



Corsa Coal Corp.
Management's Discussion and Analysis
September 30, 2020

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For the three and nine months ended September 30, 2020

The purpose of the Corsa Coal Corp. (“Corsa” or the “Company”) Management’s Discussion and Analysis (“MD&A”) for the three and nine months ended September 30, 2020 is to provide a narrative explanation of Corsa’s operating and financial results for the period, Corsa’s financial condition at the end of the period and Corsa’s future prospects. This MD&A is intended to be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2020 and 2019 and the related notes thereto and the audited consolidated financial statements for the years ended December 31, 2019 and 2018 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2020 and 2019 have been prepared in accordance with IFRS 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). Unless otherwise indicated, all dollar amounts in this MD&A are expressed in United States dollars, all tonnage amounts are short tons (2,000 pounds per ton) and all amounts are shown in thousands. Pricing and cost per ton information is expressed on a free on board (“FOB”) mine site basis. Please refer to “Cautionary Statement Regarding Forward-Looking Statements” and “Cautionary Statement Regarding Certain Measures of Performance.” This MD&A is dated as of November 5, 2020.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

CAUTIONARY STATEMENT REGARDING CERTAIN MEASURES OF PERFORMANCE

This MD&A presents certain measures, including “EBITDA”; “Adjusted EBITDA”; “realized price per ton sold”; “cash production cost per ton sold”; “cash cost per ton sold”; and “cash margin per ton sold”, that are not recognized measures under IFRS. This data may not be comparable to data presented by other coal producers. For a definition and reconciliation of these measures to the most directly comparable financial information presented in the consolidated financial statements prepared in accordance with IFRS, see Non-GAAP Financial Measures starting on page 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 Peter V. Merritts, Professional Engineer and the Company’s Chief Executive Officer, who is a qualified person within the meaning of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2020

- Corsa reported net and comprehensive loss of \$3.6 million and \$50.7 million, or \$(0.04) and \$(0.47) per share attributable to shareholders, for the three and nine months ended September 30, 2020, respectively, compared to income of \$1.0 million and \$7.6 million, or \$0.01 and \$0.06 per share attributable to shareholders, for the three and nine months ended September 30, 2019, respectively. The nine months ended September 30, 2020 includes a non-cash adjustment of \$41.7 million related to an asset impairment.
- In response to the deterioration of both the domestic and export metallurgical coal markets, driven in large part by the COVID-19 pandemic, Corsa implemented operational changes in early August, which included, among other things, a reduction in the operating shifts which reduced coal production and resulted in layoffs of a significant number of employees.
- Corsa's adjusted EBITDA⁽¹⁾ was a loss of \$4.8 million and income of \$5.8 million for the three and nine months ended September 30, 2020, respectively, compared to income of \$6.1 million and \$25.4 million for the three and nine months ended September 30, 2019, respectively. Corsa's EBITDA⁽¹⁾ was income of \$1.8 million and a loss of \$32.6 million (impacted by the previously mentioned non-cash impairment) for the three and nine months ended September 30, 2020, respectively, compared to income of \$7.2 million and \$26.9 million for the three and nine months ended September 30, 2019, respectively.
- Cash production cost per ton sold⁽¹⁾ was \$77.15 for the three months ended September 30, 2020, a decrease of \$0.76 per ton, or 1%, as compared to the three months ended September 30, 2019. Cash production cost per ton sold⁽¹⁾ was \$70.13 for the nine months ended September 30, 2020, a decrease of \$11.87 per ton, or 14%, as compared to the nine months ended September 30, 2019.
- Cash flow (used in) provided by operating activities were \$(10.3) million and \$10.9 million for the three and nine months ended September 30, 2020, respectively, compared to cash flow provided by operating activities of \$2.2 million and \$16.6 million for the three and nine months ended September 30, 2019, respectively.
- Total revenues were \$23.3 million and \$111.0 million for the three and nine months ended September 30, 2020, respectively, compared to \$58.1 million and \$178.4 million for the three and nine months ended September 30, 2019, respectively.
- Low volatile metallurgical coal sales tons, comprised of "Company Produced" tons and "Value Added Services" purchased coal tons, were 286,944 and 617, respectively, in the three months ended September 30, 2020 compared to 282,591 and 56,246, respectively, in the three months ended September 30, 2019. In the three months ended September 30, 2020, Corsa did not sell any "Sales and Trading" purchased coal tons, which would have been treated as pass-through from a profitability perspective, compared to 126,304 tons in the three months ended September 30, 2019.
- Corsa's average realized price per ton of metallurgical coal sold⁽¹⁾ was \$66.54 per short ton for all metallurgical qualities in the three months ended September 30, 2020 compared to \$97.98 in the three months ended September 30, 2019. This average realized price for the third quarter 2020 is the approximate equivalent of between \$101 to \$106 per metric ton on an FOB vessel basis⁽²⁾. For the third quarter 2020, Corsa's sales mix included 24% of sales to domestic customers and 76% of sales to international customers.
- In April 2020, certain wholly-owned subsidiaries of Corsa, as borrowers, entered into loan agreements with KeyBank National Association ("KeyBank") for an aggregate amount of approximately \$8.4 million under the Paycheck Protection Program, which amounts are guaranteed by the U.S. Small Business Administration and at least \$7.2 million is expected to be forgiven under the terms of the Paycheck Protection Program. For further details see the Liquidity and Capital Resources section of this MD&A.

⁽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 \$25-\$30 per short ton. Historically, freight rates rise and fall as market prices rise and fall. As a note, most published indices for metallurgical coal report prices on a delivered-to-the-port basis and denominated in metric tons.

BUSINESS OVERVIEW

Corsa is one of the leading United States suppliers of premium quality metallurgical coal, an essential ingredient in the production of steel. Corsa's core business is supplying premium quality metallurgical coal to domestic and international steel and coke producers. As of the date of this MD&A, Corsa produces coal from five mines, operates one preparation plant and has approximately 275 employees. Corsa's common shares ("Common Shares") are listed on the TSX Venture Exchange ("TSX-V") under the symbol "CSO". The Common Shares also trade on the OTCQX Best Market ("OTCQX") under the symbol "CRSXF".

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

Corsa's metallurgical coal sales figures are comprised of three types of sales: (i) selling coal that Corsa produces ("Company Produced"); (ii) selling coal that Corsa purchases and provides value added services (storing, washing, blending, loading) to make the coal saleable ("Value Added Services"); and (iii) selling coal that Corsa purchases on a clean or finished basis from suppliers outside the Northern Appalachia region ("Sales and Trading").

NAPP Division

Mines

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

Preparation Plants

NAPP currently operates one preparation plant, the Cambria Plant, and has two idled preparation plants, the Shade Creek Plant and the Rockwood Plant. The raw metallurgical coal produced from the NAPP Mines is trucked to the preparation plant where it is processed or "washed" using conventional coal processing techniques and stored for shipping. All plants have load out facilities adjacent to a rail line. Coal is usually shipped by rail; however, it can also be shipped by truck. All of the preparation plants are located in Somerset County, Pennsylvania. The Cambria Plant has an operating capacity of 325 tons of raw coal per hour, storage capacity for 130,000 tons of clean coal and 55,000 tons of raw coal and load out facilities adjacent to a CSX rail line. The Shade Creek Plant has an operating capacity of 450 tons of raw coal per hour, storage capacity for 75,000 tons of clean coal and 170,000 tons of raw coal and load out facilities adjacent to a Norfolk Southern rail line. The Rockwood Plant has an operating capacity of 325 tons of raw coal per hour, storage capacity of 24,000 tons of clean coal and 85,000 tons of raw coal and load out facilities adjacent to a CSX rail line.

Growth Projects

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

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

COAL PRICING TRENDS AND OUTLOOK

Price levels opened the second quarter at \$116/metric ton (“mt”) delivered-to-the-port based (“FOBT”) for spot deliveries of Australian premium low volatile metallurgical coal and closed the quarter at \$139/mt FOBT. The quarterly average price for the second quarter of 2020 was \$115/mt FOBT for Australian premium low volatile metallurgical coal, compared to \$118/mt FOBT in the second quarter of 2019, and traded in a range from a high of \$139/mt FOBT to a low of \$106/mt FOBT. October 2020 spot market pricing for Australian premium low volatile metallurgical coal opened the month at \$139/mt FOBT, closed the month at \$109/mt FOBT and traded in a range from a high of \$139/mt FOBT to a low of \$106/mt FOBT for an average price of \$115/mt FOBT.

The World Steel Association reported that, through September 2020, global crude steel production fell by 3.2% in the first nine months of 2020 versus the comparable period in 2019. However, due to the impact of the COVID-19 pandemic on those submitting production data, the report cautioned that some estimates were used and that the number could be revised in the next update. For the first nine months of 2020, production was up 4.5% in China and was down 19.2% in the U.S., 19.1% in Japan and 16.5% in India. Crude steel production from the European Union and Brazil was down 17.9% and 9.7%, respectively. Regionally, Asia, which includes China and India, increased by 0.2%, North America decreased by 18.2% and South America decreased by 13.9%.

Following a first half 2020 decrease of 6.0% when compared to the first half of 2019, global crude steel production was down in July by 2.5 %, up in August by 0.6% and up in September by 2.9 % when compared to the same months in 2019. When comparing the month of September 2020 to September 2019, crude steel production was up in Asia by 7.4% and 0.9% in South America and was down 17.4% in North America and 14.0% in the European Union. Individual country comparisons of September 2020 to September 2019 show Turkey up 18.0%, China up 10.9%, and Brazil up 7.5%, and the U.S. down 18.5%, Japan down 19.3%, and India down 2.9%. Chinese hot-rolled coil steel prices are up approximately 7.1% since the start of the year, with U.S. and Northern European prices up 21.7% and 16.7%, respectively, in the same time period. Preliminary U.S. coking coal export data through July of 40.1 million tons shows an approximate 30% year-to-date decline with annualized U.S. coking coal exports of approximately 42 million tons as compared to 53 million tons in 2019.

The World Steel Association Short Range Outlook released in October forecasted that steel demand will contract by 2.4% in 2020 versus 2019 and will increase by 4.1% in 2021 versus 2020. Global steel demand in 2021 is expected to exceed 2019 levels, driven primarily by Chinese increases compared to 2019. Chinese steel demand is expected to increase by 8.0% in 2020 as compared to 2019 and remain flat in 2021. Excluding China, steel demand from the rest of the world will decrease by 13.3% in 2020 and increase by 9.4% in 2021. Regionally, the collective demand from the United States, Canada and Mexico is forecasted to decrease by 15.3% in 2020 and increase by 6.7% in 2021; demand from the European Union is forecasted to decrease by 15.2% in 2020 and increase by 11.0% in 2021; the collective demand from Asia and Oceania (excluding China) is forecasted to decrease by 13.3% in 2020 and increase by 10.7% in 2021; and the collective demand from Central and South America is forecasted to decrease by 10.1% in 2020 and increase by 8.2% in 2021.

The forward curve for the fourth quarter of 2020 according to the TSI index is trading in the mid-\$120s/mt FOBT range with December in the high \$120s/mt FOBT and the 2021 forward curve is in the mid \$140s/mt FOBT. Import quota restrictions enforced by Chinese authorities and trade tensions between China and Australia continue to impact the supply and demand balance of the seaborne metallurgical coal market in the second half of 2020 and increased the price volatility in spot transactions and futures markets. Domestic metallurgical coal market contract negotiations for 2021 are underway and will be finalized as we approach the end of the year. Increased steel production coupled with supply-side inventory reductions and geographical and grade specific metallurgical coal production constraints support an environment of increasing spot market coal prices in 2021. Price volatility is expected as future demand for metallurgical coal and the availability of supply will be impacted by, among other things, country specific and regional efforts to contain and control the spread of the COVID-19 virus, the economic stimulus activities of each country and global organizations and the operating status and capabilities of our customers and competitors. Due to the uncertainty of the global business impact of COVID-19 on both metallurgical coal supply and demand, on March 30, 2020, Corsa suspended the provision of additional commentary regarding expectations for 2020 metallurgical coal prices. Metallurgical coal supply, demand and pricing outlook commentary will be resumed when deemed appropriate by the Company.

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 30, 2020 for the year ended December 31, 2019 for an additional discussion regarding certain factors that could impact coal pricing trends and outlook, as well as the Company’s ongoing operations.

FINANCIAL AND OPERATIONAL RESULTS

(in thousands)	For the three months ended September 30,		
	2020	2019	Variance
Revenue	\$ 23,318	\$ 58,085	\$ (34,767)
Cost of sales	(32,028)	(53,527)	21,499
Cost of sales - asset impairment	—	—	—
Total cost of sales	(32,028)	(53,527)	21,499
Gross margin	(8,710)	4,558	(13,268)
Selling, general and administrative expense	(2,507)	(4,013)	1,506
(Loss) income from operations	(11,217)	545	(11,762)
Net finance expense	(115)	(1,783)	1,668
Other income	7,753	2,271	5,482
(Loss) income before tax	(3,579)	1,033	(4,612)
Income tax expense	—	—	—
Net and comprehensive (loss) income	\$ (3,579)	\$ 1,033	\$ (4,612)
Diluted (loss) earnings per share	\$ (0.04)	\$ 0.01	\$ (0.05)

(in thousands)	For the nine months ended September 30,		
	2020	2019	Variance
Revenue	\$ 110,951	\$ 178,393	\$ (67,442)
Cost of sales	(117,186)	(158,446)	41,260
Cost of sales - asset impairment	(41,684)	—	(41,684)
Total cost of sales	(158,870)	(158,446)	(424)
Gross margin	(47,919)	19,947	(67,866)
Selling, general and administrative expense	(7,060)	(12,723)	5,663
(Loss) income from operations	(54,979)	7,224	(62,203)
Net finance expense	(4,050)	(3,170)	(880)
Other income	8,437	3,584	4,853
(Loss) income before tax	(50,592)	7,638	(58,230)
Income tax expense	89	—	89
Net and comprehensive (loss) income	\$ (50,681)	\$ 7,638	\$ (58,319)
Diluted (loss) earnings per share	\$ (0.47)	\$ 0.06	\$ (0.53)

Operations Summary

(in thousands)	For the three months ended			For the nine months ended		
	September 30,			September 30,		
	2020	2019	Variance	2020	2019	Variance
Coal sold - tons						
NAPP - metallurgical coal	288	465	(177)	1,178	1,324	(146)
Realized price per ton sold⁽¹⁾						
NAPP - metallurgical coal	\$ 66.54	\$ 97.98	\$ (31.44)	\$ 81.73	\$ 110.32	\$ (28.59)
Cash production cost per ton sold⁽¹⁾⁽²⁾						
NAPP - metallurgical coal	\$ 77.15	\$ 77.91	\$ 0.76	\$ 70.13	\$ 82.00	\$ 11.87
Cash cost per ton sold⁽¹⁾⁽³⁾						
NAPP - metallurgical coal	\$ 77.01	\$ 80.28	\$ 3.27	\$ 71.63	\$ 84.95	\$ 13.32
Cash margin per ton sold⁽¹⁾						
NAPP - metallurgical coal	\$ (10.47)	\$ 17.70	\$ (28.17)	\$ 10.10	\$ 25.37	\$ (15.27)
EBITDA⁽¹⁾						
NAPP	\$ 2,569	\$ 9,661	\$ (7,092)	\$ (30,140)	\$ 32,941	\$ (63,081)
Corporate	(749)	(2,484)	1,735	(2,423)	(6,010)	3,587
Total	<u>\$ 1,820</u>	<u>\$ 7,177</u>	<u>\$ (5,357)</u>	<u>\$ (32,563)</u>	<u>\$ 26,931</u>	<u>\$ (59,494)</u>
Adjusted EBITDA⁽¹⁾						
NAPP	\$ (4,346)	\$ 6,795	\$ (11,141)	\$ 7,729	\$ 28,410	\$ (20,681)
Corporate	(493)	(717)	224	(1,908)	(3,060)	1,152
Total	<u>\$ (4,839)</u>	<u>\$ 6,078</u>	<u>\$ (10,917)</u>	<u>\$ 5,821</u>	<u>\$ 25,350</u>	<u>\$ (19,529)</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 THIRD QUARTER FINANCIAL RESULTS

(in thousands)	For the three months ended September 30, 2020		
	NAPP	Corporate	Consolidated
Revenue	\$ 23,318	\$ —	\$ 23,318
Cost of sales	(32,028)	—	(32,028)
Cost of sales - impairment	—	—	—
Total cost of sales	(32,028)	—	(32,028)
Gross margin	(8,710)	—	(8,710)
Selling, general and administrative expense	(1,587)	(920)	(2,507)
Loss from operations	(10,297)	(920)	(11,217)
Net finance income (expense)	243	(358)	(115)
Other income	7,504	249	7,753
Loss before tax	(2,550)	(1,029)	(3,579)
Income tax expense	—	—	—
Net and comprehensive loss	\$ (2,550)	\$ (1,029)	\$ (3,579)

(in thousands)	For the three months ended September 30, 2019		
	NAPP	Corporate	Consolidated
Revenue	\$ 58,085	\$ —	\$ 58,085
Cost of sales	(53,495)	(32)	(53,527)
Gross margin	4,590	(32)	4,558
Selling, general and administrative expense	(2,994)	(1,019)	(4,013)
Income (loss) from operations	1,596	(1,051)	545
Net finance expense	(534)	(1,249)	(1,783)
Other income	3,636	(1,365)	2,271
Income (loss) before tax	4,698	(3,665)	1,033
Income tax expense (benefit)	—	—	—
Net and comprehensive income (loss)	\$ 4,698	\$ (3,665)	\$ 1,033

(in thousands)	Dollar variance for the three months ended September 30, 2020 versus 2019		
	NAPP	Corporate	Consolidated
Revenue	\$ (34,767)	\$ —	\$ (34,767)
Cost of sales	21,467	32	21,499
Cost of sales - asset impairment	—	—	—
Total cost of sales	21,467	32	21,499
Gross margin	(13,300)	32	(13,268)
Selling, general and administrative expense	1,407	99	1,506
(Loss) income from operations	(11,893)	131	(11,762)
Net finance income	777	891	1,668
Other income	3,868	1,614	5,482
(Loss) income before tax	(7,248)	2,636	(4,612)
Income tax expense	—	—	—
Net and comprehensive (loss) income	\$ (7,248)	\$ 2,636	\$ (4,612)

Operating Segments

Corsa's two distinct segments are NAPP and Corporate. The financial results of the continuing operating segments for the three months ended September 30, 2020 and 2019 are as follows:

NAPP Division

Revenue - NAPP Division

(in thousands)	For the three months ended September 30,		
	2020	2019	Variance
Metallurgical coal revenue (at preparation plant)	\$ 19,164	\$ 45,562	\$ (26,398)
Thermal coal revenue (at preparation plant)	380	157	223
Transportation revenue	3,426	10,396	(6,970)
Tolling revenue	348	1,970	(1,622)
	<u>\$ 23,318</u>	<u>\$ 58,085</u>	<u>\$ (34,767)</u>

- Metallurgical coal revenue, net of transportation charges, decreased \$26,398 as a result of reduced sales volumes which decreased revenue by \$17,343 and lower sales prices which caused revenue to decrease by \$9,055. Metallurgical coal sold was 288 tons and 465 tons for the three months ended September 30, 2020 and 2019, respectively, a decrease of 177 tons, primarily due to the operational reductions that were implemented as a result of the market decline. Realized price per ton sold decreased \$31.44 primarily due to the decline in the metallurgical coal market, largely driven by the COVID-19 pandemic.
- Revenue associated with the transportation of coal to the loading terminal or customer decreased \$6,970 as a result of reduced rail rates which was the result of the decline in the metallurgical coal market and a reduction in export sales due to market conditions.
- Tolling revenue decreased as a result of processing less third party coal at the preparation plant due to the conclusion of a toll washing contract on December 31, 2019.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the three months ended September 30,		
	2020	2019	Variance
Mining and processing costs	\$ 21,012	\$ 20,300	\$ 712
Purchased coal costs	39	15,374	(15,335)
Royalty expense	1,509	1,772	(263)
Amortization expense	4,966	4,763	203
Transportation costs from preparation plant to customer	3,426	10,396	(6,970)
Idle mine expense	129	69	60
Tolling costs	221	792	(571)
Change in estimate of reclamation provision	—	—	—
Write-off of advance royalties and other assets	65	48	17
Other costs	661	(19)	680
Cost of sales	<u>32,028</u>	<u>53,495</u>	<u>(21,467)</u>
Cost of sales - asset impairment	—	—	—
Total cost of sales	<u>\$ 32,028</u>	<u>\$ 53,495</u>	<u>\$ (21,467)</u>

- Mining and processing costs increased primarily due to additional produced volumes sold during the three months ended September 30, 2020 compared to the 2019 period. The increase was also due to slightly higher produced costs per ton sold as a result of the reduced operations that occurred during the 2020 period due to market conditions.
- As a result of the export market weakness, purchased coal costs decreased primarily due to reduced volumes of purchased metallurgical coal and lower cost per ton purchased and sold during the three months ended September 30, 2020 as compared to 2019 period.
- Transportation costs decreased as a result of reduced rail rates which was the result of the decline in the metallurgical coal market as well as significantly reduced export sales due to the continued export market weakness.
- Tolling costs decreased as a result processing less third party coal at the preparation plant.
- Other costs increased due to various items, none of which were individually material.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the three months ended September 30,		
	2020	2019	Variance
Salaries and other compensations	\$ 591	\$ 917	\$ (326)
Employee benefits	252	287	(35)
Selling expense	222	831	(609)
Professional fees	241	364	(123)
Office expenses and insurance	236	492	(256)
Other	45	103	(58)
	<u>\$ 1,587</u>	<u>\$ 2,994</u>	<u>\$ (1,407)</u>

- Selling, general and administrative expense related to the NAPP Division decreased primarily due to a reduction in selling expenses for export sales commissions paid to third party agents, a decrease in letter of credit fees as a result of fewer export vessels that required letters of credit and a reduction in staffing levels as a result of various administrative changes that occurred subsequent to the three months ended September 30, 2019.

Net finance expense (income) - NAPP Division

(in thousands)	For the three months ended September 30,		
	2020	2019	Variance
Change in market value of restricted investments expense (income)	\$ (1,164)	\$ (405)	\$ (759)
Bond premium expense	487	381	106
Accretion on reclamation provision	283	384	(101)
Interest expense	153	200	(47)
Interest income	(2)	(30)	28
Other	—	4	(4)
	<u>\$ (243)</u>	<u>\$ 534</u>	<u>\$ (777)</u>

- Net finance expense 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 September 30, 2020 compared to the 2019 period.

Other income (expense) - NAPP Division

	For the three months ended September 30,		
	2020	2019	Variance
PPP loan grant income	\$ 6,978	\$ —	\$ 6,978
A-Seam condemnation judgement	—	3,394	(3,394)
Limestone sales	292	47	245
Filter cake sales	187	45	142
Royalty income	29	291	(262)
Gain on property dispositions	—	38	(38)
Other	18	(179)	197
	<u>\$ 7,504</u>	<u>\$ 3,636</u>	<u>\$ 3,868</u>

- Other income increased primarily due to proceeds from the Paycheck Protection Program Loans (as defined herein) being used as contemplated under the loan program and the Company expects these amounts to be forgiven and accordingly recognized the grant income. This improvement was partially offset by the A-Seam condemnation judgement that was recognized in the 2019 period.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the three months ended September 30,		
	2020	2019	Variance
Salaries and other compensations	\$ 405	\$ 622	\$ (217)
Employee benefits	29	46	(17)
Professional fees	382	183	199
Office expenses and insurance	104	125	(21)
Other	—	43	(43)
	<u>\$ 920</u>	<u>\$ 1,019</u>	<u>\$ (99)</u>

- Selling, general and administrative expenses decreased primarily due to reduced corporate staffing levels in the 2020 period partially offset by increased legal professional fees.

Net finance expense (income) - Corporate Division

Net finance expense (income) consists of the following:

(in thousands)	For the three months ended September 30,		
	2020	2019	Variance
Interest expense	280	1,149	(869)
Accretion of discount on loan payable	9	83	(74)
Accretion of Revolving Credit Facility fees	62	17	45
Foreign exchange loss	7	4	3
Interest income	—	(4)	4
	<u>\$ 358</u>	<u>\$ 1,249</u>	<u>\$ (891)</u>

- Net finance expense decreased in the three months ended September 30, 2020 compared to 2019 period primarily due to the debt refinancing that occurred in August 2019. As a result of this refinancing, the total principal outstanding decreased and the combined interest rate of the new debt under the Revolving Credit Facility and the 36th Street Facility (as both terms are defined herein, and collectively, the “New Credit Facilities”) is lower than the previous debt’s rate under the \$25 million senior secured term credit facility between the Company and Sprott Resource Lending Corp., dated August 19, 2014.

Other income (expense) - Corporate Division

Other income increased primarily due to the proceeds from the Paycheck Protection Program Loans being used as contemplated under the loan program and the Company expects these amounts to be forgiven and accordingly recognized the grant income of \$249 in the three months ended September 30, 2020. Other expense recognized in the three months ended September 30, 2019 included \$1,238 of debt extinguishment expenses primarily related to the expensing of the previous debt issuance costs and various other items, none of which were individually material as well as \$127 related to corporate restructuring as a result of a reduction of various corporate positions.

REVIEW OF YEAR-TO-DATE FINANCIAL RESULTS

(in thousands)	For the nine months ended September 30, 2020		
	NAPP	Corporate	Consolidated
Revenue	\$ 110,951	\$ —	\$ 110,951
Cost of sales	(117,186)	—	(117,186)
Cost of sales - asset impairment	(41,684)	—	(41,684)
Total cost of sales	(158,870)	—	(158,870)
Gross margin	(47,919)	—	(47,919)
Selling, general and administrative expense	(4,560)	(2,500)	(7,060)
Loss from operations	(52,479)	(2,500)	(54,979)
Net finance expense	(2,883)	(1,167)	(4,050)
Other income	8,189	248	8,437
Loss before tax	(47,173)	(3,419)	(50,592)
Income tax expense	—	89	89
Net and comprehensive loss	\$ (47,173)	\$ (3,508)	\$ (50,681)

(in thousands)	For the nine months ended September 30, 2019		
	NAPP	Corporate	Consolidated
Revenue	\$ 178,393	\$ —	\$ 178,393
Cost of sales	(158,350)	(96)	(158,446)
Gross margin	20,043	(96)	19,947
Selling, general and administrative expense	(8,626)	(4,097)	(12,723)
Income (loss) from operations	11,417	(4,193)	7,224
Net finance income (expense)	108	(3,278)	(3,170)
Other income (expense)	4,949	(1,365)	3,584
Income (loss) before tax	16,474	(8,836)	7,638
Income tax expense (benefit)	—	—	—
Net and comprehensive income (loss)	\$ 16,474	\$ (8,836)	\$ 7,638

(in thousands)	Dollar variance for the nine months ended September 30, 2020 versus 2019		
	NAPP	Corporate	Consolidated
Revenue	\$ (67,442)	\$ —	\$ (67,442)
Cost of sales	41,164	96	41,260
Cost of sales - asset impairment	(41,684)	—	(41,684)
Total cost of sales	(520)	96	(424)
Gross margin	(67,962)	96	(67,866)
Selling, general and administrative expense	4,066	1,597	5,663
(Loss) income from operations	(63,896)	1,693	(62,203)
Net finance (expense) income	(2,991)	2,111	(880)
Other income	3,240	1,613	4,853
(Loss) income before tax	(63,647)	5,417	(58,230)
Income tax expense	—	89	89
Net and comprehensive (loss) income	\$ (63,647)	\$ 5,328	\$ (58,319)

Operating Segments

Corsa's two distinct segments are NAPP and Corporate. The financial results of the continuing operating segments for the nine months ended September 30, 2020 and 2019 are as follows:

NAPP Division

Revenue - NAPP Division

(in thousands)	For the nine months ended September 30,		
	2020	2019	Variance
Metallurgical coal revenue (at preparation plant)	\$ 96,277	\$ 146,064	\$ (49,787)
Thermal coal revenue (at preparation plant)	589	601	(12)
Transportation revenue	12,835	25,878	(13,043)
Tolling revenue	1,250	5,850	(4,600)
	<u>\$ 110,951</u>	<u>\$ 178,393</u>	<u>\$ (67,442)</u>

- Metallurgical coal revenue, net of transportation charges, decreased \$49,787 as a result of lower sales prices which caused revenue to decrease by \$33,680 and lower sales volumes which decreased revenue by \$16,107. Metallurgical coal sold was 1,178 tons and 1,324 tons for the nine months ended September 30, 2020 and 2019, respectively, a decrease of 146 tons. Realized price per ton sold decreased \$28.59 primarily due to the decline in the metallurgical coal market, largely driven by the COVID-19 pandemic.
- Revenue associated with the transportation of coal to the loading terminal or customer decreased \$13,043 as a result of reduced rail rates which was the result of the decline in the metallurgical coal market, decreased export sales due to market conditions, as well as increased domestic sales and sales to coal traders where the Company is not responsible for the transportation costs.
- Tolling revenue decreased as a result of processing less third party coal at the preparation plant due to the conclusion of a toll washing contract on December 31, 2019.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the nine months ended September 30,		
	2020	2019	Variance
Mining and processing costs	\$ 66,147	\$ 67,599	\$ (1,452)
Purchased coal costs	13,613	40,320	(26,707)
Royalty expense	5,204	5,178	26
Amortization expense	16,490	15,859	631
Transportation costs from preparation plant to customer	12,835	25,878	(13,043)
Idle mine expense	294	864	(570)
Tolling costs	793	2,663	(1,870)
Change in estimate of reclamation provision	278	—	278
Write-off of advance royalties and other assets	484	48	436
Other costs	1,048	(59)	1,107
Cost of sales	<u>117,186</u>	<u>158,350</u>	<u>(41,164)</u>
Cost of sales - asset impairment	41,684	—	41,684
Total cost of sales	<u>\$ 158,870</u>	<u>\$ 158,350</u>	<u>\$ 520</u>

- Mining and processing costs decreased primarily due to lower costs per ton as a result of improved operating performance and reduced overtime and repairs and maintenance expenses. This decrease was partially offset by additional produced volumes sold during the nine months ended September 30, 2020 as compared to 2019 period.
- Purchased coal costs decreased primarily due to reduced volumes of purchased metallurgical coal and lower cost per ton purchased and sold during the nine months ended September 30, 2020 as compared to 2019 period.
- Amortization expense increased primarily due to additional produced volumes sold during the nine months ended September 30, 2020 as compared to the 2019 period.
- Transportation costs decreased as a result of reduced volumes of export coal sold and reduced rail rates which was the result of the decline in the metallurgical coal market as well as increased domestic sales and sales to coal traders where the Company is not responsible for the transportation costs.
- Idle mine expense decreased as a result of the Quecreek mine sealing efforts that occurred in the 2019 period. The mine was sealed in the third quarter of 2019.
- Tolling costs decreased as a result of processing less third party coal at the preparation plant.
- The Company recognized an asset impairment charge during the nine months ended September 30, 2020 due to the identification of a triggering event as a result of the continued deterioration of both the domestic and export metallurgical coal markets, driven in large part by the COVID-19 pandemic.
- The write-off of advance royalties and other assets was the result of terminating lease agreements where the Company has no plans to mine the coal on these previously leased areas.
- Other costs increased due to various items, none of which were individually material.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the nine months ended September 30,		
	2020	2019	Variance
Salaries and other compensations	\$ 1,967	\$ 2,856	\$ (889)
Employee benefits	681	853	(172)
Selling expense	334	2,593	(2,259)
Professional fees	671	794	(123)
Office expenses and insurance	726	1,226	(500)
Other	181	304	(123)
	<u>\$ 4,560</u>	<u>\$ 8,626</u>	<u>\$ (4,066)</u>

- Selling, general and administrative expense related to the NAPP Division decreased primarily due to a reduction in selling expenses for export sales commissions paid to third party agents, a decrease in letter of credit fees as a result of fewer export vessels that required letters of credit and a reduction in staffing levels as a result of various administrative changes that occurred subsequent to the nine months ended September 30, 2019.

Net finance expense (income) - NAPP Division

(in thousands)	For the nine months ended September 30,		
	2020	2019	Variance
Change in market value of restricted investments expense (income)	\$ 159	\$ (2,893)	\$ 3,052
Bond premium expense	1,364	1,110	254
Accretion on reclamation provision	843	1,140	(297)
Interest expense	543	608	(65)
Interest income	(26)	(82)	56
Other	—	9	(9)
	<u>\$ 2,883</u>	<u>\$ (108)</u>	<u>\$ 2,991</u>

- Net finance expense increased primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds are marked to market on a monthly basis and market losses were recognized in the nine months ended September 30, 2020 compared to market gains during the 2019 period.

Other income (expense) - NAPP Division

	For the nine months ended September 30,		
	2020	2019	Variance
PPP loan grant income	\$ 6,978	\$ —	\$ 6,978
A-Seam condemnation judgement	—	3,394	(3,394)
Limestone sales	384	479	(95)
Filter cake sales	312	199	113
Royalty income	220	686	(466)
Gain on property dispositions	—	357	(357)
Other	295	(166)	461
	<u>\$ 8,189</u>	<u>\$ 4,949</u>	<u>\$ 3,240</u>

- Other income increased primarily due to the proceeds from the Paycheck Protection Program Loans being used as contemplated under the loan program and the Company expects these amounts to be forgiven and accordingly recognized the grant income. This improvement was partially offset by the A-Seam condemnation judgement that was recognized in the 2019 period. Royalty income decreased primarily due to a third party completing mining on the Company's coal reserves. Gain on property dispositions decreased as a result of the Company not selling any surplus equipment during the 2020 period. Other increased due to various items, none of which were individually material.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the nine months ended September 30,		
	2020	2019	Variance
Salaries and other compensations	\$ 1,167	\$ 2,629	\$ (1,462)
Employee benefits	87	195	(108)
Professional fees	915	752	163
Office expenses and insurance	317	365	(48)
Other	14	156	(142)
	<u>\$ 2,500</u>	<u>\$ 4,097</u>	<u>\$ (1,597)</u>

- Selling, general and administrative expenses decreased primarily due to reduced corporate staffing levels in the 2020 period.

Net finance expense (income) - Corporate Division

Net finance expense (income) consists of the following:

(in thousands)	For the nine months ended September 30,		
	2020	2019	Variance
Interest expense	996	2,730	(1,734)
Accretion of discount on loan payable	26	544	(518)
Accretion of Revolving Credit Facility fees	133	17	116
Foreign exchange loss	12	6	6
Interest income	—	(19)	19
	<u>\$ 1,167</u>	<u>\$ 3,278</u>	<u>\$ (2,111)</u>

- Net finance expense decreased in the nine months ended September 30, 2020 compared to 2019 period primarily due to the debt refinancing that occurred in August 2019. As a result of this refinancing, the total principal outstanding decreased and the combined interest rate of the new debt under the New Credit Facilities is lower than the previous debt's rate under the \$25 million senior secured term credit facility between the Company and Sprott Resource Lending Corp., dated August 19, 2014. Also, as a result of the refinancing, the debt discount accretion decreased as a result of expensing the discount associated with the previous debt in August 2019.

Other income (expense) - Corporate Division

Other income increased primarily due to the proceeds from the Paycheck Protection Program Loans being used as contemplated under the loan program and the Company expects these amounts to be forgiven and accordingly recognized the grant income of \$249 in the nine months ended September 30, 2020. Other expense recognized in the nine months ended September 30, 2019 included \$1,238 of debt extinguishment expenses primarily related to the expensing of the previous debt issuance costs and various other items, none of which were individually material as well as \$127 related to corporate restructuring as a result of a reduction of various corporate positions.

FINANCIAL CONDITION

(in thousands)	September 30, 2020	December 31, 2019	Variance
Current assets	\$ 25,296	\$ 48,526	\$ (23,230)
Non-current assets	166,290	220,800	(54,510)
Total assets	<u>\$ 191,586</u>	<u>\$ 269,326</u>	<u>\$ (77,740)</u>
Current liabilities	\$ 22,466	\$ 32,195	\$ (9,729)
Non-current liabilities	68,347	85,973	(17,626)
Total liabilities	<u>\$ 90,813</u>	<u>\$ 118,168</u>	<u>\$ (27,355)</u>
Total equity	<u>\$ 100,773</u>	<u>\$ 151,158</u>	<u>\$ (50,385)</u>

- Current assets decreased primarily due to a reduction in accounts receivable resulting from increased collections and timing of shipments where the operating cash flows were utilized to reduce the borrowings on the Revolving Credit Facility. Additionally, coal inventory was reduced due to the operational changes implemented to limit exposure to the depressed export market.
- Non-current assets decreased as a result of an asset impairment charge due to the identification of a triggering event as a result of the continued deterioration of both the domestic and export metallurgical coal markets, driven in large part by the COVID-19 pandemic. Non-current assets also decreased due to the amortization of property, plant and equipment.
- Current liabilities decreased primarily due to the general timing of accounts payable and were partially offset by an increase in the current portion of the 36th Street Facility and the current portion of the Paycheck Protection Program Loans.
- Non-current liabilities decreased primarily due to repayments on the Revolving Credit Facility, repayments the loan payable in connection with the 36th Street Facility, equipment lease payments and reclamation and water treatment payments. These decreases were partially offset by the long-term portion of the Paycheck Protection Program Loans.
- Total equity decreased as a result of the net and comprehensive loss that occurred during the period and the impact of stock-based compensation.

LIQUIDITY AND CAPITAL RESOURCES

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

If our cash flows from operations are less than we require, or the impacts to the metallurgical coal market primarily due to the COVID-19 pandemic do not improve, we may need to incur additional debt or issue additional equity. From time to time we may need to access the long-term and short-term capital markets to obtain financing. Although we believe that we can currently finance our operations on acceptable terms and conditions, our 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 our existing debt agreements and any other future debt agreements. There can be no assurance that we will have or continue to have access to the capital markets on terms that are acceptable to us.

(in thousands)	September 30, 2020	December 31, 2019	Variance
Cash	\$ 2,788	\$ 4,296	\$ (1,508)
Working capital	\$ 2,830	\$ 16,331	\$ (13,501)
Revolving Credit Facility unused availability	\$ 11,338	\$ 6,736	\$ 4,602
Total Debt			
Notes payable	\$ —	\$ 7	\$ (7)
Lease liabilities	4,508	3,521	987
Revolving Credit Facility	—	14,490	(14,490)
Loan payable	8,951	10,858	(1,907)
Paycheck Protection Program loans payable	1,126	—	1,126
	\$ 14,585	\$ 28,876	\$ (14,291)

Working Capital

Working capital decreased primarily due to increased customer collections and timing of shipments as well as reduced coal production due to market conditions. These decreases were partially offset by general timing of trade payables.

As a result of the various covenants related to the New Credit Facilities, we intend to manage maintenance and growth capital expenditures in order to service the New Credit Facilities and comply with the financial covenants.

There are no legal or practical restrictions on the ability of Corsa's subsidiaries to transfer funds to Corsa or for Corsa to transfer funds to its subsidiaries for liquidity management.

Surety Bond Cash Collateral

In January 2020, in connection with a request for a bond increase, the Company's previous surety bond provider, which had issued approximately \$59,000 of reclamation and other bonds, required a substantial increase in the restricted cash posted as collateral against these bonds as well as the new bond. Due to the request for additional collateral, the Company has entered into an agreement with a new surety bond provider to replace all of its existing reclamation and other bonds, as well as to issue the new bond at a future date when required. The new agreement required the transfer of the existing collateral of \$5,000, an initial deposit of \$1,000 and requires quarterly installment payments of \$250 to increase the level of cash collateral over time to reach the target set by the new surety of 25% of the issued bond amount.

Total Debt

Debt decreased as a result of utilizing operating cash flows and borrowings from the Paycheck Protection Program to fund payroll expenses which permitted operating cash flows to be utilized to reduce the borrowings on the Revolving Credit Facility and allowed the Company to make normal debt service payments related to the loan payable in connection with the 36th Street Facility, note payable and lease liabilities.

Paycheck Protection Program Loans

In connection with the COVID-19 pandemic, the U.S. Small Business Administration ("SBA"), an agency of the U.S. federal government, is administering the Paycheck Protection Program (15 U.S.C. § 636(a)(36)), a loan program designed to incentivize qualifying businesses to keep their workers on payroll. Under the Paycheck Protection Program: (i) loans will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent and utilities (at least 60% of the forgiven amount must be used for payroll), and partially forgiven if full-time equivalent headcount declines, or if salaries and wages decrease; (ii) interest on the loans is charged at 1% and principal and interest payments are to begin seven months from the date of the loan, with a maturity date of two years from the date of the loan; (iii) no collateral is required; (iv) neither the U.S. federal government nor lenders will charge any fees; and (v) the loans are guaranteed by the SBA.

In April 2020, two of Corsa's U.S. subsidiaries, Wilson Creek Holdings, Inc. and Wilson Creek Energy, LLC, entered into loan agreements under the Paycheck Protection Program providing for loans in an aggregate amount of \$8,353 (the "Paycheck Protection Program Loans"). The loan agreements are with KeyBank National Association ("KeyBank"), as lender, and include standard terms and conditions under the Paycheck Protection Program. The Company used the funds as contemplated under the Paycheck Protection Program and, accordingly, expects \$7,227 to be forgiven and has recognized the expected grant income in the 2020 period.

Cash Flows from Continuing Operations

	For the three months ended			For the nine months ended		
	September 30,			September 30,		
	2020	2019	Change	2020	2019	Change
Cash Flows:						
(Used in) Provided by operating activities	\$ (10,327)	\$ 2,172	\$ (12,499)	\$ 10,882	\$ 16,644	\$ (5,762)
Used in investing activities	(920)	(3,544)	2,624	(3,518)	(8,364)	4,846
Used in financing activities	(966)	(9,789)	8,823	(8,872)	(14,665)	5,793
(Decrease) increase in cash	(12,213)	(11,161)	(1,052)	(1,508)	(6,385)	4,877
Cash at beginning of period	15,001	14,900	101	4,296	10,124	(5,828)
Cash at end of period	<u>\$ 2,788</u>	<u>\$ 3,739</u>	<u>\$ (951)</u>	<u>\$ 2,788</u>	<u>\$ 3,739</u>	<u>\$ (951)</u>

- Cash flow from operating activities decreased during the three months ended September 30, 2020 compared to the 2019 period primarily due to the continued weakness of the metallurgical coal market.
- Cash flow from operating activities decreased during the nine months ended September 30, 2020 compared to the 2019 period as a result of the deterioration of the metallurgical coal market which was partially offset by working capital items and reduced reclamation and water treatment activities.
- Cash used in investing activities for the three and nine months ended September 30, 2020 was lower than the respective periods in 2019 as a result of reduced capital expenditures. Capital expenditures were reduced as a result of the metallurgical coal market conditions.
- Cash used in financing activities decreased during the three and nine months ended September 30, 2020 as a result of the debt refinancing that occurred during the 2019 period which resulted in additional principal payments which were made to reduce total debt.

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 a sale of coal from operations of U.S. subsidiaries of the Company. A Special Committee of the Board of Directors of the Company was promptly constituted and the Special Committee engaged outside legal counsel to conduct an investigation as to whether any employees of the Company or any of its subsidiaries were aware of, or involved in, the alleged conduct and whether any such knowledge or involvement may have given rise to a violation of anti-corruption laws by the Company or any of its subsidiaries. On the basis of preliminary findings resulting from such investigation, which is ongoing, the Company has taken corrective action to minimize risk. At this time, no charges have been brought against the Company or any of its subsidiaries in any jurisdiction. The risks associated with any such charges are uncertain. However, such risks may include resulting fines and penalties, as well as the disgorgement of some of the profits on revenues received from the customer. Due to the preliminary nature of the investigation and limitations on the ability of the Company to collect evidence, it is not possible to estimate any potential financial exposure.

The Company and its subsidiaries are committed to the highest standards of integrity and diligence in their business dealings and to the ethical and legally compliant business conduct by their employees and representatives. Potentially unlawful business conduct is in direct conflict with corporate and compliance policies. The Company will continue to investigate this matter and cooperate with authorities as needed with a view to a prompt and appropriate resolution.

Capital Expenditures

The equipment and development added to property, plant and equipment and the cash flow impact (adjusting the increase to property plant and equipment for non-cash transactions) for the nine months ended September 30, 2020 were as follows:

	Increase to PP&E	Cash Flow Impact
Maintenance capital expenditures		
Deep mines	\$ 801	\$ 682
Surface mines	1,930	148
Plant	257	137
Administrative	—	—
	<u>2,988</u>	<u>967</u>
Growth capital expenditures		
Deep mines	271	236
Surface mines	—	—
Plant	—	—
	<u>271</u>	<u>236</u>
Total capital expenditures	<u><u>\$ 3,259</u></u>	<u><u>\$ 1,203</u></u>

Corsa's capital expenditures for the nine months ended September 30, 2020 were primarily focused on maintenance capital to replace mining equipment. Corsa's future spending on property, plant and equipment at its operations and development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment, compliance with financial covenants and financing availability. For disclosure regarding Corsa's purchase order firm commitments, relating to the procurement of replacement mining equipment to maintain Corsa's capacity, see "Contractual Obligations".

GUIDANCE

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The current COVID-19 pandemic is significantly impacting the global economy and commodity and financial markets. The full extent and impact of the COVID-19 pandemic remains unknown and continues to rapidly evolve. Given the extreme volatility in financial markets and commodity prices, along with uncertainty regarding the impact thereof on the future performance of the Company, the Company does not believe it is appropriate to issue guidance for the remainder of fiscal 2020. The Company will continue to evaluate events and circumstances and will provide guidance when appropriate and as information is available.

DEBT COVENANTS

Corsa has certain covenants it is required to meet under its New Credit Facilities and lease obligations. Certain measures included in the covenant calculations are not readily identifiable from Corsa’s consolidated statements of operations and comprehensive income (loss) or consolidated balance sheets. These measures are considered to be non-GAAP financial measures and, as such, a further description of the covenant calculations is included below. Corsa was in compliance with all covenants at September 30, 2020.

Revolving Credit Facility

The covenants required to be met under the three-year credit and security agreement dated August 16, 2019 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.

- Minimum Fixed Charge Coverage Ratio⁽¹⁾ of not less than 1.10 to 1.00 (measured quarterly)
- Capital Expenditures of not more than \$11,000 on an annual basis (measured quarterly)

⁽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.

Loan Payable - 36th Street Facility

The covenants required to be met under the lease financing agreement dated August 16, 2019 between Key Equipment Finance, as lessor and assignor, Wilson Creek Holdings, Inc. (“WCH”), as lessee, and the Company along with all of the subsidiaries of WCH, as guarantors (the “36th Street Facility”) include the same covenants as described above related to the Revolving Credit Facility and also include:

- Total debt⁽¹⁾ to EBITDA ratio of not more than 1.50 to 1.00 (measured quarterly)
- Total adjusted debt⁽²⁾ to EBITDA ratio of not more than 1.20 to 1.00 (measured quarterly)

⁽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 as well as purchased coal commitments. 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 Sept. 30, 2020	Payments due by period				
		Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accrued expenses	\$ 11,374	\$ 11,374	\$ 11,374	\$ —	\$ —	\$ —
Lease liabilities	4,508	4,508	1,369	2,436	703	—
Revolving Credit Facility	—	—	—	—	—	—
Loan payable	8,951	9,049	4,002	5,047	—	—
PPP loan payable	1,126	1,126	513	613	—	—
Other liabilities	7,135	7,147	1,834	2,106	2,106	1,101
Asset retirement obligations - reclamation	33,318	33,318	2,143	4,027	6,595	20,553
Asset retirement obligations - water treatment	24,401	24,401	1,276	2,566	2,578	17,981
Purchase order firm commitments	—	567	567	—	—	—
Water treatment trust funding	—	1,345	1,345	—	—	—
Reclamation bond restricted cash deposits	—	8,558	1,000	2,000	2,000	3,558
Operating leases and other obligations	—	13	12	1	—	—
Total	\$ 90,813	\$ 101,406	\$ 25,435	\$ 18,796	\$ 13,982	\$ 43,193

NON-GAAP FINANCIAL MEASURES

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

Commencing in the Company's first quarter for its 2017 fiscal year, the Company established a Sales and Trading platform which was not previously part of the Company's business model. In the Sales and Trading platform, the Company purchases and then sells coal on a clean or finished goods basis from suppliers outside of the Company's main operating area. The Company blends this coal, which primarily has a different quality basis than the coal the Company produces, to provide a blended product to customers who do not have the ability to purchase and blend different qualities of coal at their facilities. As a result of the addition of this platform to the Company's business model, new non-GAAP financial measures (i.e., cash production cost per ton sold and cash cost per sales and trading purchased coal per ton sold) were introduced to present the cost of the coal the Company produces and sells separately from the total costs of the coal sold, which total costs includes the coal we purchase under the Sales and Trading platform, i.e., Sales and Trading purchased coal. These are presented separately due to the purchases being derived from market prices that are considered to be higher than the Company's internal production costs. As the total cost per ton sold increases as a result of these coal purchases under the Sales and Trading platform, the Company believes that providing a breakdown of the cost of coal that the Company produces provides a meaningful metric to investors as this non-GAAP financial measure is utilized in evaluating the operational effectiveness of the Company's mines.

Management uses the following non-GAAP financial measures:

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

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

EBITDA and Adjusted EBITDA for the three months ended September 30, 2020 and 2019

(in thousands)	For the three months ended September 30, 2020			For the three months ended September 30, 2019		
	NAPP	Corp.	Total	NAPP	Corp.	Total
Net and comprehensive income (loss) from continuing operations	\$ (2,550)	\$ (1,029)	\$ (3,579)	\$ 4,698	\$ (3,665)	\$ 1,033
Add (Deduct):						
Amortization expense	4,966	—	4,966	4,763	32	4,795
Interest expense	153	280	433	200	1,149	1,349
Income tax benefit	—	—	—	—	—	—
EBITDA	2,569	(749)	1,820	9,661	(2,484)	7,177
Add (Deduct):						
Asset Impairment	—	—	—	—	—	—
PPP loan grant income	(6,978)	(249)	(7,227)	—	—	—
Write-off of advance royalties and other assets	65	—	65	48	—	48
Change in estimate of reclamation provision	—	—	—	—	—	—
Stock-based compensation	—	131	131	—	303	303
Net finance (income) expense, excluding interest expense	(396)	78	(318)	334	100	434
Gain on disposal of assets	(21)	—	(21)	(38)	—	(38)
Loss on debt extinguishment	—	—	—	—	1,238	1,238
Restructuring charges	—	—	—	—	126	126
A-Seam Condemnation Judgement	—	—	—	(3,394)	—	(3,394)
Other (income) costs	415	296	711	184	—	184
Adjusted EBITDA	\$ (4,346)	\$ (493)	\$ (4,839)	\$ 6,795	\$ (717)	\$ 6,078

EBITDA and Adjusted EBITDA for the nine months ended September 30, 2020 and 2019

(in thousands)	For the nine months ended September 30, 2020			For the nine months ended September 30, 2019		
	NAPP	Corp.	Total	NAPP	Corp.	Total
Net and comprehensive income (loss) from continuing operations	\$ (47,173)	\$ (3,508)	\$ (50,681)	\$ 16,474	\$ (8,836)	\$ 7,638
Add (Deduct):						
Amortization expense	16,490	—	16,490	15,859	96	15,955
Interest expense	543	996	1,539	608	2,730	3,338
Income tax benefit	—	89	89	—	—	—
EBITDA	(30,140)	(2,423)	(32,563)	32,941	(6,010)	26,931
Add (Deduct):						
Asset Impairment	41,684	—	41,684	—	—	—
PPP loan grant income	(6,978)	(249)	(7,227)	—	—	—
Write-off of advance royalties and other assets	484	—	484	48	—	48
Change in estimate of reclamation provision	278	—	278	—	—	—
Stock-based compensation	—	296	296	—	955	955
Net finance (income) expense, excluding interest expense	2,340	171	2,511	(716)	548	(168)
Gain on disposal of assets	(23)	—	(23)	(357)	—	(357)
Loss on debt extinguishment	—	—	—	—	1,238	1,238
Restructuring charges	—	—	—	—	126	126
A-Seam Condemnation Judgement	—	—	—	(3,394)	—	(3,394)
Other (income) costs	84	297	381	(112)	83	(29)
Adjusted EBITDA	\$ 7,729	\$ (1,908)	\$ 5,821	\$ 28,410	\$ (3,060)	\$ 25,350

Realized price per ton sold for the three months ended September 30, 2020 and 2019

(in thousands except per ton amounts)	For the three months ended September 30, 2020			For the three months ended September 30, 2019		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Revenue	\$ 22,822	\$ 496	\$ 23,318	\$ 57,981	\$ 104	\$ 58,085
Add (Deduct):						
Tolling revenue	(348)	—	(348)	(1,970)	—	(1,970)
Transportation costs from preparation plant to customer	(3,310)	(116)	(3,426)	(10,449)	53	(10,396)
Net coal sales (at preparation plant)	\$ 19,164	\$ 380	\$ 19,544	\$ 45,562	\$ 157	\$ 45,719
Coal sold - tons	288	15	303	465	3	468
Realized price per ton sold (at preparation plant)	<u>\$ 66.54</u>	<u>\$ 25.33</u>	<u>\$ 64.50</u>	<u>\$ 97.98</u>	<u>\$ 52.33</u>	<u>\$ 97.69</u>

Realized price per ton sold for the nine months ended September 30, 2020 and 2019

(in thousands except per ton amounts)	For the nine months ended September 30, 2020			For the nine months ended September 30, 2019		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Revenue	\$ 110,246	\$ 705	\$ 110,951	\$ 177,766	\$ 627	\$ 178,393
Add (Deduct):						
Tolling revenue	(1,250)	—	(1,250)	(5,850)	—	(5,850)
Transportation costs from preparation plant to customer	(12,719)	(116)	(12,835)	(25,852)	(26)	(25,878)
Net coal sales (at preparation plant)	\$ 96,277	\$ 589	\$ 96,866	\$ 146,064	\$ 601	\$ 146,665
Coal sold - tons	1,178	20	1,198	1,324	13	1,337
Realized price per ton sold (at preparation plant)	<u>\$ 81.73</u>	<u>\$ 29.45</u>	<u>\$ 80.86</u>	<u>\$ 110.32</u>	<u>\$ 46.23</u>	<u>\$ 109.70</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 September 30, 2020 and 2019

(in thousands except per ton amounts)	For the three months ended September 30, 2020			For the three months ended September 30, 2019		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Cost of Sales:						
Mining and processing costs	\$ 20,632	\$ 380	\$ 21,012	\$ 20,210	\$ 90	\$ 20,300
Purchased coal costs	39	—	39	15,359	15	15,374
Royalty expense	1,509	—	1,509	1,761	11	1,772
Total cash costs of tons sold	\$ 22,180	\$ 380	\$ 22,560	\$ 37,330	\$ 116	\$ 37,446
Total tons sold	288	15	303	465	3	468
Cash cost per ton sold (at preparation plant)	\$ 77.01	\$ 25.33	\$ 74.46	\$ 80.28	\$ 38.67	\$ 80.01
Total cash costs of tons sold	\$ 22,180	\$ 380	\$ 22,560	\$ 37,330	\$ 116	\$ 37,446
Less: Sales and Trading purchased coal	(39)	—	(39)	(15,359)	—	(15,359)
Cash cost of produced coal sold	\$ 22,141	\$ 380	\$ 22,521	\$ 21,971	\$ 116	\$ 22,087
Tons sold - produced	287	15	302	282	3	285
Cash production cost per ton sold (at preparation plant)	\$ 77.15	\$ 25.33	\$ 74.57	\$ 77.91	\$ 38.67	\$ 77.50
Sales and Trading purchased coal	\$ 39	\$ —	\$ 39	\$ 15,359	\$ —	\$ 15,359
Tons sold - Sales and Trading	1	—	1	183	—	183
Cash cost per Sales and Trading purchased coal per ton sold (at preparation plant)	\$ 39.00	\$ —	\$ 39.00	\$ 83.93	\$ —	\$ 83.93

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 nine months ended September 30, 2020 and 2019

(in thousands except per ton amounts)	For the nine months ended September 30, 2020			For the nine months ended September 30, 2019		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Cost of Sales:						
Mining and processing costs	\$ 65,561	\$ 586	\$ 66,147	\$ 67,158	\$ 441	\$ 67,599
Purchased coal costs	13,610	3	13,613	40,150	170	40,320
Royalty expense	5,204	—	5,204	5,166	12	5,178
Total cash costs of tons sold	\$ 84,375	\$ 589	\$ 84,964	\$ 112,474	\$ 623	\$ 113,097
Total tons sold	1,178	20	1,198	1,324	13	1,337
Cash cost per ton sold (at preparation plant)	\$ 71.63	\$ 29.45	\$ 70.92	\$ 84.95	\$ 47.92	\$ 84.59
Total cash costs of tons sold	\$ 84,375	\$ 589	\$ 84,964	\$ 112,474	\$ 623	\$ 113,097
Less: Sales and Trading purchased coal	(13,610)	—	(13,610)	(40,150)	—	(40,150)
Cash cost of produced coal sold	\$ 70,765	\$ 589	\$ 71,354	\$ 72,324	\$ 623	\$ 72,947
Tons sold - produced	1,009	20	1,029	882	13	\$ 895
Cash production cost per ton sold (at preparation plant)	\$ 70.13	\$ 29.45	\$ 69.34	\$ 82.00	\$ 47.92	\$ 81.51
Sales and Trading purchased coal	\$ 13,610	\$ —	\$ 13,610	\$ 40,150	\$ —	\$ 40,150
Tons sold - Sales and Trading	169	—	169	442	—	442
Cash cost per Sales and Trading purchased coal per ton sold (at preparation plant)	\$ 80.53	\$ —	\$ 80.53	\$ 90.84	\$ —	\$ 90.84

Cash margin per ton sold for the three months ended September 30, 2020 and 2019

	For the three months ended September 30, 2020			For the three months ended September 30, 2019		
	NAPP	NAPP	Total	NAPP	NAPP	Total NAPP
	Met	Thermal		Met	Thermal	
Realized price per ton sold (at preparation plant)	\$ 66.54	\$ 25.33	\$ 64.50	\$ 97.98	\$ 52.33	\$ 97.69
Cash cost per ton sold (at preparation plant)	\$ 77.01	\$ 25.33	\$ 74.46	\$ 80.28	\$ 38.67	\$ 80.01
Cash margin per ton sold	\$ (10.47)	\$ —	\$ (9.96)	\$ 17.70	\$ 13.66	\$ 17.68

Cash margin per ton sold for the nine months ended September 30, 2020 and 2019

	For the nine months ended September 30, 2020			For the nine months ended September 30, 2019		
	NAPP	NAPP	Total	NAPP	NAPP	Total NAPP
	Met	Thermal		Met	Thermal	
Realized price per ton sold (at preparation plant)	\$ 81.73	\$ 29.45	\$ 80.86	\$ 110.32	\$ 46.23	\$ 109.70
Cash cost per ton sold (at preparation plant)	\$ 71.63	\$ 29.45	\$ 70.92	\$ 84.95	\$ 47.92	\$ 84.59
Cash margin per ton sold	\$ 10.10	\$ —	\$ 9.94	\$ 25.37	\$ (1.69)	\$ 25.11

OUTSTANDING SHARE DATA

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

	Number of Common Shares
Common Shares issued and outstanding	94,759,245
Common Shares issuable upon exercise of stock options	6,749,134
Common Shares issuable upon redemption of Redeemable Units	8,515,831
Total	<u>110,024,210</u>

As of the date of this MD&A, QKGI Legacy Holdings LP, holds 170,316,639 common membership units ("Redeemable Units") of Wilson Creek Energy, LLC, a subsidiary of Corsa. Redeemable Units are redeemable at the option of the holder for cash equal to the product of: (i) the number of Redeemable Units to be redeemed divided by 20, and (ii) the 10-day volume weighted average trading price, prior to the date of notice of redemption, of the Common Shares. The Company has the option to satisfy the redemption price for the Redeemable Units with Common Shares on a 20 to one basis (i.e., 20 Redeemable Units for one Common Share). The Company is restricted from paying cash to the holder for the redemption of Redeemable Units if a balance remains outstanding under the New Credit Facilities.

SUMMARY OF QUARTERLY RESULTS

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

(in thousands except per share amounts)	Quarter Ended			
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Revenue from continuing operations	\$ 23,318	\$ 40,908	\$ 46,725	\$ 52,476
Net and comprehensive (loss) income	\$ (3,579)	\$ (41,313)	\$ (5,789)	\$ (8,151)
Earnings (loss) per share:				
Basic	\$ (0.04)	\$ (0.36)	\$ (0.06)	\$ (0.09)
Diluted	\$ (0.04)	\$ (0.36)	\$ (0.06)	\$ (0.09)

(in thousands except per share amounts)	Quarter Ended			
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Revenue from continuing operations	\$ 58,085	\$ 62,974	\$ 57,334	\$ 66,513
Net and comprehensive income (loss)	\$ 1,033	\$ 3,603	\$ 3,002	\$ 10,273
Earnings (loss) per share:				
Basic	\$ 0.01	\$ 0.03	\$ 0.02	\$ 0.09
Diluted	\$ 0.01	\$ 0.03	\$ 0.02	\$ 0.09

The most recent quarters commencing with the third quarter of 2019 reflect the impact of a weakening of the metallurgical coal market and price environment that was further weakened by the COVID-19 pandemic in the second and third quarters of 2020. In the three months ended September 30, 2020, the Company made operational changes to limit coal production and sales in response to the market weakness which resulted in significantly lower revenues. In the three months ended June 30, 2020, the Company also recognized an asset impairment due to the identification of a triggering event as a result of the continued deterioration of both the domestic and export metallurgical coal markets, driven in large part by the COVID-19 pandemic. With the lower sales price expectations, the Company took steps to reduce general and administrative costs and will be further implementing additional operational changes to reduce coal production due to the market conditions. Through the third quarter of 2020, these cost decreases and the mines' performance improvements were not able to completely offset the decline in revenue.

RELATED PARTY TRANSACTIONS

Related party transactions include any transactions with employees, other than amounts earned as a result of their employment, transactions with companies that employees or directors either control or have significant influence over, transactions with companies who are under common control with the Company's controlling shareholder, Quintana Energy Partners L.P. ("QEP"), transactions with companies who are under common control of the Company's minority shareholder, Sev.en Energy AG ("Sev.en") and transactions with close family members of key management personnel.

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Coal sales (a)	\$ 1,382	\$ —	\$ 1,382	\$ —
Supplies purchased (b)	(54)	—	(128)	(189)
Purchased coal (c)	—	—	—	(74)
	<u>\$ 1,328</u>	<u>\$ —</u>	<u>\$ 1,254</u>	<u>\$ (263)</u>

- (a) During the three and nine months ended September 30, 2020, the Company sold coal to Blackhawk Coal Sales, LLC, which is considered a related party as this entity was acquired by the Company's minority shareholder, Sev.en, on June 1, 2020. Sev.en became a minority shareholder on May 12, 2020. These amounts were included in revenue in the condensed interim consolidated statements of operations and comprehensive income (loss).
- (b) During the three and nine months ended September 30, 2020 and the nine months ended September 30, 2019, the Company purchased supplies used in the coal separation process from Quality Magnetite, which is significantly influenced by key management personnel of QEP. These amounts were included in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss).
- (c) During the nine months ended September 30, 2019, the Company purchased coal from Kopper Glo Mining, LLC, which is considered a related party as it is significantly influenced by key management personnel of QEP. This amount was recognized in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss).

Included in accounts payable and accrued liabilities at September 30, 2020 was \$9 due to related parties, as a result of the transactions noted above. No accounts payable and accrued liabilities due to related parties existed at December 31, 2019. Included in accounts receivable at September 30, 2020 is \$1,382 related to coal sales. At December 31, 2019 \$10 was included in accounts receivable related to tax withholdings paid by the Company on behalf of QEP, which are to be reimbursed. These amounts are unsecured and non-interest bearing.

CRITICAL ACCOUNTING ESTIMATES

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

Property, plant and equipment

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

management's expectation, including the impact of any changes in economic, technological or regulatory circumstances beyond management's control, may impact the carrying value of items of property, plant and equipment.

Reserve and resource estimates

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

Reclamation provision estimates

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

Water treatment provision estimates

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

Impairment of long-term assets

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

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

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

Evaluation of exploration and evaluation costs

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

Deferred income tax assets

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has

become probable that future taxable profit will be available to allow the deferred tax asset to be recovered. There is no certainty that income tax rates will be consistent with current estimates. Changes in tax rates increase the volatility of the Company's earnings.

CHANGES IN ACCOUNTING POLICIES

Future accounting pronouncements

No new standards, interpretations, amendments and improvements to existing standards issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that will impact the Company's financial statements and are mandatory for future accounting periods have been issued. Updates that are not applied or are not consequential to the Company have been excluded.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash, restricted cash and investments, accounts receivable, accounts payable and accrued liabilities, notes payable, lease liabilities, Revolving Credit Facility, loans payable in connection with 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 certificates of deposit and 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 three and nine months ended September 30, 2020 and 2019.

At September 30, 2020 and December 31, 2019, the Company had four and seven customers, respectively, that owed the Company more than \$1,000 each and accounted for approximately 81% and 94%, respectively, of total accounts receivable. There were no customers with a balance greater than \$10,000 at September 30, 2020 and December 31, 2019. At September 30, 2020 and December 31, 2019, 67% and 89%, respectively, of the Company's total accounts receivables were covered by letters of credit and other forms of credit insurance.

Commodity Risk

The value of the Company's mineral properties is related to the price of metallurgical coal and the outlook for this commodity, which is beyond the control of the Company.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At September 30, 2020, the Company had a consolidated cash balance of \$2,788, consolidated working capital of \$2,830 and availability under the Revolving Credit Facility of \$11,338. The future operations of the Company are dependent on the continued generation of positive cash flows from operations which 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 our cash flows from operations are less than we require, we may need to incur additional debt or issue additional equity. From time-to-time we may need to access the long-term and short-term capital markets to obtain financing. Although we believe we can currently finance our operations on acceptable terms and conditions, our 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 our existing debt agreements and any other future debt agreements. There can be no assurance that we will have or continue to have access to the capital markets on terms acceptable to us.

Fair Value

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

	<u>September 30, 2020</u>		<u>December 31, 2019</u>	
	Carrying		Carrying	
	Amount	Fair Value	Amount	Fair Value
Loan payable - 36 th Street Facility	\$ 8,951	\$ 9,048	\$ 10,858	\$ 11,074
Paycheck Protection Program loan payable	1,126	993	—	—
	<u>\$ 10,077</u>	<u>\$ 10,041</u>	<u>\$ 10,858</u>	<u>\$ 11,074</u>

The fair value of the loan payables were determined by discounting the future contractual cash flows at a discount rate that represents an approximation of the borrowing rates presently available to the Company which was 13.5% and 10.0% at September 30, 2020 and December 31, 2019, respectively. Management's estimate of the fair value of the loan payables are classified as level 2 in the fair value hierarchy, as explained below.

Fair value hierarchy

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

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

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

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

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

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

	<u>September 30, 2020</u>		<u>December 31, 2019</u>	
	Level 1	Level 2	Level 1	Level 2
Cash	\$ 2,788	\$ —	\$ 4,296	\$ —
Restricted cash and investments	38,018	—	37,166	—
	<u>\$ 40,806</u>	<u>\$ —</u>	<u>\$ 41,462</u>	<u>\$ —</u>

At September 30, 2020 and December 31, 2019, the Company had no financial instruments which used Level 3 fair value measurements.

ADDITIONAL INFORMATION

Additional information regarding Corsa, including its annual information form dated March 30, 2020, is available under Corsa's profile at www.sedar.com.