156	156
Acquisition costs	124	155
Finance expenses	178	177
Loss carry forwards and unused tax credits (a)	51,268	55,571
Other deferred tax assets	111	105
Gross deferred income tax assets	71,429	77,112
Unrecognized tax benefit related to tax losses	(55,143)	(60,554)
Total deferred income tax assets	16,286	16,558
Deferred tax liabilities:		
Property, plant and equipment	(5,039)	(5,495)
Coal reserves	(9,269)	(8,685)
Mine development costs	(1,259)	(2,004)
Unrealized foreign exchange gain	(162)	(162)
Other deferred tax liabilities	(557)	(212)
Total deferred income tax liabilities	(16,286)	(16,558)
Net deferred tax assets (liabilities) (b)	\$ —	\$ —

- a. At December 31, 2021 and 2020, the Company had Canadian non-capital losses of \$11,349 and \$10,887, respectively. At December 31, 2021 and 2020, the Company had United States non-capital losses of \$175,924 and \$202,928, respectively. The non-capital losses, which no deferred income tax assets have been recognized, expire between 2022 and 2040, although \$30,966 can be carried forward indefinitely. At December 31, 2021 and 2020, the Company had U.S. state non-capital losses of \$144,974 and \$125,837, respectively, which expire between 2022 and 2040.
- b. Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Corsa and its subsidiaries file income tax returns in Canada and in the United States. Currently, an examination is underway in relation to Corsa's October 22, 2015, December 31, 2015 and 2016 Canadian income tax returns. The Canada Revenue Agency ("CRA") disputed the bad debt deductions taken in respect of the accrued interest on various intercompany notes that had become uncollectible in those years. The CRA issued notices of reassessment for these tax years and resulted in total tax, penalties and interest of C\$1,200. In December 2021, Corsa filed a notice of objection and the Company believes that it will be successful upon appeal of the reassessments and accordingly has not recognized the uncertain tax position.

23. Supplemental Cash Flow Information

	For the years ended	
	December 31,	
	2021	2020
Change in working capital balances related to operations:		
Accounts receivable	\$ (16,191)	\$ 24,548
Prepaid expenses and other current assets	2,319	3,106
Inventories	(104)	1,115
Accounts payable and accrued liabilities	10,548	(15,015)
Other liabilities	(586)	(874)
	<u>\$ (4,014)</u>	<u>\$ 12,880</u>
Cash paid for interest	<u>\$ 1,732</u>	<u>\$ 2,041</u>
Cash paid (received) for income taxes	<u>\$ —</u>	<u>\$ (1,291)</u>
Noncash investing and financing activities:		
Lease liabilities		
Change in assets	\$ 387	\$ 1,782
Change in liabilities	<u>\$ 387</u>	<u>\$ 1,782</u>
Purchase of property, plant and equipment		
Change in assets	\$ (96)	\$ 350
Change in liabilities	<u>\$ (96)</u>	<u>\$ 350</u>
Change in estimate of reclamation liability		
Change in assets	\$ 3,828	\$ 2,672
Change in liabilities	<u>\$ 3,828</u>	<u>\$ 2,672</u>

24. 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 until December 15, 2021, 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. Sev.en ceased being a related party in January 2022.

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

	For the years ended	
	December 31,	
	2021	2020
Coal sales (a)	\$ 2,275	\$ 2,049
Supplies purchased (b)	(150)	(184)
	<u>\$ 2,125</u>	<u>\$ 1,865</u>

(a) During the years ended December 31, 2021 and 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 financial statements of operations and comprehensive income (loss).

(b) During the years ended December 31, 2021 and 2020, the Company purchased supplies used in the coal separation process from Quality Magnetite, which is significantly influenced by key management personnel of QEP. These amounts were included in cost of sales in the consolidated statements of operations and comprehensive income (loss).

Included in accounts payable and accrued liabilities at December 31, 2021 and 2020 was \$22 and \$18, respectively, due to related parties. Included in accounts receivable at December 31, 2020 was \$166 related to coal sales to Blackhawk Coal Sales, LLC. 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 year ended December 31, 2021. These amounts are unsecured and non-interest bearing.

25. Key Management Personnel

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

	For the years ended	
	December 31,	
	2021	2020
Salaries and short-term benefits	\$ 1,627	\$ 1,401
Post-employment benefits	24	41
Share-based awards	89	184
	<u>\$ 1,740</u>	<u>\$ 1,626</u>

Other Employee Benefits

The Company has a personal retirement savings plan available to all employees. The Company contributes 3% and 1% of each 1% that the employee contributes up to 3% of employee contributions, for a total Company contribution of up to 6%. Effective in August 2020, the Company temporarily discontinued the additional 3% matching of employee contributions which remained

Corsa Coal Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

in effect through December 31, 2021. Total Company contributions to this 401(k) plan were \$639 and \$1,169 for the years ended December 31, 2021 and 2020, respectively.

26. 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 year ended December 31, 2021		
	NAPP	Corporate	Total
Revenues	\$ 131,475	\$ —	\$ 131,475
Cost of sales	(128,366)	—	(128,366)
Gross income	3,109	—	3,109
Selling, general and administrative expenses	(5,945)	(3,908)	(9,853)
Loss from operations	(2,836)	(3,908)	(6,744)
Finance expense	(3,762)	(1,833)	(5,595)
Finance income	2,748	4	2,752
Other income	10,898	98	10,996
Income (loss) before tax	7,048	(5,639)	1,409
Current income tax expense	—	—	—
Deferred income tax expense	—	—	—
Provision for income taxes	—	—	—
Net income (loss)	\$ 7,048	\$ (5,639)	\$ 1,409

Corsa Coal Corp.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
Expressed in United States dollars, amounts in thousands except for shares and per share amounts

	For the year ended December 31, 2020		
	NAPP	Corporate	Total
Revenues	\$ 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 expenses	(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)
Current income tax (benefit) expense	—	89	89
Deferred income tax expense	—	—	—
Provision for income taxes	—	89	89
Net loss	\$ (58,804)	\$ (4,919)	\$ (63,723)

	For the year ended December 31, 2021			For the year ended December 31, 2020		
	NAPP	Corporate	Total	NAPP	Corporate	Total
Assets	\$ 202,485	\$ 13,011	\$ 215,496	\$ 184,951	\$ 25,201	\$ 210,152
Liabilities	\$ 96,185	\$ 30,030	\$ 126,215	\$ 89,207	\$ 33,228	\$ 122,435

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 year ended December 31, 2021			For the year ended December 31, 2020		
	USA	Canada	Total	USA	Canada	Total
Revenue	\$ 131,475	\$ —	\$ 131,475	\$ 128,486	\$ —	\$ 128,486
Net loss	\$ 2,023	\$ (614)	\$ 1,409	\$ (62,202)	\$ (1,521)	\$ (63,723)
	At December 31, 2021			At December 31, 2020		
	USA	Canada	Total	USA	Canada	Total
Non-current assets	\$ 168,686	\$ —	\$ 168,686	\$ 167,638	\$ —	\$ 167,638
Total assets	\$ 215,382	\$ 114	\$ 215,496	\$ 210,126	\$ 26	\$ 210,152
Total liabilities	\$ 126,160	\$ 55	\$ 126,215	\$ 122,319	\$ 116	\$ 122,435

The NAPP Division had three customers which accounted for 29%, 20% and 10%, respectively, of total revenue for the year ended December 31, 2021 and three customers which accounted for 27%, 12% and 10%, respectively, of total revenue for the year ended December 31, 2020.

27. 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 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 current employees thereof in any jurisdiction in respect of this matter. However, on November 3, 2021, a former employee, whom the Company had previously terminated, pleaded guilty to conspiracy to violate the Foreign Corrupt Practices Act during the period from late 2016 to 2020. The charges and guilty plea proceedings are publicly available. The risks associated with any charges that may be brought against the Company or any of its subsidiaries 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 (each a "Petition") 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. On October 4, 2021, the United States Supreme Court denied PBS' Petition for Certiorari. Therefore, PBS has asked the Court of Common Pleas of Somerset County to move forward in determining PBS' consequential damage claim. 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 and a telephonic conference. As such, the Company has not recognized this contingent receivable and cannot provide a reasonable estimate for the potential magnitude of these claims.