Corsa Coal Corp.

Management's Discussion and Analysis

March 31, 2016

Corsa Coal Corp.
Management's Discussion and Analysis
For the three months ended March 31, 2016

The purpose of the Corsa Coal Corp. (“Corsa” or the "Company") Management’s Discussion and Analysis (“MD&A”) for the three months ended March 31, 2016 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 dated as of May 18, 2016 and is intended to be read in conjunction with the audited consolidated financial statements at and for the years ended December 31, 2015 and 2014 and the related notes thereto. Unless otherwise stated, references in this MD&A to “First Quarter 2016” means the three months ended March 31, 2016 and “First Quarter 2015” means the three months ended March 31, 2015. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards 34 – *Interim Financial Reporting* ("IAS 34") 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 and all ton amounts are short tons (2,000 pounds per ton). Please refer to “Forward-Looking Statements”.

Profile

Corsa is one of the leading United States suppliers of premium quality metallurgical coal, an essential ingredient in the production of steel and high quality thermal and industrial coal used by transportation-advantaged customers in the Southeast region of the United States. Corsa’s core business is supplying metallurgical coal with the highest safety, yield, and strength characteristics to domestic steel producers while being a strategic source of supply in the Atlantic and Pacific basin markets. As of the date of this MD&A, Corsa produces coal from six mines and one development mine, operates two preparation plants, and has approximately 336 employees. Corsa is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “CSO”.

The coal operations are conducted through the Northern Appalachia Division (“NAPP”) and the Central Appalachia Division (“CAPP”). NAPP is based in Somerset, Pennsylvania, U.S.A. and 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, Europe, South America, and Asia. See “NAPP Operations” below. CAPP is based in Knoxville, Tennessee, U.S.A. and is focused on thermal and industrial coal production in the Central Appalachia coal region and sales in the southeastern region of the United States. See “CAPP Operations” below.

First Quarter 2016 Highlights

- Spot prices for metallurgical coal rose 10% over the course of the first quarter 2016, and are up approximately 25% in 2016. With an open sales position and the ability to increase production as the year progresses, Corsa expects to immediately benefit from these increases in prices for metallurgical coal.
- NAPP secured a new thermal coal sales order that brings our committed and priced production up to 70% for 2016.
- CAPP has substantially completed the mine development for the Cooper Ridge Deep Mine. This mine is expected to strategically reposition CAPP into the specialty coal and industrial coal markets which typically generate premium pricing.
- NAPP cost reduction efforts have been successful with the cash production cost per ton sold(1) for metallurgical coal decreasing 18.2% [from $76.09 to $62.23] in the three months ended March 31, 2016 compared to the prior year comparable quarter.
- CAPP cost reduction efforts have also been successful with cash production cost per ton sold(1) for thermal and industrial coal decreasing 20.8% [from $61.96 to $49.05] in the three months ended March 31, 2016 compared to the prior year comparable quarter.
- Corsa's operations continue to achieve industry leading safety performance, with violation per inspection day rates that are 50% lower than the national average.
- In March 2016, Corsa raised $8 million from its largest three investors as well as its senior lender by way of a non-brokered private placement of common shares to fund working capital and for general corporate purposes.
- In March 2016, Corsa amended its secured term loan ("Facility") to provide covenant relief and the ability to pay interest by adding such interest to the principal amount of the Facility through the first quarter 2017, the details of which were previously announced.
- Key Operating Metrics:

	For the three months ended March 31, 2016					
(in thousands except per ton amounts)		**NAPP - Metallurgical Coal**		**NAPP - Thermal Coal**		**CAPP**
Tons sold		107		42		99
Realized price per ton sold(1)	$	68.82	$	37.74	$	64.73
Cash production cost per ton sold(1)		62.23		39.00		49.05
Cash margin per ton sold(1)	$	6.59	$	(1.26)	$	15.68

(1) This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.

Guidance

Corsa is maintaining guidance for the year ended December 31, 2016, as per Corsa's Management's Discussion and Analysis for the year ended December 31, 2015, which is as follows:

- Total sales of 1,525,000 to 1,825,000 tons.
- NAPP Division sales of 850,000 to 1,050,000 tons, including metallurgical coal sales guidance of 600,000 to 700,000 tons and thermal coal sales guidance of 250,000 to 350,000 tons. See "Coal Pricing Trends and Outlook – NAPP Division" below.
- CAPP Division sales of 675,000 to 775,000 tons of thermal and industrial coal. See "Coal Pricing Trends and Outlook – CAPP Division" below.
- NAPP Division cash production cost per ton sold(1) for metallurgical coal of $57 to $62.
- NAPP Division cash production cost per ton sold(1) for thermal coal of $32 to $37.
- CAPP Division cash production cost per ton sold(1) for thermal coal of $56 to $61.

(1) This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.

Coal pricing Trends and Outlook

NAPP Division

Spot prices for metallurgical coal have risen by approximately 25% on a year-to-date basis as the steel prices have risen substantially, the destocking phase for inventories has ended, blast furnace utilization rates have risen, and imports of metallurgical coal in Asia have risen. US metallurgical coal exporters have benefited from a weaker US dollar versus the Australian and Canadian dollars. Over the past three years, coal producers have made limited capital expenditures to develop new mines and maintain existing mines. Over the past two years, approximately 48 million tons of metallurgical coal production cuts, representing approximately 16% of the annual seaborne metallurgical coal trade, have been announced. On the demand side, we are seeing increases in steel demand globally, which is leading to very low inventory levels and long wait times for steel orders. This has increased steel prices by approximately 40% in the United States on a year-to-date basis. Corsa believes that increased infrastructure spending in Asia and the United States will continue to drive steel demand and reverse the decline in crude steel production that was experienced in 2015. We expect these supply and demand factors to continue to provide support for metallurgical coal prices in future quarters.

The second quarter 2016 coking coal benchmark pricing increased to $84.00 per metric ton, representing an increase of approximately 4% from the first quarter of 2016 and a year-over-year decrease of approximately 23%. The second quarter price is the third time the benchmark settlement was below $90 per metric ton since 2004, on a nominal basis, and represents a point on the cost curve where analysts estimate a substantial portion of the global seaborne production is unprofitable. As of April 2016, spot prices have increased past the second quarterly settlement. If this trend continues, Corsa expects to see a further strengthening in the quarterly benchmark settlement.

Despite the increases seen in early 2016, current metallurgical coal prices remain at levels where a substantial amount of global production is uneconomic. Prior to the upturn in pricing in early 2016, the five-year downturn in metallurgical coal prices represented the longest and deepest downturn in pricing in over 60 years. This situation arose as a result of global producers committing to multi-billion dollar projects in a significantly higher price environment. Large scale mines often take three or more years from final investment decision to first production. New supply came online over 2013 and 2014, a period where demand growth softened. This supply growth is expected to mitigate in 2016 as the pipeline of growth projects is exhausted and prices are insufficient to incentivize new production. Corsa expects that over time, the fundamentals of the metallurgical coal market will rebalance as supply growth ends and production cutbacks are implemented.

As metallurgical coal production is rationalized in places like China, Western Canada, Australia and the United States, Corsa expects the seaborne metallurgical coal fundamentals to normalize. Domestically, severe financial distress has caused high profile bankruptcies in 2015 and 2016 and may lead to additional supply cuts in the near future. This situation has also created an environment where producers are deferring capital expenditures, not reinvesting in reserves or permitting efforts, and are highly vulnerable to supply disruptions. For these reasons, Corsa believes that the domestic market is poised to rebound faster than the international seaborne market. Corsa's geographic proximity to over 50% of domestic coke production capacity and short rail distance and multiple options to access the Baltimore export terminals solidify Corsa's ability to take advantage of any recoveries in coal pricing.

Corsa's metallurgical coal sales in 2016 from its NAPP Division are expected to be in the range of 600,000 to 700,000 tons. Approximately 70% of these sales are currently committed at the midpoint of the range. Actual sales will depend on customer demand and market conditions. Vessel nominations for export sales are determined by customers and concluded on a month-by-month basis. Corsa has the ability to produce and sell significantly more tons of metallurgical coal in 2016, should market conditions improve.

Corsa's thermal coal sales in 2016 from its NAPP Division are expected to be in the range of 250,000 to 350,000 tons. Approximately 90% of these sales are currently committed at the midpoint of the range. Actual sales will depend on customer demand and market conditions.

CAPP Division

Current Southeastern U.S. utility market thermal coal spot pricing declined 25% over the course of 2015. As a result, much of the Central Appalachia coal production is uneconomic. Corsa expects utility coal demand for Central Appalachia production to decrease in 2016. Conversely, industrial thermal demand grew 4% year over year for 2015 and Corsa expects industrial demand to grow in 2016.

The CAPP mineral reserve base exclusively consists of high BTU and high carbon content coal. These unique qualities, combined with advantaged logistics, set CAPP apart from other producers and create a niche in the utility and industrial marketplace. As a result, despite thermal supply outpacing demand in 2015, CAPP has been successful in maintaining a high level of contracted sales for the future.

CAPP will continue to target the industrial market segment as it transitions from a utility supplier to an industrial supplier during 2016. The opening of the Cooper Ridge mine will position CAPP to service the industrial specialty coal markets. These specialty markets are well suited for CAPP's coal qualities and relatively protected from natural gas prices and historically reflect higher pricing than the thermal markets.

The CAPP Division coal sales for 2016 are expected to be in the range of 675,000 to 775,000 tons. Approximately 55% of these sales are currently committed at the midpoint of the range. Actual sales will depend on customer demand and market conditions.

Financial and Operations Summary

Financial Summary

	For the three months ended March 31,		
(in thousands)	**2016**	**2015**	**Variance**
Revenue	$ 16,613	$ 31,366	$ (14,753)
Cost of sales	(19,676)	(52,676)	33,000
Gross margin	(3,063)	(21,310)	18,247
Corporate and administrative expense	(3,107)	(4,139)	1,032
Loss from operations	(6,170)	(25,449)	19,279
Net finance expense	(2,434)	(569)	(1,865)
Other income	307	655	(348)
Loss before tax	(8,297)	(25,363)	17,066
Income tax expense (recovery)	—	264	(264)
Net and comprehensive loss	$ (8,297) $	$ (25,627) $	$ 17,330
EBITDA[1]	$ (2,795)	$ (16,052)	$ 13,257
Adjusted EBITDA[1]	$ (619)	$ (648)	$ 29
Cash (used in) provided by operating activities	$ (1,597)	$ 3,652	$ (5,249)

Operations Summary

(in thousands)	For the three months ended March 31, 2016	2015	Variance
Coal sold - tons			
NAPP - metallurgical coal	107	159	(52)
NAPP - thermal coal	42	—	42
CAPP	99	200	(101)
Total	248	359	(111)
Realized price per ton sold[1]			
NAPP - metallurgical coal	$ 68.82	$ 87.50	$ (18.68)
NAPP - thermal coal	$ 37.74	$ —	$ 37.74
CAPP	$ 64.73	$ 66.95	$ (2.22)
Cash production cost per ton sold[1]			
NAPP - metallurgical coal	$ 62.23	$ 76.09	$ (13.86)
NAPP - thermal coal	$ 39.00	$ —	$ 39.00
CAPP	$ 49.05	$ 61.96	$ (12.91)
Cash margin per ton sold[1]			
NAPP - metallurgical coal	$ 6.59	$ 11.41	$ (4.82)
NAPP - thermal coal	$ (1.26)	$ —	$ (1.26)
CAPP	$ 15.68	$ 4.99	$ 10.69
Adjusted EBITDA[1]			
NAPP	$ (607)	$ 2	$ (609)
CAPP	952	345	607
Corporate	(964)	(995)	31
Total	$ (619)	$ (648)	$ 29

[1] This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.

Segment Analysis

NAPP Operations

NAPP's core business is producing and selling low volatile metallurgical coal used for the production of coke from its mines in the Northern Appalachia coal region of the United States. The coal mined is sold to international and domestic steel producers, as well as other coal companies for blending, via railroad, trucking and barge. In addition to the mines currently in production, NAPP has a significant pipeline of projects which it anticipates developing pending the recovery of metallurgical coal prices.

NAPP is centrally located in and around Somerset, Pennsylvania, approximately 60 miles from Pittsburgh, Pennsylvania, and operates in Pennsylvania and Maryland. NAPP ships coal to customers by rail, truck and barge. The preparation plants have access to both CSX and NS rail lines and can access the Eastern Seaboard ports such as the Port of Baltimore which is 170 miles away. The location of NAPP is also consistent with Corsa's strategy to provide a competitively lower delivered cost to key customers, including steel mills around Pittsburgh, the Great Lakes regions and Canada.

Mines

NAPP currently operates the Casselman Mine, an underground mine utilizing the continuous mining method; the Quecreek Mine, an underground mine utilizing the continuous mining method; the Ash Mine, a surface mine utilizing contour and high wall mining methods and the Rhoads Mine, a surface mine utilizing contour mining methods. The Casselman Mine is located in Garrett County, Maryland and all of the other mines are located in Somerset County, Pennsylvania.

Preparation plants

NAPP currently operates one preparation plant and has two preparation plants that have been temporarily idled in response to market conditions. The raw metallurgical coal produced from the mines is trucked to the preparation plants where it is processed or "washed" using conventional coal processing techniques and stored for shipping. All plants have load out facilities adjacent to a rail line. Coal is usually shipped by rail; however, it can also be shipped by truck. All of the preparation plants are located in Somerset County, Pennsylvania. The Cambria Plant has an operating capacity of 325 tons of raw coal per hour, storage capacity for 120,000 tons of clean coal and 180,000 tons of raw coal and load out facilities adjacent to a CSX rail line. The Shade Creek Plant has an operating capacity of 450 tons of raw coal per hour, storage capacity for 120,000 tons of clean coal and 125,000 tons of raw coal and load out facilities adjacent to a NS line. The Rockwood Plant has an operating capacity of 325 tons of raw coal per hour and load out facilities adjacent to a CSX rail line. The Rockwood and Shade Creek Plants remained idled during the three months ended March 31, 2016.

Projects

NAPP has several significant projects which are in various stages of permitting and development.

Name	Type of Mine	Status
Rhoads Project	Surface	Permitted
Acosta Deep Project	Underground	Permitted
Horning D Project	Underground	Permitted
A Seam Project	Underground	Permitted
Keyser Project	Underground	Permit in Process
Acosta 4 Project	Surface	Permitted

NAPP Operating Results

Quarter

In First Quarter 2016, NAPP operated two underground mines (the Casselman and Quecreek Mines), two surface mines (the Ash and the Rhoads Mines) and one preparation plant (the Cambria Plant). See "NAPP Operations" above.

In First Quarter 2015, NAPP operated three underground mines (the Casselman, Quecreek and Kimberly Run Mines) and three surface mines (the Ash, Rhodes and Semlesberger Mines).

The metallurgical coal sold decreased by 52,000 tons from First Quarter 2015 due to the timing of export shipments and general market conditions. Thermal coal sold increased 42,000 tons from First Quarter 2015 due to a long-term sales contract that was entered into after First Quarter 2015.

The realized price per ton sold decreased $18.68 in First Quarter 2016 as compared to First Quarter 2015 due to a less favorable domestic and export sales mix, and an overall decrease in sales price as a result of the global oversupply of metallurgical coal. See "Non-GAAP Financial Measures" below.

The cash production cost per ton sold decreased by $13.86 or 18.2% in First Quarter 2016 as compared to First Quarter 2015 due to Corsa's continued focus on managing production costs. See "Non-GAAP Financial Measures" below.

CAPP Operations

CAPP produces and sells high British Thermal Unit ("BTU"), low and mid sulfur thermal coal used in power, industrial and specialty applications from its mines in the Central Appalachia coal region of the United States. The coal mined is sold to domestic electric utilities and industrial customers and transported by rail and truck. In addition to the mines currently in production, CAPP also has a significant pipeline of thermal, specialty and industrial coal development projects which it anticipates developing. CAPP is based in Knoxville, Tennessee and has operations in Tennessee.

Mines

CAPP currently operates the Double Mountain Deep Mine, an underground mine utilizing the continuous mining method, the Straight Creek Mine, a surface mine utilizing contour and auger mining methods, and the Cooper Ridge Deep Mine which is currently developing the main line entries. All mines are located in Claiborne County, Tennessee.

Preparation Plant

CAPP currently operates one preparation plant. The thermal coal produced from the underground mine is trucked to the preparation plant where it is processed or "washed" using conventional coal processing techniques and stored for shipping. The plant is located in Claiborne County, Tennessee. The plant has an operating capacity of 350 tons of raw coal per hour and load out facilities adjacent to a NS rail line with dual NS and CSX load out capability. Coal is usually shipped by rail; however, it can also be shipped by truck. All CAPP operating mines are within seven miles of the preparation plant.

Projects

CAPP has several significant projects which are in various stages of permitting and development.

Name	Type of Mine	Status
Cumberland Gap Deep Project	Underground	Not-permitted
Rich Gap Mason Deep Project	Underground	Not-permitted
Cooper Ridge Surface Project	Surface / High Wall	Not-permitted
Cooper Ridge Deep Project	Underground	Development

CAPP Operating Results

Quarter

In First Quarter 2016, CAPP operated one underground mine (the Double Mountain Deep Mine), one surface mine (the Straight Creek Mine), the Cooper Ridge Deep Mine was under development and one preparation plant. See "CAPP Operations" above.

In First Quarter 2015, CAPP operated one underground mine (the Double Mountain Deep Mine) and two surface mines (the Clear Fork and Straight Creek Mines).

The thermal and industrial coal sold decreased 101,000 tons from First Quarter 2015 due to reduced demand as a result of market conditions as well as capitalizing the revenues associated with 28,000 tons related to the Cooper Ridge mine development.

The realized price per ton sold decreased by $2.22 from First Quarter 2015 to First Quarter 2016 due to the declining market pricing for spot sales. See "Non-GAAP Financial Measures" below.

The cash production cost per ton sold decreased by $12.91 or 20.8% from First Quarter 2015 to First Quarter 2016 due to the impacts of the divisions cost containment initiatives. See "Non-GAAP Financial Measures" below.

Financial Results

	For the three months ended March 31, 2016			
(in thousands)	**NAPP**	**CAPP**	**Corporate**	**Consolidated**
Revenue	$ 10,205	$ 6,408	$ —	$ 16,613
Cost of sales	(13,679)	(5,997)	—	(19,676)
Gross margin	(3,474)	411	—	(3,063)
Corporate and administrative expense	(1,178)	(407)	(1,522)	(3,107)
Loss from operations	(4,652)	4	(1,522)	(6,170)
Net finance expense	(442)	(116)	(1,876)	(2,434)
Other income (expense)	312	(5)	—	307
Loss before tax	(4,782)	(117)	(3,398)	(8,297)
Income tax expense (recovery)	—	—	—	—
Net and comprehensive loss	$ (4,782)	$ (117)	$ (3,398)	$ (8,297)
Adjusted EBITDA[1]	$ (607)	$ 952	$ (964)	$ (619)

	For the three months ended March 31, 2015			
(in thousands)	**NAPP**	**CAPP**	**Corporate**	**Consolidated**
Revenue	$ 17,976	$ 13,390	$ —	$ 31,366
Cost of sales	(29,219)	(23,457)	—	(52,676)
Gross margin	(11,243)	(10,067)	—	(21,310)
Corporate and administrative expense	(1,876)	(377)	(1,886)	(4,139)
Loss from operations	(13,119)	(10,444)	(1,886)	(25,449)
Net finance (expense) income	(743)	(121)	295	(569)
Other income	643	12	—	655
Loss before tax	(13,219)	(10,553)	(1,591)	(25,363)
Income tax expense (recovery)	—	—	264	264
Net and comprehensive loss	$ (13,219)	$ (10,553)	$ (1,855)	$ (25,627)
Adjusted EBITDA[1]	$ 2	$ 345	$ (995)	$ (648)

(in thousands)	Dollar variance for the three months ended March 31, 2016 versus 2015 NAPP	CAPP	Corporate	Consolidated
Revenue	$ (7,771)	$ (6,982)	$ —	$ (14,753)
Cost of sales	15,540	17,460	—	33,000
Gross margin	7,769	10,478	—	18,247
Corporate and administrative expense	698	(30)	364	1,032
Loss from operations	8,467	10,448	364	19,279
Net finance (expense) income	301	5	(2,171)	(1,865)
Other income	(331)	(17)	—	(348)
Loss before tax	8,437	10,436	(1,807)	17,066
Income tax expense (recovery)	—	—	(264)	(264)
Net and comprehensive loss	$ 8,437	$ 10,436	$ (1,543)	$ 17,330
Adjusted EBITDA(1)	$ (609)	$ 607	$ 31	$ 29

(1) This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.

Operating Segments

Corsa's three distinct operating segments are NAPP, CAPP and Corporate. The financial results of the operating segments are as follows:

NAPP

Revenue

Revenue, consisting of metallurgical coal sales, thermal coal sales and tolling and other revenue, decreased by $7,771,000 from First Quarter 2015 to First Quarter 2016 and consisted of the following:

(in thousands)	For the three months ended March 31, 2016	2015	Variance
Metallurgical coal revenue (at preparation plant)	$ 7,364	$ 13,912	$ (6,548)
Thermal coal revenue (at preparation plant)	1,585	—	1,585
Transportation revenue	1,210	1,751	(541)
Tolling revenue	46	2,313	(2,267)
	$ 10,205	$ 17,976	$ (7,771)

Metallurgical coal revenue, net of transportation charges decreased $6,548,000 as a result of decreased sales volumes which decreased revenue by $4,550,000 and lower sales price per ton sold with decreased revenue by $1,998,000. Metallurgical coal sold decreased 52,000 tons in First Quarter 2016 as compared to First Quarter 2015 due to decreased market demand for metallurgical coal. Realized price per ton sold decreased $18.68 primarily due to the global oversupply of metallurgical coal.

Thermal coal revenue, net of transportation charges increased $1,585,000 as a result of a long-term contract that was entered into after First Quarter 2015.

Revenue associated with the transportation of coal to the loading terminal or customer decreased $541,000 as a result of decreased export sales partially offset by the increase in transportation revenue associated with the thermal coal sales.

Tolling revenue decreased $2,267,000 as a result of the Company processing less third party coal through the preparation plant.

Cost of sales

Cost of sales consists of the following:

	For the three months ended March 31,		
(in thousands)	**2016**	**2015**	**Variance**
Mining and processing costs	$ 7,845	$ 12,061	$ (4,216)
Purchased coal costs	—	291	(291)
Royalty expense	474	1,353	(879)
Amortization expense	3,755	6,747	(2,992)
Transportation costs from preparation plant to customer	1,210	1,751	(541)
Idle mine expense	269	999	(730)
Change in estimate of reclamation provision for non-operating properties	—	1,753	(1,753)
Impairment and write-off of mineral properties	—	3,438	(3,438)
Write-off of advance royalties and other assets	126	826	(700)
Other costs	—	—	—
	$ 13,679	$ 29,219	$ (15,540)

Mining and processing costs decreased by $4,216,000 primarily due to the cost containment initiatives that were put in place during the 2015 calendar year resulting in significant reductions in the cost per ton sold. Royalty expense decreased by $879,000 due to the decrease in average sales prices of the tons sold. Amortization expense decreased by $2,992,000 primarily due to the impact of the impairment charges that were recorded during the three months ended December 31, 2015 which resulted in lower amortization charges prospectively. Transportation costs from preparation plant to customer decreased by $541,000 primarily due to the decrease in coal sold on the export market in which Corsa is obligated to provide transportation to the vessel loading port partially offset by increased thermal coal transportation costs to the customer. Idle mine expense decreased by $730,000 as the result of sealing certain mines which lowered the on-going carrying costs. The change in estimate of the reclamation provision for non-operating properties decreased $1,753,000 due to various changes in assumptions and discount rates. Impairment and write-off of mineral properties decreased by $3,438,000 due to impairments which were recorded in First Quarter 2015. Write-off of advance royalties decreased by $700,000 primarily due to the write-off of the prepaid royalties on terminated mineral leases in both periods presented, none of which were material to current and future mining operations.

Corporate and administrative expense

Corporate and administrative expense consists of the following:

	For the three months ended March 31,		
(in thousands)	**2016**	**2015**	**Variance**
Salaries and other compensations	$ 818	$ 1,346	$ (528)
Professional fees	160	(13)	173
Office expenses	137	360	(223)
Other	63	183	(120)
	$ 1,178	$ 1,876	$ (698)

Corporate and administrative expense related to the NAPP Division decreased by $698,000 primarily due to various staffing reductions that took place subsequent to First Quarter 2015.

Adjusted EBITDA

Adjusted EBITDA decreased by $609,000 in First Quarter 2016 compared to First Quarter 2015. Adjusted EBITDA was impacted by temporary adverse geologic conditions in January 2016 which increased mining costs. The conditions improved by the end of January 2016 when the mining unit advanced into the active panel. See "Non-GAAP Financial Measures" below.

CAPP

Revenue

Revenue, consisting of thermal coal sales, decreased by $6,982,000 from First Quarter 2015 to First Quarter 2016 as a result of the decreases in tons sold and in realized price per ton sold. Sales of thermal coal were 99,000 tons in First Quarter 2016 compared with 200,000 tons in First Quarter 2015. These decreased tons sold resulted in lower revenue of $6,762,000 and the decrease in average sales price impacted revenue by $220,000.

Cost of sales

Cost of sales consists of the following:

	For the three months ended March 31,		
(in thousands)	**2016**	**2015**	**Variance**
Mining and processing costs	$ 3,618	$ 10,538	$ (6,920)
Purchased coal costs	302	797	(495)
Royalty expense	936	1,056	(120)
Amortization expense	832	1,801	(969)
Idle mine expense	309	278	31
Change in estimate of reclamation provision for non-operating properties	—	(65)	65
Impairment and write-off of mineral properties	—	9,052	(9,052)
Other costs	—	—	—
	$ 5,997	$ 23,457	$ (17,460)

Mining and processing costs decreased by $6,920,000 due to lower tons sold and cost containment initiatives implemented at the CAPP Division. Purchase coal costs decreased by $495,000 as fewer tons were purchased in First Quarter 2016. Amortization expense decreased by $969,000 primarily due to the impact of the impairment charges that were recorded during the twelve months ended December 31, 2015 which resulted in lower amortization charges prospectively. Impairment and write-off of mineral properties was $9,052,000 in First Quarter 2015, which resulted from an analysis of the recoverable amount of CAPP's assets following a strategic review of CAPP performed by management during First Quarter 2015.

Corporate

Corporate and administrative expense

Corporate and administrative expense consists of the following:

	For the three months ended March 31,		
(in thousands)	**2016**	**2015**	**Variance**
Salaries and other compensations	$ 772	$ 1,337	$ (565)
Professional fees	627	286	341
Office expenses and insurance	108	211	(103)
Other	15	52	(37)
	$ 1,522	$ 1,886	$ (364)

Salaries and other compensations decreased $565,000 due to a reduction in staffing levels associated with the closure of the Company's previous corporate office. Professional fees increased $341,000 due additional legal and tax consulting fees incurred during First Quarter 2016. Office expenses and insurance decreased $103,000 due primarily to a reduction in insurance expense related to excess liability premiums.

Net finance expense (income)

Net finance expense (income) consists of the following:

	For the three months ended March 31,		
	2016	2015	Variance
Warrant financial liability (gain) loss	841	(1,171)	2,012
Accretion of discount on loan payable	306	250	56
Interest expense	737	625	112
Interest income	(4)	(2)	(2)
Foreign exchange (gain) loss	(4)	3	(7)
	1,876	(295)	2,171

The warrant financial liability resulted in expense of $841,000 in First Quarter 2016 compared with income of $1,171,000 in First Quarter 2015 due to changes in the underlying assumptions used to value the liability. Interest expense increased during the First Quarter 2016 as a result of capitalizing interest expense to the principal balance of the facility as well as capitalizing the fees associated with the First Amending Agreement.

Current income tax expense

The current tax expense decreased from $185,000 in the three months ended March 31, 2015 to nil in the three months ended March 31, 2016 due to the determination that interest charged from Corsa, a Canadian entity, to Wilson Creek Holdings Inc., Corsa's wholly-owned U.S subsidiary is uncollectible and adjusted accordingly subsequent to the three months ended March 31, 2015.

Deferred income tax expense (recovery)

Deferred income tax expense decreased from $79,000 in the three months ended March 31, 2015 to nil in the three months ended March 31, 2016. A full valuation allowance for all deferred tax assets has been previously provided for.

Financial Condition

(in thousands)	March 31, 2016	December 31, 2015	Variance
Current assets	$ 40,814	$ 37,229	$ 3,585
Non-current assets	164,006	165,631	(1,625)
Total assets	$ 204,820	$ 202,860	$ 1,960
Current liabilities	$ 33,162	$ 32,015	$ 1,147
Non-current liabilities	107,386	107,087	299
Total liabilities	$ 140,548	$ 139,102	$ 1,446
Total equity	$ 64,272	$ 63,758	$ 514

Current assets increased by $3,585,000 from December 31, 2015 to March 31, 2016. The increase was primarily due to an increase in cash attributed to the proceeds from equity financing and an increase in coal inventory due to timing of shipments. These increases were partially offset by a decrease in accounts receivable as a result of the timing of sales in the period-to-period comparison.

The decrease in non-current assets of $1,625,000 from December 31, 2015 to March 31, 2016 was due to decreases in property, plant and equipment primarily the result of amortization expense.

The increase in current liabilities of $1,147,000 from December 31, 2015 to March 31, 2016 was primarily due to an increase in accounts payable as a result of general timing of payables.

The increase in non-current liabilities of $299,000 from December 31, 2015 to March 31, 2016 was primarily due to various changes, none of which were individually material.

Total equity increased by $514,000 from December 31, 2015 to March 31, 2016 primarily due to additional share capital associated with the private placement partially offset by the net loss incurred during First Quarter 2016.

Liquidity and Capital Resources

(in thousands)	March 31, 2016		December 31, 2015		Variance	
Cash	$	12,869	$	9,493	$	3,376
Working capital	$	7,652	$	5,214	$	2,438
Line of credit available	$	2,500	$	3,000	$	(500)
Debt						
Notes payable	$	6,186	$	6,290	$	(104)
Finance lease obligations		8,200		8,812		(612)
Loan payable		25,140		24,440		700
	$	39,526	$	39,542	$	(16)

Cash

Cash increased by $3,376,000 from December 31, 2015 to March 31, 2016. See “Cash Flows” below.

Working capital

The net increase in working capital of $2,438,000 from December 31, 2015 to March 31, 2016 was primarily the result of an increase in cash primarily due to the private placement that occurred during First Quarter 2016 and an increase in coal inventory as a result of timing of shipments. These increases in working capital were partially offset by an increase in accounts payable due to timing of payments and the December 31, 2015 balances impacted by the idling of operations due to inventory control and lower receivables due to timing of coal sales.

Line of credit available

Corsa’s CAPP Division has a credit facility with $2,500,000 drawn on a line of credit. The credit facility allows the Company to borrow the lesser of $5,000,000 or the borrower's borrowing base as defined as (a) fifty percent of the inventory value of borrower's acceptable inventory; plus (b) seventy-five percent of acceptable accounts receivable; plus (c) sixty-five percent of the orderly liquidation value of the borrower's eligible equipment less the outstanding principal balance of the existing term loan. At March 31, 2016, the Company had $2,500,000 of availability on this credit facility.

Debt

On August 19, 2014, the Company entered into a $25,000,000 secured term loan ("Facility") as amended on October 20, 2015 ("First Amending Agreement") and on March 21, 2016 ("Second Amending Agreement"). The Facility is for a five-year term and bears interest at 10% per annum compounded quarterly until March 31, 2017 and monthly thereafter. For the period up to and including March 31, 2017, the Company will have the option of adding any interest payable under the Facility to the principal amount or, subject to approval of the TSX-V, satisfying any interest payment by the issuance of common shares of the Company ("Common Shares") (based on a five day volume weighted average trading price for Common Shares immediately prior to the last business day of the period multiplied by 105%). The First Amending Agreement, among other things, provides for: (i) the waiver of the requirement that the proceeds (A) of any equity financings by the Company prior to January 1, 2017 and (B) from the disposal of certain assets of the Company, be used to repay a portion of the Facility; and (ii) the payment of an additional three percent fee for any prepayment that is required in connection with a disposal of assets, change of control or refinancing event where, prior to such disposal, change of control or refinancing event, certain assets have been disposed of by the Company for in excess of $10 million in the aggregate. The Second Amending Agreement, among other things, provides for (i) a reduction in the minimum consolidated cash requirement under the Facility from $2,000,000 to $1,000,000 and the exclusion of the Company's CAPP Division from this calculation; (ii) an extension to April 2017 of the time during which interest due under the Facility can be paid by adding such interest to the principal amount of the Facility, and (iii) certain other amendments designed to provide the Company with increased flexibility under the Facility.

Debt decreased by $16,000 from December 31, 2015 to March 31, 2016 primarily due to payments made on the existing notes payable and finance lease obligations and additional debt discount associated with the Second Amending Agreement partially offset by additional borrowings on the revolving credit facility and equipment purchases, capitalizing interest to the principal balance on the loan payable and amortization of the debt discount associated with the loan payable.

Cash flows

Quarter

Operating activities

In First Quarter 2016, the cash used in operating activities was $1,597,000 compared with cash provided by operating activities of $3,652,000 in First Quarter 2015, a decrease of $5,249,000. Adjusting the net and comprehensive loss for First Quarter 2016 and First Quarter 2015 for the items not affecting cash resulted in cash provided of $6,390,000 compared with $24,296,000 in First Quarter 2015. The cash spent on reclamation activities was $987,000 in First Quarter 2016 compared with $1,395,000 in First Quarter 2015. The changes in non-cash working capital balances related to operations in First Quarter 2016 provided cash of $1,297,000 compared with cash provided of $6,378,000 in First Quarter 2015.

Investing activities

The cash used in investing activities in First Quarter 2016 was $1,686,000 compared with $4,958,000 in First Quarter 2015, a change of $3,272,000. Restricted cash used cash of $235,000 as a result of additional restricted cash deposits mainly related to workers' compensation in First Quarter 2016 compared with cash provided of $310,000 in First Quarter 2015 as a result of cash collateral releases. Property, plant and equipment additions were $2,007,000 in First Quarter 2016 compared with $5,154,000 in First Quarter 2015.

Financing activities

In First Quarter 2016, cash provided by financing activities was $6,659,000 compared with cash used of $1,186,000 in First Quarter 2015, an increase of $7,845,000. Net proceeds from the private placement that occurred in March 2016 provided cash of $7,953,000. Proceeds from the revolving credit facility were $500,000 in First Quarter 2016. Repayment of notes payable in First Quarter 2016 used cash of $597,000 compared with $409,000 in First Quarter 2015. Repayment of finance lease obligations in First Quarter 2016 used cash of $1,155,000 compared with $777,000 in First Quarter 2015.

Capital Expenditures

The equipment and development added to property, plant and equipment for the three months ended March 31, 2016 were as follows:

(in thousands)		
Maintenance capital expenditures		
Deep mines	$	280
Surface mines		32
Plant		535
		847
Growth capital expenditures		
Deep mines		1,708
Surface mines		22
Plant		188
		1,918
	$	2,765

Corsa's future spending on property, plant and equipment at its operations will be dependent upon market conditions, achieving acceptable rates of return on investment and financing availability. The timing of development of Corsa's coal properties will be dependent on market conditions.

Debt Covenants

Corsa has certain covenants it is required to meet under its finance lease obligations and certain notes payable. Certain measures included in the covenant calculations are not readily identifiable from Corsa's consolidated income statement or consolidated balance sheet. 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 March 31, 2016.

Corporate loan payable

The covenants required to be met are described below for the noted facility. Such measurements are made on the consolidated results of Corsa excluding the CAPP Division.

- Maintain a minimum cash balance of $1,000,000, excluding the CAPP Division (measured monthly)
- Maintain a positive working capital balance, excluding the CAPP Division (measured monthly)

CAPP note payable

The covenants required to be met are described below for the noted agreement. Such measurements are made on the non-consolidated results of Kopper Glo Mining, LLC.

- Maintain a Minimum Free Cash Flow Coverage Ratio(1) greater than 1.05 for the calendar quarter ended March 31, 2016; and greater than 1.10 for the calendar quarter ending June 30, 2016 and each calendar quarter thereafter (measured quarterly);
- Maintain a Maximum Free Cash Flow Leverage Ratio(2) of not more than 3.50 (measured annually); and
- Maintain a Maximum Balance Sheet Leverage Ratio(3) of not more than 1.50 (measured annually).

The facility will expire on January 10, 2017.

(1) Minimum Free Cash Flow Coverage Ratio is measured as:

$$\frac{\text{EBITDA - Maintenance Capital - Distributions for federal, state and local income taxes}}{\text{Current Maturities of Long Term Debt + Interest Expense}}$$

(2) Free Cash Flow Leverage Ratio is measured as:

$$\frac{\text{Funded External Debt}}{\text{EBITDA - Maintenance Capital - Distributions for federal, state and local income taxes}}$$

(3) Balance Sheet Leverage Ratio is measured as:

$$\frac{\text{Total Liabilities}}{\text{Tangible Net Worth - Mineral Reserves - Mine Development}}$$

NAPP finance leases

The covenants required to be met are described below for the noted leases. Such measurements are made on the consolidated results of Wilson Creek Energy, LLC.

- Debt service coverage ratio[1] must exceed 1.25 to 1.00 (measured quarterly)
- Debt to tangible net worth[2] must not exceed 2.0 to 1.0 (required to be maintained at all times)

[1] Debt Service Coverage Ratio is measured as:

$$\frac{\text{Adjusted Net Income}^{*}}{\text{Total Payments Made on Financed Debt + Off-balance Sheet Obligations + Interest Expense}}$$

[2] Debt to Tangible Net Worth is measured as:

$$\frac{\text{Outstanding Balance of all Financed Debt + Off-balance Sheet Obligations + Interest Expense}}{\text{Total Assets - Total Liabilities}}$$

* Adjusted net income is defined as Net Income + Non-cash Expenditures + Rent Expense + Interest Expense

Financed debt includes notes payable, finance leases and other institutional debt.

Contractual Obligations

Corsa has the following contractual obligations:

(in thousands)	Carrying Value at March 31, 2016	Payments due by period: Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accruals	$ 12,628	$ 12,628	$ 12,628	$ —	$ —	$ —
Notes payable	6,186	6,186	4,083	1,961	142	—
Finance lease obligations	8,200	8,200	3,742	3,875	583	—
Loan payable	25,140	29,687	—	—	29,687	
Other liabilities	22,509	23,182	8,441	7,364	3,282	4,095
Water treatment trust funding	—	9,903	3,391	6,512	—	—
Operating leases and other obligations	—	1,508	1,260	248	—	—
Total	$ 74,663	$ 91,294	$ 33,545	$ 19,960	$ 33,694	$ 4,095

Non-GAAP Financial Measures

This MD&A reports certain financial measures, not recognized under International Financial Reporting Standards ("IFRS" or "GAAP"), as used by management and readers of this MD&A to evaluate the historical performance of Corsa. Since certain non-GAAP financial measures may 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 GAAP measure. Certain financial measures referred to in this MD&A, namely EBITDA (earnings before deductions for interest, taxes, depreciation and amortization); Adjusted EBITDA (EBITDA adjusted for change in estimate of reclamation provisions 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); realized price per ton sold (net coal sales divided by tons of coal sold); cash production cost per ton sold (cash production costs of sales divided by tons of coal sold) and cash margin per ton sold (difference between realized price per ton sold and cash production cost per ton sold), are not measures recognized by GAAP.

Management uses EBITDA; Adjusted EBITDA; realized price per ton sold, cash production cost per ton sold and cash margin per ton sold as internal measurements of operating performance for Corsa's mining and processing operations. Management believes these non-GAAP measures provide useful information for investors as they provide information in addition to the GAAP measures to assist in their evaluation of the operating performance of Corsa.

EBITDA and Adjusted EBITDA

The calculation and reconciliation of non-GAAP EBITDA and non-GAAP Adjusted EBITDA to Net and comprehensive loss, the nearest GAAP measure, is as follows:

Consolidated

	For the three months ended March 31,	
(in thousands)	**2016**	**2015**
Net and comprehensive loss	$ (8,297)	$ (25,627)
Add (Deduct):		
Amortization expense	4,587	8,548
Interest expense	915	763
Income tax expense (recovery)	—	264
EBITDA	(2,795)	(16,052)
Add (Deduct):		
Change in estimate of reclamation provision for non-operating properties	—	1,688
Impairment and write-off of mineral properties	—	12,490
Write-off of advance royalties and other assets	126	826
Stock-based compensation	558	891
Net finance (income) expense, excluding interest expense	1,519	(194)
Gain on disposal of assets	(438)	(297)
Other costs	411	—
Adjusted EBITDA	$ (619)	$ (648)

NAPP Division

(in thousands)	For the three months ended March 31, 2016	2015
Net and comprehensive loss	$ (4,782)	$ (13,219)
Add (Deduct):		
Amortization expense	3,755	6,747
Interest expense	151	100
EBITDA	(876)	(6,372)
Add (Deduct):		
Change in estimate of reclamation provision for non-operating properties	—	1,753
Impairment and write-off of mineral properties	—	3,438
Write-off of advance royalties and other assets	126	826
Net finance (income) expense, excluding interest expense	291	643
Gain on disposal of assets	(438)	(286)
Other costs	290	—
Adjusted EBITDA	$ (607)	$ 2

CAPP Division

(in thousands)	For the three months ended March 31, 2016	2015
Net and comprehensive loss	$ (117)	$ (10,553)
Add (Deduct):		
Amortization expense	832	1,801
Interest expense	27	38
EBITDA	742	(8,714)
Add (Deduct):		
Change in estimate of reclamation provision for non-operating properties	—	(65)
Impairment and write-off of mineral properties	—	9,052
Net finance (income) expense, excluding interest expense	89	83
Gain on disposal of assets	—	(11)
Other costs	121	—
Adjusted EBITDA	$ 952	$ 345

Corporate Division

(in thousands)	For the three months ended March 31, 2016	2015
Net and comprehensive loss	$ (3,398)	$ (1,855)
Add (Deduct):		
Interest expense	737	625
Income tax expense (recovery)	—	264
EBITDA	(2,661)	(966)
Add (Deduct):		
Stock-based compensation	558	891
Net finance (income) expense, excluding interest expense	1,139	(920)
Other costs	—	—
Adjusted EBITDA	$ (964)	$ (995)

Realized price per ton sold

The calculation and reconciliation of net coal sales to revenue, the nearest GAAP measure, and the calculation of realized price per ton sold (net coal sales divided by tons sold) is as follows:

Consolidated

(in thousands)	For the three months ended March 31, 2016	2015
Revenue	$ 16,613	$ 31,366
Add (Deduct):		
Tolling Revenue	(46)	(2,313)
Transportation costs from preparation plant to customer	(1,210)	(1,751)
Net coal sales (at preparation plant)	$ 15,357	$ 27,302
Coal sold - tons	248	359
Realized price per ton sold (at preparation plant)	$ 61.92	$ 76.05

NAPP Division

(in thousands)	For the three months ended March 31, 2016 Met.	Thermal	Total
Revenue	$ 10,205	$ —	$ 10,205
Add (Deduct):			
Tolling Revenue	(46)	—	(46)
Thermal coal sales	(1,853)	1,853	—
Transportation costs from preparation plant to customer	(942)	(268)	(1,210)
Net coal sales (at preparation plant)	$ 7,364	$ 1,585	$ 8,949
Coal sold - tons	107	42	149
Realized price per ton sold (at preparation plant)	$ 68.82	$37.74	$ 60.06

(in thousands)	For the three months ended March 31, 2015 Met.	Thermal	Total
Revenue	$ 17,976	$ —	$ 17,976
Add (Deduct):			
Tolling Revenue	(2,313)	—	(2,313)
Thermal coal sales	—	—	—
Transportation costs from preparation plant to customer	(1,751)	—	(1,751)
Net coal sales (at preparation plant)	$ 13,912	$ —	$ 13,912
Coal sold - tons	159	—	159
Realized price per ton sold (at preparation plant)	$ 87.50	$ —	$ 87.50

CAPP Division

(in thousands)	For the three months ended March 31, 2016	2015
Net thermal and industrial coal sales (at preparation plant)	$ 6,408	$ 13,390
Thermal and industrial coal sold - tons	99	200
Realized price per ton sold (at preparation plant)	$ 64.73	$ 66.95

Cash production cost per ton sold

The calculation and reconciliation of cash production cost of sales to cost of sales, the nearest GAAP measure, and the calculation of cash production cost per ton sold (cash production cost of sales divided by the tons sold) is as follows:

Consolidated

(in thousands)	For the three months ended March 31, 2016	2015
Cost of sales	$ 19,676	$ 52,676
Add (Deduct):		
Amortization expense	(4,587)	(8,548)
Transportation costs from preparation plant to customer	(1,210)	(1,751)
Change in estimate of reclamation provision for non-operating properties	—	(1,688)
Impairment and write-off of mineral properties	—	(12,490)
Write-off of advance royalties and other assets	(126)	(826)
Idle mine expense	(578)	(1,277)
Tolling costs	(22)	(1,606)
Other costs	—	—
Cash production cost of sales (at preparation plant)	$ 13,153	$ 24,490
Coal sold - tons	248	359
Cash production cost per ton sold (at preparation plant)	$ 53.04	$ 68.22

NAPP Division

(in thousands)	For the three months ended March 31, 2016		
	Met.	Thermal	Total
Cost of sales	$ 13,679	$ —	$ 13,679
Add (Deduct):			
Amortization expense	(3,755)	—	(3,755)
Transportation costs from preparation plant to customer	(942)	(268)	(1,210)
Change in estimate of reclamation provision for non-operating properties	—	—	—
Impairment and write-off of mineral properties	—	—	—
Write-off of advance royalties and other assets	(126)	—	(126)
Idle mine expense	(269)	—	(269)
Thermal mining cost	(1,906)	1,906	—
Tolling costs	(22)	—	(22)
Other costs	—	—	—
Cash production cost of sales (at preparation plant)	$ 6,659	$ 1,638	$ 8,297
Coal sold - tons	107	42	149
Cash production cost per ton sold (at preparation plant)	$ 62.23	$ 39.00	$ 55.68

(in thousands)	For the three months ended March 31, 2015		
	Met.	Thermal	Total
Cost of sales	$ 29,219	$ —	$ 29,219
Add (Deduct):			
Amortization expense	(6,747)	—	(6,747)
Transportation costs from preparation plant to customer	(1,751)	—	(1,751)
Change in estimate of reclamation provision for non-operating properties	(1,753)	—	(1,753)
Impairment and write-off of mineral properties	(3,438)	—	(3,438)
Write-off of advance royalties and other assets	(826)	—	(826)
Idle mine expense	(999)	—	(999)
Thermal mining cost	—	—	—
Tolling costs	(1,606)	—	(1,606)
Other costs	—	—	—
Cash production cost of sales (at preparation plant)	$ 12,099	$ —	$ 12,099
Coal sold - tons	159	—	159
Cash production cost per ton sold (at preparation plant)	$ 76.09	$ —	$ 76.09

CAPP Division

(in thousands)	For the three months ended March 31, 2016	2015
Cost of sales	$ 5,997	$ 23,457
Add (Deduct):		
Amortization expense	(832)	(1,801)
Change in estimate of reclamation provision for non-operating properties	—	65
Impairment and write-off of mineral properties	—	(9,052)
Idle mine expense	(309)	(278)
Other costs	—	—
Cash production cost of sales (at preparation plant)	$ 4,856	$ 12,391
Thermal and industrial coal sold - tons	99	200
Cash production cost per ton sold (at preparation plant)	$ 49.05	$ 61.96

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	1,594,775,762
Common Shares issuable upon exercise of stock options	126,542,500
Common Shares issuable upon redemption of Redeemable Units	170,316,639
Common Shares issuable upon exercise of Common Share purchase warrants	36,100,000
Total	1,927,734,901

As of the date of this MD&A, QKGI Legacy Holdings LP, holds 170,316,639 common membership units (“Redeemable Units”) of Wilson Creek Energy, LLC, a wholly-owned subsidiary of Corsa. Redeemable Units are redeemable, at the option of the holder, for cash on a per unit basis equivalent to the fair market value of a Common Share of Corsa subject to the option of Corsa to exchange such units for Common Shares of Corsa on a one for one basis once tendered for redemption by the holder.

In consideration for the Facility, Corsa issued 36,100,000 Common Share purchase warrants ("Bonus Warrants"). Each Bonus Warrant has a term of five years and is exercisable for one Common Share at an exercise price of Cdn$0.195.

Summary of Quarterly Results

The following table sets out certain information derived from Corsa's consolidated financial statements or condensed interim consolidated financial statements for each of the eight most recently completed quarters.

(in thousands except per share amounts)	Quarter Ended March 31, 2016	Quarter Ended December 31, 2015	Quarter Ended September 30, 2015	Quarter Ended June 30, 2015
Revenue	$ 16,613	$ 26,565	$ 31,742	$ 39,669
Net and comprehensive loss	$ (8,297)	$ (106,354)	$ (9,288)	$ (11,720)
Loss per share:				
Basic	$ (0.01)	$ (0.07)	$ (0.01)	$ (0.01)
Diluted	$ (0.01)	$ (0.07)	$ (0.01)	$ (0.01)

(in thousands except per share amounts)	Quarter Ended March 31, 2015[3]	Quarter Ended December 31, 2014[3]	Quarter Ended September 30, 2014[1][3]	Quarter Ended June 30, 2014[2]
Revenue	$ 31,366	$ 51,235	$ 45,150	$ 24,319
Net and comprehensive loss	$ (25,627)	$ (22,205)	$ (21,066)	$ 692
Loss per share:				
Basic	$ (0.02)	$ (0.02)	$ (0.02)	$ —
Diluted	$ (0.02)	$ (0.02)	$ (0.02)	$ —

(1) The results of PBS Coals, Inc., its subsidiaries and its sister company, Rox Coal, Inc. (collectively "PBS") are only included from the period from August 19, 2014 through September 30, 2014 as PBS was acquired on August 19, 2014.

(2) The results of PBS are not included as it was acquired on August 19, 2014.

(3) As a result of retrospective adjustments made to the fair value of the PBS net assets at August 19, 2014, the quarterly results were restated.

Related Party Transactions

Related party transactions include any transactions with employees, other than amounts earned as a result of their employment, transactions with companies that employees or directors either control or have significant influence over, transactions with companies who are under common control with Corsa's controlling shareholder, Quintana Energy Partners L.P. ("QEP") and transactions with companies who are a minority shareholder and affiliated with the Company's minority shareholder, Sprott Resource Corp.

Transactions with related parties included in the consolidated statement of operations and comprehensive loss of Corsa are summarized below:

	For the three months ended March 31, 2016	For the three months ended March 31, 2015
Royalties (i)	$ 777	$ 712
Mining equipment lease (ii)	—	183
Supplies purchase (iii)	32	178
	$ 809	$ 1,073

i. During the three months ended March 31, 2016, Corsa paid royalties and property taxes to related parties who are commonly controlled by QEP in the amount of $777,000 (2015 - $712,000) for coal extracted from mineral properties where the surface or mineral rights of the specific property are leased by Corsa and owned by the related party. These amounts were included in cost of sales in the unaudited condensed interim consolidated statement of operations and comprehensive loss.

ii. During the three months ended March 31, 2015, Corsa also made lease payments to related parties controlled by an officer of Corsa for use of mining equipment owned by the related party amounting $183,000. This amount was included in cost of sales in the unaudited condensed interim consolidated statement of operations and comprehensive loss. The lease expired in December 2015.

iii. During the three months ended March 31, 2016, Corsa purchased from related parties, who are significantly influenced by a key management personnel of QEP, supplies used in the coal separation process amounting to $32,000 (2015 - $178,000). These amounts were included in cost of sales in the unaudited condensed interim consolidated statement of operations and comprehensive loss.

At December 31, 2015, Corsa had a note receivable of $120,000 from an employee of the Company, this note was satisfied during the three months ended March 31, 2016.

Included in accounts payable and accrued liabilities at March 31, 2016 is $538,000 (December 31, 2015 - $415,000) due to related parties, as a result of the transactions noted above, who are employees, directors and companies either controlled or significantly influenced by QEP. These amounts are unsecured and non-interest bearing.

At March 31, 2016 and December 31, 2015, the Company had a loan payable to Sprott Resource Lending Corporation of $25,140,000 and $24,440,000, respectively. Sprott Resource Lending Corporation is a minority shareholder and affiliated with another minority shareholder, Sprott Resource Corporation.

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 statement of operations 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 Corsa's mineral properties. The 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.

Impairment of long-term assets

Corsa reviews and tests the carrying amounts of long-term assets when an indicator of impairment is considered to exist. Corsa considers both external and internal sources of information in assessing whether there are any indications that long-term assets are impaired. External sources of information that Corsa considers include changes in the market, economic and legal environment in which Corsa operates that are not within its control and affect the recoverable amounts of long-term assets. Internal sources of information that Corsa considers include the manner in which long-term 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 an 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 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 Corsa's earnings.

Purchase price accounting

Management uses judgment in applying the acquisition method of accounting for business combinations and in determining fair values of the identifiable assets and liabilities acquired. The value placed on the acquired assets and liabilities are determined on a preliminary basis and, as such, upon finalization, may differ materially from the amounts previously recorded.

Changes in Accounting Policies including Initial Adoption

Future accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after January 1, 2014. Updates that are not applied or are not consequential to the Company have been excluded.

(a) IFRS 9 – Financial Instruments

In July 2014, the IASB issued the complete IFRS 9 – *Financial Instruments* ("IFRS 9"), which introduced new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. IFRS 9 is effective for annual periods beginning January 1, 2018. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on January 1, 2018. The impact to the presentation of the Company's consolidated financial statements upon adoption of this standard has not yet been determined.

(b) IFRS 15 – Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 – *Revenue from contracts with customers* ("IFRS 15"). IFRS 15 is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018. Management believes that adoption of this new guidance will not have a material impact on the Company's financial statements.

(c) IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"). IFRS 16 is effective for periods beginning on or after January 1, 2019 and early adoption is permitted if the company also applies IFRS 15. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying that model, a lessee is required to recognize (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) deprecation of the lease assets separately from interest on the lease liabilities in the statement of operations. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning January 1, 2019. The impact to the presentation of the Company's consolidated financial statements upon adoption of this standard has not yet been determined.

Financial Instruments and Other Instruments

Corsa's financial instruments consist of cash, restricted cash, warrant financial liability, amounts receivable, accounts payable and accrued liabilities, notes payable, finance lease payable, loan payable and other liabilities.

(a) 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's primary exposure to credit risk is on its bank accounts. These bank accounts are held with high credit quality institutions in Canada and the United States. Restricted cash consists of certificates of deposit and interest bearing securities invested with highly rated financial institutions.

Accounts receivable consist of trade receivables, indemnification asset receivable and other receivables. The Company assesses the quality of its customers, taking into account their creditworthiness and reputation, past experience and other factors. The Company has not recorded any allowance for credit losses for the three months ended March 31, 2016 and 2015.

Commodity Risk

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

Liquidity risk

Liquidity risk is the risk that Corsa will not be able to meet its financial obligations as they become due. At March 31, 2016 Corsa had a consolidated cash balance of $12,869,000 and consolidated working capital of $7,652,000. However, the future operations of the Company are dependent on the continued generation of positive cash flows from operations which is dependent on stability of metallurgical and thermal coal prices and a reduction in the cost of production on a per ton basis. To the extent that demand and metallurgical and thermal coal prices do not stabilize, or additional liquidity enhancing measures are not successful, the Company will have to obtain additional debt or equity financing. Although debt and equity financings have been successful in the past, and the Company has lowered its fixed and variable cost structure, there is no assurance it will be able to successfully complete such financings in the future. At March 31, 2016 and December 31, 2015, Corsa had available committed undrawn credit facilities amounting to $2,500,000 and $3,000,000, respectively, expiring on January 10, 2017.

(b) Fair value

The estimated fair values of all financial instruments approximate their respective carrying values except for the loan payable. The loan payable is carried at amortized cost and the carrying amount and fair value is presented below (in thousands):

	March 31, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loan Payable	$ 25,140	$ 16,001	$ 24,440	$ 14,764

The fair value of the loan payable was determined by discounting the future contractual cash flows at a discount rate that represents an approximation of the borrowing rates presently available to the Company which was 20%.

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 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 derived from prices.

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

The following table provides an analysis of Corsa'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.

	March 31, 2016		December 31, 2015	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Cash	$ 12,869	$ —	$ 9,493	$ —
Restricted cash	34,137	—	34,226	—
	$ 47,006	$ —	$ 43,719	$ —
Financial liabilities				
Warrant financial liability	$ —	$ 1,061	$ —	$ 220

The inputs used to measure the warrant financial liability are based on observable unadjusted market prices for identical assets and are therefore classified as Level 2 inputs under the financial instruments hierarchy.

At March 31, 2016 and December 31, 2015, the Company had no financial instruments which used Level 3 fair value measurements.

Risk Factors Relating to Corsa and the Coal Mining Industry

Corsa is subject to a number of risks and uncertainties as a result of its operations. In addition to the other information contained in this MD&A and Corsa's other publicly filed disclosure documents, readers should give careful consideration to the risks that are set out in Corsa's Management's Discussion and Analysis for the year ended December 31, 2015 available under Corsa's profile at www.sedar.com.

Forward-Looking Statements

Certain information set forth in this MD&A contains “forward-looking statements” and “forward-looking information” under applicable securities laws. Except for statements of historical fact, certain information contained herein relating to projected sales, coal prices, coal production, mine development, acquisitions 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: risks that the actual production or sales for the 2016 fiscal year will be less than projected production or sales for this period; risks that the prices for coal sales will be less than projected; liabilities inherent in coal mine development and production; Corsa's ability to make accretive acquisitions and to meet funding obligations; geological, mining and processing technical problems; inability to obtain required mine licenses, mine permits and regulatory approvals or renewals required in connection with the mining and processing of coal; risks that Corsa’s preparation plants will not operate at production capacity during the relevant period, unexpected changes in coal quality and specification; variations in the coal mine or preparation plant recovery rates; dependence on third party coal transportation systems; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in commodity prices and exchange rates; changes in the regulations in respect to the use, mining and processing of coal; changes in regulations on refuse disposal; the effects of competition and pricing pressures in the coal market; the oversupply of, or lack of demand for, coal; inability of management to secure coal sales or third party purchase contracts; currency and interest rate fluctuations; various events which could disrupt operations and/or the transportation of coal products, including labor stoppages and severe weather conditions; 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; 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, coal sales being consistent with expectations; 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.

Additional Information

Additional information regarding Corsa is available under Corsa's profile at www.sedar.com.