



Corsa Coal Corp.
Management's Discussion and Analysis
September 30, 2022

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For the three and nine months ended September 30, 2022

The purpose of the Corsa Coal Corp. (“Corsa” or the “Company”) Management’s Discussion and Analysis (“MD&A”) for the three and nine months ended September 30, 2022 is to provide a narrative explanation of Corsa’s operating and financial results for the period, Corsa’s financial condition at the end of the period and Corsa’s future prospects. This MD&A is intended to be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022 and 2021 and the related notes thereto and the audited consolidated financial statements for the years ended December 31, 2021 and 2020 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022 and 2021 have been prepared in accordance with IFRS 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). Unless otherwise indicated, all dollar amounts in this MD&A are expressed in United States dollars, all tonnage amounts are short tons (2,000 pounds per ton) and all amounts are shown in thousands. Pricing and cost per ton information is expressed on a free on board (“FOB”) mine site basis. Please refer to “Cautionary Statement Regarding Forward-Looking Statements” and “Cautionary Statement Regarding Certain Measures of Performance.” This MD&A is dated as of November 2, 2022.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

CAUTIONARY STATEMENT REGARDING CERTAIN MEASURES OF PERFORMANCE

This MD&A presents certain measures, including “EBITDA”; “Adjusted EBITDA”; “realized price per ton sold”; “cash production cost per ton sold”; “cash cost per ton sold”; “cash cost purchased coal per ton sold”, and “cash margin per ton sold”, that are not recognized measures under IFRS. This data may not be comparable to data presented by other coal producers. For a definition and reconciliation of these measures to the most directly comparable financial information presented in the consolidated financial statements prepared in accordance with IFRS, see “Non-GAAP Financial Measures” starting on page 23 of this MD&A. The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in performing year-over-year comparisons. However, these non-GAAP measures should be considered together with other data prepared in accordance with IFRS, and these measures, taken by themselves, are not necessarily indicative of operating costs or cash flow measures prepared in accordance with IFRS.

SCIENTIFIC AND TECHNICAL INFORMATION

All scientific and technical information contained in this MD&A has been reviewed and approved by David E. Yingling, Professional Engineer and the Company’s mining engineer, who is a qualified person within the meaning of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

- Key financial results and operational statistics are shown below:

<i>(in millions except per share, per ton and sales tons)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Net and comprehensive (loss) income	\$(4.5)	\$0.9	\$(11.4)	\$(1.3)
Diluted (loss) earnings per share	\$(0.04)	\$0.01	\$(0.11)	\$(0.01)
Cash provided by operating activities	\$1.8	\$4.2	\$8.0	\$3.0
Total revenue	\$45.9	\$36.4	\$127.0	\$91.4
Non-GAAP Financial Measures				
Adjusted EBITDA ⁽¹⁾	\$1.3	\$4.1	\$9.3	\$7.0
EBITDA ⁽¹⁾	\$(0.7)	\$6.2	\$(0.2)	\$13.3
Average realized price per ton of metallurgical coal sold ⁽¹⁾	\$158.39	\$112.75	\$159.70	\$97.46
Cash production cost per ton sold ⁽¹⁾	\$136.95	\$92.24	\$131.22	\$83.00
Company produced metallurgical coal sales tons	230,260	286,678	635,800	828,260
Purchased metallurgical coal sales tons	37,786	11,760	103,277	31,833
Total metallurgical coal sales tons	<u>268,046</u>	<u>298,438</u>	<u>739,077</u>	<u>860,093</u>

- Corsa's average realized price for the third quarter 2022 is the approximate equivalent of between \$224 to \$230 per metric ton on an FOB vessel basis⁽²⁾. For the third quarter 2022, Corsa's sales mix included 45% of sales to domestic customers and 55% of sales to international customers.

⁽¹⁾ This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" starting on page 23 of this MD&A.

⁽²⁾ Similar to most U.S. metallurgical coal producers, Corsa reports sales and costs per ton on an FOB mine site basis and denominated in short tons. Many international metallurgical coal producers report prices and costs on a delivered-to-the-port basis (or "FOB vessel basis"), thereby including freight costs between the mine and the port. Additionally, Corsa reports sales and costs per short ton, which is approximately 10% lower than a metric ton. For the purposes of this figure, we have used an illustrative freight rate of \$45-\$50 per short ton. Historically, freight rates rise and fall as market prices rise and fall. As a note, most published indices for metallurgical coal report prices on a delivered-to-the-port basis and denominated in metric tons.

BUSINESS OVERVIEW

Corsa is one of the leading United States suppliers of premium quality metallurgical coal, an essential ingredient in the production of steel. Corsa's core business is supplying premium quality metallurgical coal to domestic and international steel and coke producers. As of the date of this MD&A, Corsa produces coal from five mines, operates two preparation plants (the Cambria Plant and the Shade Creek Plant) and has approximately 360 employees. Corsa's common shares ("Common Shares") are listed on the TSX Venture Exchange under the symbol "CSO". The Common Shares also trade on the OTCQX Best Market under the symbol "CRSXF".

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

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

NAPP Division

Mines

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

Preparation Plants

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

Growth Projects

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

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

COAL PRICING TRENDS AND OUTLOOK

Price levels opened the third quarter of 2022 at \$302.00/metric ton (“mt”) delivered-to-the-port (“FOBT”) for spot deliveries of Australian premium low volatile metallurgical coal and closed the quarter at \$270.50/mt FOBT. The quarterly average price for the third quarter of 2022 was \$249.17/mt FOBT for Australian premium low volatile metallurgical coal, compared to \$449.75/mt FOBT in the second quarter of 2022, and traded in a range from a high of \$302.00/mt FOBT to a low of \$188.00/mt FOBT.

The World Steel Association reported that through September, global crude steel production decreased by 4.3% in 2022 versus 2021, with Turkey down 9.3%, Russia down 6.0%, Germany down 6.0%, Japan down 6.0%, Brazil down 5.3%, South Korea down 4.4%, the United States down 4.3% and China down 3.4%. Iran and India were up 9.8% and 6.4%, respectively. All steel producing regions except for the Middle East reported decreases with noteworthy changes in Russia and other Commonwealth of Independent States (“CIS”) and Ukraine down 18.5%, Europe other down 9.2%, the European Union down 8.2%, North America down 4.2% and Asia and Oceania (including China) down 2.9%. Hot-rolled steel coil prices in the United States, China and Europe decreased in the third quarter of 2022 by 21%, 14%, and 13%, respectively. Inflationary environments, increased energy prices, continued COVID-19 outbreaks and mitigation measures in some countries, and monetary policy controls aimed at slowing inflation contributed to changes in steel demand and continued downward pressure on steel prices during the quarter.

Global steel demand is forecasted to decrease by 2.3% in 2022 over 2021 and increase by 1.0% in 2023 over 2022 according to the World Steel Association Short Range Outlook released in October 2022. Comparing the expected 2022 global steel demand to the pre-COVID-19 pandemic 2019 steel demand levels indicates an increase of 1.7% with increases in most of the regional areas, driven primarily by growth in India, China, and Turkey. The geographical region that includes Russia, other CIS countries and the Ukraine is the only area that is forecasted to decrease in 2022 when compared to 2019 steel demand levels. Chinese steel demand in 2022 is expected to decrease by 4.0% compared to 2021 but will be an increase of 0.7% over 2019. Excluding China, 2022 steel demand from the rest of the world will essentially remain flat at a decrease of 0.5% over 2021 and increase by 2.7% over 2019. Steel demand in 2023 is expected to increase by 1.0% over 2022 levels with increases in all major geographical areas, except for the European Union & United Kingdom and Russia, other CIS countries and Ukraine. Growth will be driven primarily by India and the U.S., Mexico and Canada region.

October 2022 spot market pricing for Australian premium low volatile metallurgical coal opened at \$270.50/mt FOBT, and was trading at \$299.00/mt FOBT on October 21, 2022. It traded in a range from a high of \$299.00/mt FOBT to a low of \$270.50/mt FOBT for an average price of \$284.68/mt FOBT. Hot-rolled steel coil prices decreased in Northern Europe by 9.6%, decreased 5.7% in China, and decreased in the U.S. by 5.1% during the month of October 2022.

The forward curve for the balance of the fourth quarter of 2022 according to the SGX TSI index is trading at \$315.37/mt FOBT with October at \$291.33/mt FOBT, November at \$313.67/mt FOBT, and December at \$321.67/mt FOBT. Forward curve pricing for first quarter of 2023 is at \$327.33/mt FOBT. The forward curve for 2023 is indicating pricing at an average of \$288.42/mt FOBT. Increased thermal coal prices that are attractive to cross-over metallurgical coal, limited supply-side response, constrained logistics and inflationary mining cost pressures continue to support higher metallurgical coal prices in the near future.

According to the U.S. Energy Information Administration, domestic coke plant coal consumption is expected decrease in 2022 to 16.2 million tons when compared to 17.6 million tons in 2021. Domestic coke plant coal consumption is forecasted to rebound in 2023 to 17.2 million tons. Metallurgical coal exports from the United States are expected to be 46.3 million tons in 2022, or a 2.0% decrease over 2021, but are expected to increase in 2023 to 47.3 million tons for a 2.3% increase over 2022.

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

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

FINANCIAL AND OPERATIONAL RESULTS

(in thousands)	For the three months ended September 30,		
	2022	2021	Variance
Revenue	\$ 45,938	\$ 36,380	\$ 9,558
Cost of sales	(45,271)	(35,448)	(9,823)
Gross income	667	932	(265)
Selling, general and administrative expense	(2,305)	(2,293)	(12)
Loss from operations	(1,638)	(1,361)	(277)
Finance expense	(2,919)	(1,522)	(1,397)
Finance income (loss)	99	(159)	258
Other (expense) income	(22)	3,975	(3,997)
(Loss) income before tax	(4,480)	933	(5,413)
Income tax expense	—	—	—
Net and comprehensive (loss) income	\$ (4,480)	\$ 933	\$ (5,413)
Diluted (loss) earnings per share	\$ (0.04)	\$ 0.01	\$ (0.05)

(in thousands)	For the nine months ended September 30,		
	2022	2021	Variance
Revenue	\$ 127,037	\$ 91,425	\$ 35,612
Cost of sales	(121,057)	(92,238)	(28,819)
Gross income (loss)	5,980	(813)	6,793
Selling, general and administrative expense	(6,903)	(6,523)	(380)
Loss from operations	(923)	(7,336)	6,413
Finance expense	(9,977)	(4,252)	(5,725)
Finance income	174	1,323	(1,149)
Other (expense) income	(701)	8,918	(9,619)
Loss before tax	(11,427)	(1,347)	(10,080)
Income tax expense	—	—	—
Net and comprehensive loss	\$ (11,427)	\$ (1,347)	\$ (10,080)
Diluted loss per share	\$ (0.11)	\$ (0.01)	\$ (0.10)

Operations Summary

(in thousands)	For the three months ended			For the nine months ended		
	September 30,			September 30,		
	2022	2021	Variance	2022	2021	Variance
Coal sold - tons						
NAPP - metallurgical coal	268	298	(30)	739	860	(121)
Realized price per ton sold ⁽¹⁾						
NAPP - metallurgical coal	\$ 158.39	\$ 112.75	\$ 45.64	\$ 159.70	\$ 97.46	\$ 62.24
Cash production cost per ton sold ⁽¹⁾⁽²⁾						
NAPP - metallurgical coal	\$ 136.95	\$ 92.24	\$ (44.71)	\$ 131.22	\$ 83.00	\$ (48.22)
Cash cost per ton sold ⁽¹⁾⁽³⁾						
NAPP - metallurgical coal	\$ 141.86	\$ 92.55	\$ (49.31)	\$ 136.48	\$ 83.03	\$ (53.45)
Cash margin per ton sold ⁽¹⁾						
NAPP - metallurgical coal	\$ 16.53	\$ 20.20	\$ (3.67)	\$ 23.22	\$ 14.43	\$ 8.79
EBITDA ⁽¹⁾						
NAPP	\$ 46	\$ 7,140	\$ (7,094)	\$ 3,173	\$ 16,241	\$ (13,068)
Corporate	(699)	(926)	227	(3,344)	(2,931)	(413)
Total	<u>\$ (653)</u>	<u>\$ 6,214</u>	<u>\$ (6,867)</u>	<u>\$ (171)</u>	<u>\$ 13,310</u>	<u>\$ (13,481)</u>
Adjusted EBITDA ⁽¹⁾						
NAPP	\$ 1,779	\$ 4,828	\$ (3,049)	\$ 10,891	\$ 9,147	\$ 1,744
Corporate	(514)	(703)	189	(1,636)	(2,180)	544
Total	<u>\$ 1,265</u>	<u>\$ 4,125</u>	<u>\$ (2,860)</u>	<u>\$ 9,255</u>	<u>\$ 6,967</u>	<u>\$ 2,288</u>

⁽¹⁾ This is a non-GAAP financial measure. See “Non-GAAP Financial Measures” starting on page 23 of this MD&A.

⁽²⁾ Cash production cost per ton sold excludes purchased coal. This non-GAAP financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 23 of this MD&A.

⁽³⁾ Cash cost per ton sold includes purchased coal. This non-GAAP Financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 23 of this MD&A.

REVIEW OF THIRD QUARTER FINANCIAL RESULTS

For the three months ended September 30, 2022

(in thousands)	NAPP	Corporate	Consolidated
Revenue	\$ 45,938	\$ —	\$ 45,938
Cost of sales	(45,271)	—	(45,271)
Gross income	667	—	667
Selling, general and administrative expense	(1,680)	(625)	(2,305)
Loss from operations	(1,013)	(625)	(1,638)
Finance expense	(2,435)	(484)	(2,919)
Finance income	99	—	99
Other expense	(22)	—	(22)
Loss before tax	(3,371)	(1,109)	(4,480)
Income tax expense	—	—	—
Net and comprehensive loss	<u>\$ (3,371)</u>	<u>\$ (1,109)</u>	<u>\$ (4,480)</u>

For the three months ended September 30, 2021

(in thousands)	NAPP	Corporate	Consolidated
Revenue	\$ 36,380	\$ —	\$ 36,380
Cost of sales	(35,448)	—	(35,448)
Gross income	932	—	932
Selling, general and administrative expense	(1,393)	(900)	(2,293)
Loss from operations	(461)	(900)	(1,361)
Finance expense	(1,049)	(473)	(1,522)
Finance loss	(154)	(5)	(159)
Other income	3,877	98	3,975
Income (loss) before tax	2,213	(1,280)	933
Income tax expense	—	—	—
Net and comprehensive income (loss)	<u>\$ 2,213</u>	<u>\$ (1,280)</u>	<u>\$ 933</u>

Dollar variance for the three months ended September 30, 2022 versus 2021

(in thousands)	NAPP	Corporate	Consolidated
Revenue	\$ 9,558	\$ —	\$ 9,558
Cost of sales	(9,823)	—	(9,823)
Gross loss	(265)	—	(265)
Selling, general and administrative expense	(287)	275	(12)
(Loss) income from operations	(552)	275	(277)
Finance expense	(1,386)	(11)	(1,397)
Finance income	253	5	258
Other income	(3,899)	(98)	(3,997)
(Loss) income before tax	(5,584)	171	(5,413)
Income tax expense	—	—	—
Net and comprehensive (loss) income	<u>\$ (5,584)</u>	<u>\$ 171</u>	<u>\$ (5,413)</u>

Operating Segments

Corsa's two distinct segments are NAPP and Corporate. The financial results of the continuing operating segments for the three months ended September 30, 2022 and 2021 are as follows:

NAPP Division

Revenue - NAPP Division

(in thousands)	For the three months ended September 30,		
	2022	2021	Variance
Metallurgical coal revenue (at preparation plant)	\$ 42,448	\$ 33,599	\$ 8,849
Thermal coal revenue (at preparation plant)	1,406	375	1,031
Transportation revenue	1,627	1,570	57
Tolling revenue	244	493	(249)
Limestone revenue	213	343	(130)
	<u>\$ 45,938</u>	<u>\$ 36,380</u>	<u>\$ 9,558</u>

- Metallurgical coal revenue, net of transportation charges, increased \$8,849 as a result of increased sales prices which caused revenue to increase by \$12,231 partially offset by lower sales volumes which decreased revenue by \$3,382. Metallurgical coal sold was 268 and 298 tons for the three months ended September 30, 2022 and 2021, respectively, representing a decrease of 30 tons. Realized price per ton sold increased \$45.64 due to the improved metallurgical coal market as the demand for steel increased with a limited supply of metallurgical coal.
- Thermal coal revenue increased primarily due to increased sales volumes and improved thermal coal pricing.
- Tolling revenue decreased as fewer third-party tons were processed during the three months ended September 30, 2022 compared to the 2021 period.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the three months ended September 30,		
	2022	2021	Variance
Mining and processing costs	\$ 30,419	\$ 24,628	\$ 5,791
Purchased coal costs	7,047	1,529	5,518
Royalty expense	1,927	1,775	152
Amortization expense	3,048	4,670	(1,622)
Transportation costs from preparation plant to customer	1,627	1,570	57
Idle mine expense	314	190	124
Tolling costs	168	281	(113)
Limestone costs	256	282	(26)
Other costs	465	523	(58)
Total cost of sales	<u>\$ 45,271</u>	<u>\$ 35,448</u>	<u>\$ 9,823</u>

- Mining and processing costs increased primarily due to the shortage of skilled labor and geological conditions which caused delays in the efficient production of coal for most of the three months ended September 30, 2022. The Company is actively working to increase staffing levels and train the inexperienced miners. Various adverse geological conditions were encountered during the quarter at each of the underground mines. The Casselman mine experienced several roof falls which slowed production, increased roof control cost in one area of the mine, thin coal seams in another area of the mine and sandstone roof conditions which required additional time to properly bolt the roof in the area which will eventually access the North Mine. The Horning mine experienced various poor roof

conditions which required additional infrastructure for the majority of the quarter and wet conditions in the latter half of the quarter which made advancing toward the southern reserves more challenging. The Acosta mine continued to experience thinning coal seams which significantly lowered recovery in one section, a break in the roof which required longer roof bolts in another section and hard roof conditions in the third section as crews develop the main entry into the southern part of the reserves.

- Purchased coal costs increased primarily due to market increases in the price of coal purchased in the spot market as well as increased volumes of metallurgical coal purchased during the three months ended September 30, 2022 compared to the 2021 period. Additional purchased coal volumes were required to supplement the quality of coal produced by of the Company during the period.
- Amortization expense decreased primarily due to the lower volumes of coal sold.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the three months ended September 30,		
	2022	2021	Variance
Salaries and other compensations	\$ 667	\$ 572	\$ 95
Employee benefits	324	272	52
Selling expense	169	122	47
Professional fees	181	105	76
Office expenses and insurance	249	255	(6)
Other	90	67	23
	<u>\$ 1,680</u>	<u>\$ 1,393</u>	<u>\$ 287</u>

- Selling, general and administrative expense related to the NAPP Division increased primarily due to various wage and benefit increases to retain employees and increased legal expenses.

Finance (income) expense, net - NAPP Division

(in thousands)	For the three months ended September 30,		
	2022	2021	Variance
Change in market value of restricted investments expense	\$ 1,341	\$ 154	\$ 1,187
Bond premium expense	498	653	(155)
Accretion on reclamation and water treatment provision	227	139	88
Interest expense	369	257	112
Interest income	(99)	—	(99)
	<u>\$ 2,336</u>	<u>\$ 1,203</u>	<u>\$ 1,133</u>

- Finance expense, net, increased primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds are marked to market on a monthly basis and increased market losses were recognized in the three months ended September 30, 2022 compared to the 2021 period.

Other income (expense) - NAPP Division

(in thousands)	For the three months ended September 30,		
	2022	2021	Variance
Employee retention credit	\$ —	\$ 2,360	\$ (2,360)
Paycheck Protection Program grant income	—	1,126	(1,126)
Filter cake sales and refuse disposal income	—	256	(256)
(Loss) gain on property dispositions	(13)	94	(107)
Royalty income	36	32	4
Other	(45)	9	(54)
	<u>\$ (22)</u>	<u>\$ 3,877</u>	<u>\$ (3,899)</u>

- Other income decreased primarily due to the recognition of the refundable tax credit and the grant income on the Paycheck Protection Program grant income in the 2021 period.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the three months ended September 30,		
	2022	2021	Variance
Salaries and other compensations	\$ 284	\$ 475	\$ (191)
Employee benefits	23	32	(9)
Professional fees	226	304	(78)
Office expenses and insurance	86	79	7
Other	6	10	(4)
	<u>\$ 625</u>	<u>\$ 900</u>	<u>\$ (275)</u>

- Selling, general and administrative expenses decreased primarily due to the reduced staffing levels and reduced investigation expenses.

Finance expense, net - Corporate Division

(in thousands)	For the three months ended September 30,		
	2022	2021	Variance
Interest expense	\$ 410	\$ 354	\$ 56
Amortization of discount on loan payable	47	44	3
Amortization of deferred financing costs	18	75	(57)
Foreign exchange loss (gain)	9	6	3
Interest income	—	(1)	1
	<u>\$ 484</u>	<u>\$ 478</u>	<u>\$ 6</u>

- Interest expense increased primarily due to increased interest rate on the Main Street Facility (as defined below) partially offset by a reduction of the 36th Street Facility (as defined below). Amortization of deferred financing costs decreased due to the revolving credit facility's expiration in the three months ended September 30, 2022.

Other income - Corporate Division

- Other income decreased due to the recognition of the employee retention credits in the amount of \$98 for the three months ended September 30, 2021.

REVIEW OF YEAR-TO-DATE FINANCIAL RESULTS

(in thousands)	For the nine months ended September 30, 2022		
	NAPP	Corporate	Consolidated
Revenue	\$ 127,037	\$ —	\$ 127,037
Cost of sales	(121,057)	—	(121,057)
Gross income	5,980	—	5,980
Selling, general and administrative expense	(4,683)	(2,220)	(6,903)
Income (loss) from operations	1,297	(2,220)	(923)
Finance expense	(8,675)	(1,302)	(9,977)
Finance income	173	1	174
Other income (expense)	185	(886)	(701)
Loss before tax	(7,020)	(4,407)	(11,427)
Income tax expense	—	—	—
Net and comprehensive loss	\$ (7,020)	\$ (4,407)	\$ (11,427)

(in thousands)	For the nine months ended September 30, 2021		
	NAPP	Corporate	Consolidated
Revenue	\$ 91,425	\$ —	\$ 91,425
Cost of sales	(92,238)	—	(92,238)
Gross loss	(813)	—	(813)
Selling, general and administrative expense	(3,768)	(2,755)	(6,523)
Loss from operations	(4,581)	(2,755)	(7,336)
Finance expense	(2,841)	(1,411)	(4,252)
Finance income	1,320	3	1,323
Other income	8,820	98	8,918
Income (loss) before tax	2,718	(4,065)	(1,347)
Income tax expense	—	—	—
Net and comprehensive income (loss)	\$ 2,718	\$ (4,065)	\$ (1,347)

(in thousands)	Dollar variance for the nine months ended September 30, 2022 versus 2021		
	NAPP	Corporate	Consolidated
Revenue	\$ 35,612	\$ —	\$ 35,612
Cost of sales	(28,819)	—	(28,819)
Gross income	6,793	—	6,793
Selling, general and administrative expense	(915)	535	(380)
Income from operations	5,878	535	6,413
Finance expense	(5,834)	109	(5,725)
Finance income	(1,147)	(2)	(1,149)
Other income	(8,635)	(984)	(9,619)
Loss before tax	(9,738)	(342)	(10,080)
Income tax expense	—	—	—
Net and comprehensive loss	\$ (9,738)	\$ (342)	\$ (10,080)

Operating Segments

Corsa's two distinct segments are NAPP and Corporate. The financial results of the continuing operating segments for the nine months ended September 30, 2022 and 2021 are as follows:

NAPP Division

Revenue - NAPP Division

(in thousands)	For the nine months ended September 30,		
	2022	2021	Variance
Metallurgical coal revenue (at preparation plant)	\$ 118,015	\$ 83,813	\$ 34,202
Thermal coal revenue (at preparation plant)	1,723	1,591	132
Transportation revenue	5,314	4,294	1,020
Tolling revenue	1,481	949	532
Limestone revenue	504	778	(274)
	<u>\$ 127,037</u>	<u>\$ 91,425</u>	<u>\$ 35,612</u>

- Metallurgical coal revenue, net of transportation charges, increased \$34,202 as a result of increased sales prices which caused revenue to increase by \$45,994 partially offset by lower sales volumes which decreased revenue by \$11,792. Metallurgical coal sold was 739 and 860 tons for the nine months ended September 30, 2022 and 2021, respectively, representing a decrease of 121 tons. Realized price per ton sold increased \$62.24 due to the improved metallurgical coal market as the demand for steel increased with a limited supply of metallurgical coal.
- Revenue associated with the transportation of coal to the loading terminal or customer increased \$1,020 as a result of increased sales to customers where the Company provides the freight.
- Tolling revenue increased primarily due to additional volumes processed for third-parties during the nine months ended September 30, 2022 compared to the 2021 period.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the nine months ended September 30,		
	2022	2021	Variance
Mining and processing costs	\$ 79,735	\$ 64,685	\$ 15,050
Purchased coal costs	17,931	4,002	13,929
Royalty expense	4,882	4,222	660
Amortization expense	9,198	12,726	(3,528)
Transportation costs from preparation plant to customer	5,314	4,294	1,020
Idle mine expense	1,111	493	618
Tolling costs	1,231	518	713
Limestone costs	486	708	(222)
Other costs	1,169	590	579
Total cost of sales	<u>\$ 121,057</u>	<u>\$ 92,238</u>	<u>\$ 28,819</u>

- Mining and processing costs increased primarily due to the shortage of skilled labor and geological conditions which caused delays in the efficient production of coal for the nine months ended September 30, 2022. The Company is actively working to increase staffing levels and train the inexperienced miners. Various adverse geological conditions were encountered during the nine months ended September 30, 2022 at each of the underground mines. The Casselman mine experienced several roof falls and thinning coal seams which slowed production, increased roof control cost in one area of the mine, thin coal seams in another area of the mine and sandstone roof conditions which

required additional time to properly bolt the roof in the area which will eventually access the North Mine. The Horning mine experienced various poor roof conditions which required additional infrastructure for the majority of the year and wet conditions in the third quarter which made advancing toward the southern reserves more challenging. The Acosta mine experienced thinning coal seams which significantly lowered recovery in one section, a break in the roof which required longer roof bolts in another section and hard roof conditions in the third section as crews develop the main entry into the southern part of the reserves.

- Purchased coal costs increased primarily due market increases in the price of coal purchased in the spot market as well as increased volumes of metallurgical coal purchased during the nine months ended September 30, 2022 compared to the 2021 period. This increase was primarily due to higher demand for metallurgical coal.
- Royalty expense increased primarily due to the increased sales price partially offset by lower volumes of coal sold during the nine months ended September 30, 2022 compared to the 2021 period.
- Amortization expense decreased primarily due to the lower volumes of coal sold.
- Transportation costs increased as a result of increased sales to customers where the Company provides the freight.
- Idle mine expense increased due to additional maintenance activities on idle properties.
- Tolling costs increased due to additional third-party volumes processed and increased processing costs.
- Other costs increased due to various factors, none of which were individually material.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the nine months ended September 30,		
	2022	2021	Variance
Salaries and other compensations	\$ 1,968	\$ 1,637	\$ 331
Employee benefits	822	626	196
Selling expense	458	349	109
Professional fees	491	337	154
Office expenses and insurance	709	644	65
Other	235	175	60
	<u>\$ 4,683</u>	<u>\$ 3,768</u>	<u>\$ 915</u>

- Selling, general and administrative expense related to the NAPP Division increased primarily due to various wage and benefit increases to retain employees and increased legal fees and insurance expense.

Finance (income) expense, net - NAPP Division

(in thousands)	For the nine months ended September 30,		
	2022	2021	Variance
Change in market value of restricted investments expense (income)	\$ 5,298	\$ (1,320)	\$ 6,618
Bond premium expense	1,710	1,630	80
Accretion on reclamation and water treatment provision	672	414	258
Interest expense	995	797	198
Interest income	(173)	—	(173)
	<u>\$ 8,502</u>	<u>\$ 1,521</u>	<u>\$ 6,981</u>

- Finance expense, net, increased primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds are marked to market on a monthly basis and increased market losses were recognized in the nine months ended September 30, 2022 compared market gains in 2021 period.

Other income - NAPP Division

(in thousands)	For the nine months ended September 30,		
	2022	2021	Variance
Employee retention credit	\$ —	\$ 6,769	\$ (6,769)
Paycheck Protection Program grant income	—	1,126	(1,126)
Filter cake sales and refuse disposal income	68	656	(588)
Gain (loss) on property dispositions	(148)	232	(380)
Royalty income	103	94	9
Other	162	(57)	219
	<u>\$ 185</u>	<u>\$ 8,820</u>	<u>\$ (8,635)</u>

- Other income decreased primarily due to the recognition of the refundable tax credit and the Paycheck Protection Program grant income in the 2021 period.
- Filter cake sales and refuse disposal income decreased due to a reduction in the quantity of third-party refuse received.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

(in thousands)	For the nine months ended September 30,		
	2022	2021	Variance
Salaries and other compensations	\$ 857	\$ 1,345	\$ (488)
Employee benefits	80	86	(6)
Professional fees	995	1,070	(75)
Office expenses and insurance	277	230	47
Other	11	24	(13)
	<u>\$ 2,220</u>	<u>\$ 2,755</u>	<u>\$ (535)</u>

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

Finance expense, net - Corporate Division

(in thousands)	For the nine months ended September 30,		
	2022	2021	Variance
Interest expense	\$ 1,063	\$ 1,134	\$ (71)
Amortization of discount on loan payable	139	132	7
Amortization of deferred financing costs	90	145	(55)
Foreign exchange loss (gain)	10	(2)	12
Interest income	(1)	(1)	—
	<u>\$ 1,301</u>	<u>\$ 1,408</u>	<u>\$ (107)</u>

- Interest expense decreased primarily due to a reduction of the 36th Street Facility partially offset by increased expense related to the Main Street Facility due to increased interest rates.
- Amortization of deferred financing costs decreased due to the revolving credit facility's expiration in the 2022 period.

Other income (expense) - Corporate Division

(in thousands)	For the nine months ended September 30,		
	2022	2021	Variance
Employee restructuring	\$ (886)	\$ —	\$ (886)
Employee retention credit	—	98	(98)
	<u>\$ (886)</u>	<u>\$ 98</u>	<u>\$ (984)</u>

- Other expense increased as a result of employee restructuring charges associated with the Company's previous President and Chief Executive Officer and Chief Operating Officer and the employee retention credit recognized in the 2021 period.

FINANCIAL CONDITION

(in thousands)	September 30,	December 31,	Variance
	2022	2021	
Current assets	\$ 39,658	\$ 46,810	\$ (7,152)
Non-current assets	158,774	168,686	(9,912)
Total assets	<u>\$ 198,432</u>	<u>\$ 215,496</u>	<u>\$ (17,064)</u>
Current liabilities	\$ 33,072	\$ 32,584	\$ 488
Non-current liabilities	87,494	93,631	(6,137)
Total liabilities	<u>\$ 120,566</u>	<u>\$ 126,215</u>	<u>\$ (5,649)</u>
Total equity	<u>\$ 77,866</u>	<u>\$ 89,281</u>	<u>\$ (11,415)</u>

- Current assets decreased due to collection of the employee retention credit receivables, amortization of prepaid insurance and a decrease in cash partially offset by increased coal inventory.
- Non-current assets decreased primarily due to the amortization of property, plant and equipment and market losses on the water treatment trust restricted cash investments.
- Current liabilities increased due to general timing and various other miscellaneous accruals.
- Non-current liabilities decreased primarily due to reclamation and water treatment payments and scheduled debt service payments related to the loan payable and lease liabilities.
- Total equity decreased as a result of the net and comprehensive loss that occurred during the period.

LIQUIDITY AND CAPITAL RESOURCES

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

If cash flows from operations are less than required, the Company may need to incur additional debt or issue additional equity. From time-to-time the Company may need to access the long-term and short-term capital markets to obtain financing. Although the Company believes it can currently finance its operations on acceptable terms and conditions, the Company's access to, and the availability of, financing on acceptable terms and conditions in the future will be affected by many factors, including the liquidity of the overall capital markets, the current state of the global economy and restrictions in the Company's

existing debt agreements and any other future debt agreements. There can be no assurance that the Company will have or continue to have access to the capital markets on acceptable terms.

(in thousands)	September 30, 2022	December 31, 2021	Variance
Cash	\$ 11,370	\$ 12,714	\$ (1,344)
Working capital	\$ 6,586	\$ 14,226	\$ (7,640)
Revolving Credit Facility unused availability (expired)	\$ —	\$ 4,110	\$ (4,110)
Total Debt			
Lease liabilities	\$ 2,178	\$ 3,135	\$ (957)
Loan payable - 36 th Street Facility	1,716	4,142	(2,426)
Loan payable - Main Street Facility	25,316	25,249	67
	<u>\$ 29,210</u>	<u>\$ 32,526</u>	<u>\$ (3,316)</u>

Working Capital

Working capital decreased primarily due to a decrease in accounts receivable due to the collection of the employee retention credit and a reduction in cash.

As a result of the various covenants related to the Main Street Facility and the 36th Street Facility, the Company intends to manage maintenance and growth capital expenditures in order to service the Main Street Facility and 36th Street Facility and comply with their financial covenants.

The Main Street Facility contains covenants that would restrict the ability to pay dividends, make distributions as well as restrictions on the ability of certain of the Company's subsidiaries, as borrowers under the facility, to transfer funds to the Company. The Company does anticipate the need to receive funds for the purposes of liquidity management and various corporate initiatives.

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

Advances by LSQ may be made at an advance rate of up to 85% of the face value of the eligible receivables being sold. LSQ may require WCE to repurchase accounts receivable if LSQ determines, in its sole discretion, that the accounts are uncollectible for any reason. LSQ will receive fees equal to 0.0750% of the receivables purchased in addition to a funds usage daily fee of 0.0222% of the outstanding balance purchased. The transfer does not result in derecognition of the accounts receivable because WCE retains substantially all the risks and rewards of ownership of the transferred asset.

Total Debt

Debt decreased as a result of scheduled debt service payments related to the loan payable in connection with the 36th Street Facility and lease liabilities.

Cash Flows from Operations

	For the three months ended			For the nine months ended		
	September 30,			September 30,		
	2022	2021	Change	2022	2021	Change
Cash Flows:						
Provided by operating activities	\$ 1,765	\$ 4,231	\$ (2,466)	\$ 7,967	\$ 2,976	\$ 4,991
Used in investing activities	(2,869)	(2,259)	(610)	(5,922)	(5,654)	(268)
Used in financing activities	(1,130)	(1,123)	(7)	(3,389)	(4,445)	1,056
Decrease in cash	(2,234)	849	(3,083)	(1,344)	(7,123)	5,779
Cash at beginning of period	13,604	16,508	(2,904)	12,714	24,480	(11,766)
Cash at end of period	<u>\$ 11,370</u>	<u>\$ 17,357</u>	<u>\$ (5,987)</u>	<u>\$ 11,370</u>	<u>\$ 17,357</u>	<u>\$ (5,987)</u>

- Cash flow from operating activities decreased during the three months ended September 30, 2022 compared to the 2021 period primarily due to mining cost increases due to adverse geological conditions and increased spending on reclamation and water treatment activities partially offset by changes in working capital items.
- Cash flow from operating activities increased during the nine months ended September 30, 2022 compared to the 2021 period due to changes in working capital items partially offset by increased mining costs due to adverse geological conditions and increased spending on reclamation and water treatment activities.
- Cash used in investing activities for the three months ended September 30, 2022 compared to the 2021 period increased due to additional restricted cash deposits required as a result of a letter of credit previously secured by the Revolving Credit Facility needing to be secured by cash. This decrease in cash was partially offset by reduced capital expenditures.
- Cash used in investing activities for the nine months ended September 30, 2022 compared to the 2021 period increased due to additional restricted cash deposits and increased advance royalties and other assets partially offset by cash released from the water treatment trusts and lower capital expenditures.
- Cash used in financing activities remained consistent for the three months ended September 30, 2022 but improved in the nine months ended September 30, 2022 compared to the 2021 period primarily due to lower debt service payments as the 2021 period included an additional principal payment that was required under the 36th Street Facility.

Contingent Liability - Sales Agent Matter

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

At this time, no charges have been brought against the Company, any of its subsidiaries, or any current employees thereof in any jurisdiction in respect of this matter. However, on November 3, 2021, a former employee, whom the Company had previously terminated, pleaded guilty to conspiracy to violate the United States' Foreign Corrupt Practices Act during the period from late 2016 to 2020. The charges and guilty plea proceedings are publicly available. On March 31, 2022, a second former employee, who left the Company before commencement of the referenced investigation, was charged in an indictment with conspiracy to violate and violation of the United States' Foreign Corrupt Practices Act and related charges of money laundering. The second former employee was also charged with wire fraud relating to his receipt of illegal payments, which were allegedly paid from a portion of commissions that the Company paid to an overseas third-party agent and which the second former employee allegedly concealed from others within the Company both during and after the second former employee's tenure. The charges related to the period from late 2016 to 2020. On April 19, 2022, the second former employee pleaded not guilty. The charges and related documents are publicly available.

The risks associated with any charges that may be brought against the Company, or any of its subsidiaries or any related processes are uncertain. However, such risks may include resulting fines and penalties, as well as the disgorgement of profits

on revenues received from the overseas customer. A range of potential exposure to the Company and its subsidiaries is uncertain and is not presently determinable.

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

Contingent Liability - Canadian Tax Audit

Corsa and its subsidiaries file income tax returns in Canada and in the United States. An examination was performed in relation to Corsa's October 22, 2015, December 31, 2015 and 2016 Canadian income tax returns. The Canada Revenue Agency ("CRA") disputed the bad debt deductions taken in respect of the accrued interest on various intercompany notes that had become uncollectible in those years. The CRA issued notices of reassessment for these tax years and resulted in total tax, penalties and interest of C\$1,200. In December 2021, Corsa filed a notice of objection and accordingly did not recognize the uncertain tax position. In June 2022, Corsa received notification from the CRA that the Company's objection was allowed in full and the reassessments for these tax years was reversed.

Capital Expenditures

The equipment and development added to property, plant and equipment and the cash flow impact (adjusting the increase to property plant and equipment for non-cash transactions) for the nine months ended September 30, 2022 were as follows:

	Increase to PP&E	Cash Flow Impact
Maintenance capital expenditures		
Deep mines	\$ 1,141	\$ 1,108
Surface mines	641	619
Plant	1,239	1,214
Administrative	—	—
	<u>3,021</u>	<u>2,941</u>
Growth capital expenditures		
Deep mines	124	153
Surface mines	20	20
Plant	—	—
	<u>144</u>	<u>173</u>
Total capital expenditures	<u><u>\$ 3,165</u></u>	<u><u>\$ 3,114</u></u>

Corsa's capital expenditures for the nine months ended September 30, 2022 were primarily focused on maintenance capital to replace mining and processing equipment and growth capital to develop the North Mine Project. Corsa's future spending on property, plant and equipment at its operations and development of coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment, compliance with financial covenants and financing availability. For disclosure regarding Corsa's purchase order firm commitments, relating to the procurement of replacement mining equipment to maintain Corsa's capacity, see "Contractual Obligations".

DEBT COVENANTS

Corsa has certain covenants it is required to meet under the Main Street Facility and the 36th Street Facility. Certain measures included in the covenant calculations are not readily identifiable from Corsa's consolidated statements of operations and comprehensive income (loss) or consolidated balance sheets. These measures are considered to be non-GAAP financial measures and, as such, a further description of the covenant calculations is included below. Corsa was in compliance with all covenants at September 30, 2022.

Main Street Facility

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

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

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

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

Loan Payable - 36th Street Facility

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

- Total debt⁽¹⁾ to EBITDA ratio of not more than 1.50 to 1.00 (waived so long as the Main Street Facility is still in effect).
- ⁽¹⁾ Total debt is defined as (a) the outstanding principal amount of all obligations, (b) all purchase money indebtedness, (c) all lease obligations, (d) any indebtedness incurred to finance the acquisition or construction of any fixed assets, (e) the present value of future rental payments under all operating leases and (f) all direct obligations arising under letters of credit, bankers' acceptances, bank guarantees, surety bonds and similar instruments.

CONTRACTUAL OBLIGATIONS

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

	Carrying Value at Sept. 30, 2022	Payments due by period				
		Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accrued liabilities	\$ 19,897	\$ 19,897	\$ 19,897	\$ —	\$ —	\$ —
Recourse obligation	4,363	4,363	4,363	—	—	—
Lease liabilities	2,178	2,178	1,243	860	75	—
Loan payable - 36th Street Facility	1,716	1,738	1,738	—	—	—
Loan payable - Main Street Facility	25,316	25,780	—	7,734	18,046	—
Other liabilities	5,800	5,800	1,598	2,172	2,030	—
Asset retirement obligations - reclamation	39,062	39,062	3,076	4,584	6,428	24,974
Asset retirement obligations - water treatment	22,234	22,234	1,179	2,386	2,405	16,264
Purchase order firm commitments	—	3,663	3,663	—	—	—
Water treatment trust funding	—	536	536	—	—	—
Minimum royalty commitments	—	1,923	641	1,282	—	—
Reclamation bond restricted cash deposits	—	7,337	1,500	3,000	2,837	—
Total	\$ 120,566	\$ 134,511	\$ 39,434	\$ 22,018	\$ 31,821	\$ 41,238

NON-GAAP FINANCIAL MEASURES

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

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

Management uses the following non-GAAP financial measures:

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

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

EBITDA and Adjusted EBITDA for the three months ended September 30, 2022 and 2021

(in thousands)	For the three months ended September 30, 2022			For the three months ended September 30, 2021		
	NAPP	Corp.	Total	NAPP	Corp.	Total
Net and comprehensive income (loss) from continuing operations	\$ (3,371)	\$ (1,109)	\$ (4,480)	\$ 2,213	\$ (1,280)	\$ 933
Add (Deduct):						
Amortization expense	3,048	—	3,048	4,670	—	4,670
Interest expense	369	410	779	257	354	611
Income tax expense	—	—	—	—	—	—
EBITDA	46	(699)	(653)	7,140	(926)	6,214
Add (Deduct):						
Employee retention credit (a)	—	—	—	(2,360)	(98)	(2,458)
Paycheck Protection Program grant income (b)	—	—	—	(1,126)	—	(1,126)
Stock-based compensation (c)	—	11	11	—	47	47
Net finance (income) expense, excluding interest expense (d)	1,967	74	2,041	946	124	1,070
Loss (gain) on disposal of assets (e)	13	—	13	(94)	—	(94)
Other costs (f)	(247)	100	(147)	322	150	472
Adjusted EBITDA	\$ 1,779	\$ (514)	\$ 1,265	\$ 4,828	\$ (703)	\$ 4,125

- (a) A component of other income which reflects the amounts the Company is expected to receive related to a refundable tax credit.
- (b) Reflects the amounts forgiven associated with loans received by the Company.
- (c) Reflects the non-cash expense related to the vesting of stock options.
- (d) Components of finance expense and income excluding interest expense.
- (e) Reflects the amounts included in other income and expense related to the disposal of assets not utilized in the Company's mining operations.
- (f) Reflects various adjustments, none of which were individually material, related to adjusting the Company's workers' compensation liability, costs incurred for the Company's internal investigation of the sales agent matter and legal settlements.

EBITDA and Adjusted EBITDA for the nine months ended September 30, 2022 and 2021

(in thousands)	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021		
	NAPP	Corp.	Total	NAPP	Corp.	Total
Net and comprehensive income (loss) from continuing operations	\$ (7,020)	\$ (4,407)	\$ (11,427)	\$ 2,718	\$ (4,065)	\$ (1,347)
Add (Deduct):						
Amortization expense	9,198	—	9,198	12,726	—	12,726
Interest expense	995	1,063	2,058	797	1,134	1,931
Income tax expense	—	—	—	—	—	—
EBITDA	3,173	(3,344)	(171)	16,241	(2,931)	13,310
Add (Deduct):						
Employee retention credit (a)	—	—	—	(6,769)	(98)	(6,867)
Paycheck Protection Program grant income (b)	—	—	—	(1,126)	—	(1,126)
Restructuring charges (c)	—	886	886	—	—	—
Stock-based compensation (d)	—	12	12	—	126	126
Net finance (income) expense, excluding interest expense (e)	7,507	238	7,745	724	274	998
Loss (gain) on disposal of assets (f)	148	—	148	(232)	—	(232)
Other costs (g)	63	572	635	309	449	758
Adjusted EBITDA	<u>\$ 10,891</u>	<u>\$ (1,636)</u>	<u>\$ 9,255</u>	<u>\$ 9,147</u>	<u>\$ (2,180)</u>	<u>\$ 6,967</u>

(a) A component of other income which reflects the amounts the Company is expected to receive related to a refundable tax credit.

(b) Reflects the amounts forgiven associated with loans received by the Company.

(c) Reflects the separation costs associated with the Company's previous President and Chief Executive Officer and Chief Operating Officer.

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

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

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

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

Realized price per ton sold for the three months ended September 30, 2022 and 2021

(in thousands except per ton amounts)	For the three months ended September 30, 2022			For the three months ended September 30, 2021		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Revenue	\$ 44,524	\$ 1,414	\$ 45,938	\$ 36,005	\$ 375	\$ 36,380
Add (Deduct):						
Tolling revenue	(244)	—	(244)	(493)	—	(493)
Transportation costs from preparation plant to customer	(1,619)	(8)	(1,627)	(1,570)	—	(1,570)
Limestone revenue	(213)	—	(213)	(343)	—	(343)
Net coal sales (at preparation plant)	\$ 42,448	\$ 1,406	\$ 43,854	\$ 33,599	\$ 375	\$ 33,974
Coal sold - tons	268	14	282	298	10	308
Realized price per ton sold (at preparation plant)	<u>\$ 158.39</u>	<u>\$ 100.43</u>	<u>\$ 155.51</u>	<u>\$ 112.75</u>	<u>\$ 37.50</u>	<u>\$ 110.31</u>

Realized price per ton sold for the nine months ended September 30, 2022 and 2021

(in thousands except per ton amounts)	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Revenue	\$ 125,292	\$ 1,745	\$ 127,037	\$ 89,831	\$ 1,594	\$ 91,425
Add (Deduct):						
Tolling revenue	(1,481)	—	(1,481)	(949)	—	(949)
Transportation costs from preparation plant to customer	(5,292)	(22)	(5,314)	(4,291)	(3)	(4,294)
Limestone revenue	(504)	—	(504)	(778)	—	(778)
Net coal sales (at preparation plant)	\$ 118,015	\$ 1,723	\$ 119,738	\$ 83,813	\$ 1,591	\$ 85,404
Coal sold - tons	739	17	756	860	44	904
Realized price per ton sold (at preparation plant)	<u>\$ 159.70</u>	<u>\$ 101.35</u>	<u>\$ 158.38</u>	<u>\$ 97.46</u>	<u>\$ 36.16</u>	<u>\$ 94.47</u>

Cash cost per ton sold, cash production cost per ton sold, and cash cost per purchased coal per ton sold for the three months ended September 30, 2022 and 2021

(in thousands except per ton amounts)	For the three months ended September 30, 2022			For the three months ended September 30, 2021		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Cost of Sales:						
Mining and processing costs	\$ 29,571	\$ 848	\$ 30,419	\$ 24,605	\$ 23	\$ 24,628
Purchased coal costs	6,521	526	7,047	1,200	329	1,529
Royalty expense	1,927	—	1,927	1,775	—	1,775
Total cash costs of tons sold	\$ 38,019	\$ 1,374	\$ 39,393	\$ 27,580	\$ 352	\$ 27,932
Total tons sold	268	14	282	298	10	308
Cash cost per ton sold (at preparation plant)	\$ 141.86	\$ 98.14	\$ 139.69	\$ 92.55	\$ 35.20	\$ 90.69
Total cash costs of tons sold	\$ 38,019	\$ 1,374	\$ 39,393	\$ 27,580	\$ 352	\$ 27,932
Less: purchased coal	(6,521)	—	(6,521)	(1,200)	—	(1,200)
Cash cost of produced coal sold	\$ 31,498	\$ 1,374	\$ 32,872	\$ 26,380	\$ 352	\$ 26,732
Tons sold - produced	230	14	244	286	10	\$ 296
Cash production cost per ton sold (at preparation plant)	\$ 136.95	\$ 98.14	\$ 134.72	\$ 92.24	\$ 35.20	\$ 90.31
Purchased coal	\$ 6,521	\$ —	\$ 6,521	\$ 1,200	\$ —	\$ 1,200
Tons sold - purchased coal	38	—	38	12	—	12
Cash cost purchased coal per ton sold (at preparation plant)	\$ 171.61	\$ —	\$ 171.61	\$ 100.00	\$ —	\$ 100.00

Cash cost per ton sold, cash production cost per ton sold, and cash cost per purchased coal per ton sold for the nine months ended September 30, 2022 and 2021

(in thousands except per ton amounts)	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Cost of Sales:						
Mining and processing costs	\$ 78,576	\$ 1,159	\$ 79,735	\$ 64,501	\$ 184	\$ 64,685
Purchased coal costs	17,399	532	17,931	2,679	1,323	4,002
Royalty expense	4,882	—	4,882	4,222	—	4,222
Total cash costs of tons sold	\$ 100,857	\$ 1,691	\$ 102,548	\$ 71,402	\$ 1,507	\$ 72,909
Total tons sold	739	17	756	860	44	904
Cash cost per ton sold (at preparation plant)	\$ 136.48	\$ 99.47	\$ 135.65	\$ 83.03	\$ 34.25	\$ 80.65
Total cash costs of tons sold	\$ 100,857	\$ 1,691	\$ 102,548	\$ 71,402	\$ 1,507	\$ 72,909
Less: purchased coal	(17,399)	—	(17,399)	(2,679)	—	(2,679)
Cash cost of produced coal sold	\$ 83,458	\$ 1,691	\$ 85,149	\$ 68,723	\$ 1,507	\$ 70,230
Tons sold - produced	636	17	653	828	44	872
Cash production cost per ton sold (at preparation plant)	\$ 131.22	\$ 99.47	\$ 130.40	\$ 83.00	\$ 34.25	\$ 80.54
Purchased coal	\$ 17,399	\$ —	\$ 17,399	\$ 2,679	\$ —	\$ 2,679
Tons sold - purchased coal	103	—	103	32	—	32
Cash cost purchased coal per ton sold (at preparation plant)	\$ 168.92	\$ —	\$ 168.92	\$ 83.72	\$ —	\$ 83.72

Cash margin per ton sold for the three months ended September 30, 2022 and 2021

	For the three months ended September 30, 2022			For the three months ended September 30, 2021		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Realized price per ton sold (at preparation plant)	\$ 158.39	\$ 100.43	\$ 155.51	\$ 112.75	\$ 37.50	\$ 110.31
Cash cost per ton sold (at preparation plant)	\$ 141.86	\$ 98.14	\$ 139.69	\$ 92.55	\$ 35.20	\$ 90.69
Cash margin per ton sold	\$ 16.53	\$ 2.29	\$ 15.82	\$ 20.20	\$ 2.30	\$ 19.62

Cash margin per ton sold for the nine months ended September 30, 2022 and 2021

	For the nine months ended September 30, 2022			For the nine months ended September 30, 2021		
	NAPP	NAPP	Total	NAPP	NAPP	Total
	Met	Thermal		Met	Thermal	
Realized price per ton sold (at preparation plant)	\$ 159.70	\$ 101.35	\$ 158.38	\$ 97.46	\$ 36.16	\$ 94.47
Cash cost per ton sold (at preparation plant)	\$ 136.48	\$ 99.47	\$ 135.65	\$ 83.03	\$ 34.25	\$ 80.65
Cash margin per ton sold	\$ 23.22	\$ 1.88	\$ 22.73	\$ 14.43	\$ 1.91	\$ 13.82

OUTSTANDING SHARE DATA

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

	Number of Common Shares
Common Shares issued and outstanding	103,275,076
Common Shares issuable upon exercise of stock options	7,435,500
Total	110,710,576

SUMMARY OF QUARTERLY RESULTS

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

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

(in thousands except per share amounts)	Quarter Ended			
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Revenue from continuing operations	\$ 36,380	\$ 30,426	\$ 24,619	\$ 16,835
Net and comprehensive (loss) income	\$ 933	\$ 2,153	\$ (4,433)	\$ (13,042)
Earnings (loss) per share:				
Basic	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ (0.05)</u>	<u>\$ (0.13)</u>
Diluted	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ (0.05)</u>	<u>\$ (0.13)</u>

The most recent six quarters reflect the improvements in the metallurgical coal market which led to improved sales prices and accordingly increased revenues. The first, second and third quarters of 2022 reflect the impact of a higher cost environment where the Company did not produce coal as efficiently as in the past due in part to a lack of skilled workforce and challenging geology at the underground mines. Net and comprehensive loss for each of the 2022 quarters was also impacted by significant investment losses related to the water treatment trust equity investments. The fourth quarter of 2020 reflected the weakening of the metallurgical coal market and price environment which was significantly impacted by the COVID-19 pandemic.

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, at the time, were under common control with the Company's former controlling shareholder, Quintana Energy Partners L.P. ("QEP"); transactions with companies who, at the time, were under common control of the Company's former minority shareholder, Sev.en Met Coal Corp. ("Sev.en") and transactions with close family members of key management personnel. QEP and Sev.en ceased being related parties in December 2021 and January 2022, respectively.

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,	
	2022	2021	2022	2021
Coal sales (a)	\$ —	\$ —	\$ —	\$ 2,275
Supplies purchased (b)	—	(34)	—	(105)
	<u>\$ —</u>	<u>\$ (34)</u>	<u>\$ —</u>	<u>\$ 2,170</u>

- (a) During the nine months ended September 30, 2021, the Company sold coal to Blackhawk Coal Sales, LLC, which was considered a related party as this entity was acquired by 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). Blackhawk Coal Sales, LLC is no longer considered a related party in the nine months ended September 30, 2022.
- (b) During the three and nine months ended September 30, 2021, the Company purchased supplies used in the coal separation process from Quality Magnetite, which was 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). Quality Magnetite is no longer considered a related party in the nine months ended September 30, 2022.

Included in accounts payable and accrued liabilities due to related parties at December 31, 2021 was \$22.

CRITICAL ACCOUNTING ESTIMATES

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

Property, plant and equipment

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

Reserve and resource estimates

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

Reclamation provision estimates

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

Water treatment provision estimates

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

Impairment of long-term assets

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

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

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

Evaluation of exploration and evaluation costs

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

Deferred income tax assets

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

CHANGES IN ACCOUNTING POLICIES

Future accounting pronouncements or recently adopted accounting pronouncements

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

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

Financial risk management

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

Credit Risk

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

Customer credit risk is managed by the Company's established policy, procedures and controls relating to customer credit risk management. The Company trades only with recognized creditworthy third parties who are subject to credit verification procedures, and often times are backed by letters of credit or trade credit insurance. In addition, outstanding receivable balances are regularly monitored on an ongoing basis. The Company has not recorded any allowance for credit losses for the nine months ended September 30, 2022 and 2021.

At September 30, 2022 and December 31, 2021, the Company had three and four customers, respectively, that owed the Company more than \$1,000 each and accounted for approximately 93% and 66%, respectively, of total accounts receivable. At September 30, 2022 and December 31, 2021, 39% and 58%, respectively, of the Company's accounts receivables were covered by letters of credit or other forms of credit insurance.

Market Risk

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

Commodity Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At September 30, 2022, the Company had a consolidated cash balance of \$11,370 and consolidated working capital of \$6,586. The future operations of the Company are dependent on the continued generation of positive cash flows from operations which in turn is dependent on the future demand and price for metallurgical coal. The Company plans to utilize expected operating cash flows to service the Company's debt obligations.

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

Fair Value

The estimated fair values of all financial instruments approximate their respective carrying values except for the loans payable in connection with the Main Street Facility and the 36th Street Facility. The loans payable are carried at amortized cost and the carrying amounts and fair values are presented below:

	September 30, 2022		December 31, 2021	
	Carrying		Carrying	
	Amount	Fair Value	Amount	Fair Value
Loan payable - Main Street Facility	\$ 25,316	\$ 19,165	\$ 25,249	\$ 17,686
Loan payable - 36 th Street Facility	1,716	1,756	4,142	4,255
	<u>\$ 27,032</u>	<u>\$ 20,921</u>	<u>\$ 29,391</u>	<u>\$ 21,941</u>

The fair value of the loans payable were determined by discounting the future contractual cash flows at a discount rate that represents an approximation of the borrowing rates presently available to the Company. At September 30, 2022 and December 31, 2021, the discount rates were 11.3% and 9.0%, for the Main Street Facility and the 36th Street Facility, respectively. 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, 2022</u>	<u>December 31, 2021</u>
	<u>Level 1</u>	<u>Level 1</u>
Restricted cash	\$ 13,986	\$ 11,917
Restricted investments		
Debt securities	5,990	8,725
Equity securities	18,758	22,692
	<u>24,748</u>	<u>31,417</u>
Total restricted cash and investments	<u>\$ 38,734</u>	<u>\$ 43,334</u>

At September 30, 2022 and December 31, 2021, the Company had no financial instruments which used Level 2 or 3 fair value measurements.

ADDITIONAL INFORMATION

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