



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

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For the three months and year ended December 31, 2021

The purpose of the Corsa Coal Corp. (“Corsa” or the “Company”) Management’s Discussion and Analysis (“MD&A”) for the three months and year ended December 31, 2021 is to provide a narrative explanation of Corsa’s operating and financial results for the period, Corsa’s financial condition at the end of the period and Corsa’s future prospects. This MD&A is intended to be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2021 and 2020 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Unless otherwise indicated, all dollar amounts in this MD&A are expressed in United States dollars, all tonnage amounts are short tons (2,000 pounds per ton) and all amounts are shown in thousands. Pricing and cost per ton information is expressed on a free on board (“FOB”) mine site basis. Please refer to “Cautionary Statement Regarding Forward-Looking Statements” and “Cautionary Statement Regarding Certain Measures of Performance.” This MD&A is dated as of March 1, 2022.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

CAUTIONARY STATEMENT REGARDING CERTAIN MEASURES OF PERFORMANCE

This MD&A presents certain measures, including “EBITDA”; “Adjusted EBITDA”; “realized price per ton sold”; “cash production cost per ton sold”; “cash cost per ton sold”; “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 25 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 MONTHS AND YEAR ENDED DECEMBER 31, 2021

- Key financial results and operational statistics are shown below:

<i>(in millions except per share, per ton and sales tons)</i>	Three months ended		Years ended	
	December 31,		December 31,	
	2021	2020	2021	2020
Net and comprehensive income (loss)	\$2.8	\$(13.0)	\$1.4	\$(63.7)
Non-cash asset impairment adjustment (included above)	\$—	\$—	\$—	\$(41.7)
Diluted earnings (loss) per share	\$0.03	\$(0.13)	\$0.02	\$(0.60)
Cash provided by (used in) operating activities	\$1.0	\$(0.2)	\$4.0	\$10.7
Total revenue	\$40.1	\$16.8	\$131.5	\$128.5
Non-GAAP Financial Measures				
Adjusted EBITDA ⁽¹⁾	\$2.0	\$(1.4)	\$9.0	\$4.4
EBITDA ⁽¹⁾	\$7.0	\$(9.2)	\$20.3	\$(41.8)
Average realized price per ton of metallurgical coal sold ⁽¹⁾	\$131.64	\$82.03	\$105.81	\$81.77
Cash production cost per ton sold ⁽¹⁾	\$101.65	\$77.11	\$87.07	\$71.24
Company produced metallurgical coal sales tons	230,315	190,412	1,058,575	1,199,034
Purchased metallurgical coal sales tons	47,612	3,674	79,445	172,956
Total metallurgical coal sales tons	<u>277,927</u>	<u>194,086</u>	<u>1,138,020</u>	<u>1,371,990</u>

- Corsa’s average realized price for the fourth quarter 2021 is the approximate equivalent of between \$195 to \$200 per metric ton on an FOB vessel basis⁽²⁾. For the fourth quarter 2021, Corsa’s sales mix included 58% of sales to domestic customers and 42% of sales to international customers.

⁽¹⁾ This is a non-GAAP financial measure. See “Non-GAAP Financial Measures” starting on page 25 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-\$50 per short ton. Historically, freight rates rise and fall as market prices rise and fall. As a note, most published indices for metallurgical coal report prices on a delivered-to-the-port basis and denominated in metric tons.

BUSINESS OVERVIEW

Corsa is one of the leading United States suppliers of premium quality metallurgical coal, an essential ingredient in the production of steel. Corsa's core business is supplying premium quality metallurgical coal to domestic and international steel and coke producers. As of the date of this MD&A, Corsa produces coal from four mines, operates two preparation plants (the Cambria Plant and the Shade Creek Plant) and has approximately 350 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 ("Company Produced") 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 ("Purchased Coal").

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; and the Schrock Run Extension mine, a surface mine using contour and auger mining methods (collectively, the "NAPP Mines"). The Casselman mine is located in Garrett County, Maryland and the Acosta, Horning, and Schrock Run Extension mines are located in Somerset County, Pennsylvania.

Preparation Plants

NAPP currently operates two preparation plants, the Cambria Plant and the Shade Creek Plant, and has one idled preparation plant, the Rockwood Plant. The raw metallurgical coal produced from the NAPP Mines is trucked to the preparation plant where it is processed or "washed" using conventional coal processing techniques and stored for shipping. All plants have load out facilities adjacent to a rail line. Coal is usually shipped by rail; however, it can also be shipped by truck. All of the preparation plants are located in Somerset County, Pennsylvania. The Cambria Plant has an operating capacity of 325 tons of raw coal per hour, storage capacity 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 an operating capacity of 325 tons of raw coal per hour, storage capacity of 24,000 tons of clean coal and 85,000 tons of raw coal and load out facilities adjacent to a CSX rail line.

Growth Projects

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

Name	Type of Mine	Status
North Mine Project	Underground	Permitted
Keyser Project	Underground	Permit in Process
A Seam Project	Underground	Permitted

COAL PRICING TRENDS AND OUTLOOK

Price levels opened the fourth quarter 2021 at \$390.00/metric ton (“mt”) delivered-to-the-port (“FOBT”) for spot deliveries of Australian premium low volatile metallurgical coal and closed the quarter at \$357.25/mt FOBT. The quarterly average price for the fourth quarter of 2021 was \$368.92/mt FOBT for Australian premium low volatile metallurgical coal, compared to \$263.66/mt FOBT in the third quarter of 2021, and traded in a range from a high of \$403.00/mt FOBT to a low of \$315.50/mt FOBT.

The World Steel Association reported that through December, global crude steel production increased by 3.6% in 2021 versus 2020 with the U.S. up 18.3%, India up 17.8%, Japan up 14.9%, Brazil up 14.7%, Turkey up 12.7%, Germany up 12.3%, Russia up 6.1%, South Korea up 5.2%, and China down 3.0%. The largest regional increases were recognized in Africa at 26.7%, South America at 17.8%, North America at 19.2%, and European Union at 15.4%. All other regions recorded year-over-year increases. According to the U.S. Energy Information Administration (the “EIA”), U.S. metallurgical coal exports in 2021 totaled 47.2 million tons as compared to 42.1 million tons in 2020, for an increase of 12.1%, and domestic coke plant coal consumption was 17.8 million tons in 2021 as compared to 14.4 million tons in 2020 for an increase of 23.3%. Hot-rolled steel coil prices decreased in the fourth quarter from the highs recorded earlier in the year as production decreased in China due to regulatory controls and market demand for steel products normalized. From the beginning of 2021 through the end of the year, hot-rolled steel coil prices rose 55%, 39% and 13% in the U.S., Northern Europe and China, respectively.

Global steel demand is forecasted to increase by 2.2% in 2022 over 2021 according to the World Steel Association Short Range Outlook released in October 2021. Comparing the expected 2022 global steel demand to the pre-COVID-19 pandemic 2019 steel demand levels indicates an increase of 7.3% with increases in each of the regional areas, driven primarily by growth in China and Turkey. Chinese steel demand in 2022 is expected to remain flat compared to 2021, but will be an increase of 8.6% over 2019. Excluding China, 2022 steel demand from the rest of the world will increase by 4.7% over 2021 and increase by 6.1% over 2019. Regionally, the collective 2022 demand from the United States, Canada and Mexico is forecasted to increase by 5.4% over 2021 and 0.9% over 2019; European Union 2022 demand from the is forecasted to increase by 5.5% over 2021 and 5.7% over 2019; the collective 2022 demand from Asia and Oceania (excluding China) is forecasted to increase by 4.3% over 2021 and 3.7% over 2019; and Central and South America collective 2022 demand is forecasted to increase by 0.9% over 2021 and 4.8% over 2019.

January 2022 spot market pricing for Australian premium low volatile metallurgical coal opened at \$357.75/mt FOBT, closed the month at \$444.50/mt FOBT and traded in a range from a high of \$444.50/mt FOBT to a low of \$357.75/mt FOBT for an average price of \$408.85/mt FOBT. February 2022 spot market pricing opened the month at \$444.50/mt FOBT, at mid-month was \$442.50/mt FOBT and traded in a range from a high of \$445.00/mt FOBT to a low of \$438.75/mt FOBT for an average price of \$442.53/mt FOBT. Through January 2022, the World Steel Association reported that global crude steel production decreased by 6.1% versus 2021 with China down 11.2%, Turkey down 7.8%, Brazil down 4.8%, Japan down 2.1%, India up 4.7%, and the United States up 4.2%. Regionally, Asia and Oceania, which includes China and India, was down 8.2 %, the EU was down 6.8%, South America was down 3.3%, and North America was up 2.5%. Through mid- February 2022, hot-rolled steel coil prices have increased China by 5.7% and Northern Europe by 2.9%, while decreasing in the U.S. by 11.3%.

After opening the first quarter of 2022 at \$357.75/mt FOBT and trading at \$442.50/mt FOBT in mid-February, the forward curve for the balance of the first quarter of 2022 according to the SGX TSI index is trading at \$402.38/mt FOBT with February at \$432.00/mt FOBT and March at \$389.00/mt FOBT. Forward curve pricing for the balance of 2022 is trading at an average of \$299.67/mt FOBT with the first quarter at a high of \$402.38/mt FOBT and the fourth quarter at a low of \$272.00/mt FOBT. The forward curve for 2023 is indicating pricing at an average of \$261.84/mt FOBT. Increased global steel demand and high levels of global steel production are driving the demand and supporting higher prices for metallurgical coal. Trade tensions between China and Australia remain and continue to influence the international metallurgical coal market supply routes and metallurgical coal export pricing dynamics. Domestically, coke plant coal consumption is expected to increase year-over-year and according to the EIA and is forecasted to be 17.8 million tons in 2021 and 20.2 million tons in 2022 as compared to 18.0 million tons in 2019. Metallurgical coal exports from the United State are expected to be 47.2 million tons in 2021, a 12% increase over 2021, and domestic coke plant coal consumption is forecasted to be 20.2 million tons, an increase of 23.3% over 2021.

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

for our coal may be adversely impacted if comprehensive legislation or regulations focusing on GHG emission reductions are adopted, or if our customers are unable to obtain financing for their operations.

See “Risk Factors” in the Company’s annual information form dated March 1, 2022 for the year ended December 31, 2021 for an additional discussion regarding certain factors that could impact coal pricing trends and outlook, as well as the Company’s ongoing operations.

SELECTED ANNUAL INFORMATION

	For the years ended December 31,		
	2021	2020	2019
Total revenue - continuing operations	\$ 131,475	\$ 128,486	\$ 232,069
Net and comprehensive income (loss) - total			
Attributable to shareholders	\$ 1,550	\$ (56,722)	\$ (2,720)
Attributable to non-controlling interest	(141)	(7,001)	2,207
Total net and comprehensive income (loss)	\$ 1,409	\$ (63,723)	\$ (513)
Basic earnings (loss) per share	\$ 0.02	\$ (0.60)	\$ (0.03)
Diluted earnings (loss) per share	\$ 0.02	\$ (0.60)	\$ (0.03)
Total assets	\$ 215,496	\$ 210,152	\$ 269,326
Total non-current financial liabilities	\$ 126,215	\$ 122,435	\$ 85,973
Dividends per share	\$ —	\$ —	\$ —

Corsa’s 2021 results are reflective of an improved metallurgical coal market environment beginning in the second half of 2021. Metallurgical coal prices declined significantly during 2020, primarily due to the COVID-19 pandemic, resulting in lower total revenue than the preceding year. As a result of the deterioration of the coal market in 2020, management reduced production to limit the number of tons sold under the existing market conditions. Additionally, as a result of the market weakness, the Company incurred an asset impairment charge in 2020 of \$41,684.

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

FINANCIAL AND OPERATIONAL RESULTS

(in thousands)	For the three months ended December 31,		
	2021	2020	Variance
Revenue	\$ 40,050	\$ 16,835	\$ 23,215
Cost of sales	(36,128)	(26,900)	(9,228)
Cost of sales - asset impairment	—	—	—
Total cost of sales	(36,128)	(26,900)	(9,228)
Gross income (loss)	3,922	(10,065)	13,987
Selling, general and administrative expense	(3,330)	(2,997)	(333)
Income (loss) from operations	592	(13,062)	13,654
Finance expense	(1,343)	(1,094)	(249)
Finance income	1,429	786	643
Other income	2,078	328	1,750
Income (loss) before tax	2,756	(13,042)	15,798
Income tax expense	—	—	—
Net and comprehensive income (loss)	\$ 2,756	\$ (13,042)	\$ 15,798
Diluted earnings (loss) per share	\$ 0.03	\$ (0.13)	\$ 0.16

(in thousands)	For the years ended December 31,		
	2021	2020	Variance
Revenue	\$ 131,475	\$ 128,486	\$ 2,989
Cost of sales	(128,366)	(144,402)	16,036
Cost of sales - asset impairment	—	(41,684)	41,684
Total cost of sales	(128,366)	(186,086)	57,720
Gross income (loss)	3,109	(57,600)	60,709
Selling, general and administrative expense	(9,853)	(10,057)	204
Loss from operations	(6,744)	(67,657)	60,913
Finance expense	(5,595)	(5,170)	(425)
Finance income	2,752	812	1,940
Other income	10,996	8,381	2,615
Income (loss) before tax	1,409	(63,634)	65,043
Income tax expense	—	89	(89)
Net and comprehensive income (loss)	\$ 1,409	\$ (63,723)	\$ 65,132
Diluted earnings (loss) per share	\$ 0.02	\$ (0.60)	\$ 0.62

Operations Summary

(in thousands)	For the three months ended			For the years ended		
	December 31,			December 31,		
	2021	2020	Variance	2021	2020	Variance
Coal sold - tons						
NAPP - metallurgical coal	278	194	84	1,138	1,372	(234)
Realized price per ton sold ⁽¹⁾						
NAPP - metallurgical coal	\$ 131.64	\$ 82.03	\$ 49.61	\$ 105.81	\$ 81.77	\$ 24.04
Cash production cost per ton sold ⁽¹⁾⁽²⁾						
NAPP - metallurgical coal	\$ 101.65	\$ 77.11	\$ (24.54)	\$ 87.07	\$ 71.24	\$ (15.83)
Cash cost per ton sold ⁽¹⁾⁽³⁾						
NAPP - metallurgical coal	\$ 113.61	\$ 76.77	\$ (36.84)	\$ 90.50	\$ 72.35	\$ (18.15)
Cash margin per ton sold ⁽¹⁾						
NAPP - metallurgical coal	\$ 18.03	\$ 5.26	\$ 12.77	\$ 15.31	\$ 9.42	\$ 5.89
EBITDA ⁽¹⁾						
NAPP	\$ 8,276	\$ (8,116)	\$ 16,392	\$ 24,517	\$ (38,256)	\$ 62,773
Corporate	(1,239)	(1,133)	(106)	(4,170)	(3,556)	(614)
Total	<u>\$ 7,037</u>	<u>\$ (9,249)</u>	<u>\$ 16,286</u>	<u>\$ 20,347</u>	<u>\$ (41,812)</u>	<u>\$ 62,159</u>
Adjusted EBITDA ⁽¹⁾						
NAPP	\$ 2,981	\$ (775)	\$ 3,756	\$ 12,128	\$ 6,954	\$ 5,174
Corporate	(985)	(656)	(329)	(3,165)	(2,564)	(601)
Total	<u>\$ 1,996</u>	<u>\$ (1,431)</u>	<u>\$ 3,427</u>	<u>\$ 8,963</u>	<u>\$ 4,390</u>	<u>\$ 4,573</u>

⁽¹⁾ This is a non-GAAP financial measure. See “Non-GAAP Financial Measures” starting on page 25 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 25 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 25 of this MD&A.

REVIEW OF FOURTH QUARTER FINANCIAL RESULTS

For the three months ended December 31, 2021

(in thousands)	NAPP	Corporate	Consolidated
Revenue	\$ 40,050	\$ —	\$ 40,050
Cost of sales	(36,128)	—	(36,128)
Gross income	3,922	—	3,922
Selling, general and administrative expense	(2,177)	(1,153)	(3,330)
Income (loss) from operations	1,745	(1,153)	592
Finance expense	(921)	(422)	(1,343)
Finance income	1,428	1	1,429
Other income	2,078	—	2,078
Income (loss) before tax	4,330	(1,574)	2,756
Income tax expense	—	—	—
Net and comprehensive income (loss)	<u>\$ 4,330</u>	<u>\$ (1,574)</u>	<u>\$ 2,756</u>

For the three months ended December 31, 2020

(in thousands)	NAPP	Corporate	Consolidated
Revenue	\$ 16,835	\$ —	\$ 16,835
Cost of sales	(26,900)	—	(26,900)
Cost of sales - asset impairment	—	—	—
Total cost of sales	(26,900)	—	(26,900)
Gross loss	(10,065)	—	(10,065)
Selling, general and administrative expense	(1,885)	(1,112)	(2,997)
Loss from operations	(11,950)	(1,112)	(13,062)
Finance expense	(795)	(299)	(1,094)
Finance income	786	—	786
Other income	328	—	328
Loss before tax	(11,631)	(1,411)	(13,042)
Income tax expense (benefit)	—	—	—
Net and comprehensive loss	<u>\$ (11,631)</u>	<u>\$ (1,411)</u>	<u>\$ (13,042)</u>

Dollar variance for the three months ended December 31, 2021 versus 2020

(in thousands)	NAPP	Corporate	Consolidated
Revenue	\$ 23,215	\$ —	\$ 23,215
Cost of sales	(9,228)	—	(9,228)
Cost of sales - asset impairment	—	—	—
Total cost of sales	(9,228)	—	(9,228)
Gross income (loss)	13,987	—	13,987
Selling, general and administrative expense	(292)	(41)	(333)
Income (loss) from operations	13,695	(41)	13,654
Finance expense	(126)	(123)	(249)
Finance income	642	1	643
Other income	1,750	—	1,750
Income (loss) before tax	15,961	(163)	15,798
Income tax expense	—	—	—
Net and comprehensive income (loss)	<u>\$ 15,961</u>	<u>\$ (163)</u>	<u>\$ 15,798</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 December 31, 2021 and 2020 are as follows:

NAPP Division

Revenue - NAPP Division

(in thousands)	For the three months ended December 31,		
	2021	2020	Variance
Metallurgical coal revenue (at preparation plant)	\$ 36,596	\$ 15,914	\$ 20,682
Thermal coal revenue (at preparation plant)	212	227	(15)
Transportation revenue	2,356	401	1,955
Tolling revenue	594	95	499
Limestone revenue	292	198	94
	<u>\$ 40,050</u>	<u>\$ 16,835</u>	<u>\$ 23,215</u>

- Metallurgical coal revenue, net of transportation charges, increased \$20,682 as a result of increased sales prices which caused revenue to increase by \$13,791, and higher sales volumes which increased revenue by \$6,891. Metallurgical coal sold was 278 and 194 tons for the three months ended December 31, 2021 and 2020, respectively, representing an increase of 84 tons. Realized price per ton sold increased \$49.61 due to the improved metallurgical coal market as economies restarted after COVID-19 and the demand for steel increased with a limited supply of metallurgical coal.
- Revenue associated with the transportation of coal to the loading terminal or customer increased \$1,955 as a result of increased sales to customers where the Company provides the freight.
- Tolling revenue increased primarily due to additional volumes processed for third-parties.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the three months ended December 31,		
	2021	2020	Variance
Mining and processing costs	\$ 22,043	\$ 13,933	\$ 8,110
Purchased coal costs	8,116	243	7,873
Royalty expense	1,636	945	691
Amortization expense	3,682	3,335	347
Transportation costs from preparation plant to customer	2,356	401	1,955
Idle mine expense	284	153	131
Tolling costs	442	119	323
Limestone costs	201	141	60
Change in estimate of reclamation and water treatment provision	(3,310)	7,513	(10,823)
Write-off of advance royalties and other assets	—	—	—
Other costs	678	117	561
Total cost of sales	<u>36,128</u>	<u>26,900</u>	<u>9,228</u>

- Mining and processing costs increased primarily due to the shortage of skilled labor and increased absenteeism attributable to COVID-19, both of which caused delays in the efficient production of coal. Additionally, challenging geological conditions continued to be encountered at two of the underground mines which reduced productivity and

increased roof control and repair and maintenance expenses. Mining and processing costs also increased as a result of additional volumes sold in the three months ended December 31, 2021 compared to the 2020 period.

- Purchased coal costs increased primarily due to the increased cost of purchased coal due to the market increases as well as increased volumes of metallurgical coal purchased during the three months ended December 31, 2021 compared to the 2020 period which was primarily due to the increased demand for metallurgical coal.
- Royalty expense increased primarily due to the increased sales price and volumes of coal sold during the three months ended December 31, 2021 compared to the 2020 period.
- Transportation costs increased as a result of increased sales to customers where the Company provides the freight.
- Change in estimate of reclamation and water treatment provision decreased as the result of changes in the underlying assumptions utilized to measure the liability.
- 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 December 31,		
	2021	2020	Variance
Salaries and other compensations	\$ 1,158	\$ 990	\$ 168
Employee benefits	283	263	20
Selling expense	186	90	96
Professional fees	185	239	(54)
Office expenses and insurance	274	245	29
Other	91	58	33
	<u>\$ 2,177</u>	<u>\$ 1,885</u>	<u>\$ 292</u>

- Selling, general and administrative expense related to the NAPP Division increased primarily due to various wage increases which were implemented subsequent to the year ended December 31, 2020.

Finance (income) expense, net - NAPP Division

(in thousands)	For the three months ended December 31,		
	2021	2020	Variance
Change in market value of restricted investments expense	\$ (1,428)	\$ (945)	\$ (483)
Bond premium expense	517	490	27
Accretion on reclamation and water treatment provision	140	283	(143)
Interest expense	264	180	84
Interest income	—	1	(1)
	<u>\$ (507)</u>	<u>\$ 9</u>	<u>\$ (516)</u>

- Finance expense, net, decreased primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds are marked to market on a monthly basis and increased market gains were recognized in the three months ended December 31, 2021 compared to the 2020 period.
- Accretion on reclamation and water treatment provision decreased primarily due to the reduced risk-free interest rate utilized to value the liability in the three months ended December 31, 2021 compared to the 2020 period.

Other income - NAPP Division

(in thousands)	For the three months ended December 31,		
	2021	2020	Variance
Gain on property dispositions	\$ 1,750	\$ 60	\$ 1,690
Filter cake sales and refuse disposal income	277	216	61
Royalty income	34	30	4
Other	17	22	(5)
	<u>\$ 2,078</u>	<u>\$ 328</u>	<u>\$ 1,750</u>

- Other income increased in the three months ended December 31, 2021 compared to the 2020 period primarily due to an increase in the sale of surplus equipment.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the three months ended December 31,		
	2021	2020	Variance
Salaries and other compensations	\$ 733	\$ 468	\$ 265
Employee benefits	44	23	21
Professional fees	283	511	(228)
Office expenses and insurance	84	86	(2)
Other	9	24	(15)
	<u>\$ 1,153</u>	<u>\$ 1,112</u>	<u>\$ 41</u>

- Selling, general and administrative expenses increased primarily due to increased staffing levels and increased director fees paid to members of the Special Committee. These increases were partially offset by reduced legal fees associated with the independent investigation related to a matter involving a former sales agent of the Company.

Finance expense, net - Corporate Division

(in thousands)	For the three months ended December 31,		
	2021	2020	Variance
Interest expense	\$ 335	\$ 278	\$ 57
Amortization of discount on loan payable	46	14	32
Amortization of Revolving Credit Facility fees	41	10	31
Foreign exchange loss (gain)	(1)	12	(13)
Interest income	—	(15)	15
	<u>\$ 421</u>	<u>\$ 299</u>	<u>\$ 122</u>

- Interest expense increased primarily due to obtaining the Main Street Facility in December 2020.

REVIEW OF YEAR-TO-DATE FINANCIAL RESULTS

(in thousands)	For the year ended December 31, 2021		
	NAPP	Corporate	Consolidated
Revenue	\$ 131,475	\$ —	\$ 131,475
Cost of sales	(128,366)	—	(128,366)
Gross loss	3,109	—	3,109
Selling, general and administrative expense	(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
Income tax expense	—	—	—
Net and comprehensive income (loss)	\$ 7,048	\$ (5,639)	\$ 1,409

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

(in thousands)	Dollar variance for the year ended December 31, 2021 versus 2020		
	NAPP	Corporate	Consolidated
Revenue	\$ 2,989	\$ —	\$ 2,989
Cost of sales	16,036	—	16,036
Cost of sales - asset impairment	41,684	—	41,684
Total cost of sales	57,720	—	57,720
Gross income (loss)	60,709	—	60,709
Selling, general and administrative expense	500	(296)	204
Income (loss) from operations	61,209	(296)	60,913
Finance income (expense)	(58)	(367)	(425)
Finance income	1,936	4	1,940
Other income (loss)	2,765	(150)	2,615
Income (loss) before tax	65,852	(809)	65,043
Income tax expense	—	(89)	(89)
Net and comprehensive income (loss)	\$ 65,852	\$ (720)	\$ 65,132

Operating Segments

Corsa's two distinct segments are NAPP and Corporate. The financial results of the continuing operating segments for the years ended December 31, 2021 and 2020 are as follows:

NAPP Division

Revenue - NAPP Division

(in thousands)	For the years ended December 31,		
	2021	2020	Variance
Metallurgical coal revenue (at preparation plant)	\$ 120,409	\$ 112,191	\$ 8,218
Thermal coal revenue (at preparation plant)	1,803	816	987
Transportation revenue	6,650	13,236	(6,586)
Tolling revenue	1,543	1,345	198
Limestone revenue	1,070	898	172
	<u>\$ 131,475</u>	<u>\$ 128,486</u>	<u>\$ 2,989</u>

- Metallurgical coal revenue, net of transportation charges, increased \$8,218 as a result of increased sales prices which caused revenue to increase by \$27,353 partially offset by reduced sales volumes, which decreased revenue by \$19,135. Metallurgical coal sold was 1,138 and 1,372 tons for the years ended December 31, 2021 and 2020, respectively, a decrease of 234 tons. Realized price per ton sold increased \$24.04 due to the improved metallurgical coal market as economies restarted after COVID-19 and the demand for steel increased with a limited supply of metallurgical coal.
- Thermal coal revenue increased as a result of the Company purchasing thermal coal and reselling the coal to customers.
- Revenue associated with the transportation of coal to the loading terminal or customer decreased \$6,586 as a result of lower volumes of coal sold to customers where the Company provides the freight.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the years ended December 31,,		
	2021	2020	Variance
Mining and processing costs	\$ 86,728	\$ 80,080	\$ 6,648
Purchased coal costs	12,118	13,856	(1,738)
Royalty expense	5,858	6,149	(291)
Amortization expense	16,408	19,825	(3,417)
Transportation costs from preparation plant to customer	6,650	13,236	(6,586)
Idle mine expense	777	447	330
Tolling costs	960	912	48
Limestone costs	909	457	452
Change in estimate of reclamation and water treatment provision	(3,310)	7,791	(11,101)
Write-off of advance royalties and other assets	—	484	(484)
Other costs	1,268	1,165	103
Cost of sales	<u>128,366</u>	<u>144,402</u>	<u>(16,036)</u>
Cost of sales - asset impairment	<u>—</u>	<u>41,684</u>	<u>(41,684)</u>
Total cost of sales	<u>\$ 128,366</u>	<u>\$ 186,086</u>	<u>\$ (57,720)</u>

- Mining and processing costs increased primarily due to the shortage of skilled labor and increased absenteeism attributable to COVID-19, both of which caused delays in the efficient production of coal. Additionally, challenging geological conditions continued to be encountered at two of the underground mines which reduced productivity and increased roof control and repair and maintenance expenses. These increases were partially offset by a reduction in tons sold for the year ended December 31, 2021 compared to the 2020 period.
- Purchased coal costs decreased primarily due to reduced volumes of metallurgical coal purchased during the year ended December 31, 2021 compared to the 2020 period and was partially offset by increased costs of purchased coal due to an improved metallurgical coal market.
- Amortization expense decreased due primarily to the reduction in the produced volumes sold during the year ended December 31, 2021 compared to the 2020 period.
- Transportation costs decreased as a result of the Company shipping less metallurgical coal tons to customers where the Company is required to incur the freight costs for the year ended December 31, 2021 compared to the 2020 period.
- Limestone costs increased primarily due to increased production as a result of higher demand.
- Change in estimate of reclamation and water treatment provision decreased as the result of changes in the underlying assumptions utilized to measure the liability.
- Write-off of advance royalties decreased as a result of terminating lease agreements where the Company has no plans to mine the coal on the previously leased areas in the 2020 period.
- The Company recognized an asset impairment charge during the year ended December 31, 2020 due to the identification of a triggering event as a result of the deterioration of both the domestic and export metallurgical coal markets, driven by the COVID-19 pandemic.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the years ended December 31,		
	2021	2020	Variance
Salaries and other compensations	\$ 2,795	\$ 2,957	\$ (162)
Employee benefits	909	944	(35)
Selling expense	535	424	111
Professional fees	522	910	(388)
Office expenses and insurance	918	971	(53)
Other	266	239	27
	<u>\$ 5,945</u>	<u>\$ 6,445</u>	<u>\$ (500)</u>

- Selling, general and administrative expense related to the NAPP Division decreased primarily due to reduced legal and professional services as well as reduced staffing levels in the year ended December 31, 2021 compared to the 2020 period.

Finance expense (income), net - NAPP Division

(in thousands)	For the years ended December 31,		
	2021	2020	Variance
Change in market value of restricted investments expense	\$ (2,748)	\$ (786)	\$ (1,962)
Bond premium expense	2,147	1,854	293
Accretion on reclamation and water treatment provision	554	1,126	(572)
Interest expense	1,061	723	338
Interest income	—	(26)	26
Other	—	1	(1)
	<u>\$ 1,014</u>	<u>\$ 2,892</u>	<u>\$ (1,878)</u>

- Finance expense, net, decreased primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds are marked to market on a monthly basis and increased market gains were recognized in the year ended December 31, 2021 compared to the 2020 period.
- Bond premium expense increased primarily due to increased rates on the reclamation bonds paid during the year ended December 31, 2021 compared to the 2020 period.
- Accretion on reclamation and water treatment provision decreased primarily due to the reduced risk-free interest rate utilized to value the liability in the year ended December 31, 2021 compared to the 2020 period.
- Interest expense increased due primarily to supply chain financing arrangements to shorten the collection cycle on trade receivables during the year ended December 31, 2021 compared to the 2020 period.

Other income - NAPP Division

(in thousands)	For the years ended December 31,		
	2021	2020	Variance
Employee retention credit	\$ 6,769	\$ —	\$ 6,769
PPP loan grant income	1,126	6,978	(5,852)
Filter cake sales and refuse disposal income	933	528	405
Gain on property dispositions	1,982	60	1,922
Royalty income	128	250	(122)
Other	(40)	317	(357)
	<u>\$ 10,898</u>	<u>\$ 8,133</u>	<u>\$ 2,765</u>

- 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 CARES Act, including modifying and extending the 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 now claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages they pay to employees after December 31, 2020, through September 30, 2021. Qualified wages are limited to \$10,000 per employee per calendar quarter in 2021. Thus, the maximum ERC amount available is \$7,000 per employee per calendar quarter, for a total of \$21,000 in 2021.

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

The Company's subsidiary, Wilson Creek Energy, LLC ("WCE"), is eligible for employee retention credits in the amount of \$6,769 for the year ended December 31, 2021.

- The Company utilized the proceeds from the U.S. Small Business Administration's Paycheck Protection Program (the "Paycheck Protection Program") loans as contemplated under the loan program and received full forgiveness in the

year ended December 31, 2021. The Company previously recognized grant income of \$6,978 in the year ended December 31, 2020 and the remaining grant income was recognized in the year ended December 31, 2021.

- Gain on property dispositions increased due to the sale of surplus equipment in the year ended December 31, 2021.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the years ended December 31,		
	2021	2020	Variance
Salaries and other compensations	\$ 2,078	\$ 1,635	\$ 443
Employee benefits	130	110	20
Professional fees	1,353	1,426	(73)
Office expenses and insurance	314	403	(89)
Other	33	38	(5)
	<u>\$ 3,908</u>	<u>\$ 3,612</u>	<u>\$ 296</u>

- Selling, general and administrative expenses increased primarily due to increased director fees paid to members of the Special Committee and increased staffing levels partially offset by reduced legal fees associated with the independent investigation related to a matter involving a former sales agent of the Company and reduced bank fees.

Finance expense, net - Corporate Division

(in thousands)	For the years ended December 31,		
	2021	2020	Variance
Interest expense	\$ 1,469	\$ 1,274	\$ 195
Amortization of discount on loan payable	178	40	138
Amortization of Revolving Credit Facility fees	186	143	43
Foreign exchange loss (gain)	(3)	24	(27)
Interest income	(1)		(1)
Other	—	(15)	15
	<u>\$ 1,829</u>	<u>\$ 1,466</u>	<u>\$ 363</u>

- Interest expense and amortization of discount on loan payable increased primarily due to obtaining the Main Street Facility in December 2020.

Other income - Corporate Division

(in thousands)	For the years ended December 31,		
	2021	2020	Variance
Employee retention credit	\$ 98	\$ —	\$ 98
PPP loan grant income	—	249	(249)
Other	—	(1)	1
	<u>\$ 98</u>	<u>\$ 248</u>	<u>\$ (150)</u>

- The Company's subsidiary, Wilson Creek Holdings, Inc., is eligible for employee retention credits in the amount of \$98 for the year ended December 31, 2021.

- The Company utilized the proceeds from the Paycheck Protection Program loans as contemplated under the loan program and received full forgiveness in the year ended December 31, 2021. The Company previously recognized grant income of \$249 in the year ended December 31, 2020.

FINANCIAL CONDITION

(in thousands)	December 31, 2021	December 31, 2020	Variance
Current assets	\$ 46,810	\$ 42,514	\$ 4,296
Non-current assets	168,686	167,638	1,048
Total assets	<u>\$ 215,496</u>	<u>\$ 210,152</u>	<u>\$ 5,344</u>
Current liabilities	\$ 32,584	\$ 20,416	\$ 12,168
Non-current liabilities	93,631	102,019	(8,388)
Total liabilities	<u>\$ 126,215</u>	<u>\$ 122,435</u>	<u>\$ 3,780</u>
Total equity	<u>\$ 89,281</u>	<u>\$ 87,717</u>	<u>\$ 1,564</u>

- Current assets increased primarily due to an increase in accounts receivable, due to timing of customer shipments and an increase in sales prices, and as a result of the recognition of the employee retention credit receivable. These increases were partially offset by a reduction in cash.
- Non-current assets increased due primarily to higher maintenance capital expenditures, an increase in restricted cash and investments due to market gains and additional contributions and an increase in mineral properties as a result of the recognition of the reclamation asset adjustments. These increases were partially offset by the amortization of property, plant and equipment.
- Current liabilities increased due to general timing of accounts payable, increased freight payables due to timing of export shipments and an increase in the current portion of the reclamation and water treatment provision. These increases were partially offset by a reduction in the current portion of loan payables.
- Non-current liabilities decreased primarily due to debt repayments related to the loan payable and lease liabilities, and reclamation and water treatment payments.
- Total equity increased as a result of the net and comprehensive income that occurred during the year and the impact of stock-based compensation.

LIQUIDITY AND CAPITAL RESOURCES

Our historical sources of cash have been coal sales to customers, limestone sales, processing fees earned, borrowings on the Credit Facilities (as defined below) since August 16, 2019, borrowings under the U.S. Small Business Administration's Paycheck Protection Program in April 2020, borrowings on the Main Street Facility (as defined below) in December 2020 and proceeds received from the issuance of securities. Our primary uses of cash have been for funding existing operations, capital expenditures, reclamation and water treatment obligations, water treatment trust funding, debt service costs and professional fees. We expect to fund maintenance capital, debt service, bonding collateral increases and liquidity requirements with cash on hand, projected cash flow from operations and borrowings on the Revolving Credit Facility (as defined below). Our future spending on growth capital expenditures and development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment and financing availability.

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

(in thousands)	December 31, 2021	December 31, 2020	Variance
Cash	\$ 12,714	\$ 24,480	\$ (11,766)
Working capital	\$ 14,226	\$ 22,098	\$ (7,872)
Revolving Credit Facility unused availability	\$ 4,110	\$ 3,390	\$ 720
Total Debt			
Lease liabilities	\$ 3,135	\$ 4,181	\$ (1,046)
Revolving Credit Facility	—	—	—
Loan payable - 36 th Street Facility	4,142	8,282	(4,140)
Loan payable - Main Street Facility	25,249	24,306	943
Paycheck Protection Program loans payable	—	1,126	(1,126)
	<u>\$ 32,526</u>	<u>\$ 37,895</u>	<u>\$ (5,369)</u>

Working Capital

Working capital decreased primarily due to a decrease in cash as a result of utilizing cash on hand and cash provided by operations to service debt, funding capital expenditures, make additional required deposits to restricted cash and investments and an increase in trade payables and accrued liabilities as a result of general timing of payables and increased freight payables due to the timing of an export vessel. These decreases were partially offset by an increase in trade and other receivables due to the timing of shipments and an increase in the average sales price for metallurgical coal and the recognition of the employee retention credit.

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

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

Total Debt

Debt decreased as a result of scheduled debt service payments related to the loan payable in connection with the 36th Street Facility and lease liabilities as well as the full forgiveness of the PPP loans. An additional principal payment of \$1,190 was required to be made in the year ended December 31, 2021 as a result of the annual equipment appraisal covenant. The loan payable in connection with the Main Street Facility increased as a result of deferring interest payments in the 2021 period and capitalizing those interest payments to the principal balance of the loan.

Cash Flows from Continuing Operations

	For the three months ended			For the years ended		
	December 31,			December 31,		
	2021	2020	Change	2021	2020	Change
Cash Flows:						
Provided by (used in) operating activities	\$ 979	\$ (188)	\$ 1,167	\$ 3,955	\$ 10,694	\$ (6,739)
Used in investing activities	(4,459)	(1,396)	(3,063)	(10,113)	(4,914)	(5,199)
(Used in) provided by financing activities	(1,163)	23,276	(24,439)	(5,608)	14,404	(20,012)
(Decrease) increase in cash	(4,643)	21,692	(26,335)	(11,766)	20,184	(31,950)
Cash at beginning of period	17,357	2,788	14,569	24,480	4,296	20,184
Cash at end of period	<u>\$ 12,714</u>	<u>\$ 24,480</u>	<u>\$ (11,766)</u>	<u>\$ 12,714</u>	<u>\$ 24,480</u>	<u>\$ (11,766)</u>

- Cash flow from operating activities increased during the three months ended December 31, 2021 compared to the 2020 period primarily due to the improved metallurgical coal market partially offset by changes in working capital items and increased spending on reclamation and water treatment activities.
- Cash flow from operating activities decreased for the year ended December 31, 2021 compared to the 2020 period primarily due to working capital items partially offset by higher revenues from the improved metallurgical coal market.
- Cash used in investing activities for the three months and year ended December 31, 2021 compared to the 2020 periods increased primarily due to increased maintenance capital expenditures partially offset by proceeds received on the sale of surplus equipment.
- Cash used in financing activities increased primarily due to scheduled debt service payments and an additional principal payment under the 36th Street Facility. The three months and year ended December 31, 2020 period also included proceeds from borrowings under the Main Street Facility.

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.

Capital Expenditures

The equipment and development added to property, plant and equipment and the cash flow impact (adjusting the increase to property plant and equipment for non-cash transactions) for the year ended December 31, 2021 were as follows:

	Increase to	Cash Flow
	PP&E	Impact
Maintenance capital expenditures		
Deep mines	\$ 5,591	\$ 5,329
Surface mines	1,370	1,370
Plant	1,154	1,154
Administrative	—	—
	<u>8,115</u>	<u>7,853</u>
Growth capital expenditures		
Deep mines	114	85
Surface mines	856	754
Plant	—	—
	<u>970</u>	<u>839</u>
Total capital expenditures	<u>\$ 9,085</u>	<u>\$ 8,692</u>

Corsa's capital expenditures for the year ended December 31, 2021 were primarily focused on maintenance capital to replace mining equipment and growth capital to open a new surface mine pit. Corsa's future spending on property, plant and equipment at its operations and development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment, compliance with financial covenants and financing availability. For disclosure regarding Corsa's purchase order firm commitments, relating to the procurement of replacement mining equipment to maintain Corsa's capacity, see "Contractual Obligations".

DEBT COVENANTS

Corsa has certain covenants it is required to meet under its Main Street Facility and Credit Facilities. Certain measures included in the covenant calculations are not readily identifiable from Corsa's consolidated statements of operations and comprehensive income (loss) or consolidated balance sheets. These measures are considered to be non-GAAP financial measures and, as such, a further description of the covenant calculations is included below. Corsa was in compliance with all covenants at December 31, 2021.

Main Street Facility

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

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

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

⁽²⁾ EBITDA is defined as the sum of consolidated net and comprehensive income (or loss) *plus* (i) interest expense, (ii) provision for taxes based on income or profits (net of any income tax refunds), (iii) depletion, depreciation and impairment charges, (iv) amortization expense, (v) non-cash stock-based compensation expense, (vi) losses (or minus gains) for such period from the early extinguishment of indebtedness, (vii) transaction expenses, (viii) non-recurring

transaction expenses, (ix) non-cash costs (or minus non-cash income) related to a change in estimate of water treatment or reclamation provision, (x) expense (or minus income) related to the change in market value of restricted cash, (xi) accretion expense related to asset retirement obligations and (xii) any other non-cash charges (or minus income) which have been subtracted in calculating net and comprehensive income from continuing operations.

Revolving Credit Facility

The covenants required to be met under the three-year credit and security agreement dated August 16, 2019, as amended on December 18, 2020 between KeyBank, as lender, and certain wholly-owned subsidiaries of the Company, as borrowers (the “Revolving Credit Facility”), are described below. Such measurements are made with reference to the consolidated results of Corsa.

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

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

Loan Payable - 36th Street Facility

The covenants required to be met under the lease financing agreement dated August 16, 2019, as amended on December 21, 2020 between Key Equipment Finance, as lessor and assignor, Wilson Creek Holdings, Inc. (“WCH”), as lessee, and the Company along with all of the subsidiaries of WCH, as guarantors (the “36th Street Facility”), and together with the Revolving Credit Facility, (the “Credit Facilities”) include the same covenants as described above related to the Main Street Facility and the Revolving Credit Facility. The additional covenants, described below, have been waived so long as the Main Street Facility shall remain in effect.

- Total debt⁽¹⁾ to EBITDA ratio of not more than 1.50 to 1.00 (waived so long as the Main Street Facility is still in effect).
- Total adjusted debt⁽²⁾ to EBITDA ratio of not more than 1.20 to 1.00 (waived so long as the Main Street Facility is still in effect).

⁽¹⁾ Total debt is defined as (a) the outstanding principal amount of all obligations, (b) all purchase money indebtedness, (c) all lease obligations, (d) any indebtedness incurred to finance the acquisition or construction of any fixed assets, (e) the present value of future rental payments under all operating leases and (f) all direct obligations arising under letters of credit, bankers’ acceptances, bank guarantees, surety bonds and similar instruments.

⁽²⁾ Total adjusted debt is defined as total debt less any outstanding on the Revolving Credit Facility.

CONTRACTUAL OBLIGATIONS

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

	Carrying Value at Dec. 31, 2021	Payments due by period				
		Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accrued liabilities	\$ 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	\$ 126,215	\$ 138,272	\$ 35,504	\$ 19,612	\$ 36,019	\$ 47,137

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 December 31, 2021 and 2020

(in thousands)	For the three months ended December 31, 2021			For the three months ended December 31, 2020		
	NAPP	Corp.	Total	NAPP	Corp.	Total
Net and comprehensive income (loss) from continuing operations	\$ 4,330	\$ (1,574)	\$ 2,756	\$ (11,631)	\$ (1,411)	\$ (13,042)
Add (Deduct):						
Amortization expense	3,682	—	3,682	3,335	—	3,335
Interest expense	264	335	599	180	278	458
Income tax expense	—	—	—	—	—	—
EBITDA	8,276	(1,239)	7,037	(8,116)	(1,133)	(9,249)
Add (Deduct):						
Change in estimate of reclamation and water treatment provision (a)	(3,310)	—	(3,310)	7,513	—	7,513
Stock-based compensation (b)	—	29	29	—	(14)	(14)
Net finance (income) expense, excluding interest expense (c)	(771)	86	(685)	(171)	21	(150)
Gain on disposal of assets (d)	(1,750)	—	(1,750)	(37)	—	(37)
Other (income) costs (e)	536	139	675	36	470	506
Adjusted EBITDA	<u>\$ 2,981</u>	<u>\$ (985)</u>	<u>\$ 1,996</u>	<u>\$ (775)</u>	<u>\$ (656)</u>	<u>\$ (1,431)</u>

- (a) A component of cost of sales and results from changes in the estimated undiscounted cash flows and risk-free discount rate used in calculating the present value of the reclamation and water treatment provision for properties where mining has ceased.
- (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 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 years ended December 31, 2021 and 2020

(in thousands)	For the year ended December 31, 2021			For the year ended December 31, 2020		
	NAPP	Corp.	Total	NAPP	Corp.	Total
Net and comprehensive income (loss) from continuing operations	\$ 7,048	\$ (5,639)	\$ 1,409	\$ (58,804)	\$ (4,919)	\$ (63,723)
Add (Deduct):						
Amortization expense	16,408	—	16,408	19,825	—	19,825
Interest expense	1,061	1,469	2,530	723	1,274	1,997
Income tax expense	—	—	—	—	89	89
EBITDA	24,517	(4,170)	20,347	(38,256)	(3,556)	(41,812)
Add (Deduct):						
Asset impairment (a)	—	—	—	41,684	—	41,684
Write-off of advance royalties and other assets (b)	—	—	—	484	—	484
Change in estimate of reclamation and water treatment provision (c)	(3,310)	—	(3,310)	7,791	—	7,791
Stock-based compensation (d)	—	155	155	—	282	282
Net finance (income) expense, excluding interest expense (e)	(47)	360	313	2,169	192	2,361
Gain on disposal of assets (f)	(1,982)	—	(1,982)	(60)	—	(60)
Employee retention credit (g)	(6,769)	(98)	(6,867)	—	—	—
PPP loan grant income (h)	(1,126)	—	(1,126)	(6,978)	(249)	(7,227)
Other (income) costs (i)	845	588	1,433	120	767	887
Adjusted EBITDA	<u>\$ 12,128</u>	<u>\$ (3,165)</u>	<u>\$ 8,963</u>	<u>\$ 6,954</u>	<u>\$ (2,564)</u>	<u>\$ 4,390</u>

- (a) Reflects the non-cash adjustment to reduce the carrying values of mineral properties and plant and equipment.
- (b) A component of cost of sales and results from the termination of various lease agreements which the Company does not intend to mine.
- (c) A component of cost of sales and results from changes in the estimated undiscounted cash flows and risk-free discount rate used in calculating the present value of the reclamation and water treatment provision for properties where mining has ceased.
- (d) Reflects the non-cash expense related to the vesting of stock options.
- (e) Components of finance expense and income excluding interest expense.
- (f) Reflects the amounts included in other income related to the disposal of assets not utilized in the Company's mining operations.
- (g) A component of other income which reflects the amounts the Company is expected to receive related to a refundable tax credit.
- (h) Reflects the amounts forgiven associated with loans received by the Company.
- (i) 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 December 31, 2021 and 2020

(in thousands except per ton amounts)	For the three months ended December 31, 2021			For the three months ended December 31, 2020		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Revenue	\$ 39,838	\$ 212	\$ 40,050	\$ 16,589	\$ 246	\$ 16,835
Add (Deduct):						
Tolling revenue	(594)	—	(594)	(95)	—	(95)
Transportation costs from preparation plant to customer	(2,356)	—	(2,356)	(382)	(19)	(401)
Limestone revenue	(292)	—	(292)	(198)	—	(198)
Net coal sales (at preparation plant)	\$ 36,596	\$ 212	\$ 36,808	\$ 15,914	\$ 227	\$ 16,141
Coal sold - tons	278	3	281	194	5	199
Realized price per ton sold (at preparation plant)	<u>\$ 131.64</u>	<u>\$ 70.67</u>	<u>\$ 130.99</u>	<u>\$ 82.03</u>	<u>\$ 45.40</u>	<u>\$ 81.11</u>

Realized price per ton sold for the years ended December 31, 2021 and 2020

(in thousands except per ton amounts)	For the year ended December 31, 2021			For the year ended December 31, 2020		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Revenue	\$ 129,669	\$ 1,806	\$ 131,475	\$ 127,535	\$ 951	\$ 128,486
Add (Deduct):						
Tolling revenue	(1,543)	—	(1,543)	(1,345)	—	(1,345)
Transportation costs from preparation plant to customer	(6,647)	(3)	(6,650)	(13,101)	(135)	(13,236)
Limestone revenue	(1,070)	—	(1,070)	(898)	—	(898)
Net coal sales (at preparation plant)	\$ 120,409	\$ 1,803	\$ 122,212	\$ 112,191	\$ 816	\$ 113,007
Coal sold - tons	1,138	47	1,185	1,372	25	1,397
Realized price per ton sold (at preparation plant)	<u>\$ 105.81</u>	<u>\$ 38.36</u>	<u>\$ 103.13</u>	<u>\$ 81.77</u>	<u>\$ 32.64</u>	<u>\$ 80.89</u>

Cash cost per ton sold, cash production cost per ton sold, and cash cost per sales and trading purchased coal per ton sold for the three months ended December 31, 2021 and 2020

(in thousands except per ton amounts)	For the three months ended December 31, 2021			For the three months ended December 31, 2020		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Cost of Sales:						
Mining and processing costs	\$ 21,846	\$ 197	\$ 22,043	\$ 13,706	\$ 227	\$ 13,933
Purchased coal costs	8,102	14	8,116	243	—	243
Royalty expense	1,636	—	1,636	945	—	945
Total cash costs of tons sold	\$ 31,584	\$ 211	\$ 31,795	\$ 14,894	\$ 227	\$ 15,121
Total tons sold	278	3	281	194	5	199
Cash cost per ton sold (at preparation plant)	\$ 113.61	\$ 70.33	\$ 113.15	\$ 76.77	\$ 45.40	\$ 75.98
Total cash costs of tons sold	\$ 31,584	\$ 211	\$ 31,795	\$ 14,894	\$ 227	\$ 15,121
Less: purchased coal	(8,102)	—	(8,102)	(243)	—	(243)
Cash cost of produced coal sold	\$ 23,482	\$ 211	\$ 23,693	\$ 14,651	\$ 227	\$ 14,878
Tons sold - produced	231	3	234	190	5	195
Cash production cost per ton sold (at preparation plant)	\$ 101.65	\$ 70.33	\$ 101.25	\$ 77.11	\$ 45.40	\$ 76.30
Purchased coal	\$ 8,102	\$ —	\$ 8,102	\$ 243	\$ —	\$ 243
Tons sold - purchased coal	47	—	47	4	—	4
Cash cost purchased coal per ton sold (at preparation plant)	\$ 172.38	\$ —	\$ 172.38	\$ 60.75	\$ —	\$ 60.75

Cash cost per ton sold, cash production cost per ton sold, and cash cost per sales and trading purchased coal per ton sold for the years ended December 31, 2021 and 2020

(in thousands except per ton amounts)	For the year ended December 31, 2021			For the year ended December 31, 2020		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Cost of Sales:						
Mining and processing costs	\$ 86,347	\$ 381	\$ 86,728	\$ 79,267	\$ 813	\$ 80,080
Purchased coal costs	10,781	1,337	12,118	13,853	3	13,856
Royalty expense	5,858	—	5,858	6,149	—	6,149
Total cash costs of tons sold	\$ 102,986	\$ 1,718	\$ 104,704	\$ 99,269	\$ 816	\$ 100,085
Total tons sold	1,138	47	1,185	1,372	25	1,397
Cash cost per ton sold (at preparation plant)	\$ 90.50	\$ 36.55	\$ 88.36	\$ 72.35	\$ 32.64	\$ 71.64
Total cash costs of tons sold	\$ 102,986	\$ 1,718	\$ 104,704	\$ 99,269	\$ 816	\$ 100,085
Less: purchased coal	(10,781)	—	(10,781)	(13,853)	—	(13,853)
Cash cost of produced coal sold	\$ 92,205	\$ 1,718	\$ 93,923	\$ 85,416	\$ 816	\$ 86,232
Tons sold - produced	1,059	47	1,106	1,199	25	\$ 1,224
Cash production cost per ton sold (at preparation plant)	\$ 87.07	\$ 36.55	\$ 84.92	\$ 71.24	\$ 32.64	\$ 70.45
Purchased coal	\$ 10,781	\$ —	\$ 10,781	\$ 13,853	\$ —	\$ 13,853
Tons sold - purchased coal	79	—	79	173	—	173
Cash cost purchased coal per ton sold (at preparation plant)	\$ 136.47	\$ —	\$ 136.47	\$ 80.08	\$ —	\$ 80.08

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

	For the three months ended December 31, 2021			For the three months ended December 31, 2020		
	NAPP	NAPP	Total	NAPP	NAPP	Total NAPP
	Met	Thermal		Met	Thermal	
Realized price per ton sold (at preparation plant)	\$ 131.64	\$ 70.67	\$ 130.99	\$ 82.03	\$ 45.40	\$ 81.11
Cash cost per ton sold (at preparation plant)	\$ 113.61	\$ 70.33	\$ 113.15	\$ 76.77	\$ 45.40	\$ 75.98
Cash margin per ton sold	\$ 18.03	\$ 0.34	\$ 17.84	\$ 5.26	\$ —	\$ 5.13

Cash margin per ton sold for the years ended December 31, 2021 and 2020

	For the year ended December 31, 2021			For the year ended December 31, 2020		
	NAPP	NAPP	Total	NAPP	NAPP	Total NAPP
	Met	Thermal		Met	Thermal	
Realized price per ton sold (at preparation plant)	\$ 105.81	\$ 38.36	\$ 103.13	\$ 81.77	\$ 32.64	\$ 80.89
Cash cost per ton sold (at preparation plant)	\$ 90.50	\$ 36.55	\$ 88.36	\$ 72.35	\$ 32.64	\$ 71.64
Cash margin per ton sold	\$ 15.31	\$ 1.81	\$ 14.77	\$ 9.42	\$ —	\$ 9.25

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	103,275,076
Common Shares issuable upon exercise of stock options	4,250,500
Total	107,525,576

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.

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.

	Quarter Ended			
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
(in thousands except per share amounts)				
Revenue from continuing operations	\$ 40,050	\$ 36,380	\$ 30,426	\$ 24,619
Net and comprehensive income (loss)	\$ 2,756	\$ 933	\$ 2,153	\$ (4,433)
Earnings (loss) per share:				
Basic	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ (0.05)</u>
Diluted	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ (0.05)</u>

	Quarter Ended			
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
(in thousands except per share amounts)				
Revenue from continuing operations	\$ 16,835	\$ 23,586	\$ 41,224	\$ 46,841
Net and comprehensive (loss) income	\$ (13,042)	\$ (3,579)	\$ (41,313)	\$ (5,789)
Earnings (loss) per share:				
Basic	<u>\$ (0.13)</u>	<u>\$ (0.04)</u>	<u>\$ (0.36)</u>	<u>\$ (0.06)</u>
Diluted	<u>\$ (0.13)</u>	<u>\$ (0.04)</u>	<u>\$ (0.36)</u>	<u>\$ (0.06)</u>

The calendar year 2020 reflected the weakening of the metallurgical coal market and price environment which was significantly impacted by the COVID-19 pandemic. In the three months ended June 30, 2020, the Company recognized an asset impairment due to the identification of a triggering event as a result of this market weakness. As a result, the Company took steps to reduce general and administrative expenses and implemented additional operational changes to reduce coal production. The metallurgical coal market started to improve in the second quarter of 2021, a trend which continued through the end of the 2021 year. The Company implemented several measures to return coal production to pre-pandemic levels following the decline caused by the continued impacts of COVID-19 as well as a lack of skilled labor.

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 three months ended		For the years ended	
	December 31,		December 31,	
	2021	2020	2021	2020
Coal sales (a)	\$ —	\$ 667	\$ 2,275	\$ 2,049
Supplies purchased (b)	(45)	(56)	(150)	(184)
	<u>\$ (45)</u>	<u>\$ 611</u>	<u>\$ 2,125</u>	<u>\$ 1,865</u>

- (a) During the year ended December 31, 2021 and the three months and year ended December 31, 2020, the Company sold coal to Blackhawk Coal Sales, LLC, which is considered a related party as this entity was acquired by the Company's minority shareholder, Sev.en, on June 1, 2020. These amounts were included in revenue in the consolidated financial statements of operations and comprehensive income (loss).
- (b) During the three months and year 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.

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 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.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash, restricted cash and investments, accounts receivable, accounts payable and accrued liabilities, lease liabilities, Revolving Credit Facility, loans payable in connection with the Main Street Facility, the 36th Street Facility and the Paycheck Protection Program, and other liabilities.

Financial risk management

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

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. These deposit accounts are held with high credit quality institutions in Canada and the United States. Restricted cash consists of cash, money market accounts and certificates of deposit. Restricted investments consist of interest-bearing securities invested with highly rated financial institutions.

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. The Company trades only with recognized creditworthy third parties who are subject to credit verification procedures, and often times are backed by letters of credit or trade credit insurance. In addition, outstanding receivable balances are regularly monitored on an ongoing basis. The Company has not recorded any allowance for credit losses for the years ended December 31, 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 existing debt agreements and any other future debt agreements. There can be no assurance that the Company will have or continue to have access to the capital markets on acceptable terms.

Fair Value

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

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.

ADDITIONAL INFORMATION

Additional information regarding Corsa, including its annual information form dated March 1, 2022, is available under Corsa's profile at www.sedar.com.