## Corsa Coal Corp.

**Management's Discussion and Analysis**

**September 30, 2016**

**Corsa Coal Corp.**
**Management's Discussion and Analysis**
**For the three and nine months ended September 30, 2016**

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, 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 November 9, 2016 and is intended to be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2016 and 2015 and the related notes thereto and 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 "Third Quarter 2016" means the three months ended September 30, 2016; "Third Quarter 2015" means the three months ended September 30, 2015; "Nine Months 2016" means the nine months ended September 30, 2016; and "Nine Months 2015" means the nine months ended September 30, 2015. The unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2016 and 2015 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 five mines and one development mine, operates two preparation plants, and has approximately 357 employees. Corsa is listed on the TSX Venture Exchange ("TSX-V") under the symbol "CSO".

The coal operations of Corsa 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.

**Third Quarter 2016 Highlights**

- Spot prices for metallurgical coal have risen by approximately 250% on a year-to-date basis. Corsa plans to increase production and sell significantly more tons of metallurgical coal over the coming quarters. Corsa commenced development work at the Acosta Deep Mine in Somerset County, Pennsylvania, which is forecasted to produce 375,000 tons per year of low volatile metallurgical coal once fully operational. Coal production at the mine is anticipated to begin in the second quarter of 2017 and ramp up over the course of the year.
- In October 2016, Corsa raised Cdn $23 million by way of a private placement of 230,000,000 common shares of Corsa (138,880,000 of which were closed on a brokered basis and 91,120,000 of which were closed on a non-brokered basis) to fund mine development, general corporate and working capital purposes.
- NAPP variable cost reduction efforts have been successful with the cash production cost per ton sold(1) for metallurgical coal decreasing 10.2% [from $66.90 to $60.07] in the three months ended September 30, 2016 compared to the prior year comparable quarter.
- CAPP variable cost reduction efforts have been successful with the cash production cost per ton sold(1) for thermal coal decreasing 6.7% [from $53.74 to $50.16] in the three months ended September 30, 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 September 2016, the Company was notified that it was awarded $3,000,000 in funding under the Pennsylvania Redevelopment Assistance Capital Program (the "RCAP") to develop an underground coal mine in Somerset County subject to certain conditions, including but not limited to: (i) completing the Redevelopment Assistance application; (ii) confirmation that at least 50% of the required non-state funds necessary to complete the project are secured at the time of application; (iii) execution of a grant agreement; and (iv) commencement of construction within six months of the grant agreement. Once all the aforementioned conditions have been met, the grant will be released on a periodic basis and the Company will be reimbursed for certain expenditures which the Company will offset against the capitalized development costs.
- Corsa reached a settlement with the United States Environmental Protection Agency and the Pennsylvania Department of Environmental Protection on the alleged Clean Water Act violations in the amount of $6.5 million. The entire $6.5 million was released from an escrow that was established in connection with the Company's acquisition of PBS Coals, Inc. The Company was also reimbursed for its legal expenses from this escrow. As a result of this escrow release, the settlement of this matter had no impact to the cash flows of Corsa.
- Key Operating Metrics:

| | For the three months ended September 30, 2016 | | | For the nine months ended September 30, 2016 | | |
|---|---|---|---|---|---|---|
| **(in thousands except per ton amounts)** | **NAPP - Metallurgical Coal** | **NAPP - Thermal Coal** | **CAPP** | **NAPP - Metallurgical Coal** | **NAPP - Thermal Coal** | **CAPP** |
| Tons sold | 177 | 61 | 152 | 427 | 169 | 348 |
| Realized price per ton sold(1) | $ 69.48 | $ 39.64 | $ 56.07 | $ 67.00 | $ 39.15 | $ 60.43 |
| Cash production cost per ton sold(1) | 60.07 | 43.07 | 50.16 | 59.74 | 44.82 | 52.60 |
| Cash margin per ton sold(1) | $ 9.41 | $ (3.43) | $ 5.91 | $ 7.26 | $ (5.67) | $ 7.83 |

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

## Guidance

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

- Updated total sales of 1,300,000 to 1,550,000 tons.
- NAPP Division sales of 850,000 to 1,000,000 tons for 2016, including metallurgical coal sales guidance of 650,000 to 750,000 tons and thermal coal sales guidance of 200,000 to 250,000 tons. This compares to previous guidance of 600,000 to 700,000 of metallurgical coal sales and 250,000 to 350,000 of thermal coal sales. See "Coal Pricing Trends and Outlook – NAPP Division" below.
- NAPP Division sales of 250,000 to 350,000 tons for Q4 2016, including metallurgical coal sales guidance of 225,000 to 275,000 tons and thermal coal sales guidance of 25,000 to 75,000 tons.
- CAPP Division sales of 450,000 to 550,000 tons of thermal and industrial coal for 2016. This compares to previous guidance of 500,000 to 600,000 tons of thermal and industrial coal sales. See "Coal Pricing Trends and Outlook – CAPP Division" below.
- CAPP Division sales of 125,000 to 175,000 tons of thermal and industrial coal for Q4 2016.
- NAPP Division cash production cost per ton sold(1) for metallurgical coal of $57 to $62. This guidance remains unchanged.
- NAPP Division cash production cost per ton sold(1) for thermal coal of $41 to $46 compared to previous guidance of $38 to $43 as a result of a reduction in thermal coal sales commitments and an increase in metallurgical coal sales commitments.
- CAPP Division cash production cost per ton sold(1) for thermal coal of $50 to $55 compared to previous guidance of $54 to $59 due to a selective shift towards lower cost production sources.

(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 250% on a year-to-date basis due to constraints in the supply chain. Over the past six months, Chinese initiatives to reduce production of metallurgical coal have been very successful, and adverse weather and geology in Australia have negatively impacted exports. Many metallurgical coal producers have very little supply availability over the coming months, which we believe will lead to pricing support. Over the past two years, over 55 million tons of metallurgical coal production cuts have been announced, representing approximately 18% of the annual seaborne metallurgical coal trade. Despite the rebound in pricing, supply has shown limited response as major Australian and Canadian mines are already running at maximum capacity. Incremental production from greenfield and brownfield projects may take up to two years or longer to come online, and generally face a lack of access to capital. We expect these supply and demand factors to continue to provide support for metallurgical coal prices in future quarters.

The fourth quarter 2016 coking coal benchmark pricing increased to $200.00 per metric ton, representing an increase of approximately 115% from the third quarter of 2016, and is up approximately 140% on a year over year basis. As of October 2016, spot prices have increased well past the fourth quarterly settlement, reaching over $260 per metric ton. If this trend continues, Corsa expects to see a further strengthening in the quarterly benchmark settlement in 2017.

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 has mitigated in 2016 as the pipeline of growth projects was exhausted.

Domestically, severe financial distress has caused high profile bankruptcies in 2015 and 2016 which have led to significant supply cuts. 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. Mines that were inadequately maintained may now face flooding constraints, sterilizing part or the majority of the reserves. We expect the combination of these factors to limit the supply response from the U.S. in the near term.

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 will continue to 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 650,000 to 750,000 tons. Approximately 95% 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 is aggressively seeking to increase production volumes in 2017 and will be providing guidance for 2017 production and sales later in the fourth quarter.

Corsa's thermal coal sales in 2016 from its NAPP Division are expected to be in the range of 200,000 to 250,000 tons. Approximately 95% of these sales are currently committed at the midpoint of the range. Actual sales will depend on customer demand and market conditions. Corsa has been successful in purchasing coal to fulfill these thermal orders at the NAPP Division, which has freed up existing coal production to move to the metallurgical market. We do not expect to sell internally-produced NAPP Division coal on the thermal market in 2017.

**CAPP Division**

Current Southeastern U.S. utility market thermal coal spot pricing has improved 20% over the course of 2016. Even with the positive spot market improvement, 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.

In response to market conditions and to improve its contract portfolio, the CAPP Division coal sales for 2016 are now expected to be in the range of 450,000 to 550,000 tons. Approximately 95% 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 September 30, | | |
|---|---|---|---|
| **(in thousands)** | **2016** | **2015** | **Variance** |
| Revenue | $ 23,983 | $ 31,742 | $ (7,759) |
| Cost of sales | (25,643) | (33,606) | 7,963 |
| Gross margin | (1,660) | (1,864) | 204 |
| | | | |
| Corporate and administrative expense | (3,281) | (3,864) | 583 |
| Loss from operations | (4,941) | (5,728) | 787 |
| | | | |
| Net finance expense | (2,950) | (3,084) | 134 |
| Other income | 785 | (185) | 970 |
| Loss before tax | (7,106) | (8,997) | 1,891 |
| | | | |
| Income tax expense (recovery) | — | 291 | (291) |
| Net and comprehensive loss | $ (7,106) $ | $ (9,288) $ | $ 2,182 |
| | | | |
| EBITDA[1] | $ (2,166) | $ (1,827) | $ (339) |
| Adjusted EBITDA[1] | $ 534 | $ 1,955 | $ (1,421) |
| Cash (used in) provided by operating activities | $ (2,185) | $ 4,680 | $ (6,865) |

| (in thousands) | For the nine months ended September 30, 2016 | 2015 | Variance |
|---|---|---|---|
| Revenue | $ 59,258 | $ 102,778 | $ (43,520) |
| Cost of sales | (67,879) | (132,923) | 65,044 |
| Gross margin | (8,621) | (30,145) | 21,524 |
| | | | |
| Corporate and administrative expense | (9,026) | (12,515) | 3,489 |
| Loss from operations | (17,647) | (42,660) | 25,013 |
| | | | |
| Net finance expense | (7,038) | (5,303) | (1,735) |
| Other income | 1,230 | 2,056 | (826) |
| Loss before tax | (23,455) | (45,907) | 22,452 |
| | | | |
| Income tax expense (recovery) | — | 728 | (728) |
| Net and comprehensive loss | $ (23,455) $ | $ (46,635) $ | $ 23,180 |
| | | | |
| EBITDA[1] | $ (8,599) | $ (21,559) | $ 12,960 |
| Adjusted EBITDA[1] | $ (1,881) | $ 1,653 | $ (3,534) |
| Cash (used in) provided by operating activities | $ (6,710) | $ 11,498 | $ (18,208) |

**Operations Summary**

| (in thousands) | For the three months ended September 30, 2016 | 2015 | Variance |
|---|---|---|---|
| Coal sold - tons | | | |
| NAPP - metallurgical coal | 177 | 145 | 32 |
| NAPP - thermal coal | 61 | 56 | 5 |
| CAPP | 152 | 222 | (70) |
| Total | 390 | 423 | (33) |
| | | | |
| Realized price per ton sold[(1)] | | | |
| NAPP - metallurgical coal | $ 69.48 | $ 73.32 | $ (3.84) |
| NAPP - thermal coal | $ 39.64 | $ 40.57 | $ (0.93) |
| CAPP | $ 56.07 | $ 67.29 | $ (11.22) |
| | | | |
| Cash production cost per ton sold[(1)] | | | |
| NAPP - metallurgical coal | $ 60.07 | $ 66.90 | $ 6.83 |
| NAPP - thermal coal | $ 43.07 | $ 38.68 | $ (4.39) |
| CAPP | $ 50.16 | $ 53.74 | $ 3.58 |
| | | | |
| Cash margin per ton sold[(1)] | | | |
| NAPP - metallurgical coal | $ 9.41 | $ 6.42 | $ 2.99 |
| NAPP - thermal coal | $ (3.43) | $ 1.89 | $ (5.32) |
| CAPP | $ 5.91 | $ 13.55 | $ (7.64) |
| | | | |
| Adjusted EBITDA[(1)] | | | |
| NAPP | $ 463 | $ 595 | $ (132) |
| CAPP | 795 | 2,190 | (1,395) |
| Corporate | (724) | (830) | 106 |
| Total | $ 534 | $ 1,955 | $ (1,421) |

| | For the nine months ended September 30, | | |
|---|---|---|---|
| (in thousands) | 2016 | 2015 | Variance |
| Coal sold - tons | | | |
| NAPP - metallurgical coal | 427 | 569 | (142) |
| NAPP - thermal coal | 169 | 86 | 83 |
| CAPP | 348 | 612 | (264) |
| Total | 944 | 1,267 | (323) |
| | | | |
| Realized price per ton sold[1] | | | |
| NAPP - metallurgical coal | $ 67.00 | $ 79.50 | $ (12.50) |
| NAPP - thermal coal | $ 39.15 | $ 41.74 | $ (2.59) |
| CAPP | $ 60.43 | $ 66.86 | $ (6.43) |
| | | | |
| Cash production cost per ton sold[1] | | | |
| NAPP - metallurgical coal | $ 59.74 | $ 69.36 | $ 9.62 |
| NAPP - thermal coal | $ 44.82 | $ 33.12 | $ (11.70) |
| CAPP | $ 52.60 | $ 57.86 | $ 5.26 |
| | | | |
| Cash margin per ton sold[1] | | | |
| NAPP - metallurgical coal | $ 7.26 | $ 10.14 | $ (2.88) |
| NAPP - thermal coal | $ (5.67) | $ 8.62 | $ (14.29) |
| CAPP | $ 7.83 | $ 9.00 | $ (1.17) |
| | | | |
| Adjusted EBITDA[1] | | | |
| NAPP | $ (1,304) | $ 1,800 | $ (3,104) |
| CAPP | 1,843 | 3,483 | (1,640) |
| Corporate | (2,420) | (3,630) | 1,210 |
| Total | $ (1,881) | $ 1,653 | $ (3,534) |

[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 and the Ash Mine, a surface mine utilizing contour and high wall 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 and nine months ended September 30, 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 | Development |
| Horning D Project | Underground | Permitted |
| A Seam Project | Underground | Permitted |
| Keyser Project | Underground | Permit in Process |

**NAPP Operating Results**

Quarter

In Third Quarter 2016, NAPP operated two underground mines (the Casselman and Quecreek Mines), one surface mine (the Ash Mine) and one preparation plant (the Cambria Plant). See “NAPP Operations” above.

In Third Quarter 2015, NAPP operated two underground mines (the Casselman and Quecreek Mines) and two surface mines (the Ash and Rhodes Mines) and two preparation plants (the Cambria and Shade Creek Plants).

The metallurgical coal sold increased by 32,000 tons from Third Quarter 2015 due to the timing of shipments and general market conditions. Thermal coal sold increased 5,000 tons from Third Quarter 2015 due to an additional long-term sales contract that was entered into in the nine months ended September 30, 2016.

The realized price per ton of metallurgical coal sold decreased $3.84 in Third Quarter 2016 as compared to Third Quarter 2015 due to 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 of metallurgical coal sold decreased by $6.83 or 10.2% in Third Quarter 2016 as compared to Third Quarter 2015 due to Corsa’s continued focus on managing production costs. See “Non-GAAP Financial Measures” below.

Nine Months

The metallurgical coal sold decreased by 142,000 tons from Nine Months 2015 due to the timing of export shipments and general market conditions. Thermal coal sold increased 83,000 tons from Nine Months 2015 due to an additional long-term sales contract that was entered into in the nine months ended September 30, 2016.

The realized price per ton of metallurgical coal sold decreased $12.50 in Nine Months 2016 as compared to Nine Months 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 of metallurgical coal sold decreased by $9.62 or 13.9% in Nine Months 2016 as compared to Nine Months 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 and the Straight Creek Mine, a contract surface mine utilizing contour and auger mining methods. The Cooper Ridge Deep Mine which was developing the main line entries, has been temporarily idled due to market conditions. 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 |
|---|---|---|
| Rich Gap Mason Deep Project | Underground | Not-permitted |
| Cooper Ridge Surface Project | Surface / High Wall | Not-permitted |
| Cooper Ridge Deep Project | Underground | Development |
| Marsee Branch | Underground | Not-permitted |

**CAPP Operating Results**

Quarter

In Third Quarter 2016, CAPP operated one underground mine (the Double Mountain Deep Mine), one surface mine (the Straight Creek Mine) and one preparation plant. See "CAPP Operations" above.

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

The thermal and industrial coal sold decreased 70,000 tons from Third Quarter 2015 to Third Quarter 2016 due to reduced demand as a result of market conditions as well as capitalizing the revenues associated with 1,000 tons related to the Cooper Ridge Deep Mine development.

The realized price per ton sold decreased by $11.22 from Third Quarter 2015 to Third 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 $3.58 or 6.7% from Third Quarter 2015 to Third Quarter 2016 due to cost containment initiatives implemented at the division. See "Non-GAAP Financial Measures" below.

Nine Months

The thermal and industrial coal sold decreased 264,000 tons from Nine Months 2015 due to reduced demand as a result of market conditions as well as capitalizing the revenues associated with 51,000 tons related to the Cooper Ridge Deep Mine development.

The realized price per ton sold decreased by $6.43 from Nine Months 2015 due to the declining market pricing for spot sales. See "Non-GAAP Financial Measures" below.

The cash production cost per ton sold decreased by $5.26 or 9.1% from Nine Months 2015 due to the impacts of the divisions cost containment initiatives. See "Non-GAAP Financial Measures" below.

**Quarterly Financial Results**

| | For the three months ended September 30, 2016 | | | |
|---|---|---|---|---|
| **(in thousands)** | **NAPP** | **CAPP** | **Corporate** | **Consolidated** |
| Revenue | $ 15,461 | $ 8,522 | $ — | $ 23,983 |
| Cost of sales | (16,965) | (8,678) | — | (25,643) |
| Gross margin | (1,504) | (156) | — | (1,660) |
| Corporate and administrative expense | (1,121) | (363) | (1,797) | (3,281) |
| Loss from operations | (2,625) | (519) | (1,797) | (4,941) |
| Net finance expense | (595) | (132) | (2,223) | (2,950) |
| Other income (expense) | 370 | 415 | — | 785 |
| Loss before tax | (2,850) | (236) | (4,020) | (7,106) |
| Income tax expense (recovery) | — | — | — | — |
| Net and comprehensive loss | $ (2,850) | $ (236) | $ (4,020) | $ (7,106) |
| | | | | |
| Adjusted EBITDA[1] | $ 463 | $ 795 | $ (724) | $ 534 |

| | For the three months ended September 30, 2015 | | | |
|---|---|---|---|---|
| **(in thousands)** | **NAPP** | **CAPP** | **Corporate** | **Consolidated** |
| Revenue | $ 16,803 | $ 14,939 | $ — | $ 31,742 |
| Cost of sales | (19,398) | (14,208) | — | (33,606) |
| Gross margin | (2,595) | 731 | — | (1,864) |
| Corporate and administrative expense | (1,895) | (431) | (1,538) | (3,864) |
| Loss from operations | (4,490) | 300 | (1,538) | (5,728) |
| Net finance (expense) income | (1,675) | (132) | (1,277) | (3,084) |
| Other income | (151) | (34) | — | (185) |
| Loss before tax | (6,316) | 134 | (2,815) | (8,997) |
| Income tax expense (recovery) | — | — | 291 | 291 |
| Net and comprehensive loss | $ (6,316) | $ 134 | $ (3,106) | $ (9,288) |
| | | | | |
| Adjusted EBITDA[1] | $ 595 | $ 2,190 | $ (830) | $ 1,955 |

| | Dollar variance for the three months ended September 30, 2016 versus 2015 | | | |
|---|---|---|---|---|
| (in thousands) | NAPP | CAPP | Corporate | Consolidated |
| Revenue | $ (1,342) | $ (6,417) $ | $ — | $ (7,759) |
| Cost of sales | 2,433 | 5,530 | — | 7,963 |
| Gross margin | 1,091 | (887) | — | 204 |
| Corporate and administrative expense | 774 | 68 | (259) | 583 |
| Loss from operations | 1,865 | (819) | (259) | 787 |
| Net finance (expense) income | 1,080 | — | (946) | 134 |
| Other income | 521 | 449 | — | 970 |
| Loss before tax | 3,466 | (370) | (1,205) | 1,891 |
| Income tax expense (recovery) | — | — | (291) | (291) |
| Net and comprehensive loss | $ 3,466 | $ (370) | $ (914) | $ 2,182 |
| | | | | |
| Adjusted EBITDA[1] | $ (132) | $ (1,395) | $ 106 | $ (1,421) |

[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 Division

*Revenue*

Revenue, consisting of metallurgical coal sales, thermal coal sales and tolling and other revenue, decreased by $1,342,000 from Third Quarter 2015 to Third Quarter 2016 and consisted of the following:

| | For the three months ended September 30, | | |
|---|---|---|---|
| (in thousands) | 2016 | 2015 | Variance |
| Metallurgical coal revenue (at preparation plant) | $ 12,298 | $ 10,632 | $ 1,666 |
| Thermal coal revenue (at preparation plant) | 2,418 | 2,272 | 146 |
| Transportation revenue | 736 | 2,658 | (1,922) |
| Tolling revenue | 9 | 1,241 | (1,232) |
| | $ 15,461 | $ 16,803 | $ (1,342) |

Metallurgical coal revenue, net of transportation charges increased $1,666,000 as a result of increased sales volumes which increased revenue by $2,346,000 offset by lower sales price per ton sold which decreased revenue by $680,000. Metallurgical coal sold increased 32,000 tons in Third Quarter 2016 as compared to Third Quarter 2015 due to increased market demand for metallurgical coal. Realized price per ton sold decreased $3.84 primarily due to the global oversupply of metallurgical coal.

Thermal coal revenue increased $146,000 as a result of an additional long-term contract that was entered into in the 2016 period.

Revenue associated with the transportation of coal to the loading terminal or customer decreased $1,922,000 as a result of decreased export sales.

Tolling revenue decreased $1,232,000 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 September 30, | | |
|---|---|---|---|
| **(in thousands)** | **2016** | **2015** | **Variance** |
| Mining and processing costs | $ 10,510 | $ 11,671 | $ (1,161) |
| Purchased coal costs | 1,718 | 285 | 1,433 |
| Royalty expense | 1,006 | 965 | 41 |
| Amortization expense | 2,882 | 4,336 | (1,454) |
| Transportation costs from preparation plant to customer | 737 | 2,658 | (1,921) |
| Idle mine expense | 138 | (330) | 468 |
| Change in estimate of reclamation provision for non-operating properties | — | (465) | 465 |
| Impairment and write-off of mineral properties | — | 285 | (285) |
| Write-off of advance royalties and other assets | — | (7) | 7 |
| Other costs | (26) | — | (26) |
| | $ 16,965 | $ 19,398 | $ (2,433) |

Mining and processing costs decreased by $1,161,000 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. Purchased coal costs increased $1,433,000 as a result of purchasing additional coal for blending purposes. Amortization expense decreased by $1,454,000 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 $1,921,000 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. Idle mine expense increased by $468,000 as the result of various adjustments which were recorded in the Three Months 2015. The change in estimate of the reclamation provision for non-operating properties increased $465,000 due to various changes in assumptions and discount rates.

*Corporate and administrative expense*

Corporate and administrative expense consists of the following:

| | For the three months ended September 30, | | |
|---|---|---|---|
| **(in thousands)** | **2016** | **2015** | **Variance** |
| Salaries and other compensations | $ 731 | $ 1,002 | $ (271) |
| Professional fees | 216 | 769 | (553) |
| Office expenses and insurance | 100 | 149 | (49) |
| Other | 74 | (25) | 99 |
| | $ 1,121 | $ 1,895 | $ (774) |

Corporate and administrative expense related to the NAPP Division decreased by $774,000 primarily due to reductions in staffing levels and reduced consulting and legal expenses.

*Net finance expense*

Net finance expense decreased by $1,080,000 primarily due to the change in value of the water treatment trust funds.

CAPP Division

*Revenue*

Revenue, consisting of thermal coal sales, decreased by $6,417,000 from Third Quarter 2015 to Third Quarter 2016 as a result of the decreases in tons sold and in realized price per ton sold. Sales of thermal coal were 152,000 tons in Third Quarter 2016 compared with 222,000 tons in Third Quarter 2015. These decreased tons sold resulted in lower revenue of $4,710,000 and the decrease in average sales price impacted revenue by $1,707,000.

*Cost of sales*

Cost of sales consists of the following:

| | For the three months ended September 30, | | |
|---|---|---|---|
| **(in thousands)** | **2016** | **2015** | **Variance** |
| Mining and processing costs | $ 6,600 | $ 10,008 | $ (3,408) |
| Purchased coal costs | 577 | 655 | (78) |
| Royalty expense | 448 | 1,267 | (819) |
| Amortization expense | 993 | 1,904 | (911) |
| Idle mine expense | 25 | 354 | (329) |
| Change in estimate of reclamation provision for non-operating properties | — | 20 | (20) |
| Impairment and write-off of mineral properties | — | — | — |
| Write-off of advance royalties and other assets | 35 | — | 35 |
| Other costs | — | — | — |
| | $ 8,678 | $ 14,208 | $ (5,530) |

Mining and processing costs decreased by $3,408,000 due to lower tons sold and cost containment initiatives implemented at the CAPP Division. Royalty expense decreased $819,000 as a result of lower tons sold and lower average sales prices. Amortization expense decreased by $911,000 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.

Corporate Division

*Corporate and administrative expense*

Corporate and administrative expense consists of the following:

| | For the three months ended September 30, | | |
|---|---|---|---|
| **(in thousands)** | **2016** | **2015** | **Variance** |
| Salaries and other compensations | $ 1,277 | $ 1,001 | $ 276 |
| Professional fees | 363 | 274 | 89 |
| Office expenses and insurance | 150 | 191 | (41) |
| Other | 7 | 72 | (65) |
| | $ 1,797 | $ 1,538 | $ 259 |

Salaries and other compensations increased due to the acceleration of vesting requirements on certain stock options that were subsequently canceled as approved at the Company's Annual and Special Meeting of Shareholders in the 2016 period and increased professional fees as a result of additional legal and accounting services. These increases was partially offset as a result of a reduction in staffing levels associated with the closure of the Company's previous corporate office.

*Net finance expense (income)*

Net finance expense (income) consists of the following:

| | For the three months ended September 30, | | |
|---|---|---|---|
| | 2016 | 2015 | Variance |
| Warrant financial liability (gain) loss | $ 1,130 | $ 258 | $ 872 |
| Interest expense | 778 | 751 | 27 |
| Accretion of discount on loan payable | 324 | 261 | 63 |
| Foreign exchange (gain) loss | — | 8 | (8) |
| Interest income | (9) | (1) | (8) |
| | $ 2,223 | $ 1,277 | $ 946 |

The warrant financial liability resulted in expense of $1,130,000 in Third Quarter 2016 compared with expense of $258,000 in Third Quarter 2015 due to changes in the underlying assumptions used to value the liability.

*Current income tax expense*

The current tax expense decreased from $214,000 in Third Quarter 2015 to nil in Third Quarter 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.

*Deferred income tax expense (recovery)*

Deferred income tax expense decreased from $77,000 in Third Quarter 2015 to nil in Third Quarter 2016. A full valuation allowance for all deferred tax assets has been previously provided for.

**Nine Month Financial Results**

| | For the nine months ended September 30, 2016 | | | |
|---|---|---|---|---|
| **(in thousands)** | **NAPP** | **CAPP** | **Corporate** | **Consolidated** |
| Revenue | $ 38,228 | $ 21,030 | $ — | $ 59,258 |
| Cost of sales | (46,536) | (21,343) | — | (67,879) |
| Gross margin | (8,308) | (313) | — | (8,621) |
| Corporate and administrative expense | (3,503) | (1,089) | (4,434) | (9,026) |
| Loss from operations | (11,811) | (1,402) | (4,434) | (17,647) |
| Net finance expense | (1,566) | (374) | (5,098) | (7,038) |
| Other income (expense) | 651 | 579 | — | 1,230 |
| Loss before tax | (12,726) | (1,197) | (9,532) | (23,455) |
| Income tax expense (recovery) | — | — | — | — |
| Net and comprehensive loss | $ (12,726) | $ (1,197) | $ (9,532) | $ (23,455) |
| | | | | |
| Adjusted EBITDA(1) | $ (1,304) | $ 1,843 | $ (2,420) | $ (1,881) |

| (in thousands) | For the nine months ended September 30, 2015 NAPP | CAPP | Corporate | Consolidated |
|---|---|---|---|---|
| Revenue | $ 61,858 | $ 40,920 | $ — | $ 102,778 |
| Cost of sales | (82,064) | (50,859) | — | (132,923) |
| Gross margin | (20,206) | (9,939) | — | (30,145) |
| Corporate and administrative expense | (5,472) | (1,224) | (5,819) | (12,515) |
| Loss from operations | (25,678) | (11,163) | (5,819) | (42,660) |
| Net finance (expense) income | (3,432) | (372) | (1,499) | (5,303) |
| Other income | 2,072 | (16) | — | 2,056 |
| Loss before tax | (27,038) | (11,551) | (7,318) | (45,907) |
| Income tax expense (recovery) | — | — | 728 | 728 |
| Net and comprehensive loss | $ (27,038) | $ (11,551) | $ (8,046) | $ (46,635) |
| | | | | |
| Adjusted EBITDA[1] | $ 1,800 | $ 3,483 | $ (3,630) | $ 1,653 |

| (in thousands) | Dollar variance for the nine months ended September 30, 2016 versus 2015 NAPP | CAPP | Corporate | Consolidated |
|---|---|---|---|---|
| Revenue | $ (23,630) | $ (19,890) | $ — | $ (43,520) |
| Cost of sales | 35,528 | 29,516 | — | 65,044 |
| Gross margin | 11,898 | 9,626 | — | 21,524 |
| Corporate and administrative expense | 1,969 | 135 | 1,385 | 3,489 |
| Loss from operations | 13,867 | 9,761 | 1,385 | 25,013 |
| Net finance (expense) income | 1,866 | (2) | (3,599) | (1,735) |
| Other income | (1,421) | 595 | — | (826) |
| Loss before tax | 14,312 | 10,354 | (2,214) | 22,452 |
| Income tax expense (recovery) | — | — | (728) | (728) |
| Net and comprehensive loss | $ 14,312 | $ 10,354 | $ (1,486) | $ 23,180 |
| | | | | |
| Adjusted EBITDA[1] | $ (3,104) | $ (1,640) | $ 1,210 | $ (3,534) |

[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 Division

*Revenue*

Revenue, consisting of metallurgical coal sales, thermal coal sales and tolling and other revenue, decreased by $23,630,000 from Nine Months 2015 to Nine Months 2016 and consisted of the following:

| | For the nine months ended September 30, | | |
|---|---|---|---|
| **(in thousands)** | **2016** | **2015** | **Variance** |
| Metallurgical coal revenue (at preparation plant) | $ 28,611 | $ 45,234 | $ (16,623) |
| Thermal coal revenue (at preparation plant) | 6,616 | 3,590 | 3,026 |
| Transportation revenue | 2,918 | 8,116 | (5,198) |
| Tolling revenue | 83 | 4,918 | (4,835) |
| | $ 38,228 | $ 61,858 | $ (23,630) |

Metallurgical coal revenue, net of transportation charges decreased $16,623,000 as a result of decreased sales volumes which decreased revenue by $11,289,000 and lower sales price per ton sold with decreased revenue by $5,334,000. Metallurgical coal sold decreased 142,000 tons in Nine Months 2016 as compared to Nine Months 2015 due to decreased market demand for metallurgical coal. Realized price per ton sold decreased $12.50 primarily due to the global oversupply of metallurgical coal.

Thermal coal revenue increased $3,026,000 as a result of an additional long-term contract that was entered into in the 2016 period.

Revenue associated with the transportation of coal to the loading terminal or customer decreased $5,198,000 as a result of decreased export sales in with the Company was obligated to pay the transportation costs.

Tolling revenue decreased $4,835,000 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 nine months ended September 30, | | |
|---|---|---|---|
| **(in thousands)** | **2016** | **2015** | **Variance** |
| Mining and processing costs | $ 28,999 | $ 41,244 | $ (12,245) |
| Purchased coal costs | 1,776 | 915 | 861 |
| Royalty expense | 2,348 | 3,602 | (1,254) |
| Amortization expense | 9,315 | 16,180 | (6,865) |
| Transportation costs from preparation plant to customer | 2,919 | 8,116 | (5,197) |
| Idle mine expense | 716 | 2,358 | (1,642) |
| Change in estimate of reclamation provision for non-operating properties | — | 844 | (844) |
| Impairment and write-off of mineral properties | — | 7,479 | (7,479) |
| Write-off of advance royalties and other assets | 126 | 888 | (762) |
| Other costs | 337 | 438 | (101) |
| | $ 46,536 | $ 82,064 | $ (35,528) |

Mining and processing costs decreased by $12,245,000 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. Purchased coal costs increased $861,000 as a result of purchasing additional tons in Nine Months 2016 for coal blending purposes. Royalty expense decreased by $1,254,000 due to the decrease in average sales prices of the tons sold and fewer tons sold. Amortization expense decreased by $6,865,000 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 $5,197,000 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. Idle mine expense decreased by $1,642,000 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 $844,000 due to various changes in assumptions and discount rates. Impairment and write-off of mineral properties decreased by $7,479,000 due to impairments which were recorded in Nine Months 2015, there were no properties that were impaired in Nine Months 2016. Write-off of advance royalties decreased by $762,000 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 nine months ended September 30, | | |
|---|---|---|---|
| **(in thousands)** | **2016** | **2015** | **Variance** |
| Salaries and other compensations | $ 2,319 | $ 3,184 | $ (865) |
| Professional fees | 579 | 974 | (395) |
| Office expenses and insurance | 321 | 882 | (561) |
| Other | 284 | 432 | (148) |
| | $ 3,503 | $ 5,472 | $ (1,969) |

Corporate and administrative expense related to the NAPP Division decreased by $1,969,000 primarily due to various staffing reductions that took place subsequent to September 30, 2015, reductions in insurance premiums and a reduction in legal related expenses.

*Net finance expense (income)*

Net finance expense (income) decreased $1,866,000 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 quarterly basis and market gains were achieved in Nine Months 2016 versus market losses in Nine Months 2015.

*Adjusted EBITDA*

Adjusted EBITDA decreased by $3,104,000 in Nine Months 2016 compared to Nine Months 2015. Adjusted EBITDA was impacted by adverse geologic conditions in Nine Months 2016 which increased mining costs. See “Non-GAAP Financial Measures” below.

CAPP Division

*Revenue*

Revenue, consisting of thermal coal sales, decreased by $19,890,000 from Nine Months 2015 to Nine Months 2016 as a result of the decreases in tons sold and in realized price per ton sold. Sales of thermal coal were 348,000 tons in Nine Months 2016 compared with 612,000 tons in Nine Months 2015. These decreased tons sold resulted in lower revenue of $17,652,000 and the decrease in average sales price impacted revenue by $2,238,000.

*Cost of sales*

Cost of sales consists of the following:

| (in thousands) | For the nine months ended September 30, 2016 | 2015 | Variance |
|---|---|---|---|
| Mining and processing costs | $ 15,507 | $ 29,676 | $ (14,169) |
| Purchased coal costs | 1,307 | 2,230 | (923) |
| Royalty expense | 1,492 | 3,502 | (2,010) |
| Amortization expense | 2,569 | 5,680 | (3,111) |
| Idle mine expense | 363 | 772 | (409) |
| Change in estimate of reclamation provision for non-operating properties | — | (53) | 53 |
| Impairment and write-off of mineral properties | — | 9,052 | (9,052) |
| Write-off of advance royalties and other assets | 105 | — | 105 |
| Other costs | — | — | — |
| | $ 21,343 | $ 50,859 | $ (29,516) |

Mining and processing costs decreased by $14,169,000 due to lower tons sold and cost containment initiatives implemented at the CAPP Division. Purchase coal costs decreased by $923,000 as fewer tons were purchased at lower average costs in Nine Months 2016. Royalty expense decreased $2,010,000 primarily due to fewer tons sold and lower average sales prices. Amortization expense decreased by $3,111,000 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. Idle mine expense decreased $409,000 primarily due to idling certain properties during Nine Months 2015. Impairment and write-off of mineral properties was $9,052,000 in Nine Months 2015, which resulted from an analysis of the recoverable amount of CAPP's assets following a strategic review of CAPP performed by management during the 2015 period.

Corporate Division

*Corporate and administrative expense*

Corporate and administrative expense consists of the following:

| (in thousands) | For the nine months ended September 30, 2016 | 2015 | Variance |
|---|---|---|---|
| Salaries and other compensations | $ 2,652 | $ 3,566 | $ (914) |
| Professional fees | 1,391 | 1,427 | (36) |
| Office expenses and insurance | 355 | 605 | (250) |
| Other | 36 | 221 | (185) |
| | $ 4,434 | $ 5,819 | $ (1,385) |

Salaries and other compensations decreased due to a reduction in staffing levels associated with the closure of the Company's previous corporate office and reduced insurance premiums. These decreases were partially offset by the acceleration of vesting requirements on certain stock options that were subsequently canceled as approved at the Company's Annual and Special Meeting of Shareholders in the 2016 period

*Net finance expense (income)*

Net finance expense (income) consists of the following:

| | For the nine months ended September 30, | | |
|---|---|---|---|
| | **2016** | **2015** | **Variance** |
| Warrant financial liability (gain) loss | 1,960 | (1,312) | 3,272 |
| Interest expense | 2,265 | 2,001 | 264 |
| Accretion of discount on loan payable | 948 | 767 | 181 |
| Foreign exchange (gain) loss | (55) | 48 | (103) |
| Interest income | (20) | (5) | (15) |
| | 5,098 | 1,499 | 3,599 |

The warrant financial liability resulted in expense of $1,960,000 in Nine Months 2016 compared with income of $1,312,000 in Nine Months 2015 due to changes in the underlying assumptions used to value the liability. Interest expense increased during the Nine Months 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. Accretion of discount on loan payable increased primarily due to capitalizing additional costs related to entering into the various term loan amendments which resulted in an increased amortization of these costs.

*Current income tax expense*

The current tax expense decreased from $493,000 in Nine Months 2015 to nil in Nine Months 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.

*Deferred income tax expense (recovery)*

Deferred income tax expense decreased from $235,000 in Nine Months 2015 to nil in Nine Months 2016. A full valuation allowance for all deferred tax assets has been previously provided for.

**Financial Condition**

| (in thousands) | September 30, 2016 | December 31, 2015 | Variance |
|---|---|---|---|
| Current assets | $ 32,345 | $ 37,229 | $ (4,884) |
| Non-current assets | 157,022 | 165,631 | (8,609) |
| Total assets | $ 189,367 | $ 202,860 | $ (13,493) |
| | | | |
| Current liabilities | $ 27,897 | $ 32,015 | $ (4,118) |
| Non-current liabilities | 108,719 | 107,087 | 1,632 |
| Total liabilities | $ 136,616 | $ 139,102 | $ (2,486) |
| | | | |
| Total equity | $ 52,751 | $ 63,758 | $ (11,007) |

Current assets decreased by $4,884,000 from December 31, 2015 to September 30, 2016. The increase was primarily due to the collection of the indemnification receivable partially offset by an increase in coal inventory due to timing of shipments.

The decrease in non-current assets of $8,609,000 from December 31, 2015 to September 30, 2016 was due to decreases in property, plant and equipment primarily the result of amortization expense.

The decrease in current liabilities of $4,118,000 from December 31, 2015 to September 30, 2016 was primarily due to payment of the Environmental Protection Agency Clean Water Act settlement partially offset by an increase in current liabilities related to deferred revenue.

The increase in non-current liabilities of $1,632,000 from December 31, 2015 to September 30, 2016 was primarily due capitalizing interest to the principal balance of the loan payable and an increase in the warrant financial liability as a result of various changes in assumptions utilized to value the liability. These increases were partially offset by reductions in the reclamation and water treatment provision as a result of reclamation and water treatment expenditures and an increase in the long-term finance lease as a result of entering into a revised master lease with a lender.

Total equity decreased by $11,007,000 from December 31, 2015 to September 30, 2016 primarily due to the net loss incurred during the Nine Months 2016 partially offset by additional share capital associated with the two private placements that occurred during Nine Months 2016.

**Liquidity and Capital Resources**

| (in thousands) | September 30, 2016 | December 31, 2015 | Variance |
|---|---|---|---|
| Cash | $ 8,365 | $ 9,493 | $ (1,128) |
| Working capital | $ 4,448 | $ 5,214 | $ (766) |
| Line of credit available | $ 850 | $ 3,000 | $ (2,150) |
| Debt | | | |
| Notes payable | $ 7,012 | $ 6,290 | $ 722 |
| Finance lease obligations | 6,534 | 8,812 | (2,278) |
| Loan payable | 27,311 | 24,440 | 2,871 |
| | $ 40,857 | $ 39,542 | $ 1,315 |

**Cash**

Cash decreased by $1,128,000 from December 31, 2015 to September 30, 2016. See "Cash Flows" below.

**Working capital**

The net decrease in working capital of $766,000 from December 31, 2015 to September 30, 2016 was due to various items, none of which were individually material.

**Line of credit available**

Corsa's CAPP Division has an amended and restated revolving credit facility with $4,150,000 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 September 30, 2016, the Company had $850,000 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 increased by $1,315,000 from December 31, 2015 to September 30, 2016 primarily due to additional borrowings made on the facility, additional equipment purchases financed, capitalizing interest to the principal balance on the loan payable and amortization of the debt discount associated with the loan payable. These increases were partially offset by payments made on the existing notes payable and finance lease obligations and additional debt discount associated with the Second Amending Agreement.

**Cash flows**

Quarter

Operating activities

In Third Quarter 2016, the cash used in operating activities was $2,185,000 compared with cash provided by operating activities of $4,680,000 in Third Quarter 2015, a decrease of $6,865,000. Adjusting the net and comprehensive loss for Third Quarter 2016 and Third Quarter 2015 for the items not affecting cash resulted in cash provided of $7,003,000 compared with $9,036,000 in Third Quarter 2015. The cash spent on reclamation activities was $1,174,000 in Third Quarter 2016 compared with $1,470,000 in Third Quarter 2015. The changes in non-cash working capital balances related to operations in Third Quarter 2016 used cash of $908,000 compared with cash provided of $6,402,000 in Third Quarter 2015.

Investing activities

The cash used in investing activities in Third Quarter 2016 was $176,000 compared with $2,443,000 in Third Quarter 2015, a change of $2,267,000. Restricted cash provided cash of $59,000 primarily the result of collateral releases related to reclamation bonds that are used to fund reclamation activities in Third Quarter 2016 partially offset by additional contributions to the water treatment trust compared with cash used of $704,000 in Third Quarter 2015 primarily related to additional contributions to the water treatment trust. Proceeds from the sale of assets provided cash of $749,000 in Third Quarter 2016 compared to $312,000 in Third Quarter 2015. Property, plant and equipment additions were $783,000 in Third Quarter 2016 compared with $1,662,000 in Third Quarter 2015.

Financing activities

In Third Quarter 2016, cash provided by financing activities was $36,000 compared with cash used of $1,339,000 in Third Quarter 2015, an increase of $1,375,000. Proceeds from the revolving credit facility were $1,000,000 in Third Quarter 2016 compared with nil in Third Quarter 2015. Repayment of notes payable in Third Quarter 2016 used cash of $258,000 compared with $506,000 in Third Quarter 2015. Repayment of finance lease obligations in Third Quarter 2016 used cash of $718,000 compared with $833,000 in Third Quarter 2015.

Nine Months

Operating activities

In Nine Months 2016, the cash used in operating activities was $6,710,000 compared with cash provided by operating activities of $11,498,000 in Nine Months 2015, a decrease of $20,418,000. Adjusting the net and comprehensive loss for Nine Months 2016 and Nine Months 2015 for the items not affecting cash resulted in cash provided of $19,315,000 compared with $43,131,000 in Nine Months 2015. The cash spent on reclamation activities was $3,272,000 in Nine Months 2016 compared with $4,830,000 in Nine Months 2015. The changes in non-cash working capital balances related to operations in Nine Months 2016 provided cash of $702,000 compared with cash provided of $19,832,000 in Nine Months 2015.

Investing activities

The cash used in investing activities in Nine Months 2016 was $2,258,000 compared with $11,346,000 in Nine Months 2015, a change of $9,088,000. Restricted cash provided cash of $326,000 primarily the result of collateral releases related to reclamation bonds that are used to fund reclamation activities in Nine Months 2016 compared with cash used of $1,539,000 in Nine Months 2015 primarily related to additional contributions to the water treatment trust. Property, plant and equipment additions were $3,837,000 in Nine Months 2016 compared with $10,130,000 in Nine Months 2015.

Financing activities

In Nine Months 2016, cash provided by financing activities was $7,840,000 compared with cash used of $4,497,000 in Nine Months 2015, an increase of $12,337,000. Net proceeds from the private placements that occurred in Nine Months 2016 provided cash of $10,134,000. Proceeds from the revolving credit facility were $2,150,000 in Nine Months 2016 compared with $1,000,000 in Nine Months 2015. Repayment of notes payable in Nine Months 2016 used cash of $1,450,000 compared with $1,866,000 in

Nine Months 2015. Repayment of finance lease obligations in Nine Months 2016 used cash of $2,952,000 compared with $3,631,000 in Nine Months 2015.

**Capital Expenditures**

The equipment and development added to property, plant and equipment for the nine months ended September 30, 2016 were as follows:

| (in thousands) | NAPP | CAPP | Total |
|---|---|---|---|
| Maintenance capital expenditures | | | |
| Deep mines | $ 442 | $ 247 | $ 689 |
| Surface mines | 163 | 19 | $ 182 |
| Plant | 108 | 722 | $ 830 |
| | 713 | 988 | 1,701 |
| Growth capital expenditures | | | |
| Deep mines | 69 | 3,036 | $ 3,105 |
| Surface mines | — | 66 | $ 66 |
| Plant | — | 236 | $ 236 |
| | 69 | 3,338 | 3,407 |
| | | | |
| | $ 782 | $ 4,326 | $ 5,108 |

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.

In September 2016, the Company was notified that it was awarded $3,000,000 in funding under the Pennsylvania Redevelopment Assistance Capital Program (the "RCAP) to develop an underground coal mine in Somerset County subject to certain conditions, including but not limited to, (i) completing the Redevelopment Assistance application, (ii) confirmation that at least 50% of the required non-state funds necessary to complete the project are secured at the time of application, (iii) execution of a grant agreement, and (iv) commencement of construction within six months of the final grant agreement. Once all the aforementioned conditions have been met, the grant will be released on a periodic basis and the Company will be reimbursed for certain expenditures which the Company will offset against the capitalized development costs.

**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 September 30, 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:

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

<u>NAPP finance leases</u>

In August 2016, Corsa entered into a Comprehensive Master Equipment Lease Financing Modification, Consolidation and Security Agreement (the “Modified Lease”) regarding various mobile equipment that was previously leased under a finance lease at Wilson Creek Energy, LLC, effective as of June 1, 2016. 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 excluding the CAPP Division.

- Debt service coverage ratio[1] must exceed 1.25 to 1.00 on the consolidated results of Wilson Creek Energy, LLC excluding the CAPP Division (measured quarterly)
- Maintain a minimum cash balance of $2,000,000 at all times, excluding the CAPP Division (measured monthly)

(1) Debt Service Coverage Ratio is measured as:

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

* 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 September 30, 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 | $ 11,779 | $ 11,779 | $ 11,779 | $ — | $ — | $ — |
| Notes payable | 7,012 | 7,012 | 5,384 | 1,552 | 76 | — |
| Finance lease obligations | 6,534 | 6,571 | 2,552 | 3,811 | 208 | — |
| Loan payable | 27,311 | 31,216 | — | 31,216 | — | — |
| Other liabilities | 16,427 | 18,055 | 1,799 | 4,960 | 8,654 | 2,642 |
| Water treatment trust funding | — | 8,986 | 3,391 | 5,595 | — | — |
| Operating leases and other obligations | — | 763 | 704 | 59 | — | — |
| Total | $ 69,063 | $ 84,382 | $ 25,609 | $ 47,193 | $ 8,938 | $ 2,642 |

**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 September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| **(in thousands)** | **2016** | **2015** | **2016** | **2015** |
| Net and comprehensive loss | $ (7,106) | $ (9,288) | $ (23,455) | $ (46,635) |
| Add (Deduct): | | | | |
| Amortization expense | 3,875 | 6,240 | 11,884 | 21,860 |
| Interest expense | 1,065 | 930 | 2,972 | 2,488 |
| Income tax expense (recovery) | — | 291 | — | 728 |
| EBITDA | (2,166) | (1,827) | (8,599) | (21,559) |
| | | | | |
| Add (Deduct): | | | | |
| Change in estimate of reclamation provision for non-operating properties | — | (445) | — | 791 |
| Impairment and write-off of mineral properties | — | 285 | — | 16,531 |
| Write-off of advance royalties and other assets | 35 | (7) | 231 | 888 |
| Stock-based compensation | 1,073 | 442 | 2,014 | 1,923 |
| Net finance (income) expense, excluding interest expense | 1,885 | 2,154 | 4,066 | 2,815 |
| Gain on disposal of assets | (289) | 478 | (1,085) | (1,049) |
| Other costs | (4) | 875 | 1,492 | 1,313 |
| Adjusted EBITDA | $ 534 | $ 1,955 | $ (1,881) | $ 1,653 |

**NAPP Division**

| (in thousands) | For the three months ended September 30, 2016 | 2015 | For the nine months ended September 30, 2016 | 2015 |
|---|---|---|---|---|
| Net and comprehensive loss | $ (2,850) | $ (6,316) | $ (12,726) | $ (27,038) |
| Add (Deduct): | | | | |
| Amortization expense | 2,882 | 4,336 | 9,315 | 16,180 |
| Interest expense | 243 | 142 | 600 | 376 |
| EBITDA | 275 | (1,838) | (2,811) | (10,482) |
| | | | | |
| Add (Deduct): | | | | |
| Change in estimate of reclamation provision for non-operating properties | — | (465) | — | 844 |
| Impairment and write-off of mineral properties | — | 285 | — | 7,479 |
| Write-off of advance royalties and other assets | — | (7) | 126 | 888 |
| Net finance (income) expense, excluding interest expense | 352 | 1,533 | 966 | 3,056 |
| Gain on disposal of assets | (160) | 478 | (956) | (1,032) |
| Other costs | (4) | 609 | 1,371 | 1,047 |
| Adjusted EBITDA | $ 463 | $ 595 | $ (1,304) | $ 1,800 |

**CAPP Division**

| (in thousands) | For the three months ended September 30, 2016 | 2015 | For the nine months ended September 30, 2016 | 2015 |
|---|---|---|---|---|
| Net and comprehensive loss | $ (236) | $ 134 | $ (1,197) | $ (11,551) |
| Add (Deduct): | | | | |
| Amortization expense | 993 | 1,904 | 2,569 | 5,680 |
| Interest expense | 44 | 37 | 107 | 111 |
| EBITDA | 801 | 2,075 | 1,479 | (5,760) |
| | | | | |
| Add (Deduct): | | | | |
| Change in estimate of reclamation provision for non-operating properties | — | 20 | — | (53) |
| Impairment and write-off of mineral properties | — | — | — | 9,052 |
| Write-off of advance royalties and other assets | 35 | — | 105 | — |
| Net finance (income) expense, excluding interest expense | 88 | 95 | 267 | 261 |
| Gain on disposal of assets | (129) | — | (129) | (17) |
| Other costs | — | — | 121 | — |
| Adjusted EBITDA | $ 795 | $ 2,190 | $ 1,843 | $ 3,483 |

**Corporate Division**

| (in thousands) | For the three months ended September 30, 2016 | 2015 | For the nine months ended September 30, 2016 | 2015 |
|---|---|---|---|---|
| Net and comprehensive loss | $ (4,020) | $ (3,106) | $ (9,532) | $ (8,046) |
| Add (Deduct): | | | | |
| Interest expense | 778 | 751 | 2,265 | 2,001 |
| Income tax expense (recovery) | — | 291 | — | 728 |
| EBITDA | (3,242) | (2,064) | (7,267) | (5,317) |
| | | | | |
| Add (Deduct): | | | | |
| Stock-based compensation | 1,073 | 442 | 2,014 | 1,923 |
| Net finance (income) expense, excluding interest expense | 1,445 | 526 | 2,833 | (502) |
| Other costs | — | 266 | — | 266 |
| Adjusted EBITDA | $ (724) | $ (830) | $ (2,420) | $ (3,630) |

**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 September 30, 2016 | 2015 | For the nine months ended September 30, 2016 | 2015 |
|---|---|---|---|---|
| Revenue | $ 23,983 | $ 31,742 | $ 59,258 | $ 102,778 |
| Add (Deduct): | | | | |
| Tolling Revenue | (9) | (1,241) | (83) | (4,918) |
| Transportation costs from preparation plant to customer | (736) | (2,658) | (2,918) | (8,116) |
| Net coal sales (at preparation plant) | 23,238 | 27,843 | $ 56,257 | $ 89,744 |
| | | | | |
| Coal sold - tons | 390 | 423 | 944 | 1,267 |
| | | | | |
| Realized price per ton sold (at preparation plant) | $ 59.58 | $ 65.82 | $ 59.59 | $ 70.83 |

**NAPP Division**

| (in thousands) | For the three months ended September 30, 2016 | | | For the nine months ended September 30, 2016 | | |
|---|---|---|---|---|---|---|
| | Met. | Thermal | Total | Met. | Thermal | Total |
| Revenue | $ 15,461 | $ — | $15,461 | $ 38,228 | $ — | $ 38,228 |
| Add (Deduct): | | | | | | |
| Tolling Revenue | (9) | — | (9) | (83) | — | (83) |
| Thermal coal sales | (2,653) | 2,653 | — | (7,383) | 7,383 | — |
| Transportation costs from preparation plant to customer | (501) | (235) | (736) | (2,151) | (767) | (2,918) |
| Net coal sales (at preparation plant) | $ 12,298 | $ 2,418 | $ 14,716 | $ 28,611 | $ 6,616 | $ 35,227 |
| Coal sold - tons | 177 | 61 | 238 | 427 | 169 | 596 |
| Realized price per ton sold (at preparation plant) | $ 69.48 | $ 39.64 | $ 61.83 | $ 67.00 | $39.15 | $ 59.11 |

| (in thousands) | For the three months ended September 30, 2015 | | | For the nine months ended September 30, 2015 | | |
|---|---|---|---|---|---|---|
| | Met. | Thermal | Total | Met. | Thermal | Total |
| Revenue | $ 16,803 | $ — | $ 16,803 | $ 61,858 | $ — | $ 61,858 |
| Add (Deduct): | | | | | | |
| Tolling Revenue | (1,241) | — | (1,241) | (4,918) | — | (4,918) |
| Thermal coal sales | (2,272) | 2,272 | — | (3,590) | 3,590 | — |
| Transportation costs from preparation plant to customer | (2,658) | — | (2,658) | (8,116) | — | (8,116) |
| Net coal sales (at preparation plant) | $ 10,632 | $ 2,272 | $ 12,904 | $ 45,234 | $ 3,590 | $ 48,824 |
| Coal sold - tons | 145 | 56 | 201 | 569 | 86 | 655 |
| Realized price per ton sold (at preparation plant) | $ 73.32 | $ 40.57 | $ 64.20 | $ 79.50 | $ 41.74 | $ 74.54 |

**CAPP Division**

| (in thousands) | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Net thermal and industrial coal sales (at preparation plant) | $ 8,522 | $ 14,939 | $ 21,030 | $ 40,920 |
| Thermal and industrial coal sold - tons | 152 | 222 | 348 | 612 |
| Realized price per ton sold (at preparation plant) | $ 56.07 | $ 67.29 | $ 60.43 | $ 66.86 |

**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**

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| **(in thousands)** | **2016** | **2015** | **2016** | **2015** |
| Cost of sales | $ 25,643 | $ 33,606 | $ 67,879 | $ 132,923 |
| Add (Deduct): | | | | |
| Amortization expense | (3,875) | (6,240) | (11,884) | (21,860) |
| Transportation costs from preparation plant to customer | (737) | (2,658) | (2,919) | (8,116) |
| Change in estimate of reclamation provision for non-operating properties | — | 445 | — | (791) |
| Impairment and write-off of mineral properties | — | (285) | — | (16,531) |
| Write-off of advance royalties and other assets | (35) | 7 | (231) | (888) |
| Idle mine expense | (163) | (24) | (1,079) | (3,130) |
| Tolling costs | 26 | (1,054) | (38) | (3,448) |
| Other costs | 26 | — | (337) | (438) |
| Cash production cost of sales (at preparation plant) | $ 20,885 | $ 23,797 | $ 51,391 | $ 77,721 |
| | | | | |
| Coal sold - tons | 390 | 423 | 944 | 1,267 |
| | | | | |
| Cash production cost per ton sold (at preparation plant) | $ 53.55 | $ 56.26 | $ 54.44 | $ 61.34 |

**NAPP Division**

| (in thousands) | For the three months ended September 30, 2016 Met. | Thermal | Total | For the nine months ended September 30, 2016 Met. | Thermal | Total |
|---|---|---|---|---|---|---|
| Cost of sales | $ 16,965 | $ — | $ 16,965 | $ 46,536 | $ — | $ 46,536 |
| Add (Deduct): | | | | | | |
| Amortization expense | (2,882) | — | (2,882) | (9,315) | — | (9,315) |
| Transportation costs from preparation plant to customer | (737) | — | (737) | (2,919) | — | (2,919) |
| 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 | (138) | — | (138) | (716) | — | (716) |
| Thermal mining cost | (2,627) | 2,627 | — | (7,575) | 7,575 | — |
| Tolling costs | 26 | — | 26 | (38) | — | (38) |
| Other costs | 26 | — | 26 | (337) | — | (337) |
| Cash production cost of sales (at preparation plant) | $ 10,633 | $ 2,627 | $ 13,260 | $ 25,510 | $ 7,575 | $ 33,085 |
| Coal sold - tons | 177 | 61 | 238 | 427 | 169 | 596 |
| Cash production cost per ton sold (at preparation plant) | $ 60.07 | $ 43.07 | $ 55.71 | $ 59.74 | $ 44.82 | $ 55.51 |

| (in thousands) | For the three months ended September 30, 2015 Met. | Thermal | Total | For the nine months ended September 30, 2015 Met. | Thermal | Total |
|---|---|---|---|---|---|---|
| Cost of sales | $ 19,398 | $ — | $ 19,398 | $ 82,064 | $ — | $ 82,064 |
| Add (Deduct): | | | | | | |
| Amortization expense | (4,336) | — | (4,336) | (16,180) | — | (16,180) |
| Transportation costs from preparation plant to customer | (2,658) | — | (2,658) | (8,116) | — | (8,116) |
| Change in estimate of reclamation provision for non-operating properties | 465 | — | 465 | (844) | — | (844) |
| Impairment and write-off of mineral properties | (285) | — | (285) | (7,479) | — | (7,479) |
| Write-off of advance royalties and other assets | 7 | — | 7 | (888) | — | (888) |
| Idle mine expense | 330 | — | 330 | (2,358) | — | (2,358) |
| Thermal mining cost | (2,166) | 2,166 | — | (2,848) | 2,848 | — |
| Tolling costs | (1,054) | — | (1,054) | (3,448) | — | (3,448) |
| Other costs | — | — | — | (438) | — | (438) |
| Cash production cost of sales (at preparation plant) | $ 9,701 | $ 2,166 | $ 11,867 | $ 39,465 | $ 2,848 | $ 42,313 |
| Coal sold - tons | 145 | 56 | 201 | 569 | 86 | 655 |
| Cash production cost per ton sold (at preparation plant) | $ 66.90 | $ 38.68 | $ 59.04 | $ 69.36 | $ 33.12 | $ 64.60 |

**CAPP Division**

| (in thousands) | For the three months ended September 30, 2016 | 2015 | For the nine months ended September 30, 2016 | 2015 |
|---|---|---|---|---|
| Cost of sales | $ 8,678 | $ 14,208 | $ 21,343 | $ 50,859 |
| Add (Deduct): | | | | |
| Amortization expense | (993) | (1,904) | (2,569) | (5,680) |
| Change in estimate of reclamation provision for non-operating properties | — | (20) | — | 53 |
| Impairment and write-off of mineral properties | — | — | — | (9,052) |
| Write-off of advance royalties and other assets | (35) | — | (105) | — |
| Idle mine expense | (25) | (354) | (363) | (772) |
| Other costs | — | — | — | — |
| Cash production cost of sales (at preparation plant) | $ 7,625 | $ 11,930 | $ 18,306 | $ 35,408 |
| Thermal and industrial coal sold - tons | 152 | 222 | 348 | 612 |
| Cash production cost per ton sold (at preparation plant) | $ 50.16 | $ 53.74 | $ 52.60 | $ 57.86 |

**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 | 1,887,775,762 |
| Common Shares issuable upon exercise of stock options | 111,620,361 |
| Common Shares issuable upon redemption of Redeemable Units | 170,316,639 |
| Common Shares issuable upon exercise of Common Share purchase warrants | 36,100,000 |
| Common Shares issuable upon exercise of Broker Warrants | 3,360,000 |
| Total | 2,209,172,762 |

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 subject to the option of Corsa to exchange such units for Common Shares 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.

Paradigm Capital Inc. (the "Agent") acted as lead agent for the brokered portion of the June Private Placement. The Company issued a total of 3,360,000 compensation warrants ("Compensation Warrants") to the Agent in connection with the June Private Placement. Each Compensation Warrant entitles the Agent to purchase one Common Share at Cdn$0.05, exercisable for a period of 24 months.

## 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 September 30, 2016 | Quarter Ended June 30, 2016 | Quarter Ended March 31, 2016 | Quarter Ended December 31, 2015 |
|---|---|---|---|---|
| Revenue | $ 23,983 | $ 18,662 | $ 18,613 | $ 26,565 |
| Net and comprehensive loss | $ (7,106) | $ (8,052) | $ (8,297) | $ (106,354) |
| Loss per share: | | | | |
| Basic | $ — | $ — | $ (0.01) | $ (0.07) |
| Diluted | $ — | $ — | $ (0.01) | $ (0.07) |

| (in thousands except per share amounts) | Quarter Ended September 30, 2015 | Quarter Ended June 30, 2015 | Quarter Ended March 31, 2015[1] | Quarter Ended December 31, 2014[1] |
|---|---|---|---|---|
| Revenue | $ 31,742 | $ 39,669 | $ 31,366 | $ 51,535 |
| Net and comprehensive loss | $ (9,288) | $ (11,720) | $ (25,627) | $ (22,205) |
| Loss per share: | | | | |
| Basic | $ (0.01) | $ (0.01) | $ (0.02) | $ (0.02) |
| Diluted | $ (0.01) | $ (0.01) | $ (0.02) | $ (0.02) |

[1] 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 the Company's controlling shareholder, Quintana Energy Partners L.P. ("QEP"), and transactions with companies who are a minority shareholder.

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

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Royalties (i) | $ 448 | $ 837 | $ 1,642 | $ 2,342 |
| Mining equipment lease (ii) | — | 188 | — | 552 |
| Supplies purchase (iii) | 25 | 73 | 81 | 348 |
| | $ 473 | $ 1,098 | $ 1,723 | $ 3,242 |

i. During the three and nine months ended September 30, 2016 and 2015, Corsa paid royalties and property taxes to related parties who are commonly controlled by QEP 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 and nine months ended September 30, 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. 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 and nine months ended September 30, 2016 and 2015, Corsa purchased from related parties, who are significantly influenced by a key management personnel of QEP, supplies used in the coal separation process. 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 nine months ended September 30, 2016.

Included in accounts payable and accrued liabilities at September 30, 2016 and December 31, 2015 is $215,000 and $415,000, respectively, 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 September 30, 2016 and December 31, 2015, the Company had a loan payable to Sprott Resource Lending Corporation of $27,311,000 and $24,440,000, respectively. Sprott Resource Lending Corporation is a minority shareholder of the Company.

## 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) depreciation 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 and nine months ended September 30, 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 September 30, 2016 Corsa had a consolidated cash balance of $8,365,000 and consolidated working capital of $4,448,000. However, the future operations of the Company are dependent on the continued generation of positive cash flows from operations which is dependent on the future demand and stability of metallurgical and thermal coal prices as well as 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 September 30, 2016 and December 31, 2015, Corsa had available committed undrawn credit facilities amounting to $850,000 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):

| | September 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Loan Payable | $ 27,311 | $ 18,464 | $ 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.

| | September 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 1 | Level 2 |
| Financial assets | | | | |
| Cash | $ 8,365 | $ — | $ 9,493 | $ — |
| Restricted cash | 33,442 | — | 34,226 | — |
| | $ 41,807 | $ — | $ 43,719 | $ — |
| | | | | |
| Financial liabilities | | | | |
| Warrant financial liability | $ — | $ 2,180 | $ — | $ 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 September 30, 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 and other 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.