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**Corsa Coal Corp.**

**Unaudited Condensed Interim Consolidated Financial Statements**

**September 30, 2021 and 2020**

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

| <b>Assets</b>   | <b>September 30,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|---|-------------------------------|------------------------------|
| Cash  | \$ 17,357                     | \$ 24,480                    |
| Accounts receivable (note 3)                                  | 16,524                        | 5,442                        |
| Prepaid expenses and other current assets                     | 1,660                         | 3,443                        |
| Inventories (note 4)  | 8,253                         | 9,149                        |
| <b>Current Assets</b>   | <b>43,794</b>                 | <b>42,514</b>                |
| Restricted cash and investments (note 5)                      | 41,585                        | 39,420                       |
| Advance royalties and other assets                            | 3,066                         | 2,798                        |
| Property, plant and equipment, net (note 6)                   | 118,101                       | 125,420                      |
| <b>Total Assets</b>   | <b>\$ 206,546</b>             | <b>\$ 210,152</b>            |
| <b>Liabilities</b>  |                               |                              |
| Accounts payable and accrued liabilities (note 7)             | \$ 15,393                     | \$ 9,940                     |
| Lease liabilities – current (note 8)                          | 1,342                         | 1,409                        |
| Loans payable, net – current (note 9)                         | 3,204                         | 4,142                        |
| Paycheck Protection Program loan payable – current (note 9)   | —                             | 654                          |
| Other liabilities – current (note 10)                         | 1,096                         | 1,625                        |
| Reclamation and water treatment provision (note 11)           | 2,646                         | 2,646                        |
| <b>Current Liabilities</b>                                    | <b>23,681</b>                 | <b>20,416</b>                |
| Revolving Credit Facility (note 9)                            | —                             | —                            |
| Loans payable, net – long-term (note 9)                       | 26,717                        | 28,446                       |
| Paycheck Protection Program loan payable – long-term (note 9) | —                             | 472                          |
| Lease liabilities – long-term (note 8)                        | 2,178                         | 2,772                        |
| Other liabilities – long-term (note 10)                       | 5,052                         | 5,466                        |
| Reclamation and water treatment provision (note 11)           | 62,422                        | 64,863                       |
| <b>Total Liabilities</b>                                      | <b>120,050</b>                | <b>122,435</b>               |
| <b>Equity</b>   |                               |                              |
| Share capital (note 12)                                       | 225,091                       | 180,130                      |
| Contributed surplus   | 210                           | 341                          |
| Accumulated deficit   | (138,805)                     | (137,856)                    |
| <b>Total Shareholders' Equity</b>                             | <b>86,496</b>                 | <b>42,615</b>                |
| Non-controlling interest                                      | —                             | 45,102                       |
| <b>Total Equity</b>   | <b>86,496</b>                 | <b>87,717</b>                |
| <b>Total Liabilities and Equity</b>                           | <b>\$ 206,546</b>             | <b>\$ 210,152</b>            |

Commitments and Contingencies (note 23)

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

Approved by the Board of Directors:

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

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

Corsa Coal Corp.

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

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

|   | For the three months ended |            | For the nine months ended |             |
|---|----------------------------|------------|---------------------------|-------------|
|   | September 30,              |            | September 30,             |             |
|   | 2021                       | 2020       | 2021                      | 2020        |
| Revenue (note 13)   | \$ 36,380                  | \$ 23,586  | \$ 91,425                 | \$ 111,651  |
| Cost of sales (note 14)                                       | (35,448)                   | (32,004)   | (92,238)                  | (117,502)   |
| Cost of sales - asset impairment (note 14)                    | —                          | —          | —                         | (41,684)    |
| Total cost of sales   | (35,448)                   | (32,004)   | (92,238)                  | (159,186)   |
| <b>Gross income (loss)</b>                                    | 932                        | (8,418)    | (813)                     | (47,535)    |
| Selling, general and administrative expense (notes 15 and 16) | (2,293)                    | (2,507)    | (6,523)                   | (7,060)     |
| <b>Loss from operations</b>                                   | (1,361)                    | (10,925)   | (7,336)                   | (54,595)    |
| Finance expense (note 17)                                     | (1,522)                    | (117)      | (4,252)                   | (4,076)     |
| Finance income (note 17)                                      | (159)                      | 2          | 1,323                     | 26          |
| Other income, net (note 18)                                   | 3,975                      | 7,461      | 8,918                     | 8,053       |
| <b>Income (loss) before tax</b>                               | 933                        | (3,579)    | (1,347)                   | (50,592)    |
| Current income tax expense                                    | —                          | —          | —                         | 89          |
| Deferred income tax expense                                   | —                          | —          | —                         | —           |
| Provision for income taxes                                    | —                          | —          | —                         | 89          |
| <b>Net and comprehensive income (loss)</b>                    | \$ 933                     | \$ (3,579) | \$ (1,347)                | \$ (50,681) |
| Attributable to:  |                            |            |                           |             |
| Shareholders  | \$ 933                     | \$ (3,590) | \$ (1,206)                | \$ (44,129) |
| Non-controlling interest                                      | \$ —                       | \$ 11      | \$ (141)                  | \$ (6,552)  |
| Basic earnings (loss) per share (note 19)                     | \$ 0.01                    | \$ (0.04)  | \$ (0.01)                 | \$ (0.47)   |
| Diluted earnings (loss) per share (note 19)                   | \$ 0.01                    | \$ (0.04)  | \$ (0.01)                 | \$ (0.47)   |

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

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

| <b>For the nine months ended September 30, 2021</b> |  |                          |                                |                                |  |                         |
|---|--|--------------------------|--------------------------------|--------------------------------|--|-------------------------|
|   | <b>Number<br/>of Corsa<br/>Common<br/>Shares<br/>(000's)</b> | <b>Share<br/>Capital</b> | <b>Contributed<br/>Surplus</b> | <b>Accumulated<br/>Deficit</b> | <b>Non-<br/>Controlling<br/>Interest</b> | <b>Total<br/>Equity</b> |
| <b>Balance - January 1, 2021</b>                    | 94,759   | \$ 180,130               | \$ 341                         | \$ (137,856)                   | \$ 45,102                                | \$ 87,717               |
| Stock-based compensation expense (note 16)          | —  | —                        | 126                            | —                              | —  | 126                     |
| Stock option expiration/forfeiture                  | —  | —                        | (257)                          | 257                            | —  | —                       |
| Redeemable unit redemption (note 12)                | 8,516  | 44,961                   | —                              | —                              | (44,961)                                 | —                       |
| Net and comprehensive loss                          | —  | —                        | —                              | (1,206)                        | (141)                                    | (1,347)                 |
| <b>Balance - September 30, 2021</b>                 | <u>103,275</u>   | <u>\$ 225,091</u>        | <u>\$ 210</u>                  | <u>\$ (138,805)</u>            | <u>\$ —</u>                              | <u>\$ 86,496</u>        |

| <b>For the nine months ended September 30, 2020</b> |  |                          |                                |                                |  |                         |
|---|--|--------------------------|--------------------------------|--------------------------------|--|-------------------------|
|   | <b>Number<br/>of Corsa<br/>Common<br/>Shares<br/>(000's)</b> | <b>Share<br/>Capital</b> | <b>Contributed<br/>Surplus</b> | <b>Accumulated<br/>Deficit</b> | <b>Non-<br/>Controlling<br/>Interest</b> | <b>Total<br/>Equity</b> |
| <b>Balance - January 1, 2020</b>                    | 94,759   | \$ 180,130               | \$ 988                         | \$ (82,063)                    | \$ 52,103                                | \$ 151,158              |
| Stock-based compensation expense (note 16)          | —  | —                        | 296                            | —                              | —  | 296                     |
| Stock option expiration/forfeiture                  | —  | —                        | (186)                          | 186                            | —  | —                       |
| Net and comprehensive loss                          | —  | —                        | —                              | (44,129)                       | (6,552)                                  | (50,681)                |
| <b>Balance - September 30, 2020</b>                 | <u>94,759</u>  | <u>\$ 180,130</u>        | <u>\$ 1,098</u>                | <u>\$ (126,006)</u>            | <u>\$ 45,551</u>                         | <u>\$ 100,773</u>       |

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

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

|   | For the three months ended |                 | For the nine months ended |                 |
|---|----------------------------|-----------------|---------------------------|-----------------|
|   | September 30,              |                 | September 30,             |                 |
|   | 2021                       | 2020            | 2021                      | 2020            |
| <b>Operating Activities</b>   |                            |                 |                           |                 |
| Net and comprehensive income (loss)                                 | 933                        | (3,579)         | \$ (1,347)                | \$ (50,681)     |
| Items not affecting cash:   |                            |                 |                           |                 |
| PPP grant income (note 9)   | (1,126)                    | (7,227)         | (1,126)                   | (7,227)         |
| Amortization  | 4,670                      | 4,966           | 12,726                    | 16,490          |
| Stock-based compensation expense (note 16)                          | 47                         | 131             | 126                       | 296             |
| Non-cash finance expense (income)                                   | 609                        | (805)           | 49                        | 1,316           |
| Asset impairment (note 6)   | —                          | —               | —                         | 41,684          |
| Change in estimate of reclamation provision                         | —                          | —               | —                         | 278             |
| Write-off of advance royalties and other assets                     | —                          | 65              | —                         | 484             |
| Other non-cash operating expense                                    | 549                        | 725             | 549                       | 1,004           |
| Cash spent on reclamation and water treatment activities (note 11)  | (1,189)                    | (781)           | (2,927)                   | (2,573)         |
| Changes in working capital balances related to operations (note 20) | (262)                      | (3,822)         | (5,074)                   | 9,811           |
| <b>Cash provided by (used in) operating activities</b>              | <b>4,231</b>               | <b>(10,327)</b> | <b>2,976</b>              | <b>10,882</b>   |
| <b>Investing Activities</b>   |                            |                 |                           |                 |
| Restricted cash and investments                                     | (576)                      | (620)           | (2,661)                   | (2,824)         |
| Restricted cash and investments released                            | —                          | —               | 519                       | 935             |
| Advance royalties and other assets                                  | (105)                      | (123)           | (350)                     | (426)           |
| Proceeds from sale of assets  | 86                         | —               | 229                       | —               |
| Property, plant and equipment additions                             | (1,664)                    | (177)           | (3,391)                   | (1,203)         |
| <b>Cash used in investing activities</b>                            | <b>(2,259)</b>             | <b>(920)</b>    | <b>(5,654)</b>            | <b>(3,518)</b>  |
| <b>Financing Activities</b>   |                            |                 |                           |                 |
| Proceeds from Revolving Credit Facility borrowings                  | —                          | —               | —                         | 59,011          |
| Repayments of Revolving Credit Facility borrowings                  | —                          | —               | —                         | (73,500)        |
| Proceeds from Paycheck Protection Program borrowings                | —                          | —               | —                         | 8,353           |
| Repayment of loan payable   | (760)                      | (661)           | (3,396)                   | (1,933)         |
| Repayment of notes payable  | —                          | —               | —                         | (7)             |
| Repayment of lease liabilities                                      | (363)                      | (305)           | (1,049)                   | (796)           |
| <b>Cash used in financing activities</b>                            | <b>(1,123)</b>             | <b>(966)</b>    | <b>(4,445)</b>            | <b>(8,872)</b>  |
| <b>Net increase (decrease) in cash for the period</b>               | <b>849</b>                 | <b>(12,213)</b> | <b>(7,123)</b>            | <b>(1,508)</b>  |
| <b>Cash, beginning of period</b>                                    | <b>16,508</b>              | <b>15,001</b>   | <b>24,480</b>             | <b>4,296</b>    |
| <b>Cash, end of period</b>  | <b>\$ 17,357</b>           | <b>\$ 2,788</b> | <b>\$ 17,357</b>          | <b>\$ 2,788</b> |

Supplemental disclosure (note 20)

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

## **1. Basis of Presentation and Nature of Operations**

### *Nature of Operations and COVID-19 Matter*

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

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

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The current COVID-19 pandemic has significantly impacted the global economy and commodity and financial markets. As a result of the liquidity risks, due in large part to the COVID-19 pandemic, the Company obtained debt financing in April 2020 and December 2020 to provide the necessary liquidity to continue as a going concern.

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

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

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

### *Statement of Compliance*

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

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

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

These unaudited condensed interim consolidated financial statements were authorized by the Board of Directors of the Company on November 3, 2021.

### *Basis of Measurement*

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

*Future accounting pronouncements*

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

**2. Financial Instruments**

The Company's financial instruments consist of cash, restricted cash and investments, accounts receivable, accounts payable and accrued liabilities, lease liabilities, Revolving Credit Facility (as defined herein), loan payable in connection with the Main Street Facility (as defined herein), loan payable in connection with the 36<sup>th</sup> Street Facility (as defined herein) and other liabilities.

*Financial risk management*

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

*Credit Risk*

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

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. The Company trades only with recognized creditworthy third parties who are subject to credit verification procedures, and often times are backed by letters of credit or trade credit insurance. In addition, outstanding receivable balances are regularly monitored on an ongoing basis. The Company has not recorded any allowance for credit losses for the nine months ended September 30, 2021 and 2020.

At September 30, 2021 and December 31, 2020, the Company had four and two customers, respectively, that owed the Company more than \$1,000 each and accounted for approximately 53% and 56%, respectively, of total accounts receivable. At September 30, 2021, 28% of the Company's accounts receivables were covered by letters of credit or other forms of credit insurance. There were no receivables covered by letters of credit or other forms of credit insurance at December 31, 2020.

*Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include the Main Street Facility, the Revolving Credit Facility and restricted cash and investments.

**Corsa Coal Corp.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2021 and 2020**  
**Expressed in United States dollars, amounts in thousands except for shares and per share amounts**

*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, 2021, the Company had a consolidated cash balance of \$17,357, consolidated working capital of \$20,113 and availability under the Revolving Credit Facility of \$4,110. The future operations of the Company are dependent on the continued generation of positive cash flows from operations which in turn is dependent on the future demand and price for metallurgical coal. The Company plans to utilize expected operating cash flows to service the Company's debt obligations.

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

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

|  | Carrying<br>Value at<br>Sept. 30,<br>2021 | Payments due by period |                     |                 |                 |                  |
|--|---|------------------------|---------------------|-----------------|-----------------|------------------|
|  |   | Total                  | Less Than<br>1 Year | 1 to<br>3 Years | 4 to<br>5 Years | After 5<br>Years |
| Accounts payable and accrued liabilities       | \$ 15,393                                 | \$ 15,393              | \$ 15,393           | \$ —            | \$ —            | \$ —             |
| Lease liabilities                              | 3,520                                     | 3,520                  | 1,342               | 1,841           | 337             | —                |
| Revolving Credit Facility                      | —   | —                      | —                   | —               | —               | —                |
| Loan payable - 36th Street Facility            | 4,911                                     | 4,976                  | 3,238               | 1,738           | —               | —                |
| Loan payable - Main Street Facility            | 25,010                                    | 25,617                 | —                   | 3,843           | 21,774          | —                |
| Other liabilities                              | 6,148                                     | 6,149                  | 1,097               | 1,886           | 1,886           | 1,280            |
| Asset retirement obligations - reclamation     | 35,808                                    | 35,808                 | 1,229               | 3,607           | 3,733           | 27,239           |
| Asset retirement obligations - water treatment | 29,260                                    | 29,260                 | 1,417               | 2,911           | 2,997           | 21,935           |
| Purchase order firm commitments                | —   | 1,022                  | 1,022               | —               | —               | —                |
| Water treatment trust funding                  | —   | 1,800                  | —                   | 1,800           | —               | —                |
| Reclamation bond restricted cash deposits      | —   | 9,291                  | 1,500               | 3,000           | 3,000           | 1,791            |
| Total  | \$ 120,050                                | \$ 132,836             | \$ 26,238           | \$ 20,626       | \$ 33,727       | \$ 52,245        |



**Corsa Coal Corp.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2021 and 2020**  
**Expressed in United States dollars, amounts in thousands except for shares and per share amounts**

*Fair Value*

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

|   | <u>September 30, 2021</u> |                   | <u>December 31, 2020</u> |                   |
|---|---------------------------|-------------------|--------------------------|-------------------|
|   | <b>Carrying</b>           |                   | <b>Carrying</b>          |                   |
|   | <b>Amount</b>             | <b>Fair Value</b> | <b>Amount</b>            | <b>Fair Value</b> |
| Loan payable - Main Street Facility             | \$ 25,010                 | \$ 15,905         | \$ 24,306                | \$ 14,126         |
| Loan payable - 36 <sup>th</sup> Street Facility | 4,911                     | 4,900             | 8,282                    | 8,183             |
| Paycheck Protection Program loan payable        | —                         | —                 | 1,126                    | 1,003             |
|   | <u>\$ 29,921</u>          | <u>\$ 20,805</u>  | <u>\$ 33,714</u>         | <u>\$ 23,312</u>  |

The fair value of the loans payable were determined by discounting the future contractual cash flows at a discount rate that represents an approximation of the borrowing rates presently available to the Company which was 13.5%. Management's estimate of the fair value of the loans payable are classified as level 2 in the fair value hierarchy, as explained below.

*Fair value hierarchy*

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

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

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

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

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

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

|  | <u>September 30, 2021</u> | <u>December 31, 2020</u> |
|--|---------------------------|--------------------------|
|  | <b>Level 1</b>            | <b>Level 1</b>           |
| Restricted cash                              | \$ 11,451                 | \$ 28,257                |
| Restricted investments                       |                           |                          |
| Debt securities                              | 8,740                     | 2,711                    |
| Equity securities                            | 21,394                    | 8,452                    |
|  | <u>30,134</u>             | <u>11,163</u>            |
| <b>Total restricted cash and investments</b> | <u>\$ 41,585</u>          | <u>\$ 39,420</u>         |

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

**Corsa Coal Corp.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2021 and 2020**  
**Expressed in United States dollars, amounts in thousands except for shares and per share amounts**

### 3. Accounts Receivable

Accounts receivable consist of the following:

|                           | September 30,<br>2021 | December 31,<br>2020 |
|---------------------------|-----------------------|----------------------|
| Trade receivables         | \$ 9,363              | \$ 5,144             |
| Employee retention credit | 6,832                 | —                    |
| Other                     | 329                   | 298                  |
|                           | <u>\$ 16,524</u>      | <u>\$ 5,442</u>      |

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

### Employee retention credit

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

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

The Company’s subsidiaries, Wilson Creek Energy, LLC and Wilson Creek Holdings, Inc., are eligible for employee retention credits in the amount of \$6,867 for the nine months ended September 30, 2021 and recognized the employee retention credit in other income and expense in the condensed interim consolidated statements of comprehensive income (loss).

### 4. Inventories

Inventories consist of the following:

|                         | September 30,<br>2021 | December 31,<br>2020 |
|-------------------------|-----------------------|----------------------|
| Metallurgical coal      |                       |                      |
| Clean coal stockpiles   | \$ 2,249              | \$ 2,727             |
| Raw coal stockpiles     | 1,552                 | 1,900                |
|                         | 3,801                 | 4,627                |
| Parts and supplies, net | 4,452                 | 4,522                |
|                         | <u>\$ 8,253</u>       | <u>\$ 9,149</u>      |

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

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**5. Restricted Cash and Investments**

Restricted cash and investments consists of the following:

|                           | September 30, 2021 |                 |                  |                  | December 31, 2020 |                 |                 |                  |
|---------------------------|--------------------|-----------------|------------------|------------------|-------------------|-----------------|-----------------|------------------|
|                           | Cash               | Debt            |                  | Equity           | Cash              | Debt            |                 | Equity           |
|                           |                    | Securities      | Securities       | Total            |                   | Securities      | Securities      | Total            |
| Water treatment (a)       | \$ 334             | \$ 8,357        | \$ 20,906        | \$ 29,597        | \$ 17,620         | \$ 2,281        | \$ 8,021        | \$ 27,922        |
| Reclamation bonds (b)     | 7,263              | 372             | 36               | 7,671            | 6,515             | 369             | 35              | 6,919            |
| Workers' compensation (c) | 3,854              | —               | 452              | 4,306            | 4,122             | 50              | 396             | 4,568            |
| Other restricted deposits | —                  | 11              | —                | 11               | —                 | 11              | —               | 11               |
|                           | <u>\$ 11,451</u>   | <u>\$ 8,740</u> | <u>\$ 21,394</u> | <u>\$ 41,585</u> | <u>\$ 28,257</u>  | <u>\$ 2,711</u> | <u>\$ 8,452</u> | <u>\$ 39,420</u> |

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

In January 2021, the Pennsylvania Department of Environmental Protection issued a compliance order (the "C.O.") which rescinds a permitted right of PBS Coals, Inc. ("PBS"), a wholly-owned subsidiary, to inject water treatment sludge into an adjacent abandoned mine. The sludge emanates from a mine drainage treatment system associated with an active coal refuse disposal site. The coal refuse disposal site is included in a water treatment trust. PBS appealed the issuance of the C.O., but its request for temporary relief to stay the effect of the C.O. was denied on March 30, 2021. PBS discontinued its appeal on April 27, 2021. PBS is currently evaluating several alternatives to sludge injection and has ceased injection by the June 30, 2021 abatement date in the C.O. Due to the preliminary nature of the evaluation process, it is difficult to estimate the cost of alternative disposal methods, but the cost to treat, handle and dispose of the sludge will increase above historical costs. Additionally, the anticipated rise in such costs is expected to increase the total amount required in the trust fund, which previously had been fully funded. Based on current estimates, the Company expects to be required to contribute approximately \$1,800 in calendar year 2024 to fully fund the trust.

- (b) The Company is required to post bonds to ensure reclamation is completed on its mining properties as required under U.S. state and federal regulations. The Company has agreements with insurers to provide these bonds. The cash collateral is held or invested in certificates of deposit, that are insured by the U.S. Federal Deposit Insurance Corporation, or in debt and equity security investments. The Company is required to increase the level of cash collateral over time to reach the target set by the surety of 25% of the issued bond amount. The collateral increase will be funded by quarterly installment payments of \$375.
- (c) The Company has established separate trust funds with its insurance carriers to pay potential awards and claims related to workers' compensation.

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**6. Property, Plant and Equipment, net**

Property, plant and equipment consists of the following:

|  | <b>Mineral<br/>Properties (a)</b> | <b>Plant and<br/>Equipment</b> | <b>Total</b>        |
|--|-----------------------------------|--------------------------------|---------------------|
| <b><u>Cost</u></b>   |                                   |                                |                     |
| Balance - January 1, 2020                                    | \$ 158,908                        | \$ 152,513                     | \$ 311,421          |
| Additions  | —                                 | 3,707                          | 3,707               |
| Capitalized development costs                                | 275                               | —                              | 275                 |
| Change in reclamation provision                              | 2,672                             | —                              | 2,672               |
| Disposals  | —                                 | (1,385)                        | (1,385)             |
| <b>Balance - December 31, 2020</b>                           | <b>161,855</b>                    | <b>154,835</b>                 | <b>316,690</b>      |
| Additions  | —                                 | 4,993                          | 4,993               |
| Capitalized development costs                                | 236                               | —                              | 236                 |
| Change in reclamation provision                              | 72                                | —                              | 72                  |
| Disposals  | —                                 | (1,231)                        | (1,231)             |
| <b>Balance - September 30, 2021</b>                          | <b>\$ 162,163</b>                 | <b>\$ 158,597</b>              | <b>\$ 320,760</b>   |
| <b><u>Accumulated Amortization and Impairment Losses</u></b> |                                   |                                |                     |
| Balance - January 1, 2020                                    | \$ (31,158)                       | \$ (100,534)                   | \$ (131,692)        |
| Amortization   | (5,777)                           | (13,502)                       | (19,279)            |
| Asset impairment (b)   | (30,205)                          | (11,479)                       | (41,684)            |
| Disposals  | —                                 | 1,385                          | 1,385               |
| <b>Balance - December 31, 2020</b>                           | <b>(67,140)</b>                   | <b>(124,130)</b>               | <b>(191,270)</b>    |
| Amortization   | (5,191)                           | (7,355)                        | (12,546)            |
| Disposals  | —                                 | 1,157                          | 1,157               |
| <b>Balance - September 30, 2021</b>                          | <b>\$ (72,331)</b>                | <b>\$ (130,328)</b>            | <b>\$ (202,659)</b> |
| <b><u>Net Book Value</u></b>                                 |                                   |                                |                     |
| December 31, 2020  | \$ 94,715                         | \$ 30,705                      | \$ 125,420          |
| September 30, 2021   | \$ 89,832                         | \$ 28,269                      | \$ 118,101          |

- (a) Mineral properties include the cost of obtaining the mineral and surface rights required to conduct mining operations. The two types of lease rights in the states of Maryland and Pennsylvania are surface rights, which provide access to the surface of a specific property, and mineral rights, which provide the right to extract the minerals from a specific property. The Company either purchases outright or leases these rights from various owners specific to each property. Mineral and surface rights which are leased are subject to royalty payments to the various owners based on the tons of coal extracted from that specific property. Royalty rates on leased mineral rights can range from 5% to 16%, although they typically range from 6% to 7%, of the selling price of the coal. Mineral and surface rights which are owned by the Company are not subject to royalties. The net book value of mineral properties that are not in production at September 30, 2021 was \$24,821.

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(b) A triggering event was identified as a result of the continued deterioration of both the domestic and export metallurgical coal markets, driven in large part by the COVID-19 pandemic. Accordingly, an impairment charge of \$41,684 was recognized in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss) for the nine months ended September 30, 2020, reducing the carrying values of mineral properties and plant and equipment. The impairment loss reflected a strategic review of the NAPP Division performed by management, which resulted in an impairment analysis of the recoverable amount of the division's assets.

*Key Assumptions*

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

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

*Sensitivity Assumptions*

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

| <b>Change to FVLCD</b> |                       |                       |                       |
|------------------------|-----------------------|-----------------------|-----------------------|
| <b>1% Decrease in</b>  | <b>1% Increase in</b> | <b>1% Increase in</b> | <b>1% Decrease in</b> |
| <b>Coal Prices</b>     | <b>Coal Prices</b>    | <b>Discount Rate</b>  | <b>Discount Rate</b>  |
| \$ (9,314)             | \$ 9,314              | \$ (10,666)           | \$ 11,965             |

**7. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities consists of the following:

|                           | <b>September 30,</b> | <b>December 31,</b> |
|---------------------------|----------------------|---------------------|
|                           | <b>2021</b>          | <b>2020</b>         |
| Trade payables            | \$ 8,320             | \$ 4,891            |
| Purchased coal payables   | 613                  | —                   |
| Freight payables          | 1,066                | 753                 |
| Other accrued liabilities | 5,394                | 4,296               |
|                           | <u>\$ 15,393</u>     | <u>\$ 9,940</u>     |

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**8. Lease Liabilities**

Lease liabilities consists of the following:

|                                    | <u>Interest Rate</u> | <u>Maturity</u>      | <u>September 30,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|------------------------------------|----------------------|----------------------|-------------------------------|------------------------------|
| Equipment - Preparation Plant (a)  | 11.0%                | September 2023       | \$ 597                        | \$ 783                       |
| Equipment - Preparation Plant (a)  | 11.0%                | December 2021        | 56                            | 215                          |
| Equipment - Surface                | 2.5% to 11%          | May 2022 - Aug. 2026 | 2,850                         | 3,161                        |
| Equipment - Information Technology | 11.0%                | July 2023            | 17                            | 22                           |
| Balance, end of period             |                      |                      | <u>3,520</u>                  | <u>4,181</u>                 |
| Less: Current portion              |                      |                      | <u>(1,342)</u>                | <u>(1,409)</u>               |
| Total long-term lease liabilities  |                      |                      | <u>\$ 2,178</u>               | <u>\$ 2,772</u>              |

(a) Contingent rent related to these lease obligations is payable if the equipment exceeds certain operating levels. The contingent rent recognized in the three and nine months ended September 30, 2021 was expense of \$33 and \$32, respectively. The contingent rent recognized in the three and nine months ended September 30, 2020 was income of \$64 and \$65, respectively. Contingent rent is included in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss).

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

|                                     |                 |
|-------------------------------------|-----------------|
| Less than 1 year                    | \$ 1,618        |
| 1-3 years                           | 2,038           |
| 4-5 years                           | 348             |
| Thereafter                          | —               |
| Total payments                      | <u>4,004</u>    |
| Less: Amounts representing interest | <u>(484)</u>    |
| Total finance lease obligations     | <u>\$ 3,520</u> |

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

|  | <u>For the three months ended<br/>September 30,</u> |             | <u>For the nine months ended<br/>September 30,</u> |             |
|--|---|-------------|--|-------------|
|  | <u>2021</u>   | <u>2020</u> | <u>2021</u>  | <u>2020</u> |
| Interest expense related to lease liabilities    | \$ 91   | \$ 121      | \$ 301   | \$ 322      |
| Total cash outflows related to lease liabilities | \$ 454  | \$ 426      | \$ 1,350   | \$ 1,118    |

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

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

|                                 | <b>Equipment</b>  |                   |                   |                | <b>Total</b>      |
|---------------------------------|-------------------|-------------------|-------------------|----------------|-------------------|
|                                 | <b>Plant</b>      | <b>Plant</b>      | <b>Surface</b>    | <b>IT</b>      |                   |
| <b>Gross Right-of-Use Asset</b> |                   |                   |                   |                |                   |
| Balance – January 1, 2020       | \$ 1,696          | \$ 2,200          | \$ 2,520          | \$ 37          | \$ 6,453          |
| Additions                       | —                 | —                 | 1,782             | —              | 1,782             |
| Balance – December 31, 2020     | 1,696             | 2,200             | 4,302             | 37             | 8,235             |
| Additions                       | —                 | —                 | 481               | —              | 481               |
| Balance – September 30, 2021    | <u>\$ 1,696</u>   | <u>\$ 2,200</u>   | <u>\$ 4,783</u>   | <u>\$ 37</u>   | <u>\$ 8,716</u>   |
| <b>Accumulated Amortization</b> |                   |                   |                   |                |                   |
| Balance – January 1, 2020       | \$ (1,017)        | \$ (603)          | \$ (502)          | \$ (11)        | \$ (2,133)        |
| Amortization                    | (339)             | (426)             | (787)             | (7)            | (1,559)           |
| Balance – December 31, 2020     | (1,356)           | (1,029)           | (1,289)           | (18)           | (3,692)           |
| Amortization                    | (255)             | (319)             | (725)             | (6)            | (1,305)           |
| Balance – September 30, 2021    | <u>\$ (1,611)</u> | <u>\$ (1,348)</u> | <u>\$ (2,014)</u> | <u>\$ (24)</u> | <u>\$ (4,997)</u> |
| <b>Net Book Value</b>           |                   |                   |                   |                |                   |
| December 31, 2020               | <u>\$ 340</u>     | <u>\$ 1,171</u>   | <u>\$ 3,013</u>   | <u>\$ 19</u>   | <u>\$ 4,543</u>   |
| September 30, 2021              | <u>\$ 85</u>      | <u>\$ 852</u>     | <u>\$ 2,769</u>   | <u>\$ 13</u>   | <u>\$ 3,719</u>   |

For the three and nine months ended September 30, 2021, amortization expense of \$439 and \$1,305, respectively, and \$416 and \$1,126, for the three and nine months ended September 30, 2020, respectively, related to the right-of-use assets, is included in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss).

## **9. Debt**

### **Revolving Credit Facility**

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

### **Loan Payable - 36<sup>th</sup> Street Facility**

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

### **Loan Payable - Main Street Facility**

On December 14, 2020, certain wholly-owned subsidiaries of the Company, as borrowers, entered into a five-year secured term loan with KeyBank for \$25 million (the “Main Street Facility”) through the Main Street Lending Program established by the board of governors of the U.S. Federal Reserve System. Under this program, lending is facilitated through a special purpose vehicle established by the Federal Reserve Bank of Boston which committed to purchase, on December 21, 2020, a participation interest equal to 95% of the Main Street Facility. The Main Street Facility bears interest, payable monthly, at LIBOR plus 3.00% and contains customary financial covenants as well as affirmative and negative covenants, including covenants that would restrict the ability to pay dividends, make distributions and transfer funds to the Canadian parent entity. Until the first anniversary of the closing date of the Main Street Facility, interest will be paid-in-kind (capitalized) and added to the principal balance thereof. The Main Street Facility is repayable on each of the third and fourth anniversaries of the closing date of the Main Street Facility in an amount equal to 15% of the principal amount, with the remaining balance due in full on the fifth anniversary of the closing date and is pre-payable at any time without any premium or penalty. In connection with the arrangement of the Main Street Facility, the borrowers paid a transaction fee, an origination fee and administration fees in the amount of \$720. The Main Street Facility is secured against certain real and personal property of the borrowers. The borrowers were in compliance with all financial covenants at September 30, 2021.



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The changes in the loan payable balance are as follows:

|                                    | 36 <sup>th</sup> Street Facility |                |                 | Main Street Facility |                 |                  |                  |
|------------------------------------|----------------------------------|----------------|-----------------|----------------------|-----------------|------------------|------------------|
|                                    | Unamortized                      |                |                 | Unamortized          |                 |                  |                  |
|                                    | Principal                        | Discount       | Total           | Principal            | Discount        | Total            | Total            |
| Balance - January 1, 2020          | \$ 10,982                        | \$ (124)       | \$ 10,858       | \$ —                 | \$ —            | \$ —             | \$ 10,858        |
| Initial borrowing                  | —                                | —              | —               | 25,000               | —               | 25,000           | 25,000           |
| Accrued interest                   | 980                              | —              | 980             | 20                   | —               | 20               | 1,000            |
| Interest paid                      | (980)                            | —              | (980)           | —                    | —               | —                | (980)            |
| Issuance costs                     | —                                | —              | —               | —                    | (720)           | (720)            | (720)            |
| Amortization of discount           | —                                | 34             | 34              | —                    | 6               | 6                | 40               |
| Principal repayment                | (2,610)                          | —              | (2,610)         | —                    | —               | —                | (2,610)          |
| Balance - December 31, 2020        | <u>\$ 8,372</u>                  | <u>\$ (90)</u> | <u>\$ 8,282</u> | <u>\$ 25,020</u>     | <u>\$ (714)</u> | <u>\$ 24,306</u> | <u>\$ 32,588</u> |
|                                    |                                  |                |                 |                      |                 |                  |                  |
|                                    | 36 <sup>th</sup> Street Facility |                |                 | Main Street Facility |                 |                  |                  |
|                                    | Unamortized                      |                |                 | Unamortized          |                 |                  |                  |
|                                    | Principal                        | Discount       | Total           | Principal            | Discount        | Total            | Total            |
| Balance - January 1, 2021          | \$ 8,372                         | \$ (90)        | \$ 8,282        | \$ 25,020            | \$ (714)        | \$ 24,306        | \$ 32,588        |
| Accrued interest                   | 486                              | —              | 486             | 597                  | —               | 597              | 1,083            |
| Interest paid                      | (486)                            | —              | (486)           | —                    | —               | —                | (486)            |
| Amortization of discount (note 17) | —                                | 25             | 25              | —                    | 107             | 107              | 132              |
| Principal repayment                | (3,396)                          | —              | (3,396)         | —                    | —               | —                | (3,396)          |
| Balance - September 30, 2021       | <u>\$ 4,976</u>                  | <u>\$ (65)</u> | <u>\$ 4,911</u> | <u>\$ 25,617</u>     | <u>\$ (607)</u> | <u>\$ 25,010</u> | <u>\$ 29,921</u> |
| Less: current portion              | <u>(3,238)</u>                   | <u>34</u>      | <u>(3,204)</u>  | <u>—</u>             | <u>—</u>        | <u>—</u>         | <u>(3,204)</u>   |
| Total long-term loan payable       | <u>\$ 1,738</u>                  | <u>\$ (31)</u> | <u>\$ 1,707</u> | <u>\$ 25,617</u>     | <u>\$ (607)</u> | <u>\$ 25,010</u> | <u>\$ 26,717</u> |

**Paycheck Protection Program Loans Payable**

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

In April 2020, two of Corsa’s U.S. subsidiaries, WCH and Wilson Creek Energy, LLC, entered into loan agreements under the Paycheck Protection Program providing for loans in an aggregate amount of \$8,353. The loan agreements are with KeyBank, as lender, and include standard terms and conditions under the Paycheck Protection Program. The Company used the funds as contemplated under the Paycheck Protection Program and previously expected \$7,227 to be forgiven and has recognized the expected grant income in the three and nine months ended September 30, 2020 in other income and expense in the condensed interim consolidated statements of operations and comprehensive income (loss). In the three months ended September 30, 2021, both loans were fully forgiven and the remaining \$1,126 was recognized as grant income in the three and nine months ended September 30, 2021.

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**10. Other Liabilities**

Other liabilities consist of the following:

|  | <b>September 30,</b> | <b>December 31,</b> |
|--|----------------------|---------------------|
|  | <b>2021</b>          | <b>2020</b>         |
| Workers' compensation provision (a)            | \$ 5,995             | \$ 6,446            |
| Transportation contract liquidated damages (b) | 101                  | 394                 |
| Other (c)                                      | 52                   | 251                 |
|  | 6,148                | 7,091               |
| Less: current portion (a,b,c)                  | (1,096)              | (1,625)             |
| Total Other Liabilities                        | <u>\$ 5,052</u>      | <u>\$ 5,466</u>     |

- (a) The provision relates to workers' compensation and occupational disease claims that have not yet been paid by the Company. The estimates use an actuarial valuation approach based on historical claims and known events, where such estimates may differ materially from the estimates used herein. The balance that is expected to be settled within the next twelve months is \$943. The Company has established separate trust funds with its insurance carriers to pay potential awards and claims related to workers' compensation claims (note 5).
- (b) The Company's subsidiary, PBS Coals, Inc., had contractual agreements with a transportation provider, which indicated minimum levels of coal to be shipped via rail over an expired contract period, which was not met. Corsa acquired these contractual agreements as a result of an acquisition. The balance that is expected to be settled within the next twelve months is \$101.
- (c) Other includes various accruals based on management's best estimate of other matters, all of which are expected to be settled within the next twelve months.

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**11. Reclamation and Water Treatment Provision**

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

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

|   | <b>Site<br/>Reclamation and<br/>Remediation (a)</b> | <b>Water<br/>Treatment<br/>Obligation (b)</b> | <b>Total</b>     |
|---|---|---|------------------|
| Balance - January 1, 2020                           | \$ 33,848   | \$ 25,323                                     | \$ 59,171        |
| Costs incurred                                      | (1,445)   | (1,806)                                       | (3,251)          |
| Change in estimate                                  | 3,866   | 6,597   | 10,463           |
| Accretion expense                                   | 640   | 486   | 1,126            |
|   | <u>3,061</u>  | <u>5,277</u>                                  | <u>8,338</u>     |
| Balance - December 31, 2020                         | \$ 36,909   | \$ 30,600                                     | \$ 67,509        |
| Costs incurred                                      | (1,392)   | (1,535)                                       | (2,927)          |
| Change in estimate                                  | 72  | —   | 72               |
| Accretion expense (note 17)                         | 219   | 195   | 414              |
|   | <u>(1,101)</u>                                      | <u>(1,340)</u>                                | <u>(2,441)</u>   |
| Balance - September 30, 2021                        | \$ 35,808   | \$ 29,260                                     | \$ 65,068        |
| Less: current portion                               | <u>(1,229)</u>                                      | <u>(1,417)</u>                                | <u>(2,646)</u>   |
| Long-Term Reclamation and Water Treatment Provision | <u>\$ 34,579</u>                                    | <u>\$ 27,843</u>                              | <u>\$ 62,422</u> |
| Estimated costs (undiscounted cash flow basis)      | <u>\$ 32,220</u>                                    | <u>\$ 26,277</u>                              | <u>\$ 58,497</u> |
| End of reclamation period                           | <u>1-21 years</u>                                   | <u>Perpetual</u>                              |                  |
| Discount rate                                       | <u>0.10%-1.47%</u>                                  | <u>0.10%-1.45%</u>                            |                  |
| Inflation rate                                      | <u>2.0%</u>   | <u>2.0%</u>                                   |                  |

(a) Site reclamation and remediation

- (i) The current portion represents the amount of costs expected to be incurred by the Company within one year from September 30, 2021.
- (ii) At September 30, 2021, the Company had \$64,967 in surety bonds outstanding to secure reclamation obligations.

(b) Water treatment obligation

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

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

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

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

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

## **12. Share Capital**

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

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

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**13. Revenue**

Revenue consists of the following:

|                          | For the three months ended |                  | For the nine months ended |                   |
|--------------------------|----------------------------|------------------|---------------------------|-------------------|
|                          | September 30,              |                  | September 30,             |                   |
|                          | 2021                       | 2020             | 2021                      | 2020              |
| Metallurgical coal sales | \$ 35,169                  | \$ 22,474        | \$ 88,104                 | \$ 108,996        |
| Thermal coal sales       | 375                        | 496              | 1,594                     | 705               |
| Tolling revenue          | 493                        | 348              | 949                       | 1,250             |
| Limestone sales          | 343                        | 268              | 778                       | 700               |
|                          | <u>\$ 36,380</u>           | <u>\$ 23,586</u> | <u>\$ 91,425</u>          | <u>\$ 111,651</u> |

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

|                                       | For the three months ended |                  | For the nine months ended |                   |
|---------------------------------------|----------------------------|------------------|---------------------------|-------------------|
|                                       | September 30,              |                  | September 30,             |                   |
|                                       | 2021                       | 2020             | 2021                      | 2020              |
| Revenue from contracts with customers | \$ 36,014                  | \$ 23,281        | \$ 90,495                 | \$ 110,760        |
| Revenue from other sources            | 366                        | 305              | 930                       | 891               |
|                                       | <u>\$ 36,380</u>           | <u>\$ 23,586</u> | <u>\$ 91,425</u>          | <u>\$ 111,651</u> |

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

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

| Geographic Region                           | For the three months ended September 30, 2021 |               |               |                  |
|---|---|---------------|---------------|------------------|
|   | Metallurgical                                 | Thermal       | Tolling       | Total            |
|   | Coal  | Coal          | Revenue       |                  |
| Asia  | \$ 16,596                                     | \$ —          | \$ —          | \$ 16,596        |
| United States                               | 12,902  | 352           | 493           | 13,747           |
| Europe                                      | 5,671   | —             | —             | 5,671            |
| Total revenue from contracts with customers | <u>\$ 35,169</u>                              | <u>\$ 352</u> | <u>\$ 493</u> | <u>\$ 36,014</u> |

| Geographic Region                           | For the three months ended September 30, 2020 |               |               |                  |
|---|---|---------------|---------------|------------------|
|   | Metallurgical                                 | Thermal       | Tolling       | Total            |
|   | Coal  | Coal          | Revenue       |                  |
| Asia  | \$ 4,312                                      | \$ —          | \$ —          | \$ 4,312         |
| United States                               | 7,308   | 459           | 348           | 8,115            |
| South America                               | 10,854  | —             | —             | 10,854           |
| Total revenue from contracts with customers | <u>\$ 22,474</u>                              | <u>\$ 459</u> | <u>\$ 348</u> | <u>\$ 23,281</u> |

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| Geographic Region                           | For the nine months ended September 30, 2021 |                 |               |                  |
|---|--|-----------------|---------------|------------------|
|   | Metallurgical                                | Thermal         | Tolling       | Total            |
|   | Coal   | Coal            | Revenue       |                  |
| Asia  | \$ 35,585                                    | \$ —            | \$ —          | \$ 35,585        |
| United States                               | 46,848                                       | 1,442           | 949           | 49,239           |
| Europe                                      | 5,671  | —               | —             | 5,671            |
| Total revenue from contracts with customers | <u>\$ 88,104</u>                             | <u>\$ 1,442</u> | <u>\$ 949</u> | <u>\$ 90,495</u> |

| Geographic Region                           | For the nine months ended September 30, 2020 |               |                 |                   |
|---|--|---------------|-----------------|-------------------|
|   | Metallurgical                                | Thermal       | Tolling         | Total             |
|   | Coal   | Coal          | Revenue         |                   |
| Asia  | \$ 43,538                                    | \$ —          | \$ —            | \$ 43,538         |
| United States                               | 37,123                                       | 514           | 1,250           | 38,887            |
| South America                               | 27,213                                       | —             | —               | 27,213            |
| Europe                                      | 1,122  | —             | —               | 1,122             |
| Total revenue from contracts with customers | <u>\$ 108,996</u>                            | <u>\$ 514</u> | <u>\$ 1,250</u> | <u>\$ 110,760</u> |

#### 14. Cost of Sales

Cost of sales consists of the following:

|   | For the three months ended |                  | For the nine months ended |                   |
|---|----------------------------|------------------|---------------------------|-------------------|
|   | September 30,              |                  | September 30,             |                   |
|   | 2021                       | 2020             | 2021                      | 2020              |
| Mining and processing costs                             | \$ 24,628                  | \$ 21,012        | \$ 64,685                 | \$ 66,147         |
| Purchased coal costs                                    | 1,529                      | 39               | 4,002                     | 13,613            |
| Royalty expense   | 1,775                      | 1,509            | 4,222                     | 5,204             |
| Amortization expense                                    | 4,670                      | 4,966            | 12,726                    | 16,490            |
| Transportation costs from preparation plant to customer | 1,570                      | 3,426            | 4,294                     | 12,835            |
| Idle mine expense                                       | 190                        | 129              | 493                       | 294               |
| Tolling costs   | 281                        | 221              | 518                       | 793               |
| Limestone costs   | 282                        | (24)             | 708                       | 316               |
| Change in estimate of reclamation provision             | —                          | —                | —                         | 278               |
| Write-off of advance royalties and other assets         | —                          | 65               | —                         | 484               |
| Other costs   | 523                        | 661              | 590                       | 1,048             |
| Cost of sales   | <u>35,448</u>              | <u>32,004</u>    | <u>92,238</u>             | <u>117,502</u>    |
| Cost of sales - asset impairment                        | —                          | —                | —                         | 41,684            |
| <b>Total cost of sales</b>                              | <u>\$ 35,448</u>           | <u>\$ 32,004</u> | <u>\$ 92,238</u>          | <u>\$ 159,186</u> |

### 15. Selling, General and Administrative Expense

Selling, general and administrative expense consists of the following:

|                                 | For the three months ended |                 | For the nine months ended |                 |
|---------------------------------|----------------------------|-----------------|---------------------------|-----------------|
|                                 | September 30,              |                 | September 30,             |                 |
|                                 | 2021                       | 2020            | 2021                      | 2020            |
| Salaries and other compensation | \$ 1,047                   | \$ 996          | \$ 2,982                  | \$ 3,134        |
| Employee benefits               | 304                        | 281             | 712                       | 768             |
| Selling expense                 | 122                        | 222             | 349                       | 334             |
| Professional fees               | 409                        | 623             | 1,407                     | 1,586           |
| Office expenses and insurance   | 334                        | 340             | 874                       | 1,043           |
| Other                           | 77                         | 45              | 199                       | 195             |
|                                 | <u>\$ 2,293</u>            | <u>\$ 2,507</u> | <u>\$ 6,523</u>           | <u>\$ 7,060</u> |

### 16. Stock-Based Compensation

The Company has a stock option plan and a restricted share unit (“RSU”) plan providing for the issuance of stock options and RSUs, respectively, to directors, officers, employees and service providers. The number of Common Shares reserved for issuance under the stock option plan may not exceed 10% of the total number of issued and outstanding Common Shares on a non-diluted basis on the grant date. Additionally, the number of Common Shares that may be acquired under a stock option or RSU granted to a certain participant is determined by the Company’s Board of Directors and may not exceed 5% of the total number of issued and outstanding Common Shares on the grant date on a non-diluted basis. The exercise price of the stock options granted shall comply with the requirements of the stock exchange on which the Common Shares are listed (currently the TSX Venture Exchange). The maximum term of any stock option may not exceed five years unless approved by the Company’s Board of Directors. Generally, stock options vest over three years. Each RSU granted entitles the participant to receive, from the Company, payment in cash or, at the option of the Company, payment in fully paid Common Shares. For a cash payment, the RSUs will be redeemed by the Company for cash equal to the market value of the Common Shares, determined based on the volume weighted average trading price of a Common Share on the stock exchange during the five trading days immediately preceding the payment date. In the event that the Company elects to satisfy all or part of its payment obligation in fully paid Common Shares, the Company will satisfy the payment obligation with the issuance, or delivery, of fully paid Common Shares on the payment date. No RSUs have been granted, including during the three and nine months ended September 30, 2021 and 2020. At September 30, 2021 and 2020, there were 5,308,258 and 2,199,291 stock options available for issuance under the stock option plan, respectively.

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

|                              | Number of<br>Stock Options<br>(000’s) | Weighted<br>Average<br>Exercise Price<br>(C\$) |
|------------------------------|---------------------------------------|--|
| Balance - January 1, 2020    | 7,959                                 | \$1.08   |
| Options cancelled/forfeited  | (1,233)                               | 1.11   |
| Options expired              | (1,449)                               | 1.00   |
| Balance - December 31, 2020  | 5,277                                 | 1.09   |
| Options granted              | 150                                   | 0.45   |
| Options cancelled/forfeited  | (70)                                  | 1.08   |
| Options expired              | (338)                                 | 1.40   |
| Balance - September 30, 2021 | <u>5,019</u>                          | <u>\$1.05</u>                                  |

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

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

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

|                                  | <b>For the three months ended</b> |             | <b>For the nine months ended</b> |             |
|----------------------------------|-----------------------------------|-------------|----------------------------------|-------------|
|                                  | <b>September 30,</b>              |             | <b>September 30,</b>             |             |
|                                  | <b>2021</b>                       | <b>2020</b> | <b>2021</b>                      | <b>2020</b> |
| Stock-based compensation expense | \$ 47                             | \$ 131      | \$ 126                           | \$ 296      |



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**17. Finance (Expense) and Income**

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

|  | For the three months ended |          | For the nine months ended |            |
|--|----------------------------|----------|---------------------------|------------|
|  | September 30,              |          | September 30,             |            |
|  | 2021                       | 2020     | 2021                      | 2020       |
| <b>Finance expense</b>   |                            |          |                           |            |
| Amortization of discount on loan payable (note 9)                | \$ (44)                    | \$ (9)   | \$ (132)                  | \$ (26)    |
| Amortization of Revolving Credit Facility fees                   | (75)                       | (62)     | (145)                     | (133)      |
| Bond premium expense   | (653)                      | (487)    | (1,630)                   | (1,364)    |
| Interest expense   | (611)                      | (433)    | (1,931)                   | (1,539)    |
| Foreign exchange loss  | —                          | (7)      | —                         | (12)       |
| Accretion on reclamation and water treatment provision (note 11) | (139)                      | (283)    | (414)                     | (843)      |
| Income (loss) on restricted investments                          | —                          | 1,164    | —                         | (159)      |
| Total finance (expense) income                                   | \$ (1,522)                 | \$ (117) | \$ (4,252)                | \$ (4,076) |
| <b>Finance income</b>  |                            |          |                           |            |
| Interest income  | \$ 1                       | \$ 2     | \$ 1                      | \$ 26      |
| Foreign exchange gain  | (6)                        | —        | 2                         | —          |
| Income on restricted investments                                 | (154)                      | —        | 1,320                     | —          |
| Total finance income   | \$ (159)                   | \$ 2     | \$ 1,323                  | \$ 26      |
| Net finance (expense) income                                     | \$ (1,681)                 | \$ (115) | \$ (2,929)                | \$ (4,050) |

**18. Other Income and Expense**

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

|  | For the three months ended |          | For the nine months ended |          |
|--|----------------------------|----------|---------------------------|----------|
|  | September 30,              |          | September 30,             |          |
|  | 2021                       | 2020     | 2021                      | 2020     |
| Employee retention credit (note 3)           | \$ 2,458                   | \$ —     | \$ 6,867                  | \$ —     |
| PPP grant income (note 9)                    | 1,126                      | 7,227    | 1,126                     | 7,227    |
| Filter cake sales and refuse disposal income | 256                        | 187      | 656                       | 312      |
| Gain on property dispositions                | 94                         | —        | 232                       | —        |
| Royalty income                               | 32                         | 29       | 94                        | 220      |
| Other  | 9                          | 18       | (57)                      | 294      |
|  | \$ 3,975                   | \$ 7,461 | \$ 8,918                  | \$ 8,053 |

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**19. Earnings per Share**

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

|  | <b>For the three months ended</b> |             | <b>For the nine months ended</b> |             |
|--|-----------------------------------|-------------|----------------------------------|-------------|
|  | <b>September 30,</b>              |             | <b>September 30,</b>             |             |
|  | <b>2021</b>                       | <b>2020</b> | <b>2021</b>                      | <b>2020</b> |
| Basic and diluted loss attributable to common shareholders           | \$ 933                            | \$ (3,590)  | \$ (1,206)                       | \$ (44,129) |
| Basic weighted average number of Common Shares outstanding (000's)   | 103,275                           | 94,759      | 98,596                           | 94,759      |
| Dilutive effect of stock options (000's)                             | 446                               | —           | —                                | —           |
| Diluted weighted average number of Common Shares outstanding (000's) | 103,721                           | 94,759      | 98,596                           | 94,759      |
| Basic earnings (loss) per share                                      | \$ 0.01                           | \$ (0.04)   | \$ (0.01)                        | \$ (0.47)   |
| Diluted earnings (loss) per share                                    | \$ 0.01                           | \$ (0.04)   | \$ (0.01)                        | \$ (0.47)   |

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

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**20. Supplemental Cash Flow Information**

|   | For the three months ended |                   | For the nine months ended |                   |
|---|----------------------------|-------------------|---------------------------|-------------------|
|   | September 30,              |                   | September 30,             |                   |
|   | 2021                       | 2020              | 2021                      | 2020              |
| Change in working capital balances related to operations: |                            |                   |                           |                   |
| Accounts receivable                                       | \$ (2,691)                 | \$ (6,514)        | \$ (11,082)               | \$ 16,585         |
| Prepaid expenses and other current assets                 | 324                        | 334               | 1,783                     | 2,960             |
| Inventories   | 3,406                      | 4,734             | 714                       | 2,468             |
| Accounts payable and accrued liabilities                  | (1,200)                    | (2,167)           | 4,004                     | (11,453)          |
| Other liabilities   | (101)                      | (209)             | (493)                     | (749)             |
|   | <u>\$ (262)</u>            | <u>\$ (3,822)</u> | <u>\$ (5,074)</u>         | <u>\$ 9,811</u>   |
| Cash paid for interest                                    | <u>\$ 410</u>              | <u>\$ 433</u>     | <u>\$ 1,336</u>           | <u>\$ 1,589</u>   |
| Cash paid (received) for income taxes                     | <u>\$ —</u>                | <u>\$ (1,291)</u> | <u>\$ —</u>               | <u>\$ (1,291)</u> |
| Noncash investing and financing activities:               |                            |                   |                           |                   |
| Lease liabilities   |                            |                   |                           |                   |
| Change in assets  | <u>\$ 387</u>              | <u>\$ 941</u>     | <u>\$ 387</u>             | <u>\$ 1,782</u>   |
| Change in liabilities                                     | <u>\$ 387</u>              | <u>\$ 941</u>     | <u>\$ 387</u>             | <u>\$ 1,782</u>   |
| Purchase of property, plant and equipment                 |                            |                   |                           |                   |
| Change in assets  | <u>\$ 1,518</u>            | <u>\$ 165</u>     | <u>\$ 1,449</u>           | <u>\$ 275</u>     |
| Change in liabilities                                     | <u>\$ 1,518</u>            | <u>\$ 165</u>     | <u>\$ 1,449</u>           | <u>\$ 275</u>     |
| Change in estimate of reclamation liability               |                            |                   |                           |                   |
| Change in assets  | <u>\$ 72</u>               | <u>\$ —</u>       | <u>\$ 72</u>              | <u>\$ —</u>       |
| Change in liabilities                                     | <u>\$ 72</u>               | <u>\$ —</u>       | <u>\$ 72</u>              | <u>\$ —</u>       |

**21. Related Party Transactions**

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

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

|                        | For the three months ended |                 | For the nine months ended |                 |
|------------------------|----------------------------|-----------------|---------------------------|-----------------|
|                        | September 30,              |                 | September 30,             |                 |
|                        | 2021                       | 2020            | 2021                      | 2020            |
| Coal sales (a)         | \$ —                       | \$ 1,382        | \$ 2,275                  | \$ 1,382        |
| Supplies purchased (b) | (34)                       | (54)            | (105)                     | (128)           |
|                        | <u>\$ (34)</u>             | <u>\$ 1,328</u> | <u>\$ 2,170</u>           | <u>\$ 1,254</u> |

- (a) During the nine months ended September 30, 2021 and 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

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the Company's minority shareholder, Sev.en, on June 1, 2020. These amounts were included in revenue in the condensed interim consolidated financial statements of operations and comprehensive income (loss).

- (b) During the three and nine months ended September 30, 2021 and 2020, the Company purchased supplies used in the coal separation process from Quality Magnetite, which is significantly influenced by key management personnel of QEP. These amounts were included in cost of sales in the condensed interim consolidated statements of operations and comprehensive income (loss).

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

## 22. Segment Information

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

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

|  | <b>For the three months ended September 30, 2021</b> |                   |               |
|--|--|-------------------|---------------|
|  | <b>NAPP</b>  | <b>Corporate</b>  | <b>Total</b>  |
| Revenues                                     | \$ 36,380  | \$ —              | \$ 36,380     |
| Cost of sales                                | (35,448)   | —                 | (35,448)      |
| <b>Gross income (loss)</b>                   | 932  | —                 | 932           |
| Selling, general and administrative expenses | (1,393)  | (900)             | (2,293)       |
| <b>Loss from operations</b>                  | (461)  | (900)             | (1,361)       |
| Finance expense                              | (1,049)  | (473)             | (1,522)       |
| Finance (loss) income                        | (154)  | (5)               | (159)         |
| Other income                                 | 3,877  | 98                | 3,975         |
| <b>Income (loss) before tax</b>              | 2,213  | (1,280)           | 933           |
| Current income tax expense                   | —  | —                 | —             |
| Deferred income tax expense                  | —  | —                 | —             |
| Provision for income taxes                   | —  | —                 | —             |
| <b>Net income (loss)</b>                     | <u>\$ 2,213</u>                                      | <u>\$ (1,280)</u> | <u>\$ 933</u> |

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**For the three and nine months ended September 30, 2021 and 2020**  
**Expressed in United States dollars, amounts in thousands except for shares and per share amounts**

|  | <b>For the three months ended September 30, 2020</b> |                   |                   |
|--|--|-------------------|-------------------|
|  | <b>NAPP</b>  | <b>Corporate</b>  | <b>Total</b>      |
| Revenues                                     | \$ 23,586  | \$ —              | \$ 23,586         |
| Cost of sales                                | (32,004)   | —                 | (32,004)          |
| Cost of sales - asset impairment             | —  | —                 | —                 |
| Total cost of sales                          | (32,004)   | —                 | (32,004)          |
| <b>Gross loss</b>                            | <b>(8,418)</b>                                       | <b>—</b>          | <b>(8,418)</b>    |
| Selling, general and administrative expenses | (1,587)  | (920)             | (2,507)           |
| <b>Loss from operations</b>                  | <b>(10,005)</b>                                      | <b>(920)</b>      | <b>(10,925)</b>   |
| Finance income (expense)                     | 241  | (358)             | (117)             |
| Finance income                               | 2  | —                 | 2                 |
| Other income                                 | 7,212  | 249               | 7,461             |
| <b>Loss before tax</b>                       | <b>(2,550)</b>                                       | <b>(1,029)</b>    | <b>(3,579)</b>    |
| Current income tax (benefit) expense         | —  | —                 | —                 |
| Deferred income tax expense                  | —  | —                 | —                 |
| Provision for income taxes                   | —  | —                 | —                 |
| <b>Net loss</b>                              | <b>\$ (2,550)</b>                                    | <b>\$ (1,029)</b> | <b>\$ (3,579)</b> |

|  | <b>For the nine months ended September 30, 2021</b> |                   |                   |
|--|---|-------------------|-------------------|
|  | <b>NAPP</b>   | <b>Corporate</b>  | <b>Total</b>      |
| Revenues                                     | \$ 91,425   | \$ —              | \$ 91,425         |
| Cost of sales                                | (92,238)  | —                 | (92,238)          |
| <b>Gross loss</b>                            | <b>(813)</b>  | <b>—</b>          | <b>(813)</b>      |
| Selling, general and administrative expenses | (3,768)   | (2,755)           | (6,523)           |
| <b>Loss from operations</b>                  | <b>(4,581)</b>                                      | <b>(2,755)</b>    | <b>(7,336)</b>    |
| Finance expense                              | (2,841)   | (1,411)           | (4,252)           |
| Finance income                               | 1,320   | 3                 | 1,323             |
| Other income                                 | 8,820   | 98                | 8,918             |
| <b>Income (loss) before tax</b>              | <b>2,718</b>  | <b>(4,065)</b>    | <b>(1,347)</b>    |
| Current income tax expense                   | —   | —                 | —                 |
| Deferred income tax expense                  | —   | —                 | —                 |
| Provision for income taxes                   | —   | —                 | —                 |
| <b>Net income (loss)</b>                     | <b>\$ 2,718</b>                                     | <b>\$ (4,065)</b> | <b>\$ (1,347)</b> |

**Corsa Coal Corp.**  
**Notes to Unaudited Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2021 and 2020**  
**Expressed in United States dollars, amounts in thousands except for shares and per share amounts**

|  | <b>For the nine months ended September 30, 2020</b> |                   |                    |
|--|---|-------------------|--------------------|
|  | <b>NAPP</b>   | <b>Corporate</b>  | <b>Total</b>       |
| Revenues                                     | \$ 111,651  | \$ —              | \$ 111,651         |
| Cost of sales                                | (117,502)   | —                 | (117,502)          |
| Cost of sales - asset impairment             | (41,684)  | —                 | (41,684)           |
| Total cost of sales                          | (159,186)   | —                 | (159,186)          |
| <b>Gross loss</b>                            | <b>(47,535)</b>                                     | <b>—</b>          | <b>(47,535)</b>    |
| Selling, general and administrative expenses | (4,560)   | (2,500)           | (7,060)            |
| <b>Loss from operations</b>                  | <b>(52,095)</b>                                     | <b>(2,500)</b>    | <b>(54,595)</b>    |
| Finance expense                              | (2,909)   | (1,167)           | (4,076)            |
| Finance income                               | 26  | —                 | 26                 |
| Other income                                 | 7,805   | 248               | 8,053              |
| <b>Loss before tax</b>                       | <b>(47,173)</b>                                     | <b>(3,419)</b>    | <b>(50,592)</b>    |
| Current income tax (benefit) expense         | —   | 89                | 89                 |
| Deferred income tax expense                  | —   | —                 | —                  |
| Provision for income taxes                   | —   | 89                | 89                 |
| <b>Net loss</b>                              | <b>\$ (47,173)</b>                                  | <b>\$ (3,508)</b> | <b>\$ (50,681)</b> |

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

|                    | <b>For the three months ended</b> |               |              | <b>For the three months ended</b> |               |              |
|--------------------|-----------------------------------|---------------|--------------|-----------------------------------|---------------|--------------|
|                    | <b>September 30, 2021</b>         |               |              | <b>September 30, 2020</b>         |               |              |
|                    | <b>USA</b>                        | <b>Canada</b> | <b>Total</b> | <b>USA</b>                        | <b>Canada</b> | <b>Total</b> |
| Revenue            | \$ 36,380                         | \$ —          | \$ 36,380    | \$ 23,586                         | \$ —          | \$ 23,586    |
| Net income (loss)  | \$ 1,113                          | \$ (180)      | \$ 933       | \$ (2,932)                        | \$ (647)      | \$ (3,579)   |
|                    | <b>For the nine months ended</b>  |               |              | <b>For the nine months ended</b>  |               |              |
|                    | <b>September 30, 2021</b>         |               |              | <b>September 30, 2020</b>         |               |              |
|                    | <b>USA</b>                        | <b>Canada</b> | <b>Total</b> | <b>USA</b>                        | <b>Canada</b> | <b>Total</b> |
| Revenue            | \$ 91,425                         | \$ —          | \$ 91,425    | \$ 111,651                        | \$ —          | \$ 111,651   |
| Net loss           | \$ (865)                          | \$ (482)      | \$ (1,347)   | \$ (49,075)                       | \$ (1,606)    | \$ (50,681)  |
|                    | <b>At September 30, 2021</b>      |               |              | <b>At December 31, 2020</b>       |               |              |
|                    | <b>USA</b>                        | <b>Canada</b> | <b>Total</b> | <b>USA</b>                        | <b>Canada</b> | <b>Total</b> |
| Non-current assets | \$ 162,752                        | \$ —          | \$ 162,752   | \$ 167,638                        | \$ —          | \$ 167,638   |
| Total assets       | \$ 206,332                        | \$ 214        | \$ 206,546   | \$ 210,126                        | \$ 26         | \$ 210,152   |
| Total liabilities  | \$ 119,974                        | \$ 76         | \$ 120,050   | \$ 122,319                        | \$ 116        | \$ 122,435   |

### **23. Commitments and Contingencies**

#### *Litigation*

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

#### *Contingent Liability - Sales Agent Matter*

In September 2020, the Company learned that an overseas third-party sales agent had been charged in an overseas jurisdiction in connection with allegedly unlawful benefits given to a representative of an overseas customer in relation to the sale of coal from operations of U.S. subsidiaries of the Company. A special committee of the Board of Directors of the Company (the "Special Committee") was promptly constituted, and the Special Committee engaged outside legal counsel to conduct an independent investigation as to whether any employees of the Company or any of its subsidiaries were aware of, or involved in, the alleged conduct and whether any such knowledge or involvement may have given rise to a violation of anti-corruption laws by the Company or any of its subsidiaries. On the basis of preliminary findings resulting from such investigation, the Company has taken corrective action to minimize risk. Furthermore, the Company reported the matter to the U.S. Department of Justice and the Royal Canadian Mounted Police, which are conducting investigations. The Company and its subsidiaries are cooperating with these investigations.

At this time, no charges have been brought against the Company, any of its subsidiaries, or any employees thereof in any jurisdiction in respect of this matter. The risks associated with any charges that may be brought against any such entity or any related processes are uncertain. However, such risks may include resulting fines and penalties, as well as the disgorgement of profits on revenues received from the overseas customer. A range of potential exposure to the Company and its subsidiaries is uncertain and is not presently determinable.

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

#### *Contingent Receivable - A Seam Condemnation*

PBS filed five Petitions for the Appointment of Board of Viewers (each a "Petition") for the determination of all damages suffered by PBS, other than for the loss of support, in connection with the taking of leased land by the Pennsylvania Department of Transportation ("PennDOT"). Each Petition was in connection with a different property in which PBS held a leasehold interest at the time of condemnation by PennDOT or at the time when the coal was taken but no Declaration of Taking was filed by PennDOT. Three of the cases involve Declarations of Taking filed by PennDOT, also known as De Jure Condemnations, and two of the properties involve De Facto Takings, where no Declaration of Taking was filed by PennDOT but the coal was in effect taken by actions relating to the construction of the road. In one of the De Facto Taking cases, the issue of whether or not a taking occurred was resolved in favor of PBS by the Pennsylvania Commonwealth Court, but on January 20, 2021, the Pennsylvania Supreme Court reversed the Commonwealth Court on this issue. The Pennsylvania Supreme Court, though, left open the possibility that PBS can prove consequential damages in this case due to PennDOT's action of cutting off access to this coal property. PBS requested reconsideration by the Pennsylvania Supreme Court of its decision but this request was denied. Therefore, on July 19, 2021, PBS filed a petition asking the United States Supreme Court to grant PBS certiorari to review the case. On October 4, 2021, the United States Supreme Court denied PBS' Petition for Certiorari. Therefore, PBS has asked the Court of Common Pleas of Somerset County to move forward in determining PBS' consequential damage claim. In the second De Facto Taking case, the matter is awaiting hearing on the issue of whether or not a De Facto Taking occurred and if so, the extent. As to the three De Jure Taking cases, further proceedings are being planned in the form of Board of View hearings. As such, the Company has not recognized this contingent receivable and cannot provide a reasonable estimate for the potential magnitude of these claims.