



Corsa Coal Corp.
Management's Discussion and Analysis
December 31, 2016

Corsa Coal Corp.
Management's Discussion and Analysis
For the year ended December 31, 2016

The purpose of the Corsa Coal Corp. ("Corsa" or the "Company") Management's Discussion and Analysis ("MD&A") for the three and twelve months ended December 31, 2016 is to provide a narrative explanation of Corsa's operating and financial results for the period, Corsa's financial condition at the end of the period and Corsa's future prospects. This MD&A is dated as of March 7, 2017 and is intended to be read in conjunction with the audited consolidated financial statements at and for the years ended December 31, 2016 and 2015 and the related notes thereto. Unless otherwise stated, references in this MD&A to "Fourth Quarter 2016" means the three months ended December 31, 2016; "Fourth Quarter 2015" means the three months ended December 31, 2015; "2016" means the year ended December 31, 2016; and "2015" means the year ended December 31, 2015. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 premium quality metallurgical coal to domestic and international steel and coke producers. As of the date of this MD&A, Corsa produces coal from five mines and one development mine, operates two preparation plants and three rail loadout facilities, and has approximately 365 employees. Corsa is listed on the TSX Venture Exchange ("TSX-V") under the symbol "CSO".

The coal operations are conducted through the Northern Appalachia Division ("NAPP") and the Central Appalachia Division ("CAPP"). NAPP is based in Somerset, Pennsylvania, U.S.A. and is primarily focused on metallurgical coal production in the states of Pennsylvania and Maryland. Corsa markets and sells its NAPP coal to customers in North America, Europe, South America, and Asia. See "NAPP Operations" below. CAPP is based in Knoxville, Tennessee, U.S.A. and is focused on thermal, industrial and metallurgical coal production in the Central Appalachia coal region and sales in the southeastern region of the United States as well as export markets. See "CAPP Operations" below.

Fourth Quarter 2016 and Full Year 2016 Highlights

- In 2016, Corsa achieved its operational goals by significantly reducing cash production cost per ton sold at both divisions and achieving industry-leading safety and regulatory compliance rates.
 - Corsa's operations continued to achieve industry leading safety performance in 2016, with violation per inspection day (VPID) rates that were almost 50% lower than the MSHA national average and a lost time accident frequency rate that was almost 75% lower than the MSHA national average for coal mines.
 - NAPP variable cost reduction efforts have been successful with the cash production cost per ton sold⁽¹⁾ for metallurgical coal decreasing 7.8% [from \$67.68 to \$62.39] in 2016 compared to the prior year.
 - NAPP fixed costs⁽²⁾ were reduced by \$14.2 million in 2016 compared to the prior year, as a result of successful negotiations with third parties, reductions in idle mine costs, water treatment costs, general and administrative expenses and a successful asset sales program.
 - CAPP variable cost reduction efforts have also been successful with cash production cost per ton sold⁽¹⁾ for thermal and industrial coal decreasing 12.6% [from \$57.53 to \$50.29] in 2016 compared to the prior year.
- Spot prices for metallurgical coal rose by approximately 200% over the course of 2016, leading to an average realized price per ton of metallurgical coal sold⁽¹⁾ of \$101.99 in the fourth quarter of 2016, despite 35% of Corsa's fourth quarter 2016 metallurgical coal sales being sold on a fixed price domestic contract with pricing negotiated in late 2015 in a lower price environment.
- Metallurgical coal sales volumes increased 37% in the fourth quarter of 2016 as compared to the third quarter of 2016, marking the third consecutive quarter of nearly 25% or greater of growth in metallurgical coal sales volumes.
- In September 2016, Corsa commenced development work at the Acosta Deep Mine in Somerset County, Pennsylvania, which is forecasted to produce 400,000 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 2017.
- Corsa achieved positive adjusted EBITDA⁽¹⁾ of \$6,663,000 and \$5,359,000 at its NAPP Division for the three and twelve months ended December 31, 2016, respectively; \$1,486,000 and \$3,329,000 at its CAPP Division for the three and twelve months ended December 31, 2016, respectively; and \$7,239,000 and \$5,358,000 on a consolidated basis for the three and twelve months ended December 31, 2016.

- In October 2016, Corsa raised CDN\$ 23.0 million by way of a private placement of 11,500,000 common shares of the Company (the “Common Shares”) (post-consolidation basis) to fund mine development and for general corporate and working capital purposes.
- For the full year 2016, Corsa raised \$26,468,000 of equity, net of issuance costs, by way of three private placements.
- In September 2016, the Company was notified that it was awarded \$3,000,000 in funding under the Pennsylvania Redevelopment Assistance Capital Program 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.
- Corsa completed a share consolidation on the basis of one (1) post-consolidation Common Share for each 20 pre-consolidation Common Shares effective on December 7, 2016.
- Key Operating Metrics:

(in thousands except per ton amounts)	For the three months ended December 31, 2016		
	NAPP - Metallurgical Coal	NAPP - Thermal Coal	CAPP
Tons sold	242	66	151
Realized price per ton sold ⁽¹⁾	\$ 101.99	\$ 45.20	\$ 58.83
Cash production cost per ton sold ⁽¹⁾	67.05	\$ 37.74	44.95
Cash margin per ton sold ⁽¹⁾	\$ 34.94	\$ 7.46	\$ 13.88

(in thousands except per ton amounts)	For the year ended December 31, 2016		
	NAPP - Metallurgical Coal	NAPP - Thermal Coal	CAPP
Tons sold	669	235	499
Realized price per ton sold ⁽¹⁾	\$ 79.66	\$ 40.85	\$ 59.95
Cash production cost per ton sold ⁽¹⁾	62.39	42.83	50.29
Cash margin per ton sold ⁽¹⁾	\$ 17.27	\$ (1.98)	\$ 9.66

- (1) This is a non-GAAP financial measure. See “Non-GAAP Financial Measures” below.
- (2) Fixed costs include the following: idle mine expense, corporate and administrative expense, non-financed maintenance and growth capital expenditures, reclamation and water treatment cash payments, cash collateral release related to reclamation bonds, restricted cash contributions to the Global Treatment Trust Fund, debt service payments, cash collateral funding for workers’ compensation, transportation contract liquidated damages payments, bond premiums and proceeds from asset sales.

Guidance

Guidance for the three months ending March 31, 2017 and year ending December 31, 2017 is as follows:

<i>(all dollar amounts in U.S. dollars and tonnage in short tons)</i>	Q1 2017		Full Year 2017	
	Low	High	Low	High
Total Sales Tons				
Metallurgical	270,000	300,000	1,325,000	1,475,000
Thermal	190,000	250,000	625,000	725,000
NAPP Division Sales Tons				
Metallurgical	270,000	300,000	1,200,000	1,300,000
Thermal	40,000	50,000	75,000	125,000
NAPP Division Met Coal Revenue/Ton Sold ⁽¹⁾	90% Fixed at \$158		N/A	N/A
NAPP Division Met Cash Production Cost / Ton Sold ⁽¹⁾⁽²⁾	\$ 70.00	\$ 75.00	\$ 65.00	\$ 70.00
NAPP Division Met Cash Cost / Ton Sold ⁽¹⁾⁽³⁾	\$ 80.00	\$ 85.00	N/A	N/A
CAPP Division Sales Tons				
Metallurgical	N/A	N/A	125,000	175,000
Thermal	150,000	200,000	550,000	600,000
CAPP Division Coal Revenue / Ton Sold⁽¹⁾				
Metallurgical	N/A	N/A	N/A	N/A
Thermal	90% Fixed at \$55		N/A	N/A
CAPP Division Cash Production Cost / Ton Sold⁽¹⁾⁽²⁾				
Metallurgical	N/A	N/A	\$ 70.00	\$ 75.00
Thermal	\$ 57.50	\$ 62.50	\$ 50.00	\$ 55.00
CAPP Division Cash Cost / Ton Sold⁽¹⁾⁽³⁾				
Metallurgical	N/A	N/A	N/A	N/A
Thermal	\$ 52.50	\$ 57.50	N/A	N/A

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

⁽²⁾ Cash Production Cost / Ton Sold excludes purchased coal.

⁽³⁾ Cash Cost / Ton Sold includes purchased coal.

Coal Pricing Trends and Outlook

NAPP Division

Spot prices for metallurgical coal rose by approximately 200% over the course of 2016. Chinese policy initiatives to reduce production of coal, in addition to supply disruptions in Australia, created a deficit of metallurgical coal on the seaborne market in the second half of 2016. The rebound in pricing caused a supply response to occur in coal exporting countries such as Australia, the United States, and Mongolia. A large scale metallurgical supply response is expected to be slow, as major Australian and Canadian mines are already running near maximum capacity. Incremental production from greenfield and brownfield projects may take up to two years or longer to come online as permits are acquired, equipment is ordered, mines are staffed, and coal producers raise capital to fund the projects. Additionally, historically low metallurgical coal prices during the period of time from 2014 through mid-2016, led to a lack of investment in reserves, infrastructure, new mining permits, and equipment, all of which will slow the supply response to higher prices.

The first quarter 2017 benchmark followed with another significant uptick to \$285 per metric ton from the fourth quarter 2016's benchmark price of \$200 per metric ton. Spot prices declined in December 2016 through February 2017 as Australian mines that were disrupted in the fall of 2016 returned to production, inventory destocking occurred in China and India, as the Chinese relaxed the 276 workday policy and went back to a 330 workday policy for the winter months. Spot prices for premium quality low volatile metallurgical coal in the United States and Asia are currently in the \$150 to \$165 per metric ton range. Steel prices have risen globally over the past several months and blast furnace restarts in North America could lead to additional demand for metallurgical coal in 2017. Policy initiatives to increase infrastructure spending in the United States and China and a recovery in domestic oil and gas drilling activity, are two catalysts that could lead to additional demand for metallurgical coal in the quarters ahead.

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 serve both domestic and international customers.

Corsa's metallurgical coal sales in 2017 from its NAPP Division are expected to be in the range of 1,200,000 to 1,300,000 tons. Approximately 45% of these sales are currently committed at the midpoint of the range. Actual sales will depend on customer demand and market conditions.

Corsa's thermal coal sales in 2017 from its NAPP Division are expected to be in the range of 75,000 to 125,000 tons and are expected to be filled by coal purchased from third parties. 100% of these sales are currently committed at the midpoint of the range. Actual sales will depend on customer demand and market conditions. We do not expect to sell internally-produced NAPP Division coal on the thermal market in 2017.

CAPP Division

Southeastern U.S. utility market thermal coal spot pricing improved 20% over the course of 2016. Spot pricing today is approximately \$57 per ton for 12,500 btu thermal coal. General supply reductions in Central Appalachia, in addition to increased natural gas prices in 2016, led to an improvement in pricing. Additionally, the increased price of metallurgical coal caused some crossover thermal coal to enter the metallurgical market, further reducing supply of thermal coal regionally.

The CAPP Division mineral reserve base exclusively consists of high British Thermal Unit ("BTU") and high carbon content coal. These unique qualities, combined with advantaged logistics, set the CAPP Division apart from other producers and create a niche in the utility and industrial marketplace.

The CAPP Division thermal and industrial coal sales for 2017 are expected to be in the range of 550,000 to 600,000 tons. 100% of these sales are currently committed at the midpoint of the range. The CAPP Division metallurgical coal sales for 2017 are expected to be in the range of 125,000 to 175,000 tons. Approximately 23% 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

(in thousands)	For the three months ended December 31,		
	2016	2015	Variance
Revenue	\$ 37,728	\$ 26,564	\$ 11,164
Cost of sales	(42,291)	(129,650)	87,359
Gross margin	(4,563)	(103,086)	98,523
Corporate and administrative expense	(4,208)	(2,999)	(1,209)
Loss from operations	(8,771)	(106,085)	97,314
Net finance (expense) income	(2,774)	(1,225)	(1,549)
Other (expense) income	860	(154)	1,014
Loss before tax	(10,685)	(107,464)	96,779
Income tax expense (recovery)	—	(1,110)	1,110
Net and comprehensive (loss) income for the period	\$ (10,685)	\$ (106,354)	\$ 95,669
EBITDA ⁽¹⁾	\$ (2,582)	\$ (92,933)	\$ 90,351
Adjusted EBITDA ⁽¹⁾	\$ 7,239	\$ 14	\$ 7,225
Cash provided by (used in) operating activities	\$ 3,991	\$ (2,517)	\$ 6,508

(in thousands)	For the year ended December 31,		
	2016	2015	Variance
Revenue	\$ 96,986	\$ 129,342	\$ (32,356)
Cost of sales	(110,170)	(262,573)	152,403
Gross margin	(13,184)	(133,231)	120,047
Corporate and administrative expense	(13,234)	(15,514)	2,280
Loss from operations	(26,418)	(148,745)	122,327
Net finance (expense) income	(9,812)	(6,528)	(3,284)
Other (expense) income	2,090	1,902	188
Loss before tax	(34,140)	(153,371)	119,231
Income tax expense (recovery)	—	(382)	382
Net and comprehensive (loss) income for the period	\$ (34,140)	\$ (152,989)	\$ 118,849
EBITDA ⁽¹⁾	\$ (11,181)	\$ (114,492)	\$ 103,311
Adjusted EBITDA ⁽¹⁾	\$ 5,358	\$ 1,667	\$ 3,691
Cash provided by (used in) operating activities	\$ (2,719)	\$ 8,981	\$ (11,700)

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

Operations Summary

(in thousands)	For the three months ended December 31,		
	2016	2015	Variance
Coal sold - tons			
NAPP - metallurgical coal	242	171	71
NAPP - thermal coal	66	49	17
CAPP	151	149	2
Total	459	369	90
Realized price per ton sold⁽¹⁾			
NAPP - metallurgical coal	\$ 101.99	\$ 69.15	\$ 32.84
NAPP - thermal coal	\$ 45.20	\$ 48.04	\$ (2.84)
CAPP	\$ 58.83	\$ 65.18	\$ (6.35)
Cash production cost per ton sold⁽¹⁾			
NAPP - metallurgical coal	\$ 67.05	\$ 62.11	\$ (4.94)
NAPP - thermal coal	\$ 37.74	\$ 30.20	\$ (7.54)
CAPP	\$ 44.95	\$ 56.19	\$ 11.24
Cash margin per ton sold⁽¹⁾			
NAPP - metallurgical coal	\$ 34.94	\$ 7.04	\$ 27.90
NAPP - thermal coal	\$ 7.46	\$ 17.84	\$ (10.38)
CAPP	\$ 13.88	\$ 8.99	\$ 4.89
Adjusted EBITDA⁽¹⁾			
NAPP	\$ 6,663	\$ 222	\$ 6,441
CAPP	1,486	575	911
Corporate	(910)	(783)	(127)
Total	\$ 7,239	\$ 14	\$ 7,225

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

(in thousands)	For the year ended December 31,		
	2016	2015	Variance
Coal sold - tons			
NAPP - metallurgical coal	669	740	(71)
NAPP - thermal coal	235	135	100
CAPP	499	761	(262)
Total	<u>1,403</u>	<u>1,636</u>	<u>(233)</u>
Realized price per ton sold ⁽¹⁾			
NAPP - metallurgical coal	\$ 79.66	\$ 77.11	\$ 2.55
NAPP - thermal coal	\$ 40.85	\$ 44.03	\$ (3.18)
CAPP	\$ 59.95	\$ 66.53	\$ (6.58)
Cash production cost per ton sold ⁽¹⁾			
NAPP - metallurgical coal	\$ 62.39	\$ 67.68	\$ 5.29
NAPP - thermal coal	\$ 42.83	\$ 32.06	\$ (10.77)
CAPP	\$ 50.29	\$ 57.53	\$ 7.24
Cash margin per ton sold ⁽¹⁾			
NAPP - metallurgical coal	\$ 17.27	\$ 9.43	\$ 7.84
NAPP - thermal coal	\$ (1.98)	\$ 11.97	\$ (13.95)
CAPP	\$ 9.66	\$ 9.00	\$ 0.66
Adjusted EBITDA ⁽¹⁾			
NAPP	\$ 5,359	\$ 2,022	\$ 3,337
CAPP	3,329	4,058	(729)
Corporate	(3,330)	(4,413)	1,083
Total	<u>\$ 5,358</u>	<u>\$ 1,667</u>	<u>\$ 3,691</u>

⁽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 sustained 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 room and pillar mining method; the Quecreek Mine, an underground mine utilizing the room and pillar mining method; and the Acosta Deep Mine is under development. The

Casselman Mine is located in Garrett County, Maryland and the Quecreek and Acosta Deep Mines are located in Somerset County, Pennsylvania.

Preparation Plants

NAPP currently operates one preparation plant, the Cambria Plant, utilizes the rail loadout at a second plant, the Shade Creek Plant, and has one preparation plant temporarily idled, the Rockwood Plant. 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.

Projects

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

Name	Type of Mine	Status
Acosta Deep Project	Underground	Development
A Seam Project	Underground	Permitted
Schrock Run Extension	Surface	Permit in Process
Keyser Project	Underground	Permit in Process
Horning D Project	Underground	Permitted

NAPP Operating Results

Quarter

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

The metallurgical coal sold increased by 71,000 tons in Fourth Quarter 2016 as compared to Fourth Quarter 2015 due to strengthened market for metallurgical coal and the idling of the operations to manage inventory levels in response to general market conditions during Fourth Quarter 2015.

The realized price per ton sold increased \$32.84 in Fourth Quarter 2016 as compared to Fourth Quarter 2015 due to the recovery of the metallurgical coal market as a result of increased global demand. See “Non-GAAP Financial Measures” below.

The cash production cost per ton sold increased by \$4.94 in Fourth Quarter 2016 as compared to the prior year comparable quarter due primarily to increased royalty costs that are a direct result of the increased sales price and increased purchased coal from third parties. See “Non-GAAP Financial Measures” below.

Twelve Months

The metallurgical coal sold decreased 71,000 tons in 2016 as compared to 2015 primarily due to selling coal on a raw basis to fulfill thermal coal orders in the 2016 period as a result of unfavorable export metallurgical coal prices. The NAPP Division has been able to secure third party coal to fulfill these orders until the sales contracts expire allowing these tons of raw coal to be processed and sold on metallurgical coal orders.

The realized price per ton sold increased by \$2.55 from 2015 to 2016 due to the recovery of demand in the global metallurgical coal market. See “Non-GAAP Financial Measures” below.

The cash production cost per ton sold decreased by \$5.29 or 7.8% from 2015 to 2016 due to Corsa’s continued focus on managing production costs. See “Non-GAAP Financial Measures” below.

CAPP Operations

CAPP produces and sells high 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 room and pillar mining method, the Straight Creek Mine, a surface mine utilizing contour and auger mining methods, and the Cooper Ridge Deep Mine which is currently developing the main line entries. All mines are located in Claiborne County, Tennessee.

Preparation Plant

CAPP currently operates one preparation plant. The thermal coal produced from the underground mine is trucked to the preparation plant where it is processed or “washed” using conventional coal processing techniques and stored for shipping. The plant is located in Claiborne County, Tennessee. The plant has an operating capacity of 350 tons of raw coal per hour, storage capacity for 50,000 tons of clean coal and 40,000 tons of raw coal 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
Cooper Ridge Deep Project	Underground	Development
Rich Gap Mason Deep Project	Underground	Not-permitted
Cooper Ridge Surface Project	Surface / High Wall	Not-permitted

CAPP Operating Results

Quarter

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

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

The thermal and industrial coal sold remained consistent as compared to Fourth Quarter 2015.

The realized price per ton sold decreased by \$6.35 in Fourth Quarter 2016 as compared to Fourth Quarter 2015 due to the declining market pricing for thermal coal. See “Non-GAAP Financial Measures” below.

The cash production cost per ton sold decreased by \$11.24 in Fourth Quarter 2016 as compared to Fourth Quarter 2015 due to the impacts of the divisions cost containment initiatives. See “Non-GAAP Financial Measures” below.

Twelve Months

The thermal and industrial coal sold decreased by 262,000 tons from 2015 to 2016 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 \$6.58 from 2015 to 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 \$7.24 from 2015 to 2016 due to the impacts of the divisions cost containment initiatives. See “Non-GAAP Financial Measures” below.

Quarterly Financial Results

For the three months ended December 31, 2016

(in thousands)	NAPP	CAPP	Corporate	Consolidated
Revenue	\$ 28,844	\$ 8,884	\$ —	\$ 37,728
Cost of sales	(33,523)	(8,768)	—	(42,291)
Gross margin	(4,679)	116	—	(4,563)
Corporate and administrative expense	(2,010)	(705)	(1,493)	(4,208)
Loss from operations	(6,689)	(589)	(1,493)	(8,771)
Net finance (expense) income	(997)	(126)	(1,651)	(2,774)
Other income (expense)	388	472	—	860
Loss before tax	(7,298)	(243)	(3,144)	(10,685)
Income tax expense (recovery)	—	—	—	—
Net and comprehensive loss	\$ (7,298)	\$ (243)	\$ (3,144)	\$ (10,685)
Adjusted EBITDA ⁽¹⁾	\$ 6,663	\$ 1,486	\$ (910)	\$ 7,239

For the three months ended December 31, 2015

(in thousands)	NAPP	CAPP	Corporate	Consolidated
Revenue	\$ 16,852	\$ 9,712	\$ —	\$ 26,564
Cost of sales	(116,236)	(13,414)	—	(129,650)
Gross margin	(99,384)	(3,702)	—	(103,086)
Corporate and administrative expense	(1,238)	(380)	(1,381)	(2,999)
Loss from operations	(100,622)	(4,082)	(1,381)	(106,085)
Net finance (expense) income	(492)	(153)	(580)	(1,225)
Other (expense) income	(6)	(148)	—	(154)
Loss before tax	(101,120)	(4,383)	(1,961)	(107,464)
Income tax expense (recovery)	—	—	(1,110)	(1,110)
Net and comprehensive (loss) income	\$ (101,120)	\$ (4,383)	\$ (851)	\$ (106,354)
Adjusted EBITDA ⁽¹⁾	\$ 222	\$ 575	\$ (783)	\$ 14

Dollar variance for the three months ended

December 31, 2016 versus 2015

(in thousands)	NAPP	CAPP	Corporate	Consolidated
Revenue	\$ 11,992	\$ (828)	\$ —	\$ 11,164
Cost of sales	82,713	4,646	—	87,359
Gross margin	94,705	3,818	—	98,523
Corporate and administrative expense	(772)	(325)	(112)	(1,209)
Loss from operations	93,933	3,493	(112)	97,314
Net finance (expense) income	(505)	27	(1,071)	(1,549)
Other (expense) income	394	620	—	1,014
Loss before tax	93,822	4,140	(1,183)	96,779
Income tax expense (recovery)	—	—	1,110	1,110
Net and comprehensive (loss) income	<u>\$ 93,822</u>	<u>\$ 4,140</u>	<u>\$ (2,293)</u>	<u>\$ 95,669</u>
Adjusted EBITDA ⁽¹⁾	<u>\$ 6,441</u>	<u>\$ 911</u>	<u>\$ (127)</u>	<u>\$ 7,225</u>

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

Operating Segments

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

NAPP

Revenue - NAPP Division

Revenue, consisting of metallurgical coal sales, thermal coal sales and tolling and other revenue increased by \$11,992,000 from Fourth Quarter 2015 to Fourth Quarter 2016 and consisted of the following:

(in thousands)	For the three months ended		
	December 31,		
	2016	2015	Variance
Metallurgical coal revenue (at preparation plant)	\$ 24,682	\$ 11,824	\$ 12,858
Thermal coal revenue (at preparation plant)	2,983	2,354	629
Transportation revenue	1,179	2,477	(1,298)
Tolling revenue	—	197	(197)
	<u>\$ 28,844</u>	<u>\$ 16,852</u>	<u>\$ 11,992</u>

Metallurgical coal revenue, net of transportation charges, increased \$12,858,000 as a result of higher sales price per ton sold which increased revenue by \$7,949,000 and increased sales volumes which increased revenue by \$4,909,000. Metallurgical coal sold increased 71,000 tons due to increased market demand for metallurgical coal. Realized price per ton sold increased \$32.84 due to the recovery of the metallurgical coal market as a result of increased global demand.

Thermal coal revenue increased \$629,000 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 \$1,298,000 as a result of the sales mix to customers where Corsa does not pay the transportation charges.

Tolling revenue decreased \$197,000 as a result of the Company not currently processing third party coal through the preparation plant.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the three months ended December 31,		
	2016	2015	Variance
Mining and processing costs	\$ 12,557	\$ 11,161	\$ 1,396
Purchased coal costs	4,791	226	4,565
Royalty expense	1,369	883	486
Amortization expense	6,070	11,529	(5,459)
Transportation costs from preparation plant to customer	1,178	2,476	(1,298)
Idle mine expense	319	581	(262)
Change in estimate of reclamation provision for non-operating properties	2,975	(23,796)	26,771
Impairment and write-off of mineral properties	—	112,647	(112,647)
Write-off of advance royalties and other assets	—	529	(529)
Obsolete inventory reserve - parts & supply inventory	3,523	—	3,523
Other costs	741	—	741
	<u>\$ 33,523</u>	<u>\$ 116,236</u>	<u>\$ (82,713)</u>

- Mining and processing costs increased by \$1,396,000 primarily due productivity delays as a result of poor roof conditions that occurred during Fourth Quarter 2016 as well as increased volumes sold.
- Purchased coal costs increased by \$4,565,000 as a result of additional third party coal that was purchased for blending purposes, additional sales opportunities and replacement coal purchased to fulfill the Company's thermal orders in the Fourth Quarter 2016.
- Royalty expense increased by \$486,000 due to the increase in tons sold and the increased averaged realized prices.
- Amortization expense decreased by \$5,459,000 primarily due to the impact of the impairment charges that were recorded during Fourth Quarter 2015 which resulted in lower amortization charges prospectively.
- Transportation costs from preparation plant to customer decreased by \$1,298,000 primarily due to lower volumes of coal sold directly to customers in which Corsa is obligated to provide transportation to the vessel loading port.
- Change in estimate of the reclamation provision for non-operating properties resulted in expense of \$2,975,000 in Fourth Quarter 2016 due to changes in estimates for reclamation and water treatment sites. A gain of \$23,796,000 in Fourth Quarter 2015 was primarily due to decreases in the cost estimate of reclamation and water treatment activities.
- Impairment and write-off of mineral properties decreased by \$112,647,000 primarily due to a triggering event that was identified as a result of the carrying amount of the net assets of the Company exceeding the market capitalization along with the continued weakness in the coal markets that occurred in Fourth Quarter 2015.
- Advance royalty write-offs decreased \$529,000 primarily due to the write-off of the prepaid royalties on terminated mineral leases during the Fourth Quarter 2015. There were no write-offs that occurred during Fourth Quarter 2016.
- Obsolete inventory increased \$3,523,000 due to the recognition of an obsolete inventory reserve against material and supply inventory for slow moving or obsolete parts and supplies.
- Other costs increased \$741,000 due to various other items, none of which were individually material.

Corporate and administrative expense - NAPP Division

Corporate and administrative expense consists of the following:

	For the three months ended		
	December 31,		
	2016	2015	Variance
Salaries and other compensation	\$ 1,506	\$ 922	\$ 584
Professional fees	271	81	190
Office expenses and insurance	111	139	(28)
Other	122	96	26
	<u>\$ 2,010</u>	<u>\$ 1,238</u>	<u>\$ 772</u>

Salaries and other compensation increased as a result of achieving certain bonus targets in the 2016 period. Professional fees increased primarily due to additional legal and consulting services that occurred during Fourth Quarter 2016.

CAPP

Revenue - CAPP Division

Revenue, consisting of thermal and industrial coal sales, decreased by \$828,000 from Fourth Quarter 2015 to Fourth Quarter 2016 primarily due to the declining market pricing for thermal coal. Thermal and industrial coal sales tons remained consistent throughout both periods.

Cost of sales - CAPP Division

Cost of sales consists of the following:

(in thousands)	For the three months ended December 31,		
	2016	2015	Variance
Mining and processing costs	\$ 5,850	\$ 7,272	\$ (1,422)
Purchased coal costs	585	322	263
Royalty expense	352	779	(427)
Amortization expense	930	2,061	(1,131)
Idle mine expense	260	366	(106)
Change in estimate of reclamation provision for non-operating properties	(206)	20	(226)
Impairment of mineral properties	—	2,594	(2,594)
Write-off of advance royalties and other assets	997	—	997
	<u>\$ 8,768</u>	<u>\$ 13,414</u>	<u>\$ (4,646)</u>

- Mining and processing costs decreased by \$1,422,000 due to impacts of the division's cost containment initiatives.
- Royalty expense decreased by \$427,000 due to lower average sales prices and lower royalty rates in the areas surface mined in 2016.
- Amortization expense decreased by \$1,131,000 primarily due to the impact of the impairment charges that were recorded during Fourth Quarter 2015 which resulted in lower amortization charges prospectively.
- Impairment and write-off of mineral properties decreased by \$2,594,000 primarily due to a triggering event that was identified as a result of the carrying amount of the net assets of the Company exceeding the market capitalization along with the continued weakness in the coal markets that occurred in Fourth Quarter 2015.
- Advance royalty write-offs increased \$997,000 primarily due to the write-off of the prepaid royalties on terminated or non-economic mineral leases during Fourth Quarter 2016.

Corporate

Corporate and administrative expense - Corporate Division

Corporate and administrative expense consists of the following:

(in thousands)	For the three months ended December 31,		
	2016	2015	Variance
Salaries and other compensations	\$ 1,092	\$ 862	\$ 230
Professional fees	239	294	(55)
Office expense and insurance	117	209	(92)
Other	45	16	29
	<u>\$ 1,493</u>	<u>\$ 1,381</u>	<u>\$ 112</u>

Salaries and other compensation increased as a result of achieving certain bonus targets in the 2016 period.

Net finance (expense) income - Corporate Division

Net finance expense (income) consists of the following:

	For the three months ended December 31,		
	2016	2015	Variance
Warrant financial liability (gain) loss	\$ 625	\$ (435)	\$ 1,060
Interest expense	798	752	46
Accretion of discount on loan payable	327	269	58
Foreign exchange (gain) loss	(80)	(4)	(76)
Interest income	(19)	(2)	(17)
	<u>\$ 1,651</u>	<u>\$ 580</u>	<u>\$ 1,071</u>

The warrant financial liability resulted in expense of \$625,000 in Fourth Quarter 2016 compared with income of \$435,000 in Fourth Quarter 2015 due to changes in the underlying assumptions used to value the liability.

Current income tax expense (recovery)

The current tax benefit in Fourth Quarter 2015 of \$979,000 was due to a reversal of taxes payable on interest charged from Corsa, a Canadian entity, to Wilson Creek Holdings Inc., Corsa's wholly-owned U.S subsidiary. The interest payable was determined to be uncollectible during the period.

Deferred income tax expense (recovery)

Deferred income tax benefit in Fourth Quarter 2015 of \$131,000 resulted from a reversal of certain deferred tax liabilities.

Annual Financial Results

For the year ended December 31, 2016

(in thousands)	NAPP	CAPP	Corporate	Consolidated
Revenue	\$ 67,072	\$ 29,914	\$ —	\$ 96,986
Cost of sales	(80,059)	(30,111)	—	(110,170)
Gross margin	(12,987)	(197)	—	(13,184)
Corporate and administrative expense	(5,513)	(1,794)	(5,927)	(13,234)
Loss from operations	(18,500)	(1,991)	(5,927)	(26,418)
Net finance (expense) income	(2,563)	(500)	(6,749)	(9,812)
Other income (expense)	1,039	1,051	—	2,090
Loss before tax	(20,024)	(1,440)	(12,676)	(34,140)
Income tax expense (recovery)	—	—	—	—
Net and comprehensive loss	\$ (20,024)	\$ (1,440)	\$ (12,676)	\$ (34,140)
Adjusted EBITDA ⁽¹⁾	\$ 5,359	\$ 3,329	\$ (3,330)	\$ 5,358

For the year ended December 31, 2015

(in thousands)	NAPP	CAPP	Corporate	Consolidated
Revenue	\$ 78,710	\$ 50,632	\$ —	\$ 129,342
Cost of sales	(198,300)	(64,273)	—	(262,573)
Gross margin	(119,590)	(13,641)	—	(133,231)
Corporate and administrative expense	(6,710)	(1,604)	(7,200)	(15,514)
Loss from operations	(126,300)	(15,245)	(7,200)	(148,745)
Net finance (expense) income	(3,924)	(525)	(2,079)	(6,528)
Other income (expense)	2,066	(164)	—	1,902
Loss before tax	(128,158)	(15,934)	(9,279)	(153,371)
Income tax expense (recovery)	—	—	(382)	(382)
Net and comprehensive (loss) income	\$ (128,158)	\$ (15,934)	\$ (8,897)	\$ (152,989)
Adjusted EBITDA ⁽¹⁾	\$ 2,022	\$ 4,058	\$ (4,413)	\$ 1,667

**Dollar variance for the years ended
December 31, 2016 versus 2015**

(in thousands)	NAPP	CAPP	Corporate	Consolidated
Revenue	\$ (11,638)	\$ (20,718)	\$ —	\$ (32,356)
Cost of sales	118,241	34,162	—	152,403
Gross margin	106,603	13,444	—	120,047
Corporate and administrative expense	1,197	(190)	1,273	2,280
Loss from operations	107,800	13,254	1,273	122,327
Net finance (expense) income	1,361	25	(4,670)	(3,284)
Other income	(1,027)	1,215	—	188
Loss before tax	108,134	14,494	(3,397)	119,231
Income tax expense (recovery)	—	—	382	382
Net and comprehensive loss	<u>\$ 108,134</u>	<u>\$ 14,494</u>	<u>\$ (3,779)</u>	<u>\$ 118,849</u>
Adjusted EBITDA ⁽²⁾	<u>\$ 3,337</u>	<u>\$ (729)</u>	<u>\$ 1,083</u>	<u>\$ 3,691</u>

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

Operating Segments

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

NAPP

Revenue - NAPP Division

Revenue, consisting of metallurgical coal sales, thermal coal sales and tolling and other revenue decreased by \$11,638,000 from 2015 to 2016 and consisted of the following:

(in thousands)	For the years ended December 31,		
	2016	2015	Variance
Metallurgical coal revenue (at preparation plant)	\$ 53,293	\$ 57,058	\$ (3,765)
Thermal coal revenue (at preparation plant)	9,599	5,944	3,655
Transportation revenue	4,097	10,593	(6,496)
Tolling revenue	83	5,115	(5,032)
	<u>\$ 67,072</u>	<u>\$ 78,710</u>	<u>\$ (11,638)</u>

Metallurgical coal revenue, net of transportation charges, decreased \$3,765,000 as a result of lower sales volumes which decreased revenue by \$5,474,000 partially offset by higher sales price per ton sold which increased revenue by \$1,709,000. Metallurgical coal sold decreased 71,000 tons primarily due to selling coal on a raw basis to fulfill thermal coal orders in the 2016 period as a result of unfavorable export metallurgical coal prices. The NAPP Division has been able to secure third party coal to fulfill these orders until the sales contracts expire allowing these tons to be processed and sold on metallurgical coal orders. Realized price per ton sold increased \$2.55 due to the recovery of the metallurgical coal market as a result of increased global demand.

Thermal coal revenue increased \$3,655,000 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 \$6,496,000 as a result of the sales mix to customers where Corsa does not pay the transportation charges.

Tolling revenue decreased \$5,032,000 as a result of the Company processing less third party coal through the preparation plant.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the years ended December 31,		
	2016	2015	Variance
Mining and processing costs	\$ 41,556	\$ 52,405	\$ (10,849)
Purchased coal costs	6,567	1,141	5,426
Royalty expense	3,717	4,485	(768)
Amortization expense	15,385	27,709	(12,324)
Transportation costs from preparation plant to customer	4,097	10,592	(6,495)
Idle mine expense	1,035	2,939	(1,904)
Change in estimate of reclamation provision for non-operating properties	2,975	(22,952)	25,927
Impairment and write-off of mineral properties	—	120,126	(120,126)
Write-off of advance royalties and other assets	126	1,417	(1,291)
Obsolete inventory reserve - parts & supply inventory	3,523	—	3,523
Other costs	1,078	438	640
	<u>\$ 80,059</u>	<u>\$ 198,300</u>	<u>\$ (118,241)</u>

- Mining and processing costs decreased by \$10,849,000 primarily due to the cost containment initiatives that were put in place during 2015 resulting in significant reductions in the cost per ton sold.
- Purchase coal costs increased by \$5,426,000 as a result of additional third party coal that was purchased for blending purposes, additional sales opportunities and replacement coal purchased to fulfill the Company's thermal orders.
- Royalty expense decreased by \$768,000 due to the sales mix and average prices of metallurgical and thermal coal sold.
- Amortization expense decreased by \$12,324,000 primarily due to the impact of the impairment charges that were recorded during 2015 which resulted in lower amortization charges prospectively.
- Transportation costs from preparation plant to customer decreased by \$6,495,000 primarily due to lower volumes of coal sold directly to customers in which Corsa is obligated to provide transportation to the vessel loading port.
- Idle mine expense decreased by \$1,904,000 as the result of sealing certain mines which lowered the on-going carrying costs.
- Change in estimate of the reclamation provision for non-operating properties resulted in expense of \$2,975,000 in 2016 due to changes in estimates for reclamation and water treatment sites. A gain of \$22,952,000 in 2015 was primarily due to decreases in the cost estimate of reclamation and water treatment activities.
- Impairment and write-off of mineral properties decreased by \$120,126,000 primarily due to a triggering event that was identified as a result of the carrying amount of the net assets of the Company exceeding the market capitalization along with the continued weakness in the coal markets that occurred in 2015.
- Write-off of advance royalties decreased by \$1,291,000 primarily due to the write-off of the prepaid royalties on terminated mineral leases, none of which were material to current and future mining operations.
- Obsolete inventory increased \$3,523,000 due to the recognition of an obsolete inventory reserve against material and supply inventory for slow moving or obsolete parts and supplies.
- Other costs increased \$640,000 due various other items, none of which were individually material.

Corporate and administrative expense - NAPP Division

Corporate and administrative expense consists of the following:

(in thousands)	For the years ended December 31,		
	2016	2015	Variance
Salaries and other compensations	\$ 3,825	\$ 4,106	\$ (281)
Professional fees	850	1,055	(205)
Office expenses and insurance	432	1,021	(589)
Other	406	528	(122)
	<u>\$ 5,513</u>	<u>\$ 6,710</u>	<u>\$ (1,197)</u>

Salaries and other compensation decreased due to various staffing reductions that took place in 2016 which was partially offset by an increase resulting from achieving certain bonus targets in the 2016 period. Professional fees, office expenses and insurance were reduced as a result of lower legal fees incurred and a reduction in insurance premiums.

Net finance expense (income) - NAPP Division

Net finance expense (income) decreased \$1,361,000 primarily due to the change in market value of the water treatment trust fund accounts. The value of these trust funds is marked to market on a quarterly basis and market gains were achieved in 2016 versus market losses in 2015.

Other income - NAPP Division

Other income primarily consists of gain on disposal of assets and other income. From 2015 to 2016, the decrease of \$1,027,000 was primarily due to the result of lower gains from the sale of non-core assets.

CAPP

Revenue - CAPP Division

Revenue, consisting of thermal and industrial coal sales, decreased by \$20,718,000 from 2015 to 2016 as a result of decreases in tons sold and in realized price per ton sold. Sales of thermal coal were 499,000 tons in 2016 as compared with 761,000 tons in 2015. The decrease tons sold resulted in lower revenue of \$17,432,000 and the decrease in average sales price impacted revenue by \$3,286,000.

Cost of sales - CAPP Division

Cost of sales consists of the following:

(in thousands)	For the years ended December 31,		
	2016	2015	Variance
Mining and processing costs	\$ 21,357	\$ 36,948	\$ (15,591)
Purchased coal costs	1,892	2,552	(660)
Royalty expense	1,844	4,281	(2,437)
Amortization expense	3,499	7,741	(4,242)
Idle mine expense	623	1,138	(515)
Change in estimate of reclamation provision for non-operating properties	(206)	(33)	(173)
Impairment and write-off of mineral properties	—	11,646	(11,646)
Write-off of advance royalties and other assets	1,102	—	1,102
	<u>\$ 30,111</u>	<u>\$ 64,273</u>	<u>\$ (34,162)</u>

- Mining and processing costs decreased by \$15,591,000 due to fewer tons sold and cost containment initiatives implemented at the CAPP Division.
- Purchase coal costs decreased by \$660,000 as fewer tons were purchased and at lower average costs in 2016.
- Royalty expense decreased by \$2,437,000 due to fewer tons sold and lower average sales prices in 2016.
- Amortization expense decreased by \$4,242,000 primarily due to the impact of the impairment charges that were recorded during 2015 which resulted in lower amortization charges prospectively.
- Idle mine expense decreased by \$515,000 due to an increase in the number of idled properties during the 2015 period.
- Impairment and write-off of mineral properties decreased by \$11,646,000 primarily due to a triggering event that was identified as a result of the carrying amount of the net assets of the Company exceeding the market capitalization along with the continued weakness in the coal markets that occurred in 2015.
- Advance royalty write-offs increased \$1,102,000 primarily due to the write-off of the prepaid royalties on terminated or non-economic mineral leases during 2016.

Other income - CAPP Division

Other income increased by \$1,215,000 primarily due to income received from a customer contract buyout that occurred during 2016.

Corporate Division

Corporate and administrative expense - Corporate Division

Corporate and administrative expense consists of the following:

(in thousands)	For the years ended December 31,		
	2016	2015	Variance
Salaries and other compensations	\$ 3,744	\$ 4,428	\$ (684)
Professional fees	1,630	1,721	(91)
Office expense and insurance	472	814	(342)
Other	81	237	(156)
	<u>\$ 5,927</u>	<u>\$ 7,200</u>	<u>\$ (1,273)</u>

Salaries and other compensations decreased due to a reduction in staffing levels associated with the closure of the Company's previous corporate office which was partially offset by achieving certain bonus targets in the 2016 period and 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 held in the 2016 period. Office expense and insurance was lower primarily due to a reduction in insurance premiums.

Net finance (expense) income - Corporate Division

Net finance expense (income) consists of the following:

	For the years ended December 31,		
	2016	2015	Variance
Warrant financial liability (gain) loss	\$ 2,585	\$ (1,747)	\$ 4,332
Interest expense	3,063	2,753	310
Accretion of discount on loan payable	1,275	1,036	239
Foreign exchange (gain) loss	(135)	43	(178)
Interest income	(39)	(6)	(33)
	<u>\$ 6,749</u>	<u>\$ 2,079</u>	<u>\$ 4,670</u>

The warrant financial liability resulted in expense of \$2,585,000 in 2016 compared with income of \$1,747,000 in 2015 due to changes in the underlying assumptions used to value the liability.

Current income tax expense (recovery)

The current tax benefit in 2015 of \$486,000 was due to a reversal of taxes payable on interest charged from Corsa, a Canadian entity, to Wilson Creek Holdings Inc., Corsa's wholly-owned U.S subsidiary. The interest payable was determined to be uncollectible during the 2015 period.

Deferred income tax expense (recovery)

Deferred income tax expense in 2015 of \$104,000 resulted from a reversal of certain deferred tax assets that a full valuation allowance was provided for.

Financial Condition

(in thousands)	December 31,		Variance
	2016	2015	
Current assets	\$ 48,657	\$ 37,229	\$ 11,428
Non-current assets	152,315	165,631	(13,316)
Total assets	<u>\$ 200,972</u>	<u>\$ 202,860</u>	<u>\$ (1,888)</u>
Current liabilities	\$ 33,164	\$ 32,015	\$ 1,149
Non-current liabilities	108,825	107,087	1,738
Total liabilities	<u>\$ 141,989</u>	<u>\$ 139,102</u>	<u>\$ 2,887</u>
Total equity	<u>\$ 58,983</u>	<u>\$ 63,758</u>	<u>\$ (4,775)</u>

- Current assets increased primarily due to proceeds received from equity financing, which was partially offset by cash capital expenditures and collection of the indemnification receivable.
- Non-current assets decreased as a result of amortization of fixed assets and a release of restricted cash to fund workers' compensation payments which was partially offset by fixed asset additions and interest earned on the restricted cash investments.
- Current liabilities increased due to the general timing of accounts payable as the prior year balance was reduced due to operations being idled due to market reasons in December 2015 and the current portion of reclamation and water treatment increased as a result of an increase in the estimate of work to be completed in the next twelve months. These increases were partially offset by a decrease in other provisions as a result of the payment of the Environmental Protection Agency Clean Water Act settlement that occurred during the 2016 period.
- Non-current liabilities increased as a result of capitalizing interest to the principal balance of the loan payable, amortization of the discount on 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 a decrease in the reclamation and water treatment provision as a result of work performed and amounts reclassified to the current portion.
- Total equity decreased primarily due to the net loss incurred during 2016 which was partially offset by additional share capital associated with the three private placements that occurred during 2016.

Liquidity and Capital Resources

(in thousands)	December 31, 2016	December 31, 2015	Variance
Cash	<u>\$ 25,757</u>	<u>\$ 9,493</u>	<u>\$ 16,264</u>
Working capital	<u>\$ 15,493</u>	<u>\$ 5,214</u>	<u>\$ 10,279</u>
Line of credit available	<u>\$ —</u>	<u>\$ 3,000</u>	<u>\$ (3,000)</u>
Debt			
Notes payable	\$ 6,765	\$ 6,290	\$ 475
Finance lease obligations	8,054	8,812	(758)
Loan payable	28,435	24,440	3,995
	<u>\$ 43,254</u>	<u>\$ 39,542</u>	<u>\$ 3,712</u>

Cash

See “Cash Flows” below for an explanation of the cash increase for the period.

Working capital

The net increase in working capital was primarily due to net proceeds received from the private placements that occurred during the 2016 period which was partially offset by an increase in accounts payable and accrued liabilities as a result in changes in operating levels and general timing of payables and an increase in the current portion of reclamation and water treatment increased as a result of an increase in the estimate of work to be completed in the next twelve months.

Line of credit available

Corsa’s CAPP Division had a credit facility with \$4,150,000 drawn on a line of credit. On December 30, 2016, Corsa entered into a modification and extension agreement to, among other things, extend the termination date of the revolving credit facility to December 10, 2017. The previous facility was set to expire on January 10, 2017. Under the terms of the modification and extension agreement, the Company converted the revolving credit facility to a term loan and will amortize the principal balance over the extension period. As a result of this conversion, no additional advances may be drawn under this credit facility.

Debt

On August 19, 2014, the Company entered into a \$25,000,000 secured term loan (“Facility”), as amended, with Sprott Resource Lending Corp. (“SRLC”). The Facility is for a five-year term and bears interest at 10% per annum. For the period up to December 31, 2016, the Company had the option of adding any interest payable under the Facility to the principal amount. On the third and fourth anniversary of the acquisition of the PBS Coals, Inc. (including Rox Coal, Inc.) from OAO Severstal (the “PBS Transaction”), the Company is required to make an anniversary payment for an amount equal to 2% of the principal amount of the Facility then outstanding, if any. In addition, the Facility may be prepaid without penalty, in whole or in part, at any time.

Debt increased primarily due to additional notes payable and finance leases related to equipment purchases, capitalizing interest to the principal balance on the loan payable and amortization of the loan payable discount. These increases were partially offset by payments made on the existing notes payable and finance leases.

Cash Flows

Fourth Quarter 2016 compared to Fourth Quarter 2015

Operating activities

The cash provided by operating activities was \$3,991,000 in Fourth Quarter 2016 as compared with cash used in operating activities of \$2,517,000 in Fourth Quarter 2015, an increase of \$6,508,000. Adjusting the net and comprehensive loss for the items not affecting cash resulted in cash provided of \$3,278,000 in Fourth Quarter 2016 as compared with \$1,224,000 in Fourth Quarter 2015. The cash spent on reclamation activities was \$1,483,000 in Fourth Quarter 2016 as compared with \$1,047,000 in Fourth Quarter 2015 due to additional reclamation activities. The changes in non-cash working capital balances related to operations provided cash of \$2,196,000 in Fourth Quarter 2016 as compared with cash used of \$2,694,000 in Fourth Quarter 2015.

Investing activities

The cash used in investing activities in Fourth Quarter 2016 was \$1,796,000 compared with \$3,593,000 in Fourth Quarter 2015, a change of \$1,797,000. This change was primarily due to proceeds from the sale of non-core assets and lower restricted cash contributions as a result of collateral releases related to reclamation bonds that were used to fund reclamation activities in Fourth Quarter 2016.

Financing activities

Cash provided by financing activities was \$15,197,000 in Fourth Quarter 2016 compared with \$6,023,000 in Fourth Quarter 2015, an increase of \$9,174,000. Net proceeds from the private placement that occurred in October 2016 provided cash of \$16,334,000 and the private placement that occurred in October 2015 was \$7,192,000. Proceeds from the revolving credit facility were \$1,000,000 in Fourth Quarter 2015 and there were no drawdowns from the revolving credit facility in Fourth Quarter 2016. Repayment of notes payable used cash of \$260,000 in Fourth Quarter 2016 compared with \$1,146,000 in Fourth Quarter 2015. Repayment of finance lease obligations used cash of \$877,000 in Fourth Quarter 2016 compared with \$880,000 in Fourth Quarter 2015.

Year Ended December 31, 2016 compared to Year Ended December 31, 2015

Operating activities

The cash used in operating activities was \$2,719,000 in 2016 as compared with cash provided of \$8,981,000 in 2015, a change of \$11,700,000. Adjusting the net and comprehensive loss for the items not affecting cash resulted in a use of cash of \$862,000 in 2016 compared with a use of cash of \$2,280,000 in 2015. The cash spent on reclamation activities was \$4,755,000 in 2016 compared with \$5,877,000 in 2015 due to timing of certain projects. The changes in non-cash working capital balances related to operations provided cash of \$2,898,000 in 2016 compared \$17,138,000 in 2015.

Investing activities

The cash used in investing activities in 2016 was \$4,054,000 compared with \$14,939,000 in 2015, a change of \$10,885,000. Capital expenditures were reduced \$6,205,000 in 2016 in response to the market weakness. The change in restricted cash was \$2,383,000 which was primarily due to collateral releases related to reclamation bonds that were used to fund reclamation activities in the 2016 period. The change in proceeds from sale of non-core assets was \$1,285,000 as a result of additional equipment sold during the 2016 period. Advance royalties and other assets changed by \$1,012,000 as a result of leases which were terminated in the 2015 period which were not material to current and future mining operations.

Financing activities

Cash provided by financing activities was \$23,037,000 in 2016 compared with cash provided of \$1,526,000 in 2015, an increase of \$21,511,000. Net proceeds from equity issuances increased \$19,276,000 in 2016 as a result of additional equity issuances in 2016. Repayment of notes payable and finance lease obligations was lower by \$1,984,000 in 2016 as a result of timing of maturities of these obligations.

Capital Expenditures

The equipment and development added to property, plant and equipment for the year ended December 31, 2016 were as follows:

(in thousands)	NAPP	CAPP	Total
Maintenance capital expenditures			
Deep mines	\$ 616	\$ 1,055	\$ 1,671
Surface mines	163	85	248
Plant	144	939	1,083
	<u>923</u>	<u>2,079</u>	<u>3,002</u>
Growth capital expenditures			
Deep mines	1,602	3,475	5,077
Surface mines	—	69	69
Plant	1,696	235	1,931
	<u>3,298</u>	<u>3,779</u>	<u>7,077</u>
	<u>\$ 4,221</u>	<u>\$ 5,858</u>	<u>\$ 10,079</u>

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

Debt Covenants

Corsa has certain covenants it is required to meet under its credit facilities, finance lease obligations and certain notes payable. Certain measures included in the covenant calculations are not readily identifiable from Corsa's consolidated statements of operations and comprehensive loss or consolidated balance sheets. These measures are considered to be non-GAAP financial measures and, as such, a further description of the covenant calculations is included below. Corsa was in compliance with all covenants at December 31, 2016.

Corporate loan payable

The covenants required to be met are described below for the 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

On December 30, 2016, Corsa entered into a modification and extension agreement to, among other things, extend the termination date of the revolving credit facility to December 10, 2017. The facility was previously set to expire on January 10, 2017. The covenants required to be met are described below for the noted facility. Such measurements are made on the non-consolidated results of Kopper Glo Mining, LLC.

- Maintain a Debt Service Coverage Ratio⁽¹⁾ of not less than 1.00 to 1.00 measured each calendar quarter, beginning on March 31, 2017, based upon year to date trailing financial statements.

(1) Debt Service Coverage Ratio is measured by EBITDA⁽²⁾ divided by Debt Service⁽³⁾

(2) EBITDA is defined as net income plus (a) interest expense, (b) federal, state, and local taxes, (c) depreciation, (d) depletion and amortization of intangible assets and other non-cash items, (e) other non-cash expense items, minus without duplication and to the extent included in computing net income, any non-cash income items and (f)

amortization (including (i) modified principal payments plus (ii) current interest payments, plus (iii) the current portion of finance lease obligations).

- (3) Debt Service is defined as (a) modified principal payments, plus (b) current interest payments, plus (c) the current portion of finance lease obligations.

NAPP finance lease

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 agreement. 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 (measured quarterly).
- Maintain a minimum cash balance of \$2,000,000 at all times, on a consolidated bases excluding the CAPP Division (measured monthly).

- (1) Debt Service Coverage Ratio is measured as:

$$\frac{\text{Adjusted Net Income}^{(2)}}{\text{Total Payments Made on Financed Debt}^{(3)} + \text{Off-balance Sheet Obligations} + \text{Interest Expense}}$$

- (2) Adjusted net income is defined as Net Income plus the sum of (a) non-cash expenditures, (b) rent expense and (c) interest expense.

- (3) Financed debt includes notes payable, finance leases and other institutional debt.

Contractual Obligations

Corsa has the following contractual obligations:

(in thousands)	Carrying Value at December 31, 2016	Payments due by period				
		Total	Less Than	1 to	4 to	After 5
			1 Year	3 Years	5 Years	Years
Accounts payable and accruals	\$ 16,165	\$ 16,165	\$ 16,165	\$ —	\$ —	\$ —
Notes payable	6,765	6,765	5,475	1,246	44	—
Finance lease obligations	8,054	8,086	3,574	4,092	420	—
Loan payable	28,435	32,013	—	32,013	—	—
Other liabilities	15,916	17,215	1,750	4,620	7,800	3,045
Purchase Order Firm Commitments	—	3,847	3,847	—	—	—
Water treatment trust funding	—	8,627	1,000	3,524	3,741	362
Operating leases and other obligations	—	371	351	20	—	—
Total	\$ 75,335	\$ 93,089	\$ 32,162	\$ 45,515	\$ 12,005	\$ 3,407

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 and water treatment 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

(in thousands)	For the three months ended		For the years ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Net and comprehensive loss	\$ (10,685)	\$ (106,354)	\$ (34,140)	\$ (152,989)
Add (Deduct):				
Amortization expense	7,000	13,590	18,884	35,450
Interest expense	1,103	941	4,075	3,429
Income tax expense (recovery)	—	(1,110)	—	(382)
EBITDA	(2,582)	(92,933)	(11,181)	(114,492)
Add (Deduct):				
Change in estimate of reclamation provision for non-operating properties	2,769	(23,776)	2,769	(22,985)
Impairment and write-off of mineral properties	—	115,241	—	131,772
Write-off of advance royalties and other assets	997	529	1,228	1,417
Stock-based compensation	583	573	2,597	2,496
Net finance (income) expense, excluding interest expense	1,671	284	5,737	3,099
Gain on disposal of assets	(466)	(279)	(1,551)	(1,328)
Other costs	4,267	375	5,759	1,688
Adjusted EBITDA	\$ 7,239	\$ 14	\$ 5,358	\$ 1,667

NAPP

(in thousands)	For the three months ended		For the years ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Net and comprehensive loss	\$ (7,298)	\$ (101,120)	\$ (20,024)	\$ (128,158)
Add (Deduct):				
Amortization expense	6,070	11,529	15,385	27,709
Interest expense	258	119	858	495
EBITDA	(970)	(89,472)	(3,781)	(99,954)
Add (Deduct):				
Change in estimate of reclamation provision for non-operating properties	2,975	(23,796)	2,975	(22,952)
Impairment and write-off of mineral properties	—	112,647	—	120,126
Write-off of advance royalties and other assets	—	529	126	1,417
Net finance (income) expense, excluding interest expense	739	372	1,705	3,428
Gain on disposal of assets	(348)	(408)	(1,304)	(1,440)
Other costs	4,267	350	5,638	1,397
Adjusted EBITDA	<u>\$ 6,663</u>	<u>\$ 222</u>	<u>\$ 5,359</u>	<u>\$ 2,022</u>

CAPP

(in thousands)	For the three months ended		For the years ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Net and comprehensive loss	\$ (243)	\$ (4,383)	\$ (1,440)	\$ (15,934)
Add (Deduct):				
Amortization expense	930	2,061	3,499	7,741
Interest expense	47	70	154	181
EBITDA	734	(2,252)	2,213	(8,012)
Add (Deduct):				
Change in estimate of reclamation provision for non-operating properties	(206)	20	(206)	(33)
Impairment and write-off of mineral properties	—	2,594	—	11,646
Write-off of advance royalties and other assets	997	—	1,102	—
Net finance (income) expense, excluding interest expense	79	84	346	345
Gain on disposal of assets	(118)	129	(247)	112
Other costs	—	—	121	—
Adjusted EBITDA	<u>\$ 1,486</u>	<u>\$ 575</u>	<u>\$ 3,329</u>	<u>\$ 4,058</u>

Corporate

(in thousands)	For the three months ended		For the years ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Net and comprehensive loss	\$ (3,144)	\$ (851)	\$ (12,676)	\$ (8,897)
Add (Deduct):				
Interest expense	798	752	3,063	2,753
Income tax expense (recovery)	—	(1,110)	—	(382)
EBITDA	(2,346)	(1,209)	(9,613)	(6,526)
Add (Deduct):				
Stock-based compensation	583	573	2,597	2,496
Net finance (income) expense, excluding interest expense	853	(172)	3,686	(674)
Transaction expense	—	—	—	—
Bargain purchase gain	—	—	—	—
Other costs	—	25	—	291
Adjusted EBITDA	\$ (910)	\$ (783)	\$ (3,330)	\$ (4,413)

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		For the years ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Revenue	\$ 37,728	\$ 26,564	\$ 96,986	\$ 129,342
Add (Deduct):				
Tolling Revenue	—	(197)	(83)	(5,115)
Transportation costs from preparation plant to customer	(1,179)	(2,477)	(4,097)	(10,593)
Net coal sales (at preparation plant)	\$ 36,549	\$ 23,890	\$ 92,806	\$ 113,634
Coal sold - tons	459	369	1,403	1,636
Realized price per ton sold (at preparation plant)	\$ 79.63	\$ 64.74	\$ 66.15	\$ 69.46

NAPP

(in thousands)	For the three months ended			For the year ended		
	December 31, 2016			December 31, 2016		
	Met.	Thermal	Total	Met.	Thermal	Total
Revenue	\$ 28,844	\$ —	\$28,844	\$ 67,072	\$ —	\$ 67,072
Add (Deduct):						
Tolling Revenue	—	—	—	(83)	—	(83)
Thermal coal sales	(3,004)	3,004	—	(10,387)	10,387	—
Transportation costs from preparation plant to customer	(1,158)	(21)	(1,179)	(3,309)	(788)	(4,097)
Net coal sales (at preparation plant)	<u>\$ 24,682</u>	<u>\$ 2,983</u>	<u>\$ 27,665</u>	<u>\$ 53,293</u>	<u>\$ 9,599</u>	<u>\$ 62,892</u>
Coal sold - tons	<u>242</u>	<u>66</u>	<u>308</u>	<u>669</u>	<u>235</u>	<u>904</u>
Realized price per ton sold (at preparation plant)	<u>\$ 101.99</u>	<u>\$ 45.20</u>	<u>\$ 89.82</u>	<u>\$ 79.66</u>	<u>\$ 40.85</u>	<u>\$ 69.57</u>

(in thousands)	For the three months ended			For the year ended		
	December 31, 2015			December 31, 2015		
	Met.	Thermal	Total	Met.	Thermal	Total
Revenue	\$ 16,852	\$ —	\$ 16,852	\$ 78,710	\$ —	\$ 78,710
Add (Deduct):						
Tolling Revenue	(197)	—	(197)	(5,115)	—	(5,115)
Thermal coal sales	(2,354)	2,354	—	(5,944)	5,944	—
Transportation costs from preparation plant to customer	(2,477)	—	(2,477)	(10,593)	—	(10,593)
Net coal sales (at preparation plant)	<u>\$ 11,824</u>	<u>\$ 2,354</u>	<u>\$ 14,178</u>	<u>\$ 57,058</u>	<u>\$ 5,944</u>	<u>\$ 63,002</u>
Coal sold - tons	<u>171</u>	<u>49</u>	<u>220</u>	<u>740</u>	<u>135</u>	<u>875</u>
Realized price per ton sold (at preparation plant)	<u>\$ 69.15</u>	<u>\$ 48.04</u>	<u>\$ 64.45</u>	<u>\$ 77.11</u>	<u>\$ 44.03</u>	<u>\$ 72.00</u>

CAPP

(in thousands)	For the three months ended		For the years ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Net thermal and industrial coal sales (at preparation plant)	<u>\$ 8,884</u>	<u>\$ 9,712</u>	<u>\$ 29,914</u>	<u>\$ 50,632</u>
Thermal and industrial coal sold - tons	<u>151</u>	<u>149</u>	<u>499</u>	<u>761</u>
Realized price per ton sold (at preparation plant)	<u>\$ 58.83</u>	<u>\$ 65.18</u>	<u>\$ 59.95</u>	<u>\$ 66.53</u>

Cash production cost per ton sold

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

Consolidated

(in thousands)	For the three months ended		For the years ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Cost of sales	\$ 42,291	\$ 129,650	\$ 110,170	\$ 262,573
Add (Deduct):				
Amortization expense	(7,000)	(13,590)	(18,884)	(35,450)
Transportation costs from preparation plant to customer	(1,178)	(2,476)	(4,097)	(10,592)
Change in estimate of reclamation provision for non-operating properties	(2,769)	23,776	(2,769)	22,985
Impairment and write-off of mineral properties	—	(115,241)	—	(131,772)
Write-off of advance royalties and other assets	(997)	(529)	(1,228)	(1,417)
Idle mine expense	(579)	(947)	(1,658)	(4,077)
Thermal mining cost - Quecreek Deep Mine	—	—	—	—
Tolling costs	—	(170)	(38)	(3,618)
Other costs	(4,264)	—	(4,601)	(438)
Cash production cost of sales (at preparation plant)	<u>\$ 25,504</u>	<u>\$ 20,473</u>	<u>\$ 76,895</u>	<u>\$ 98,194</u>
Coal sold - tons	<u>459</u>	<u>369</u>	<u>1,403</u>	<u>1,636</u>
Cash production cost per ton sold (at preparation plant)	<u>\$ 55.56</u>	<u>\$ 55.48</u>	<u>\$ 54.81</u>	<u>\$ 60.02</u>

NAPP

(in thousands)	For the three months ended			For the year ended		
	December 31, 2016			December 31, 2016		
	Met.	Thermal	Total	Met.	Thermal	Total
Cost of sales	\$ 33,523	\$ —	\$ 33,523	\$ 80,059	\$ —	\$ 80,059
Add (Deduct):						
Amortization expense	(6,070)	—	(6,070)	(15,385)	—	(15,385)
Transportation costs from preparation plant to customer	(1,178)	—	(1,178)	(4,097)	—	(4,097)
Change in estimate of reclamation provision for non-operating properties	(2,975)	—	(2,975)	(2,975)	—	(2,975)
Impairment and write-off of mineral properties	—	—	—	—	—	—
Write-off of advance royalties and other assets	—	—	—	(126)	—	(126)
Idle mine expense	(319)	—	(319)	(1,035)	—	(1,035)
Thermal mining cost	(2,491)	2,491	—	(10,066)	10,066	—
Tolling costs	—	—	—	(38)	—	(38)
Other costs	(4,264)	—	(4,264)	(4,601)	—	(4,601)
Cash production cost of sales (at preparation plant)	<u>\$ 16,226</u>	<u>\$ 2,491</u>	<u>\$ 18,717</u>	<u>\$ 41,736</u>	<u>\$ 10,066</u>	<u>\$ 51,802</u>
Coal sold - tons	<u>242</u>	<u>66</u>	<u>308</u>	<u>669</u>	<u>235</u>	<u>904</u>
Cash production cost per ton sold (at preparation plant)	<u>\$ 67.05</u>	<u>\$ 37.74</u>	<u>\$ 60.77</u>	<u>\$ 62.39</u>	<u>\$ 42.83</u>	<u>\$ 57.30</u>
(in thousands)	For the three months ended			For the year ended		
	December 31, 2015			December 31, 2015		
	Met.	Thermal	Total	Met.	Thermal	Total
Cost of sales	\$ 116,236	\$ —	\$ 116,236	\$ 198,300	\$ —	\$ 198,300
Add (Deduct):						
Amortization expense	(11,529)	—	(11,529)	(27,709)	—	(27,709)
Transportation costs from preparation plant to customer	(2,476)	—	(2,476)	(10,592)	—	(10,592)
Change in estimate of reclamation provision for non-operating properties	23,796	—	23,796	22,952	—	22,952
Impairment and write-off of mineral properties	(112,647)	—	(112,647)	(120,126)	—	(120,126)
Write-off of advance royalties and other assets	(529)	—	(529)	(1,417)	—	(1,417)
Idle mine expense	(581)	—	(581)	(2,939)	—	(2,939)
Thermal mining cost	(1,480)	1,480	—	(4,328)	4,328	—
Tolling costs	(170)	—	(170)	(3,618)	—	(3,618)
Other costs	—	—	—	(438)	—	(438)
Cash production cost of sales (at preparation plant)	<u>\$ 10,620</u>	<u>\$ 1,480</u>	<u>\$ 12,100</u>	<u>\$ 50,085</u>	<u>\$ 4,328</u>	<u>\$ 54,413</u>
Coal sold - tons	<u>171</u>	<u>49</u>	<u>220</u>	<u>740</u>	<u>135</u>	<u>875</u>
Cash production cost per ton sold (at preparation plant)	<u>\$ 62.11</u>	<u>\$ 30.20</u>	<u>\$ 55.00</u>	<u>\$ 67.68</u>	<u>\$ 32.06</u>	<u>\$ 62.19</u>

CAPP

(in thousands)	For the three months ended		For the years ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Cost of sales	\$ 8,768	\$ 13,414	\$ 30,111	\$ 64,273
Add (Deduct):				
Amortization expense	(930)	(2,061)	(3,499)	(7,741)
Change in estimate of reclamation provision for non-operating properties	206	(20)	206	33
Impairment and write-off of mineral properties	—	(2,594)	—	(11,646)
Write-off of advance royalties and other assets	(997)	—	(1,102)	—
Idle mine expense	(260)	(366)	(623)	(1,138)
Other costs	—	—	—	—
Cash production cost of sales (at preparation plant)	<u>\$ 6,787</u>	<u>\$ 8,373</u>	<u>\$ 25,093</u>	<u>\$ 43,781</u>
Thermal and industrial coal sold - tons	<u>151</u>	<u>149</u>	<u>499</u>	<u>761</u>
Cash production cost per ton sold (at preparation plant)	<u>\$ 44.95</u>	<u>\$ 56.19</u>	<u>\$ 50.29</u>	<u>\$ 57.53</u>

Outstanding Share Data

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

	Number of Common Shares
Common Shares issued and outstanding	94,403,123
Common Shares issuable upon exercise of stock options	7,019,164
Common Shares issuable upon redemption of Redeemable Units	8,515,831
Common Shares issuable upon exercise of Common Share purchase warrants	1,805,000
Common Shares issuable upon exercise of Broker Warrants	168,000
Total	<u>111,911,118</u>

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

In consideration for the Facility, Corsa issued 1,805,000 Common Share purchase warrants ("Bonus Warrants") to SRLC. Each Bonus Warrant has a term of five years and is exercisable for one Common Share at an exercise price of CDN\$3.90.

Paradigm Capital, Inc. (the "Agent") acted as lead agent for the brokered portion of the private placement that closed in June 2016 ("June 2016 Private Placement"). The Company issued a total of 168,000 compensation warrants (the "Broker Warrants") to the Agent in connection with the June 2016 Private Placement. Each Broker Warrant entitles the Agent to purchase one Common Share at CDN\$1.00, 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.

	Quarter Ended December 31, 2016	Quarter Ended September 30, 2016	Quarter Ended June 30, 2016	Quarter Ended March 31, 2016
(in thousands except per share amounts)				
Revenue	\$ 37,728	\$ 23,983	\$ 18,662	\$ 18,613
Net and comprehensive loss	\$ (10,685)	\$ (7,106)	\$ (8,052)	\$ (8,297)
Loss per share:				
Basic	\$ (0.13)	\$ (0.09)	\$ (0.10)	\$ (0.12)
Diluted	\$ (0.13)	\$ (0.09)	\$ (0.10)	\$ (0.12)

	Quarter Ended December 31, 2015	Quarter Ended September 30, 2015	Quarter Ended June 30, 2015	Quarter Ended March 31, 2015
(in thousands except per share amounts)				
Revenue	\$ 26,565	\$ 31,742	\$ 39,669	\$ 31,366
Net and comprehensive loss	\$ (106,354)	\$ (9,288)	\$ (11,720)	\$ (25,627)
Loss per share:				
Basic	\$ (1.43)	\$ (0.15)	\$ (0.20)	\$ (0.39)
Diluted	\$ (1.43)	\$ (0.15)	\$ (0.20)	\$ (0.39)

Related Party Transactions

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

Transactions with related parties included in the consolidated statement of operations and comprehensive loss or the consolidated balance sheets of the Company are summarized below:

	For the three months ended December 31,		For the years ended December 31,	
	2016	2015	2016	2015
Royalties (i)	\$ 351	\$ 523	\$ 1,993	\$ 2,865
Mining equipment lease (ii)	—	181	—	733
Supplies purchase (iii)	16	(65)	97	283
Purchased coal (iv)	1,098	—	1,098	—
	<u>\$ 1,465</u>	<u>\$ 639</u>	<u>\$ 3,188</u>	<u>\$ 3,881</u>

- i. During the years ended December 31, 2016 and 2015, the Company 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 right of the specific property are leased by the Company and owned by the related party. These amounts were included in cost of sales in the consolidated statements of operations and comprehensive loss.
- ii. During the year ended December 31, 2015, the Company made lease payments to a related party controlled by an officer of the Company for use of mining equipment owned by the related party. This amount were included in cost of sales in the consolidated statements of operations and comprehensive loss. The lease expired in December 2015.

- iii. During the years ended December 31, 2016 and 2015, the Company purchased from related parties, who are significantly influenced by key management personnel of QEP, supplies used in the coal separation process. These amounts were included in cost of sales in the consolidated statements of operations and comprehensive loss.
- iv. During the year ended December 31, 2016, the Company purchased coal in an arm's length transaction from a related party who is a close family member of key management personnel of the Company. These amounts were included in inventory in the consolidated balance sheets.

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

Included in accounts payable and accrued liabilities at December 31, 2016 and 2015 is \$1,308,000 and \$415,000, respectively, due to related parties, as a result of the transactions noted above, who are employees, directors, close family members and companies either controlled or significantly influenced by QEP or key management personnel of the Company. These amounts are unsecured and non-interest bearing.

At December 31, 2016 and 2015, the Company had a loan payable to SRLC of \$28,435,000 and \$24,440,000, respectively. SRLC 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.

Water treatment provision estimates

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

The water treatment provision is estimated based on a determination of the estimated costs of treatment using assumptions effective as of the end of the reporting period discounted using a pre-tax risk free discount rate consistent with the expected timing of the cash flows. The provision at the balance sheet date represents management's best estimate by significant departures from management's expectation, including the impact of any changes in economic, technological or regulatory circumstances may impact the carrying value of the water treatment provision.

Impairment of long-term assets

Corsa reviews and tests the carrying amounts of long-lived 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-lived 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-lived assets are being used or are expected to be used and indications of economic performance of the assets.

For the purposes of determining whether an impairment of 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.

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, accounts receivable, accounts payable and accrued liabilities, notes payable, finance lease obligation, 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 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 years ended December 31, 2016 and 2015.

Commodity Risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2016 the Company had a consolidated cash balance of \$25,757,000 and consolidated working capital of \$15,493,000. The future operations of the Company are dependent on the continued generation of positive cash flows from operations which is dependent on the future demand and price of metallurgical and thermal coal.

(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):

	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	Carrying		Carrying	
	Amount	Fair Value	Amount	Fair Value
Loan Payable	\$ 28,435	\$ 21,667	\$ 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 16% and 20% at December 31, 2016 and 2015, respectively.

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.

	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Cash	\$ 25,757	\$ —	\$ 9,493	\$ —
Restricted cash	33,063	—	34,226	—
	<u>\$ 58,820</u>	<u>\$ —</u>	<u>\$ 43,719</u>	<u>\$ —</u>
Financial liabilities				
Warrant financial liability	\$ —	\$ 2,805	\$ —	\$ 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 December 31, 2016 and 2015, the Company had no financial instruments which used Level 3 fair value measurements.

Mineral Reserves and Resources

NAPP Division Properties⁽¹⁾

The proven reserves, probable reserves, measured resources and indicated resources of metallurgical coal as of December 31, 2016 are set out in the following tables.

Reserves⁽²⁾

The tonnages of the reserves are as follows:

Type	Proven Reserve Tons	Probable Reserve Tons	Total Reserve Tons
Surface	3,545,300	—	3,545,300
Underground	33,240,600	8,180,100	41,420,700
Total	36,785,900	8,180,100	44,966,000

Resources⁽³⁾

The tonnages of the resources are as follows:

Type	Measured Resource Tons	Indicated Resource Tons	Total Resource Tons
Surface	5,967,400	—	5,967,400
Underground	129,538,800	33,413,400	162,952,200
Total	135,506,200	33,413,400	168,919,600

- (1) The mineral reserve and resource estimates have been derived from reports prepared by Marshall Miller & Associates, Inc. under the supervision of Justin S. Douthat, P.E., M.B.A., Michael G. McClure, C.P.G., Kirt Suehs, C.P.G., and Gerard J. Enigk, P.E. each of the aforementioned persons is a “qualified person” as such term is defined NI 43-101. For a complete description of mines and projects, see the report entitled “Technical Report on the Coal Resource and Coal Reserve Controlled by Corsa Coal Corp., Pennsylvania, USA - Prepared in Accordance with National Instrument 43-101 Standards for Disclosure for Mineral Projects Effective December 31, 2016” filed under Corsa’s profile at www.sedar.com.
- (2) Reserve tons are clean recoverable tons.
- (3) Resource tons are inclusive of reserve tons since they include the in-situ tons from which recoverable coal reserves are derived.

CAPP Division

Kopper Glo Properties⁽¹⁾

The proven reserves, probable reserves, measured resources and indicated resources of thermal coal as of December 31, 2016 and are set out in the following tables.

Reserves⁽²⁾

The tonnages of the reserves are as follows:

Type	Proven Reserve Tons	Probable Reserve Tons	Total Reserve Tons
Surface	659,000	246,000	905,000
Underground	10,289,000	2,037,000	12,326,000
Total	10,948,000	2,283,000	13,231,000

Resources⁽³⁾

The tonnages of the resources are as follows:

Type	Measured Resource Tons	Indicated Resource Tons	Total Resource Tons
Surface	1,030,000	427,000	1,457,000
Underground	32,779,400	6,137,000	38,916,400
Total	33,809,400	6,564,000	40,373,400

- (1) The mineral reserve and resource estimates have been derived from reports prepared by Marshall Miller & Associates, Inc. (“MM&A”) under the supervision of Justin S. Douthat, P.E., M.B.A. and John W. Eckman, C.P.G., each of the aforementioned persons is a “qualified person” as such term is defined NI 43-101. For a complete description of mines and projects, see the report entitled “Technical Report on the Coal Reserve and Coal Resource Controlled by Kopper Glo Mining, LLC, Tennessee, USA - Prepared in Accordance with National Instrument 43-101 Standards for Disclosure for Mineral Projects Effective December 31, 2016” filed under Corsa’s profile at www.sedar.com.
- (2) Reserve tons are clean recoverable tons.
- (3) Resource tons are inclusive of reserve tons since they include the in-situ tons from which recoverable coal reserves are derived

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, 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 2017 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; geological, mining and processing technical problems; inability to obtain required mine licenses, mine permits and regulatory approvals or renewals required in connection with the mining and processing of coal; risks that Corsa’s preparation plants will not operate at production capacity during the relevant period, unexpected changes in coal quality and specification; variations in

the coal mine or preparation plant recovery rates; dependence on third party coal transportation systems; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in commodity prices and exchange rates; changes in the regulations in respect to the use, mining and processing of coal; changes in regulations on refuse disposal; the effects of competition and pricing pressures in the coal market; the oversupply of, or lack of demand for, coal; inability of management to secure coal sales or third party purchase contracts; currency and interest rate fluctuations; various events which could disrupt operations and/or the transportation of coal products, including labor stoppages and severe weather conditions; the demand for and availability of rail, port and other transportation services; the ability to purchase third party coal for processing and delivery under purchase agreements; and management's ability to anticipate and manage the foregoing factors and risks. The forward-looking statements and information contained in this MD&A are based on certain assumptions regarding, among other things, coal sales being consistent with expectations; future prices for coal; future currency and exchange rates; Corsa's ability to generate sufficient cash flow from operations and access capital markets to meet its future obligations; the regulatory framework representing royalties, taxes and environmental matters in the countries in which Corsa conducts business; coal production levels; Corsa's ability to retain qualified staff and equipment in a cost-efficient manner to meet its demand; and Corsa being able to execute its program of operational improvement and initiatives. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The reader is cautioned not to place undue reliance on forward-looking statements. Corsa does not undertake to update any of the forward-looking statements contained in this MD&A unless required by law. The statements as to Corsa's capacity to produce coal are no assurance that it will achieve these levels of production or that it will be able to achieve these sales levels.

Additional Information

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