



Corsa Coal Corp.
Management's Discussion and Analysis
September 30, 2023

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For the three and nine months ended September 30, 2023

The purpose of the Corsa Coal Corp. (“Corsa” or the “Company”) Management’s Discussion and Analysis (“MD&A”) for the three and nine months ended September 30, 2023 is to provide a narrative explanation of Corsa’s operating and financial results for the period, Corsa’s financial condition at the end of the period and Corsa’s future prospects. This MD&A is intended to be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 and the related notes thereto and the audited consolidated financial statements for the years ended December 31, 2022 and 2021 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 have been prepared in accordance with IFRS 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). Unless otherwise indicated, all dollar amounts in this MD&A are expressed in United States dollars, all tonnage amounts are short tons (2,000 pounds per ton) and all amounts are shown in thousands. Pricing and cost per ton information is expressed on a free on board (“FOB”) mine site basis. Please refer to “Cautionary Statement Regarding Forward-Looking Statements” and “Cautionary Statement Regarding Certain Measures of Performance.” This MD&A is dated as of October 31, 2023.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

CAUTIONARY STATEMENT REGARDING CERTAIN MEASURES OF PERFORMANCE

This MD&A presents certain measures, including “EBITDA”; “Adjusted EBITDA”; “realized price per ton sold”; “cash production cost per ton sold”; “cash cost per ton sold”; “cash cost purchased coal per ton sold”, and “cash margin per ton sold”, that are not recognized measures under IFRS. This data may not be comparable to data presented by other coal producers. For a definition and reconciliation of these measures to the most directly comparable financial information presented in the consolidated financial statements prepared in accordance with IFRS, see “Non-GAAP Financial Measures” starting on page 24 of this MD&A. The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in performing year-over-year comparisons. However, these non-GAAP measures should be considered together with other data prepared in accordance with IFRS, and these measures, taken by themselves, are not necessarily indicative of operating costs or cash flow measures prepared in accordance with IFRS.

SCIENTIFIC AND TECHNICAL INFORMATION

All scientific and technical information contained in this MD&A has been reviewed and approved by 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*.

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

- Key financial results and operational statistics are shown below:

<i>(in millions except per share, per ton and sales tons)</i>	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net and comprehensive income (loss)	\$19.4	\$(4.5)	\$29.4	\$(11.4)
Diluted earnings (loss) per share	\$0.18	\$(0.04)	\$0.28	\$(0.11)
Cash provided by operating activities	\$5.7	\$1.8	\$11.7	\$8.0
Total revenue	\$51.1	\$45.9	\$154.3	\$127.0
Non-GAAP Financial Measures				
Adjusted EBITDA ⁽¹⁾	\$6.1	\$1.3	\$27.6	\$9.3
EBITDA ⁽¹⁾	\$26.4	\$(0.7)	\$45.4	\$(0.2)
Average realized price per ton of metallurgical coal sold ⁽¹⁾	\$161.70	\$158.39	\$170.42	\$159.70
Cash production cost per ton sold ⁽¹⁾	\$127.72	\$136.95	\$123.60	\$131.22
Company produced metallurgical coal sales tons	269,197	230,260	778,955	635,800
Purchased metallurgical coal sales tons	32,736	37,786	67,752	103,277
Total metallurgical coal sales tons	<u>301,933</u>	<u>268,046</u>	<u>846,707</u>	<u>739,077</u>

- Corsa's average realized price for the third quarter 2023 is the approximate equivalent of between \$275 to \$287 per metric ton on an FOB vessel basis⁽²⁾. For the third quarter 2023, Corsa's sales mix included 63% of sales to domestic customers and 37% of sales to international customers.

⁽¹⁾ This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" starting on page 24 of this MD&A.

⁽²⁾ Similar to most U.S. metallurgical coal producers, Corsa reports sales and costs per ton on an FOB mine site basis and denominated in short tons. Many international metallurgical coal producers report prices and costs on a delivered-to-the-port basis (or "FOB vessel basis"), thereby including freight costs between the mine and the port. Additionally, Corsa reports sales and costs per short ton, which is approximately 10% lower than a metric ton. For the purposes of this figure, we have used an illustrative freight rate of \$45-\$55 per short ton. Historically, freight rates are attached to the coal market indices and will adjust as market prices rise and fall. Further adjustments include a vessel freight differential and quality adjustments necessary to evaluate Corsa's price compared to Australian premium low volatile metallurgical coal. As a note, most published indices for metallurgical coal report prices on a delivered-to-the-port basis denominated in metric tons.

BUSINESS OVERVIEW

Corsa is one of the leading United States suppliers of premium quality metallurgical coal, an essential ingredient in the production of steel. Corsa's core business is supplying premium quality metallurgical coal to domestic and international steel and coke producers. As of the date of this MD&A, Corsa produces coal from six mines, operates one preparation plant (the Cambria Plant) and has approximately 400 employees. Corsa's common shares ("Common Shares") are listed on the TSX Venture Exchange under the symbol "CSO". The Common Shares also trade on the OTCQX Best Market under the symbol "CRSXF".

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

Corsa's metallurgical coal sales figures are comprised of two types of sales: (i) selling coal that Corsa produces; and (ii) selling coal that Corsa purchases from third-parties and may provide value added services (storing, washing, blending, loading) to make the coal saleable.

NAPP Division

Mines

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

Preparation Plants

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

Growth Projects

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

Name	Type of Mine	Status
Keyser Project	Underground	Permit in Process
A Seam Project	Underground	Permitted
Shaffer D	Surface	Permitted
Will Farm	Surface	Permit in Process
Roytown Expansion	Underground	Permit in Process

COAL PRICING TRENDS AND OUTLOOK

Price levels opened the third quarter 2023 at \$233.00/metric ton (“mt”) delivered-to-the-port (“FOBT”) for spot deliveries of Australian premium low volatile metallurgical coal and closed the quarter at \$333.00/mt FOBT. The quarterly average price for the third quarter 2023 was \$263.07/mt FOBT compared to \$242.92/mt FOBT in the second quarter 2023 and traded in a range from a high of \$333.00/mt FOBT to a low of \$221.50/mt FOBT.

The World Steel Association reported that through September, global crude steel production decreased by 1.5% in 2023 versus 2022 with decreases in Turkey 10.1%, Brazil 8.0%, Germany 3.6%, Japan 3.6% and the United States 1.4%, while increases were recognized in India 11.6%, Russia 4.8%, and China 1.7%. Regionally, Africa, Russia and other Commonwealth of Independent States (“CIS”) and Ukraine, and Asia and Oceania (includes China and India) reported increases of 6.6%, 2.0% and 1.6%, respectively. Decreases were reported in Other Europe 9.3%, the EU 9.1%, South America 6.2%, and North America 3.3%. Third quarter 2023 hot-rolled steel coil prices decreased in the United States, Europe, and China by 18.6%, 8.1% and 2.1%, respectively. Economic slowdown and uncertainty regarding the strength of China’s real estate sector and economic policy actions in Europe and the United States continued downward pressure on prices during the quarter.

Global steel demand is forecasted to increase by 1.8% in 2023 versus 2022 according to the World Steel Association Short Range Outlook released in October 2023. Asia and Oceania, which includes China and India, is expected to increase by 2.6% with their 33.0 metric ton increase exceeding the World’s expected total increase of 32.0 metric tons. Increases from Other Europe of 14.8% and Russia, other CIS countries and the Ukraine of 5.8%, were offset by decreases in all other geographic areas led by the European Union and United Kingdom at 5.1% and Africa at 4.1%. Of the top ten steel-using countries, noteworthy increases are forecasted for Turkey 19.0%, India 8.6%, Mexico 6.6% and Russia 5.0% while noteworthy decreases are expected for Germany 10.0% and Italy 7.2%. Minor increases are forecasted for South Korea and China with minor decreases forecasted for Japan and the United States.

The price for spot deliveries of Australian premium low volatile metallurgical coal opened the fourth quarter 2023 at \$333.00/mt FOBT and was trading at \$343.50/mt FOBT in the second half of October, with a high price of \$367.00/mt FOBT, a low price of \$333.00/mt FOBT and averaged \$355.11/mt FOBT during the month. Forward curve pricing for the balance of 2023 is trading at an average of \$328.67/mt FOBT. Through the first three weeks of October, fourth quarter 2023 hot-rolled steel coil prices increased in the United States by 8.6% and decreased in Europe and China by 3.2% and 2.0%, respectively. Increased steel production with limited metallurgical coal supply response, as well as restocking, support increasing metallurgical coal prices that remain above historical levels.

According to the U.S. Energy Information Administration, domestic coke plant coal consumption is expected to increase slightly in 2023 at 16.8 million tons when compared to 16.0 million tons in 2022. Domestic coke plant coal consumption is forecasted to increase slightly in 2024 to 16.9 million tons. Metallurgical coal exports from the United States are expected to be 50.8 million tons in 2023, a 9.4% increase from 2022 and are expected to increase again in 2024 to 54.8 million tons for a 7.9% increase over 2023.

Steel demand in 2024 is expected to increase by 1.9% over 2023 levels with increases expected in all major geographical areas and Asia and Oceania accounting for nearly half of the total increase. All of the top 10 steel using countries are forecasting finished steel demand increases with the exception of China and Russia, both of which are expected to be flat year-over-year. Growth will be primarily driven by the European Union and United Kingdom and Asia and Oceania, excluding China. The forward curve for 2024 indicates first quarter pricing at an average of \$300.50/mt FOBT and full year pricing at \$286.13/mt FOBT.

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

See “Risk Factors” in the Company’s annual information form for the year ended December 31, 2022 for an additional discussion regarding certain factors that could impact coal pricing trends and outlook, as well as the Company’s ongoing operations.

FINANCIAL AND OPERATIONAL RESULTS

(in thousands)	For the three months ended September 30,		
	2023	2022	Variance
Revenue	\$ 51,058	\$ 45,938	\$ 5,120
Cost of sales	(47,581)	(45,271)	(2,310)
Gross margin	3,477	667	2,810
Selling, general and administrative expense	(2,318)	(2,305)	(13)
Income (loss) from operations	1,159	(1,638)	2,797
Finance expense	(2,684)	(1,578)	(1,106)
Finance income	4	99	(95)
Loss on restricted investments	(987)	(1,341)	354
Other income (expense)	23,297	(22)	23,319
Income (loss) before tax	20,789	(4,480)	25,269
Income tax expense	1,349	—	1,349
Net and comprehensive income (loss)	<u>\$ 19,440</u>	<u>\$ (4,480)</u>	<u>\$ 23,920</u>
Diluted earnings (loss) per share	<u>\$ 0.18</u>	<u>\$ (0.04)</u>	<u>\$ 0.22</u>

(in thousands)	For the nine months ended September 30,		
	2023	2022	Variance
Revenue	\$ 154,312	\$ 127,037	\$ 27,275
Cost of sales	(132,397)	(121,057)	(11,340)
Gross margin	21,915	5,980	15,935
Selling, general and administrative expense	(6,884)	(6,903)	19
Income (loss) from operations	15,031	(923)	15,954
Finance expense	(7,997)	(4,679)	(3,318)
Finance income	9	174	(165)
Gain (loss) on restricted investments	5	(5,298)	5,303
Other income (expense)	24,144	(701)	24,845
Income (loss) before tax	31,192	(11,427)	42,619
Income tax expense	1,842	—	1,842
Net and comprehensive income (loss)	<u>\$ 29,350</u>	<u>\$ (11,427)</u>	<u>\$ 40,777</u>
Diluted earnings (loss) per share	<u>\$ 0.28</u>	<u>\$ (0.11)</u>	<u>\$ 0.39</u>

Operations Summary

(in thousands)	For the three months ended			For the nine months ended		
	September 30,			September 30,		
	2023	2022	Variance	2023	2022	Variance
Coal sold - tons						
NAPP - metallurgical coal	302	268	34	847	739	108
Realized price per ton sold⁽¹⁾						
NAPP - metallurgical coal	\$ 161.70	\$ 158.39	\$ 3.31	\$ 170.42	\$ 159.70	\$ 10.72
Cash production cost per ton sold⁽¹⁾⁽²⁾						
NAPP - metallurgical coal	\$ 127.72	\$ 136.95	\$ 9.23	\$ 123.60	\$ 131.22	\$ 7.62
Cash cost per ton sold⁽¹⁾⁽³⁾						
NAPP - metallurgical coal	\$ 129.25	\$ 141.86	\$ 12.61	\$ 125.49	\$ 136.48	\$ 10.99
Cash margin per ton sold⁽¹⁾						
NAPP - metallurgical coal	\$ 32.45	\$ 16.53	\$ 15.92	\$ 44.93	\$ 23.22	\$ 21.71
EBITDA⁽¹⁾						
NAPP	\$ 27,006	\$ 46	\$ 26,960	\$ 47,476	\$ 3,173	\$ 44,303
Corporate	(629)	(699)	70	(2,092)	(3,344)	1,252
Total	<u>\$ 26,377</u>	<u>\$ (653)</u>	<u>\$ 27,030</u>	<u>\$ 45,384</u>	<u>\$ (171)</u>	<u>\$ 45,555</u>
Adjusted EBITDA⁽¹⁾						
NAPP	\$ 6,594	\$ 1,779	\$ 4,815	\$ 29,190	\$ 10,891	\$ 18,299
Corporate	(503)	(514)	11	(1,578)	(1,636)	58
Total	<u>\$ 6,091</u>	<u>\$ 1,265</u>	<u>\$ 4,826</u>	<u>\$ 27,612</u>	<u>\$ 9,255</u>	<u>\$ 18,357</u>

⁽¹⁾ This is a non-GAAP financial measure. See “Non-GAAP Financial Measures” starting on page 24 of this MD&A.

⁽²⁾ Cash production cost per ton sold excludes purchased coal. This non-GAAP financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 24 of this MD&A.

⁽³⁾ Cash cost per ton sold includes purchased coal. This non-GAAP Financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 24 of this MD&A.

REVIEW OF THIRD QUARTER FINANCIAL RESULTS

For the three months ended September 30, 2023

(in thousands)	NAPP	Corporate	Consolidated
Revenue	\$ 51,058	\$ —	\$ 51,058
Cost of sales	(47,581)	—	(47,581)
Gross margin	3,477	—	3,477
Selling, general and administrative expense	(1,727)	(591)	(2,318)
Income (loss) from operations	1,750	(591)	1,159
Finance expense	(2,105)	(579)	(2,684)
Finance income	4	—	4
Loss on restricted investments	(987)	—	(987)
Other income	23,297	—	23,297
Income (loss) before tax	21,959	(1,170)	20,789
Income tax expense	—	1,349	1,349
Net and comprehensive income (loss)	<u>\$ 21,959</u>	<u>\$ (2,519)</u>	<u>\$ 19,440</u>

For the three months ended September 30, 2022

(in thousands)	NAPP	Corporate	Consolidated
Revenue	\$ 45,938	\$ —	\$ 45,938
Cost of sales	(45,271)	—	(45,271)
Gross margin	667	—	667
Selling, general and administrative expense	(1,680)	(625)	(2,305)
Loss from operations	(1,013)	(625)	(1,638)
Finance expense	(1,094)	(484)	(1,578)
Finance income	99	—	99
Loss on restricted investments	(1,341)	—	(1,341)
Other expense	(22)	—	(22)
Loss before tax	(3,371)	(1,109)	(4,480)
Income tax expense	—	—	—
Net and comprehensive loss	<u>\$ (3,371)</u>	<u>\$ (1,109)</u>	<u>\$ (4,480)</u>

Dollar variance for the three months ended September 30, 2023 versus 2022

(in thousands)	NAPP	Corporate	Consolidated
Revenue	\$ 5,120	\$ —	\$ 5,120
Cost of sales	(2,310)	—	(2,310)
Gross margin	2,810	—	2,810
Selling, general and administrative expense	(47)	34	(13)
Income from operations	2,763	34	2,797
Finance expense	(1,011)	(95)	(1,106)
Finance income	(95)	—	(95)
Gain on restricted investments	354	—	354
Other income	23,319	—	23,319
Income (loss) before tax	25,330	(61)	25,269
Income tax expense	—	1,349	1,349
Net and comprehensive income (loss)	<u>\$ 25,330</u>	<u>\$ (1,410)</u>	<u>\$ 23,920</u>

Operating Segments

Corsa's two distinct segments are NAPP and Corporate. The financial results of the continuing operating segments for the three months ended September 30, 2023 and 2022 are as follows:

NAPP Division

Revenue - NAPP Division

(in thousands)	For the three months ended September 30,		
	2023	2022	Variance
Metallurgical coal revenue (at preparation plant)	\$ 48,833	\$ 42,448	\$ 6,385
Thermal coal revenue (at preparation plant)	278	1,406	(1,128)
Transportation revenue	1,814	1,627	187
Tolling revenue	—	244	(244)
Limestone revenue	133	213	(80)
	<u>\$ 51,058</u>	<u>\$ 45,938</u>	<u>\$ 5,120</u>

- Metallurgical coal revenue, net of transportation charges, increased \$6,385 as a result of higher sales volumes which increased revenue by \$5,385 and higher sales prices which caused revenue to increase by \$1,000. Metallurgical coal sold was 302 and 268 tons for the three months ended September 30, 2023 and 2022, respectively, representing an increase of 34 tons. Realized price per ton sold increased \$3.31 due to the improved pricing on domestic metallurgical coal contracts in the 2023 period.
- Thermal coal revenue decreased primarily due to lower sales volumes in the 2023 period.
- Tolling revenue decreased due to the Company not toll washing any third-party coal in the 2023 period as a result of the idling of the Shade preparation plant.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the three months ended September 30,		
	2023	2022	Variance
Mining and processing costs	\$ 31,850	\$ 30,419	\$ 1,431
Purchased coal costs	4,877	7,047	(2,170)
Royalty expense	2,577	1,927	650
Amortization expense	4,216	3,048	1,168
Transportation costs from preparation plant to customer	1,814	1,627	187
Idle mine expense	1,276	314	962
Tolling costs	—	168	(168)
Limestone costs	222	256	(34)
Other costs	749	465	284
Total cost of sales	<u>\$ 47,581</u>	<u>\$ 45,271</u>	<u>\$ 2,310</u>

- Mining and processing costs for the three months ended September 30, 2023 increased primarily due to additional volumes of metallurgical coal sold which increased costs by \$5,000 partially offset by lower costs per ton sold which decreased costs by \$2,792. Thermal coal mining and processing costs decreased \$777 due to lower sales volumes in the 2023 period.
- Purchased metallurgical coal costs decreased \$970 due to a lower purchase price per ton and fewer tons purchased and sold which decreased costs by \$872. Purchased thermal coal costs decreased by \$328 due to fewer tons purchased and sold to fulfill a coal sales contract.

- Royalty expense increased primarily due to the increased sales price and additional volumes of coal sold during the three months ended September 30, 2023 compared to the 2022 period.
- Amortization expense increased primarily due to increased volumes of coal sold from the surface mines which carry a higher depletion expense.
- Idle mine expense increased primarily due to idling the Shade preparation plant in the 2023 period.
- Other costs increased due to various items, none of which were individually material.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the three months ended September 30,		
	2023	2022	Variance
Salaries and other compensations	\$ 716	\$ 667	\$ 49
Employee benefits	337	324	13
Selling expense	184	169	15
Professional fees	81	181	(100)
Office expenses and insurance	314	249	65
Other	95	90	5
	<u>\$ 1,727</u>	<u>\$ 1,680</u>	<u>\$ 47</u>

- Selling, general and administrative expenses related to the NAPP Division increased primarily due to various wage increases to retain employees and increased insurance expense which was partially offset by reduced legal fees.

Finance (income) expense, net - NAPP Division

(in thousands)	For the three months ended September 30,		
	2023	2022	Variance
Bond premium expense	\$ 554	\$ 498	\$ 56
Accretion on reclamation and water treatment provision	720	227	493
Interest expense	831	369	462
Interest income	(4)	(99)	95
	<u>\$ 2,101</u>	<u>\$ 995</u>	<u>\$ 1,106</u>

- Accretion on reclamation and water treatment provision increased as a result of changes in the discount rates.
- Interest expense increased primarily due to the invoice factoring arrangement that the Company entered into in July 2022, other supply chain financing arrangements and additional equipment leases entered into subsequent to the 2022 period.

Loss on restricted investments - NAPP Division

(in thousands)	For the three months ended September 30,		
	2023	2022	Variance
Loss on restricted investments	\$ (987)	\$ (1,341)	\$ 354

- The loss on restricted investments was lower in the three months ended September 30, 2023 compared to the 2022 period primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds are marked to market on a monthly basis.

Other income (expense) - NAPP Division

(in thousands)	For the three months ended September 30,		
	2023	2022	Variance
PennDOT Settlement, net	\$ 23,333	\$ —	\$ 23,333
Filter cake sales and refuse disposal income	14	—	14
Gain (loss) on property dispositions	191	(13)	204
Royalty income	39	36	3
Other	(280)	(45)	(235)
	<u>\$ 23,297</u>	<u>\$ (22)</u>	<u>\$ 23,319</u>

- On August 14, 2023, PBS Coals, Inc., a wholly-owned, indirect subsidiary of the Company (“PBS”), entered into a Settlement Stipulation with the Pennsylvania Department of Transportation (“PennDOT”) in respect of a settlement of all claims by PBS for damages resulting from certain historical takings of leased land by PennDOT in 2010 and 2011 in respect of which PBS had filed five historical petitions for the determination of damages (the “PennDOT Settlement”). The Settlement Stipulation provided for a \$35,000 cash damages payment to PBS, representing a net amount to PBS of \$23,333 after the payment of contingent legal fees. On October 10, 2023, PBS received net proceeds of \$23,333.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the three months ended September 30,		
	2023	2022	Variance
Salaries and other compensations	\$ 331	\$ 284	\$ 47
Employee benefits	27	23	4
Professional fees	132	226	(94)
Office expenses and insurance	93	86	7
Other	8	6	2
	<u>\$ 591</u>	<u>\$ 625</u>	<u>\$ (34)</u>

- Selling, general and administrative expenses decreased primarily due to reduced investigation costs partially offset by various salary increases to retain personnel and increased stock-based compensation expense.

Finance expense (income), net - Corporate Division

(in thousands)	For the three months ended September 30,		
	2023	2022	Variance
Interest expense	\$ 541	\$ 410	\$ 131
Amortization of discount on loan payable	36	47	(11)
Amortization of deferred financing costs	—	18	(18)
Foreign exchange loss (gain)	2	9	(7)
	<u>\$ 579</u>	<u>\$ 484</u>	<u>\$ 95</u>

- Interest expense increased primarily due to the increased interest rate on the Main Street Facility (as defined below) partially offset by a reduction of the 36th Street Facility (as defined below) interest expense.

Income tax expense - Corporate Division

(in thousands)	For the three months ended September 30,		
	2023	2022	Variance
Income tax expense	\$ 1,349	\$ —	\$ 1,349

- Income tax expense increased primarily due to the Company being in a state taxable income position where the state net operating losses are not permitted to be fully utilized to offset the taxable income.

REVIEW OF YEAR-TO-DATE FINANCIAL RESULTS

(in thousands)	For the nine months ended September 30, 2023		
	NAPP	Corporate	Consolidated
Revenue	\$ 154,312	\$ —	\$ 154,312
Cost of sales	(132,397)	—	(132,397)
Gross margin	21,915	—	21,915
Selling, general and administrative expense	(4,937)	(1,947)	(6,884)
Income (loss) from operations	16,978	(1,947)	15,031
Finance expense	(6,288)	(1,709)	(7,997)
Finance income	7	2	9
Gain on restricted investments	5	—	5
Other income	24,144	—	24,144
Income (loss) before tax	34,846	(3,654)	31,192
Income tax expense	—	1,842	1,842
Net and comprehensive income (loss)	\$ 34,846	\$ (5,496)	\$ 29,350

(in thousands)	For the nine months ended September 30, 2022		
	NAPP	Corporate	Consolidated
Revenue	\$ 127,037	\$ —	\$ 127,037
Cost of sales	(121,057)	—	(121,057)
Gross margin	5,980	—	5,980
Selling, general and administrative expense	(4,683)	(2,220)	(6,903)
Income (loss) from operations	1,297	(2,220)	(923)
Finance expense	(3,377)	(1,302)	(4,679)
Finance income	173	1	174
Loss on restricted investments	(5,298)	—	(5,298)
Other income (expense)	185	(886)	(701)
Loss before tax	(7,020)	(4,407)	(11,427)
Income tax expense	—	—	—
Net and comprehensive loss	\$ (7,020)	\$ (4,407)	\$ (11,427)

(in thousands)	Dollar variance for the nine months ended September 30, 2023 versus 2022		
	NAPP	Corporate	Consolidated
Revenue	\$ 27,275	\$ —	\$ 27,275
Cost of sales	(11,340)	—	(11,340)
Gross margin	15,935	—	15,935
Selling, general and administrative expense	(254)	273	19
Income from operations	15,681	273	15,954
Finance expense	(2,911)	(407)	(3,318)
Finance income	(166)	1	(165)
Gain on restricted investments	5,303	—	5,303
Other income	23,959	886	24,845
Income before tax	41,866	753	42,619
Income tax expense	—	1,842	1,842
Net and comprehensive income	\$ 41,866	\$ (1,089)	\$ 40,777

Operating Segments

Corsa's two distinct segments are NAPP and Corporate. The financial results of the continuing operating segments for the nine months ended September 30, 2023 and 2022 are as follows:

NAPP Division

Revenue - NAPP Division

(in thousands)	For the nine months ended September 30,		
	2023	2022	Variance
Metallurgical coal revenue (at preparation plant)	\$ 144,348	\$ 118,015	\$ 26,333
Thermal coal revenue (at preparation plant)	3,937	1,723	2,214
Transportation revenue	5,639	5,314	325
Tolling revenue	—	1,481	(1,481)
Limestone revenue	388	504	(116)
	<u>\$ 154,312</u>	<u>\$ 127,037</u>	<u>\$ 27,275</u>

- Metallurgical coal revenue, net of transportation charges, increased \$26,333 as a result of higher sales volumes which increased revenue by \$17,247 and increased sales prices which caused revenue to increase by \$9,086. Metallurgical coal sold was 847 and 739 tons for the nine months ended September 30, 2023 and 2022, respectively, representing an increase of 108 tons. Realized price per ton sold increased \$10.72 due to the improved pricing on domestic metallurgical coal contracts in the 2023 period.
- Thermal coal revenue increased primarily due to increased sales volumes and improved thermal coal pricing in the 2023 period.
- Tolling revenue decreased due to the Company not toll washing any third-party coal in the 2023 period as a result of the idling of the Shade preparation plant.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the nine months ended September 30,		
	2023	2022	Variance
Mining and processing costs	\$ 89,751	\$ 79,735	\$ 10,016
Purchased coal costs	12,800	17,931	(5,131)
Royalty expense	7,513	4,882	2,631
Amortization expense	10,134	9,198	936
Transportation costs from preparation plant to customer	5,639	5,314	325
Idle mine expense	4,093	1,111	2,982
Tolling costs	—	1,231	(1,231)
Limestone costs	701	486	215
Other costs	1,766	1,169	597
Total cost of sales	<u>\$ 132,397</u>	<u>\$ 121,057</u>	<u>\$ 11,340</u>

- Mining and processing costs for the nine months ended September 30, 2023 increased primarily due to additional volumes of metallurgical coal sold which increased costs by \$17,692 partially offset by lower costs per ton sold which decreased costs by \$7,499. Thermal coal mining and processing costs decreased \$177 due to lower sales volumes in the 2023 period.

- Purchased metallurgical coal costs decreased \$5,985 due to fewer tons purchased and sold and lower purchase price per ton which decreased costs by \$1,409. Purchased thermal coal costs increased by \$2,263 due to additional tons purchased and sold to fulfill a coal sales contract.
- Royalty expense increased primarily due to the increased sales price and additional volumes of coal sold during the nine months ended September 30, 2023 compared to the 2022 period.
- Amortization expense increased primarily due to increased volumes of coal sold from the surface mines which carry a higher depletion expense.
- Idle mine expense increased primarily due to idling the Shade preparation plant in the 2023 period.
- Tolling costs decreased due to not processing any third-party coal due to the idling of the Shade preparation plant.
- Other costs increased due to various items, none of which were individually material.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the nine months ended September 30,		
	2023	2022	Variance
Salaries and other compensations	\$ 2,227	\$ 1,968	\$ 259
Employee benefits	842	822	20
Selling expense	510	458	52
Professional fees	258	491	(233)
Office expenses and insurance	851	709	142
Other	249	235	14
	<u>\$ 4,937</u>	<u>\$ 4,683</u>	<u>\$ 254</u>

- Selling, general and administrative expenses related to the NAPP Division increased primarily due to various wage increases to retain employees and increased insurance expense which was partially offset by reduced legal fees.

Finance (income) expense, net - NAPP Division

(in thousands)	For the nine months ended September 30,		
	2023	2022	Variance
Bond premium expense	\$ 1,653	\$ 1,710	\$ (57)
Accretion on reclamation and water treatment provision	2,139	672	1,467
Interest expense	2,496	995	1,501
Interest income	(7)	(173)	166
	<u>\$ 6,281</u>	<u>\$ 3,204</u>	<u>\$ 3,077</u>

- Accretion on reclamation and water treatment provision increased as a result of changes in the discount rates.
- Interest expense increased primarily due to the invoice factoring arrangement that the Company entered into in July 2022, other supply chain financing arrangements and additional equipment leases entered into subsequent to the 2022 period.

Gain (loss) on restricted investments - NAPP Division

(in thousands)	For the nine months ended September 30,		
	2023	2022	Variance
Gain (loss) on restricted investments	\$ 5	\$ (5,298)	\$ 5,303

- Gain on restricted investments increased primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds are marked to market on a monthly basis and market gains were recognized in the nine months ended September 30, 2023 compared to market losses in the 2022 period.

Other income (expense) - NAPP Division

(in thousands)	For the nine months ended September 30,		
	2023	2022	Variance
PennDOT Settlement, net	\$ 23,333	\$ —	\$ 23,333
Filter cake sales and refuse disposal income	66	68	(2)
Gain (loss) on property dispositions	180	(148)	328
Royalty income	117	103	14
Other	448	162	286
	<u>\$ 24,144</u>	<u>\$ 185</u>	<u>\$ 23,959</u>

- On August 14, 2023, PBS Coals, Inc., a wholly-owned, indirect subsidiary of the Company (“PBS”), entered into a Settlement Stipulation with the Pennsylvania Department of Transportation (“PennDOT”) in respect of a settlement of all claims by PBS for damages resulting from certain historical takings of leased land by PennDOT in 2010 and 2011 in respect of which PBS had filed five historical petitions for the determination of damages (the “PennDOT Settlement”). The Settlement Stipulation provided for a \$35,000 cash damages payment to PBS, representing a net amount to PBS of \$23,333 after the payment of contingent legal fees. On October 10, 2023, PBS received net proceeds of \$23,333.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the nine months ended September 30,		
	2023	2022	Variance
Salaries and other compensations	\$ 1,046	\$ 857	\$ 189
Employee benefits	71	80	(9)
Professional fees	540	995	(455)
Office expenses and insurance	264	277	(13)
Other	26	11	15
	<u>\$ 1,947</u>	<u>\$ 2,220</u>	<u>\$ (273)</u>

- Selling, general and administrative expenses decreased primarily due to reduced investigation costs partially offset by increased stock-based compensation expense and various salary increases to retain personnel.

Finance expense (income), net - Corporate Division

(in thousands)	For the nine months ended September 30,		
	2023	2022	Variance
Interest expense	\$ 1,562	\$ 1,063	\$ 499
Amortization of discount on loan payable	119	139	(20)
Amortization of deferred financing costs	—	90	(90)
Foreign exchange loss (gain)	3	10	(7)
Interest income	(2)	(1)	(1)
Other	25	—	25
	<u>\$ 1,707</u>	<u>\$ 1,301</u>	<u>\$ 406</u>

- Interest expense increased primarily due to the increased interest rate on the Main Street Facility partially offset by a reduction of the 36th Street Facility interest expense. Amortization of deferred financing costs decreased due to the expiration of the Revolving Credit Facility (as defined below) in August 2022.

Other expense - Corporate Division

(in thousands)	For the nine months ended September 30,		
	2023	2022	Variance
Employee restructuring	\$ —	\$ 886	\$ (886)

- Other expense decreased as a result of employee restructuring charges associated with the Company's previous President and Chief Executive Officer and Chief Operating Officer in the 2022 period.

Income tax expense - Corporate Division

(in thousands)	For the nine months ended September 30,		
	2023	2022	Variance
Income tax expense	\$ 1,842	\$ —	\$ 1,842

- Income tax expense increased primarily due to the Company being in a state taxable income position where the state net operating losses are not permitted to be fully utilized to offset the taxable income.

FINANCIAL CONDITION

(in thousands)	September 30, 2023	December 31, 2022	Variance
Current assets	\$ 64,257	\$ 30,237	\$ 34,020
Non-current assets	163,877	162,401	1,476
Total assets	<u>\$ 228,134</u>	<u>\$ 192,638</u>	<u>\$ 35,496</u>
Current liabilities	\$ 45,147	\$ 39,504	\$ 5,643
Non-current liabilities	91,708	91,526	182
Total liabilities	<u>\$ 136,855</u>	<u>\$ 131,030</u>	<u>\$ 5,825</u>
Total equity	<u>\$ 91,279</u>	<u>\$ 61,608</u>	<u>\$ 29,671</u>

- Current assets increased primarily due to the PennDOT Settlement.
- Non-current assets increased primarily due to additional deposits on restricted cash and investments, increased advance royalty and deferred stripping payments and property, plant and equipment additions partially offset by amortization of property, plant and equipment.
- Current liabilities increased primarily due to the contingent legal fees associated with the PennDOT Settlement partially offset by a reduction in accounts payable and accrued liabilities as a result of an effort to reduce outstanding vendor liabilities and payment of the U.S. Department of Justice disgorgement settlement.
- Non-current liabilities remained consistent.
- Total equity increased as a result of the net and comprehensive income that occurred during the period.

LIQUIDITY AND CAPITAL RESOURCES

Our historical sources of cash have been coal sales to customers, limestone sales, processing fees earned, borrowings under the lease financing agreement with Key Equipment Finance, as lessor and assignor, and 36th Street Capital Partners, LLC, as assignee (the “36th Street Facility”), borrowings made pursuant to our credit and security agreement between KeyBank National Association (“KeyBank”), as lender, and certain wholly-owned subsidiaries of the Company, as borrowers (the “Revolving Credit Facility”), with such facility now expired, borrowings under the U.S. Small Business Administration’s Paycheck Protection Program (the “Paycheck Protection Program”) in April 2020, borrowings on the Main Street Facility in December 2020, proceeds from the LSQ Financing (as defined below) since July 28, 2022 and proceeds received from the issuance of securities. Our primary uses of cash have been for funding existing operations, capital expenditures, reclamation and water treatment obligations, water treatment trust funding, debt service costs and professional fees. We expect to fund maintenance capital, debt service, bonding collateral increases and liquidity requirements with cash on hand, projected cash flow from operations and proceeds from the LSQ Financing. Our future spending on growth capital expenditures and development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment and financing availability.

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

(in thousands)	September 30, 2023	December 31, 2022	Variance
Cash	\$ 7,855	\$ 7,028	\$ 827
Working capital	\$ 19,110	\$ (9,267)	\$ 28,377
Total Debt			
Lease liabilities	\$ 5,516	\$ 4,062	\$ 1,454
Loan payable - 36 th Street Facility	—	866	(866)
Loan payable - Main Street Facility	24,759	25,352	(593)
	\$ 30,275	\$ 30,280	\$ (5)

Working Capital

Working capital increased primarily due to the PennDOT Settlement and a decrease in accounts payable and accrued liabilities.

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

The Main Street Facility contains covenants that would restrict the ability to pay dividends, make distributions as well as restrictions on the ability of certain of the Company's subsidiaries, as borrowers under the facility, to transfer funds to the Company.

On July 28, 2022, the Company's subsidiary, Wilson Creek Energy, LLC ("WCE") entered into a 24-month Invoice Purchase Agreement (the "LSQ Financing") with LSQ Funding Group, L.C. ("LSQ"), pursuant to which LSQ may elect to purchase up to \$15,000 of eligible customer invoices from WCE. WCE's obligations under the LSQ Financing are secured by a lien on all accounts receivable and rights to payment arising from the sale of goods and inventory pursuant to a subordination agreement with KeyBank in connection with the Main Street Facility.

Advances by LSQ may be made at an advance rate of up to 85% of the face value of the eligible receivables being sold. LSQ may require WCE to repurchase accounts receivable if LSQ determines, in its sole discretion, that the accounts are uncollectible for any reason. LSQ will receive fees equal to 0.0750% of the receivables purchased in addition to a funds usage daily fee of 0.0292% of the outstanding balance purchased. The transfer does not result in derecognition of the accounts receivable because WCE retains substantially all the risks and rewards of ownership of the transferred asset.

Total Debt

Total debt remained consistent primarily due to scheduled debt service payments related to the loan payable in connection with the 36th Street Facility, the Main Street Facility and lease liabilities partially offset by new surface equipment lease liabilities. In October 2023, the Company made a loan prepayment of \$8,234 under the Main Street Facility, which included the remainder of the mandatory prepayment and the December 2023 and 2024 installment payments. The Main Street Facility is secured against certain real and personal property of the borrowers.

Cash Flows from Operations

	For the three months ended			For the nine months ended		
	September 30,			September 30,		
	2023	2022	Change	2023	2022	Change
Cash Flows:						
Provided by operating activities	\$ 5,736	\$ 1,765	\$ 3,971	\$ 11,727	\$ 7,967	\$ 3,760
Used in investing activities	(3,196)	(2,869)	(327)	(8,143)	(5,922)	(2,221)
Used in financing activities	(686)	(1,130)	444	(2,757)	(3,389)	632
Increase (decrease) in cash	1,854	(2,234)	4,088	827	(1,344)	2,171
Cash at beginning of period	6,001	13,604	(7,603)	7,028	12,714	(5,686)
Cash at end of period	\$ 7,855	\$ 11,370	\$ (3,515)	\$ 7,855	\$ 11,370	\$ (3,515)

- Cash flow from operating activities increased during the three and nine months ended September 30, 2023 compared to the 2022 period due to the increase in net and comprehensive income adjusting for items not affecting cash partially offset by changes in working capital items.
- Cash used in investing activities increased for the three months ended September 30, 2023 compared to the 2022 period primarily due to increased advance royalty and deferred stripping activities and increased maintenance capital expenditures partially offset by lower restricted cash deposits.
- Cash used in investing activities for the nine months ended September 30, 2023 compared to the 2022 period increased primarily due to a release of restricted cash in the 2022 period that did not occur during the 2023 period, increased advance royalty and deferred stripping activities and increased maintenance capital expenditures partially offset by lower restricted cash deposits.
- Cash used in financing activities for the three and nine months ended September 30, 2023 compared to the 2022 period decreased primarily due to reduced debt service payments on the 36th Street Facility as the facility was fully repaid in March 2023 and was partially offset by increased principal repayments on the Main Street Facility and increased lease obligation payments due to new equipment leases.

Capital Expenditures

The equipment and development added to property, plant and equipment and the cash flow impact (adjusting the increase to property plant and equipment for non-cash transactions) for the nine months ended September 30, 2023 were as follows:

	Increase to PP&E	Cash Flow Impact
Maintenance capital expenditures		
Deep mines	\$ 3,082	\$ 1,882
Surface mines	3,350	585
Plant	837	814
Administrative	—	—
	7,269	3,281
Growth capital expenditures		
Deep mines	584	584
Surface mines	41	41
Plant	—	—
	625	625
Total capital expenditures	\$ 7,894	\$ 3,906

Corsa's capital expenditures for the nine months ended September 30, 2023 were primarily focused on maintenance capital to replace mining and processing equipment and growth capital to develop the Casselman North mine. Corsa's future spending on property, plant and equipment at its operations and development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment, compliance with financial covenants and financing availability. For

disclosure regarding Corsa's purchase order firm commitments, relating to the procurement of replacement mining equipment to maintain Corsa's capacity, see "Contractual Obligations".

DEBT COVENANTS

Corsa has certain covenants it is required to meet under the Main Street Facility. Certain measures included in the covenant calculations are not readily identifiable from Corsa's consolidated statements of operations and comprehensive income (loss) or consolidated balance sheets. These measures are considered to be non-GAAP financial measures and, as such, a further description of the covenant calculations is included below. Corsa was in compliance with all covenants at September 30, 2023.

Main Street Facility

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

- Liquidity, as defined as the sum of unrestricted cash and cash equivalents, above \$1,500 from December 31, 2022 through June 30, 2023, above \$3,000 from July 1, 2023 through January 31, 2024, above \$4,500 from February 1, 2024 until March 31, 2024 and \$6,250 thereafter.
- The Company is required to achieve various adjusted EBITDA targets (\$12,000 at June 30, 2023, \$20,000 at September 30, 2023 and \$23,000 at December 31, 2023), measured on a year-to-date basis at each quarter end, commencing on June 30, 2023 and ending on December 31, 2023.
- Capital expenditures of not more than \$11,000 on an annual basis.
- If liquidity, at any time, is less than the required amount, or adjusted EBITDA is less than the required amount, then a trailing twelve month Minimum Fixed Charge Coverage Ratio⁽¹⁾ of not less than 1.10 to 1.00 (measured monthly).

⁽¹⁾ Minimum Fixed Charge Coverage Ratio is measured as EBITDA⁽²⁾ *less* the sum of: (i) capital expenditures, (ii) taxes paid, (iii) dividends and distributions, (iv) water treatment and reclamation payments and (v) water treatment trust funding, divided by the sum of (a) interest expense paid in cash *plus* (b) scheduled principal payments on indebtedness.

⁽²⁾ EBITDA is defined as the sum of consolidated net and comprehensive income (or loss) *plus* (i) interest expense, (ii) provision for taxes based on income or profits (net of any income tax refunds), (iii) depletion, depreciation and impairment charges, (iv) amortization expense, (v) non-cash stock-based compensation expense, (vi) losses (or minus gains) for such period from the early extinguishment of indebtedness, (vii) transaction expenses, (viii) non-recurring transaction expenses, (ix) non-cash costs (or minus non-cash income) related to a change in estimate of water treatment or reclamation provision, (x) expense (or minus income) related to the change in market value of restricted cash, (xi) accretion expense related to asset retirement obligations and (xii) any other non-cash charges (or minus income) which have been subtracted in calculating net and comprehensive income from continuing operations.

CONTRACTUAL OBLIGATIONS

The purchase order firm commitments primarily relate to the procurement of replacement mining equipment to maintain Corsa's production capacity. These expenditures are expected to be funded from cash on hand, cash flows from operations or proceeds from the LSQ Financing.

	Carrying Value at Sept. 30, 2023	Payments due by period				
		Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accrued liabilities	\$ 17,306	\$ 17,306	\$ 17,306	\$ —	\$ —	\$ —
Recourse obligation	1,586	1,586	1,586	—	—	—
Lease liabilities	5,516	5,516	1,574	2,599	1,343	—
Loan payable - Main Street Facility	24,759	25,080	4,367	20,713	—	—
Other liabilities	20,094	20,094	15,056	2,800	2,238	—
Asset retirement obligations - reclamation	39,484	39,484	3,285	9,698	6,801	19,700
Asset retirement obligations - water treatment	28,110	28,110	1,973	3,332	3,222	19,583
Purchase order firm commitments	—	3,375	3,375	—	—	—
Minimum royalty commitments	—	1,794	598	1,196	—	—
Reclamation bond restricted cash deposits	—	6,616	1,500	3,000	2,116	—
Total	\$ 136,855	\$ 148,961	\$ 50,620	\$ 43,338	\$ 15,720	\$ 39,283

NON-GAAP FINANCIAL MEASURES

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

Historically, the Company's business model included a Sales and Trading platform where the Company purchased and then sold coal on a clean or finished goods basis from suppliers outside of the Company's main operating area. This Sales and Trading platform is no longer a part of the Company's business model as of January 1, 2021 and therefore the Company has simplified the reporting of coal purchased and sold and revised the non-GAAP financial measure's description (i.e., cash cost purchased coal per ton sold). This measure is presented separately due to the purchases being derived from market prices and the Company believes that providing a breakdown of the cost of coal that the Company produces provides a meaningful metric to investors as this non-GAAP financial measure is utilized in evaluating the operational effectiveness of the Company's mines.

Management uses the following non-GAAP financial measures:

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

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

EBITDA and Adjusted EBITDA for the three months ended September 30, 2023 and 2022

(in thousands)	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	NAPP	Corp.	Total	NAPP	Corp.	Total
Net and comprehensive income (loss)	\$ 21,959	\$ (2,519)	\$ 19,440	\$ (3,371)	\$ (1,109)	\$ (4,480)
Add (Deduct):						
Amortization expense	4,216	—	4,216	3,048	—	3,048
Interest expense	831	541	1,372	369	410	779
Income tax expense	—	1,349	1,349	—	—	—
EBITDA	27,006	(629)	26,377	46	(699)	(653)
Add (Deduct):						
PennDOT Settlement (a)	(23,333)	—	(23,333)	—	—	—
Stock-based compensation (b)	—	60	60	—	11	11
Net finance (income) expense, excluding interest expense (c)	2,257	38	2,295	1,967	74	2,041
(Gain) loss on disposal of assets (d)	(191)	—	(191)	13	—	13
Other costs (e)	855	28	883	(247)	100	(147)
Adjusted EBITDA	<u>\$ 6,594</u>	<u>\$ (503)</u>	<u>\$ 6,091</u>	<u>\$ 1,779</u>	<u>\$ (514)</u>	<u>\$ 1,265</u>

(a) Reflects the amount included in other income and expense related to the legal settlement with PennDOT.

(b) Reflects the non-cash expense related to the vesting of stock options.

(c) Components of finance expense and income excluding interest expense.

(d) Reflects the amounts included in other income and expense related to the disposal of assets not utilized in the Company's mining operations.

(e) Reflects various adjustments, none of which were individually material, related to adjusting the Company's workers' compensation liability, costs incurred for the Company's internal investigation of the sales agent matter and legal settlements.

EBITDA and Adjusted EBITDA for the nine months ended September 30, 2023 and 2022

(in thousands)	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	NAPP	Corp.	Total	NAPP	Corp.	Total
Net and comprehensive income (loss)	\$ 34,846	\$ (5,496)	\$ 29,350	\$ (7,020)	\$ (4,407)	\$ (11,427)
Add (Deduct):						
Amortization expense	10,134	—	10,134	9,198	—	9,198
Interest expense	2,496	1,562	4,058	995	1,063	2,058
Income tax expense	—	1,842	1,842	—	—	—
EBITDA	47,476	(2,092)	45,384	3,173	(3,344)	(171)
Add (Deduct):						
PennDOT Settlement (a)	(23,333)	—	(23,333)	—	—	—
Restructuring charges (b)	—	—	—	—	886	886
Stock-based compensation (c)	—	191	191	—	12	12
Net finance (income) expense, excluding interest expense (d)	3,780	145	3,925	7,507	238	7,745
(Gain) loss on disposal of assets (e)	(180)	—	(180)	148	—	148
Other costs (f)	1,447	178	1,625	63	572	635
Adjusted EBITDA	\$ 29,190	\$ (1,578)	\$ 27,612	\$ 10,891	\$ (1,636)	\$ 9,255

- (a) Reflects the amount included in other income and expense related to the legal settlement with PennDOT.
- (b) Reflects the separation costs associated with the Company's previous President and Chief Executive Officer and Chief Operating Officer.
- (c) Reflects the non-cash expense related to the vesting of stock options.
- (d) Components of finance expense and income excluding interest expense.
- (e) Reflects the amounts included in other income and expense related to the disposal of assets not utilized in the Company's mining operations.
- (f) Reflects various adjustments, none of which were individually material, related to adjusting the Company's workers' compensation liability, costs incurred for the Company's internal investigation of the sales agent matter and legal settlements.

Realized price per ton sold for the three months ended September 30, 2023 and 2022

(in thousands except per ton amounts)	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Revenue	\$ 50,780	\$ 278	\$ 51,058	\$ 44,524	\$ 1,414	\$ 45,938
Add (Deduct):						
Tolling revenue	—	—	—	(244)	—	(244)
Transportation costs from preparation plant to customer	(1,814)	—	(1,814)	(1,619)	(8)	(1,627)
Limestone revenue	(133)	—	(133)	(213)	—	(213)
Net coal sales (at preparation plant)	\$ 48,833	\$ 278	\$ 49,111	\$ 42,448	\$ 1,406	\$ 43,854
Coal sold - tons	302	3	305	268	14	282
Realized price per ton sold (at preparation plant)	<u>\$ 161.70</u>	<u>\$ 92.67</u>	<u>\$ 161.02</u>	<u>\$ 158.39</u>	<u>\$ 100.43</u>	<u>\$ 155.51</u>

Realized price per ton sold for the nine months ended September 30, 2023 and 2022

(in thousands except per ton amounts)	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Revenue	\$ 150,375	\$ 3,937	\$ 154,312	\$ 125,292	\$ 1,745	\$ 127,037
Add (Deduct):						
Tolling revenue	—	—	—	(1,481)	—	(1,481)
Transportation costs from preparation plant to customer	(5,639)	—	(5,639)	(5,292)	(22)	(5,314)
Limestone revenue	(388)	—	(388)	(504)	—	(504)
Net coal sales (at preparation plant)	\$ 144,348	\$ 3,937	\$ 148,285	\$ 118,015	\$ 1,723	\$ 119,738
Coal sold - tons	847	40	887	739	17	756
Realized price per ton sold (at preparation plant)	<u>\$ 170.42</u>	<u>\$ 98.43</u>	<u>\$ 167.18</u>	<u>\$ 159.70</u>	<u>\$ 101.35</u>	<u>\$ 158.38</u>

Cash cost per ton sold, cash production cost per ton sold, and cash cost per purchased coal per ton sold for the three months ended September 30, 2023 and 2022

(in thousands except per ton amounts)	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Cost of Sales:						
Mining and processing costs	\$ 31,779	\$ 71	\$ 31,850	\$ 29,571	\$ 848	\$ 30,419
Purchased coal costs	4,679	198	4,877	6,521	526	7,047
Royalty expense	2,577	—	2,577	1,927	—	1,927
Total cash costs of tons sold	\$ 39,035	\$ 269	\$ 39,304	\$ 38,019	\$ 1,374	\$ 39,393
Total tons sold	302	3	305	268	14	282
Cash cost per ton sold (at preparation plant)	\$ 129.25	\$ 89.67	\$ 128.87	\$ 141.86	\$ 98.14	\$ 139.69
Total cash costs of tons sold	\$ 39,035	\$ 269	\$ 39,304	\$ 38,019	\$ 1,374	\$ 39,393
Less: purchased coal	(4,679)	—	(4,679)	(6,521)	—	(6,521)
Cash cost of produced coal sold	\$ 34,356	\$ 269	\$ 34,625	\$ 31,498	\$ 1,374	\$ 32,872
Tons sold - produced	269	3	272	230	14	244
Cash production cost per ton sold (at preparation plant)	\$ 127.72	\$ 89.67	\$ 127.30	\$ 136.95	\$ 98.14	\$ 134.72
Purchased coal	\$ 4,679	\$ —	\$ 4,679	\$ 6,521	\$ —	\$ 6,521
Tons sold - purchased coal	33	—	33	38	—	38
Cash cost purchased coal per ton sold (at preparation plant)	\$ 141.79	\$ —	\$ 141.79	\$ 171.61	\$ —	\$ 171.61

Cash cost per ton sold, cash production cost per ton sold, and cash cost per purchased coal per ton sold for the nine months ended September 30, 2023 and 2022

(in thousands except per ton amounts)	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Cost of Sales:						
Mining and processing costs	\$ 88,769	\$ 982	\$ 89,751	\$ 78,576	\$ 1,159	\$ 79,735
Purchased coal costs	10,005	2,795	12,800	17,399	532	17,931
Royalty expense	7,513	—	7,513	4,882	—	4,882
Total cash costs of tons sold	\$ 106,287	\$ 3,777	\$ 110,064	\$ 100,857	\$ 1,691	\$ 102,548
Total tons sold	847	40	887	739	17	756
Cash cost per ton sold (at preparation plant)	\$ 125.49	\$ 94.43	\$ 124.09	\$ 136.48	\$ 99.47	\$ 135.65
Total cash costs of tons sold	\$ 106,287	\$ 3,777	\$ 110,064	\$ 100,857	\$ 1,691	\$ 102,548
Less: purchased coal	(10,005)	—	(10,005)	(17,399)	—	(17,399)
Cash cost of produced coal sold	\$ 96,282	\$ 3,777	\$ 100,059	\$ 83,458	\$ 1,691	\$ 85,149
Tons sold - produced	779	40	819	636	17	653
Cash production cost per ton sold (at preparation plant)	\$ 123.60	\$ 94.43	\$ 122.17	\$ 131.22	\$ 99.47	\$ 130.40
Purchased coal	\$ 10,005	\$ —	\$ 10,005	\$ 17,399	\$ —	\$ 17,399
Tons sold - purchased coal	68	—	68	103	—	103
Cash cost purchased coal per ton sold (at preparation plant)	\$ 147.13	\$ —	\$ 147.13	\$ 168.92	\$ —	\$ 168.92

Cash margin per ton sold for the three months ended September 30, 2023 and 2022

	For the three months ended September 30, 2023			For the three months ended September 30, 2022		
	NAPP	NAPP	Total	NAPP	NAPP	Total NAPP
	Met	Thermal		Met	Thermal	
Realized price per ton sold (at preparation plant)	\$ 161.70	\$ 92.67	\$ 161.02	\$ 158.39	\$ 100.43	\$ 155.51
Cash cost per ton sold (at preparation plant)	\$ 129.25	\$ 89.67	\$ 128.87	\$ 141.86	\$ 98.14	\$ 139.69
Cash margin per ton sold	\$ 32.45	\$ 3.00	\$ 32.15	\$ 16.53	\$ 2.29	\$ 15.82

Cash margin per ton sold for the nine months ended September 30, 2023 and 2022

	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	NAPP	NAPP	Total	NAPP	NAPP	Total NAPP
	Met	Thermal		Met	Thermal	
Realized price per ton sold (at preparation plant)	\$ 170.42	\$ 98.43	\$ 167.18	\$ 159.70	\$ 101.35	\$ 158.38
Cash cost per ton sold (at preparation plant)	\$ 125.49	\$ 94.43	\$ 124.09	\$ 136.48	\$ 99.47	\$ 135.65
Cash margin per ton sold	\$ 44.93	\$ 4.00	\$ 43.09	\$ 23.22	\$ 1.88	\$ 22.73

OUTSTANDING SHARE DATA

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

	Number of Common Shares
Common Shares issued and outstanding	103,768,520
Common Shares issuable upon exercise of issued and outstanding stock options	5,308,446

SUMMARY OF QUARTERLY RESULTS

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

(in thousands except per share amounts)	Quarter Ended			
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Revenue	\$ 51,058	\$ 55,309	\$ 47,945	\$ 38,854
Net and comprehensive income (loss)	\$ 19,440	\$ 7,982	\$ 1,928	\$ (16,302)
Earnings (loss) per share:				
Basic	<u>\$ 0.19</u>	<u>\$ 0.08</u>	<u>\$ 0.02</u>	<u>\$ (0.16)</u>
Diluted	<u>\$ 0.18</u>	<u>\$ 0.08</u>	<u>\$ 0.02</u>	<u>\$ (0.16)</u>

(in thousands except per share amounts)	Quarter Ended			
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Revenue	\$ 45,938	\$ 42,326	\$ 38,773	\$ 40,050
Net and comprehensive (loss) income	\$ (4,480)	\$ (2,970)	\$ (3,977)	\$ 2,756
Earnings (loss) per share:				
Basic	<u>\$ (0.04)</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ 0.03</u>
Diluted	<u>\$ (0.04)</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ 0.03</u>

Corsa's 2023 revenue is reflective of improved metallurgical coal domestic contracts as a result of the continued strength of the metallurgical coal market. The 2022 revenue is reflective of an improved metallurgical coal market environment which began in the second half of 2021 although total revenue for the year ended 2022 was impacted by various production challenges which resulted in fewer sales tons and thus the full impact of the metallurgical coal price increase was not realized. The first and second quarters of 2023 reflect improved operational performance resulting from more favorable geological conditions. Adverse geological conditions negatively impacted operational performance throughout the 2022 year and to a degree in the third quarter of 2023. Each quarter of 2022 reflected the impacts of a higher cost environment, due in part to inflation and the impacts that geological conditions had on production volumes. Also impacting performance in 2022 was employee turnover which resulted in the need to hire and train new inexperienced underground miners throughout the year. Net and comprehensive income for the quarter ended September 30, 2023 was impacted by the PennDOT Settlement. Net and comprehensive loss for the quarter ended December 31, 2022 was impacted by a change in estimate of the reclamation and water treatment provision and the full year 2022 was also impacted by significant investment losses related to the water treatment trust equity investments.

CRITICAL ACCOUNTING ESTIMATES

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

Property, plant and equipment

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

Reserve and resource estimates

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

Reclamation provision estimates

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

Water treatment provision estimates

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

Impairment of long-term assets

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

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

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

Evaluation of exploration and evaluation costs

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

Deferred income tax assets

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

CHANGES IN ACCOUNTING POLICIES

Future accounting pronouncements

Certain amendments to existing standards issued by the ISAB may impact the Company's financial statements for accounting periods after January 1, 2023. Updates that are not applicable or are not consequential to the Company have been excluded.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash, restricted cash and investments, accounts receivable, accounts payable and accrued liabilities, recourse obligation, lease liabilities, loan payable in connection with the Main Street Facility and other liabilities.

Financial risk management

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

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. These deposit accounts are held with high credit quality institutions in Canada and the United States. Restricted cash consists of 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 controls 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 nine months ended September 30, 2023 and 2022.

At September 30, 2023 and December 31, 2022, the Company had four and three customers, respectively, that owed the Company more than \$1,000 each and accounted for approximately 100% and 98%, respectively, of total trade accounts receivable. At September 30, 2023, the Pennsylvania Department of Transportation owed the Company \$35,000. At September 30, 2023 and December 31, 2022, 80% and 68%, respectively, of the Company's trade accounts receivables were covered by letters of credit or other forms of credit insurance.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include the Main Street 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 September 30, 2023, the Company had a consolidated cash balance of \$7,855 and consolidated working capital of \$19,110. The future operations of the Company are dependent on the continued generation of positive cash flows from operations which in turn is dependent on the future demand and price for metallurgical coal. The Company plans to utilize expected operating cash flows to service the Company's debt obligations.

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

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 and the 36th Street Facility. The loans payable are carried at amortized cost and the carrying amounts and fair values are presented below:

	September 30, 2023		December 31, 2022	
	Carrying		Carrying	
	Amount	Fair Value	Amount	Fair Value
Loan payable - Main Street Facility	\$ 24,759	\$ 24,013	\$ 25,352	\$ 23,783
Loan payable - 36 th Street Facility	—	—	866	885
	<u>\$ 24,759</u>	<u>\$ 24,013</u>	<u>\$ 26,218</u>	<u>\$ 24,668</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 September 30, 2023 and December 31, 2022, the discount rate for the Main Street Facility was 12.3%. At December 31, 2022, the discount rate for the 36th Street Facility was 9.8%. Management's estimate of the fair value of the loans payable are classified as Level 2 in the fair value hierarchy, as explained below.

Fair value hierarchy

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

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

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

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

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

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	<u>Level 1</u>	<u>Level 1</u>
Restricted cash	\$ 16,502	\$ 14,386
Restricted investments		
Debt securities	8,123	6,101
Equity securities	18,574	21,165
	<u>26,697</u>	<u>27,266</u>
Total restricted cash and investments	<u>\$ 43,199</u>	<u>\$ 41,652</u>

At September 30, 2023 and December 31, 2022, the Company had no financial instruments which used Level 2 or 3 fair value measurements.

ADDITIONAL INFORMATION

Additional information regarding Corsa, including its annual information form dated April 13, 2023, is available under Corsa's profile at www.sedarplus.ca.