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**Corsa Coal Corp.**  
**Management's Discussion and Analysis**  
**March 31, 2017**

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**For the three months ended March 31, 2017**

The purpose of the Corsa Coal Corp. ("Corsa" or the "Company") Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2017 is to provide a narrative explanation of Corsa's operating and financial results for the period, Corsa's financial condition at the end of the period and Corsa's future prospects. This MD&A is dated as of May 10, 2017 and is intended to be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2017 and 2016 and the related notes thereto and 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 "First Quarter 2017" means the three months ended March 31, 2017 and "First Quarter 2016" means the three months ended March 31, 2016. The unaudited condensed interim consolidated financial statements for the three months ended March 31, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards 34 – *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all dollar amounts in this MD&A are expressed in United States dollars and all ton amounts are short tons (2,000 pounds per ton). Pricing and cost per ton information is expressed on a free on board mine site basis. 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 eight mines, has one development mine, operates three preparation plants and has approximately 391 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.

## **First Quarter 2017 Highlights**

- Corsa reported positive net and comprehensive income of \$10.1 million for the first quarter of 2017, an increase of 222% from the first quarter of 2016. Revenues were \$59.0 million, an increase of 255% from the first quarter of 2016.
- Corsa achieved adjusted EBITDA<sup>(1)</sup> of \$17.2 million and \$15.4 million, respectively, at its NAPP Division and on a consolidated basis for the three months ending March 31, 2017.
- Corsa achieved an average realized price per ton of metallurgical coal sold<sup>(1)</sup> of \$156.12 in the first quarter 2017, an increase of 53% as compared to the fourth quarter of 2016.
- Metallurgical coal sales volumes increased 22% in the first quarter of 2017 as compared to the fourth quarter of 2016 and 176% compared to the first quarter of 2016. This marks the fourth consecutive quarter of above 20% or greater growth in metallurgical coal sales volumes.
- For the first quarter of 2017, Corsa's operations demonstrated exceptional safety performance again, with violation per inspection day rates less than half of the Mine Safety and Health Administration's ("MSHA") national average and a lost time accident frequency rate that is also well below the MSHA national average for coal mines.
- Mine development work continued on schedule 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 planned to begin in the second quarter of 2017 and ramp up over the course of 2017.
- Key Operating Metrics:

|   | <b>For the three months ended</b>        |                                    |             |
|---|--|------------------------------------|-------------|
|   | <b>March 31, 2017</b>                    |                                    |             |
| <b>(in thousands except per ton amounts)</b>        | <b>NAPP -<br/>Metallurgical<br/>Coal</b> | <b>NAPP -<br/>Thermal<br/>Coal</b> | <b>CAPP</b> |
| Tons sold   | 295                                      | 77                                 | 120         |
| Realized price per ton sold <sup>(1)</sup>          | \$ 156.12                                | \$ 43.23                           | \$ 55.50    |
| Cash production cost per ton sold <sup>(1)(2)</sup> | \$ 74.67                                 | \$ 14.08                           | \$ 58.86    |
| Cash cost per ton sold <sup>(1)(3)</sup>            | \$ 88.45                                 | \$ 38.49                           | \$ 58.86    |
| Cash margin per ton sold <sup>(1)</sup>             | \$ 67.67                                 | \$ 4.74                            | \$ (3.36)   |

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

<sup>(2)</sup> Cash production cost per ton sold excludes purchased coal.

<sup>(3)</sup> Cash cost per ton sold includes purchased coal.

## **Guidance**

Corsa's guidance for the year ending December 31, 2017, updated only for thermal coal sales, is as follows:

| <i>(all dollar amounts in U.S. dollars and tonnage in short tons)</i>     | <b>Full Year 2017</b> |                 |
|---|-----------------------|-----------------|
|   | <b>Low</b>            | <b>High</b>     |
| <b>Total Sales Tons</b>   |                       |                 |
| Metallurgical   | 1,325,000             | 1,475,000       |
| Thermal <i>(previous guidance was 625,000 to 725,000 tons)</i>            | 875,000               | 950,000         |
| <b>NAPP Division Sales Tons</b>   |                       |                 |
| Metallurgical   | 1,200,000             | 1,300,000       |
| Thermal <i>(previous guidance was 75,000 to 125,000 tons)</i>             | 230,000               | 260,000         |
| <b>NAPP Division Met Cash Production Cost / Ton Sold<sup>(1)(2)</sup></b> | <b>\$ 65.00</b>       | <b>\$ 70.00</b> |
| <b>CAPP Division Sales Tons</b>   |                       |                 |
| Metallurgical   | 125,000               | 175,000         |
| Thermal <i>(previous guidance was 550,000 to 600,000 tons)</i>            | 645,000               | 690,000         |
| <b>CAPP Division Cash Production Cost / Ton Sold<sup>(1)(2)</sup></b>     |                       |                 |
| Metallurgical   | \$ 70.00              | \$ 75.00        |
| Thermal   | \$ 50.00              | \$ 55.00        |

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

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

## **Coal Pricing Trends and Outlook**

### **NAPP Division**

Metallurgical coal pricing for the second quarter and the remainder of 2017 has been driven higher by the supply restrictions resulting from Cyclone Debbie. Spot market pricing in April reached five-year highs as Australian rail lines were closed, thereby disrupting 15-20 million tons of metallurgical coal exports.

The effects of Cyclone Debbie pushed spot prices for metallurgical coal up by over 200% at highpoints in the first quarter and early parts of the second quarter. Prices for U.S. east coast premium quality low volatile metallurgical coal are currently over \$200 per metric ton, but are expected to moderate in the third quarter with the normalization of Australian exports. The supply chain for metallurgical coal remains extremely fragile and prone to disruption, which could dramatically alter the outlook, just as Cyclone Debbie did. We believe Chinese policy makers will look to support prices of thermal and metallurgical coal by reducing workdays at their mines should coal prices fall to a level where Chinese miners are unprofitable. We note that price levels today are significantly above this threshold. Forecasted coal production levels in China, as well as metallurgical coal inventory levels in China are very important leading indicators for metallurgical coal pricing.

Filling the supply deficit created by reduced Australian exports will be a challenge given that limited production growth is possible in the near term from Australia, China and Western Canada. Strong year-over-year growth in global steel production, a significant change from 2015 and 2016 steel production levels, has increased coking coal demand and also has supported coal prices. Although there has been some activity with mine restarts and openings, impactful incremental production from greenfield and brownfield projects may take significant lead time as permits are acquired, equipment is ordered, mines are staffed and coal producers raise capital to fund the projects.

Corsa's geographic proximity to over 50% of domestic coke production capacity and short rail distance and multiple options to access the Maryland and Virginia export terminals will continue to solidify Corsa's ability to serve both domestic and international

customers. Our sales and trading platform operations also give us the ability to market a greater variety of products, access more users and increases our ability to respond to market-shaping events.

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. 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 230,000 to 260,000 tons, which is an increase from the previous outlook of 75,000 to 125,000 and are expected to be primarily filled by coal purchased from third parties. We do not expect to sell internally-produced NAPP Division coal in the thermal market in 2017. Actual sales will depend on customer demand and market conditions.

## CAPP Division

Spot prices for southeastern U.S. utility market thermal coal retreated slightly since the previous outlook as coal burn was lower due to a mild winter in the eastern half of the U.S. Current spot pricing is approximately \$51 per ton for 12,500 British thermal unit ("BTU") thermal coal. The increased price of metallurgical coal continues to attract crossover thermal coal to enter the metallurgical market. This dynamic could impact spot pricing by reducing regional thermal coal supplies.

The CAPP Division mineral reserve base exclusively consists of high 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 645,000 to 690,000 tons, which is an increase from the previous outlook of 550,000 to 600,000 tons. The CAPP Division metallurgical coal sales for 2017 are expected to be in the range of 125,000 to 175,000 tons. Actual sales will depend on customer demand and market conditions.

## Financial and Operations Summary

### Financial Summary

| (in thousands)                                  | For the three months ended March 31, |            |           |
|---|--------------------------------------|------------|-----------|
|   | 2017                                 | 2016       | Variance  |
| Revenue   | \$ 59,039                            | \$ 16,613  | \$ 42,426 |
| Cost of sales                                   | (44,981)                             | (19,676)   | (25,305)  |
| Gross margin                                    | 14,058                               | (3,063)    | 17,121    |
| Corporate and administrative expense            | (4,187)                              | (3,107)    | (1,080)   |
| Income (loss) from operations                   | 9,871                                | (6,170)    | 16,041    |
| Net finance expense                             | (121)                                | (2,434)    | 2,313     |
| Other income                                    | 334                                  | 307        | 27        |
| Income (loss) before tax                        | 10,084                               | (8,297)    | 18,381    |
| Income tax expense (recovery)                   | —                                    | —          | —         |
| Net and comprehensive income (loss)             | \$ 10,084                            | \$ (8,297) | \$ 18,381 |
| EBITDA <sup>(1)</sup>                           | \$ 15,415                            | \$ (2,795) | \$ 18,210 |
| Adjusted EBITDA <sup>(1)</sup>                  | \$ 15,423                            | \$ (619)   | \$ 16,042 |
| Cash provided by (used in) operating activities | \$ 13,699                            | \$ (1,597) | \$ 15,296 |

## Operations Summary

| (in thousands)   | For the three months ended March 31, |                 |                  |
|--|--------------------------------------|-----------------|------------------|
|  | 2017                                 | 2016            | Variance         |
| <b>Coal sold - tons</b>                                |                                      |                 |                  |
| NAPP - metallurgical coal                              | 295                                  | 107             | 188              |
| NAPP - thermal coal                                    | 77                                   | 42              | 35               |
| CAPP   | 120                                  | 99              | 21               |
| <b>Total</b>   | <b>492</b>                           | <b>248</b>      | <b>244</b>       |
| <b>Realized price per ton sold<sup>(1)</sup></b>       |                                      |                 |                  |
| NAPP - metallurgical coal                              | \$ 156.12                            | \$ 66.32        | \$ 89.80         |
| NAPP - thermal coal                                    | \$ 43.23                             | \$ 44.12        | \$ (0.89)        |
| CAPP   | \$ 55.50                             | \$ 64.73        | \$ (9.23)        |
| <b>Cash production cost per ton sold<sup>(1)</sup></b> |                                      |                 |                  |
| NAPP - metallurgical coal <sup>(2)</sup>               | \$ 74.67                             | \$ 59.73        | \$ (14.94)       |
| NAPP - thermal coal <sup>(2)</sup>                     | \$ 14.08                             | \$ 45.38        | \$ 31.30         |
| CAPP   | \$ 58.86                             | \$ 49.05        | \$ (9.81)        |
| <b>Cash cost per ton sold<sup>(1)</sup></b>            |                                      |                 |                  |
| NAPP - metallurgical coal <sup>(3)</sup>               | \$ 88.45                             | \$ 59.73        | \$ (28.72)       |
| NAPP - thermal coal <sup>(3)</sup>                     | \$ 38.49                             | \$ 45.38        | \$ 6.89          |
| CAPP   | \$ 58.86                             | \$ 49.05        | \$ (9.81)        |
| <b>Cash margin per ton sold<sup>(1)</sup></b>          |                                      |                 |                  |
| NAPP - metallurgical coal                              | \$ 67.67                             | \$ 6.59         | \$ 61.08         |
| NAPP - thermal coal                                    | \$ 4.74                              | \$ (1.26)       | \$ 6.00          |
| CAPP   | \$ (3.36)                            | \$ 15.68        | \$ (19.04)       |
| <b>Adjusted EBITDA<sup>(1)</sup></b>                   |                                      |                 |                  |
| NAPP   | \$ 17,204                            | \$ (607)        | \$ 17,811        |
| CAPP   | (731)                                | 952             | (1,683)          |
| Corporate  | (1,050)                              | (964)           | (86)             |
| <b>Total</b>   | <b>\$ 15,423</b>                     | <b>\$ (619)</b> | <b>\$ 16,042</b> |

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

<sup>(2)</sup> Cash production cost per ton sold excludes purchased coal.

<sup>(3)</sup> Cash cost per ton sold includes purchased coal.

## 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 region 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 two preparation plants, the Cambria Plant and 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 rail 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.

| <b>Name</b>           | <b>Type of Mine</b> | <b>Status</b>     |
|-----------------------|---------------------|-------------------|
| 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         |
| North Mine Project    | Underground         | Permit in Process |

## **NAPP Operating Results**

### Quarter

In First Quarter 2017, NAPP operated two underground mines (the Casselman and Quecreek Mines), two surface mines (the Ash and Schrock Run Mines), one preparation plant (the Cambria Plant) and one preparation plant load-out (the Shade Creek Plant). See “NAPP Operations” above.

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

The metallurgical coal sold increased by 188,000 tons in First Quarter 2017 as compared to First Quarter 2016 due to the strengthened market for metallurgical coal during the 2017 period.

The realized price per ton of metallurgical coal sold increased \$89.80 in First Quarter 2017 as compared to First Quarter 2016 due to the recovery of the metallurgical coal market as a result of increased global demand. See “Non-GAAP Financial Measures” below.

The metallurgical coal cash production cost per ton sold increased by \$14.94 in First Quarter 2017 as compared to First Quarter 2016 due primarily to increased royalty costs that are a direct result of the increased sales price and difficult geological conditions encountered at the Quecreek Mine. Total metallurgical coal cash cost per ton sold, which includes Company produced coal, previously discussed, and purchased coal, increased \$28.72 in First Quarter 2017 as compared to First Quarter 2016 due to increased purchased coal from third parties which was necessary to develop the Company’s sales and trading strategy. 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 pipeline of thermal, specialty and industrial coal development projects which it anticipates developing. CAPP is based in Knoxville, Tennessee and has operations in Tennessee and Kentucky.

### Mines

CAPP currently operates two underground mines, the Double Mountain Deep Mine and the Cooper Ridge Deep Mine, which are underground mines utilizing the room and pillar mining method; mining was completed in March 2017 at the Straight Creek Mine, a surface mine utilizing contour and auger mining methods. Operations will begin in the second quarter of 2017 at the Valley Creek Mine, a surface mine utilizing contour and auger mining methods and the Buffalo Creek Mine, a surface and highwall mine. All mines are located in Claiborne County, Tennessee, except for the Buffalo Creek Mine, which is located in Whitley County, Kentucky.

### Preparation Plant

CAPP currently operates one preparation plant. The thermal and metallurgical coal produced from the underground mines 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 eight miles of the preparation plant.



## Projects

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

| <b>Name</b>                   | <b>Type of Mine</b> | <b>Status</b> |
|-------------------------------|---------------------|---------------|
| Valley Creek Surface Project  | Surface / High Wall | Permitted     |
| Buffalo Creek Surface Project | Surface / High Wall | Permitted     |
| Rich Gap Mason Deep Project   | Underground         | Not-permitted |

## **CAPP Operating Results**

### Quarter

In First Quarter 2017, CAPP operated two underground mines (the Double Mountain Deep Mine and the Cooper Ridge Deep Mine), one contract surface mine (the Straight Creek Mine), one preparation plant. See “CAPP Operations” above.

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

The thermal and industrial coal sold increased 21,000 tons in First Quarter 2017 as compared to First Quarter 2016 as a result of the timing of shipments on the various contracts.

The realized price per ton sold decreased by \$9.23 in First Quarter 2017 as compared to First Quarter 2016 due to the declining market pricing for thermal coal. See “Non-GAAP Financial Measures” below.

The cash production cost per ton sold increased by \$9.81 in First Quarter 2017 as compared to First Quarter 2016 due geological conditions experienced at the Double Mountain Deep Mine and Cooper Ridge Deep Mine. See “Non-GAAP Financial Measures” below.

## Quarterly Financial Results

### For the three months ended March 31, 2017

| (in thousands)                       | NAPP      | CAPP       | Corporate  | Consolidated |
|--------------------------------------|-----------|------------|------------|--------------|
| Revenue                              | \$ 52,379 | \$ 6,660   | \$ —       | \$ 59,039    |
| Cost of sales                        | (36,879)  | (8,102)    | —          | (44,981)     |
| Gross margin                         | 15,500    | (1,442)    | —          | 14,058       |
| Corporate and administrative expense | (2,310)   | (471)      | (1,406)    | (4,187)      |
| Income (loss) from operations        | 13,190    | (1,913)    | (1,406)    | 9,871        |
| Net finance (expense) income         | (262)     | (136)      | 277        | (121)        |
| Other income                         | 70        | 264        | —          | 334          |
| Income (loss) before tax             | 12,998    | (1,785)    | (1,129)    | 10,084       |
| Income tax expense (recovery)        | —         | —          | —          | —            |
| Net and comprehensive income (loss)  | \$ 12,998 | \$ (1,785) | \$ (1,129) | \$ 10,084    |
| Adjusted EBITDA <sup>(1)</sup>       | \$ 17,204 | \$ (731)   | \$ (1,050) | \$ 15,423    |

### For the three months ended March 31, 2016

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

**Dollar variance for the three months ended**

**March 31, 2017 versus 2016**

| <b>(in thousands)</b>                | <b>NAPP</b>      | <b>CAPP</b>       | <b>Corporate</b> | <b>Consolidated</b> |
|--------------------------------------|------------------|-------------------|------------------|---------------------|
| Revenue                              | \$ 42,174        | \$ 252            | \$ —             | \$ 42,426           |
| Cost of sales                        | (23,200)         | (2,105)           | —                | (25,305)            |
| Gross margin                         | 18,974           | (1,853)           | —                | 17,121              |
| Corporate and administrative expense | (1,132)          | (64)              | 116              | (1,080)             |
| Income (loss) from operations        | 17,842           | (1,917)           | 116              | 16,041              |
| Net finance income (expense)         | 180              | (20)              | 2,153            | 2,313               |
| Other income (loss)                  | (242)            | 269               | —                | 27                  |
| Income (loss) before tax             | 17,780           | (1,668)           | 2,269            | 18,381              |
| Income tax expense (recovery)        | —                | —                 | —                | —                   |
| Net and comprehensive income (loss)  | <u>\$ 17,780</u> | <u>\$ (1,668)</u> | <u>\$ 2,269</u>  | <u>\$ 18,381</u>    |
| Adjusted EBITDA <sup>(1)</sup>       | <u>\$ 17,811</u> | <u>\$ (1,683)</u> | <u>\$ (86)</u>   | <u>\$ 16,042</u>    |

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

**Operating Segments**

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

NAPP Division

*Revenue - NAPP Division*

Revenue, consisting of metallurgical coal sales, thermal coal sales, transportation and tolling revenue, increased by \$42.2 million from First Quarter 2016 to First Quarter 2017 and consisted of the following:

| <b>(in thousands)</b>                             | <b>For the three months ended</b> |                  |                  |
|---|-----------------------------------|------------------|------------------|
|   | <b>March 31,</b>                  |                  |                  |
|   | <b>2017</b>                       | <b>2016</b>      | <b>Variance</b>  |
| Metallurgical coal revenue (at preparation plant) | \$ 46,055                         | \$ 7,096         | \$ 38,959        |
| Thermal coal revenue (at preparation plant)       | 3,329                             | 1,853            | 1,476            |
| Transportation revenue                            | 2,995                             | 1,210            | 1,785            |
| Tolling revenue                                   | —                                 | 46               | (46)             |
|   | <u>\$ 52,379</u>                  | <u>\$ 10,205</u> | <u>\$ 42,174</u> |

Metallurgical coal revenue, net of transportation charges increased \$38,959,000 as a result of increased sales price per ton sold which increased revenue by \$26,491,000 and increased sales volumes which increased revenue by \$12,468,000. Metallurgical coal sold increased 188,000 tons in First Quarter 2017 as compared to First Quarter 2016 due to increased market demand for metallurgical coal and the development of the Company’s sales and trading platform. Realized price per ton sold increased \$89.80 primarily due to the increased global demand for metallurgical coal.

Thermal coal revenue increased \$1,476,000 as a result of an additional long-term contract that was entered into after the First Quarter 2016 period.

Revenue associated with the transportation of coal to the loading terminal or customer increased \$1,785,000 as a result of increased export sales.

Tolling revenue decreased \$46,000 as a result of the Company not 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 March 31, |                  |                  |
|---|--------------------------------------|------------------|------------------|
|   | 2017                                 | 2016             | Variance         |
| Mining and processing costs                             | \$ 13,010                            | \$ 7,845         | \$ 5,165         |
| Purchased coal costs                                    | 14,177                               | —                | 14,177           |
| Royalty expense   | 1,869                                | 474              | 1,395            |
| Amortization expense                                    | 3,248                                | 3,755            | (507)            |
| Transportation costs from preparation plant to customer | 2,995                                | 1,210            | 1,785            |
| Idle mine expense                                       | 315                                  | 269              | 46               |
| Write-off of advance royalties and other assets         | 58                                   | 126              | (68)             |
| Other costs   | 1,207                                | —                | 1,207            |
|   | <u>\$ 36,879</u>                     | <u>\$ 13,679</u> | <u>\$ 23,200</u> |

- Mining and processing costs increased primarily due to increased production volumes and difficult geological conditions at the Quecreek Mine.
- Purchased coal costs increased as a result of the Company's sales and trading platform where coal is purchased to blend with the Company's production.
- Royalty expense increased primarily due to the additional volumes sold at higher prices in First Quarter 2017.
- Transportation costs increased due to increased volumes of coal sold directly to customers in which Corsa is obligated to provide transportation to the vessel loading port.
- Other costs increased due to various 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 three months ended March 31, |                 |                 |
|----------------------------------|--------------------------------------|-----------------|-----------------|
|                                  | 2017                                 | 2016            | Variance        |
| Salaries and other compensations | \$ 1,322                             | \$ 818          | \$ 504          |
| Professional fees                | 718                                  | 160             | 558             |
| Office expenses and insurance    | 93                                   | 137             | (44)            |
| Other                            | 177                                  | 63              | 114             |
|                                  | <u>\$ 2,310</u>                      | <u>\$ 1,178</u> | <u>\$ 1,132</u> |

Corporate and administrative expense related to the NAPP Division increased primarily due to various salary increases as well as additional staffing requirements. Professional fees increased as a result of increased sales commissions paid to third parties for export coal sales.

### CAPP Division

#### Revenue - CAPP Division

Revenue, consisting of thermal and industrial coal sales, increased \$252,000 from First Quarter 2016 to First Quarter 2017 as a result of the increase in tons sold partially offset by lower realized price per ton sold. Sales of thermal coal were 120,000 tons in First Quarter 2017 compared with 99,000 tons in First Quarter 2016. These increased tons sold resulted in an increase in revenue of \$1,359,000 partially offset by the decrease in average sales price which reduced revenue by \$1,107,000.

### Cost of sales - CAPP Division

Cost of sales consists of the following:

| (in thousands)              | For the three months ended March 31, |                 |                 |
|-----------------------------|--------------------------------------|-----------------|-----------------|
|                             | 2017                                 | 2016            | Variance        |
| Mining and processing costs | \$ 6,326                             | \$ 3,618        | \$ 2,708        |
| Purchased coal costs        | 410                                  | 302             | 108             |
| Royalty expense             | 327                                  | 936             | (609)           |
| Amortization expense        | 1,002                                | 832             | 170             |
| Idle mine expense           | 37                                   | 309             | (272)           |
|                             | <u>\$ 8,102</u>                      | <u>\$ 5,997</u> | <u>\$ 2,105</u> |

- Mining and processing costs increased as a result of difficult geological conditions experienced at the Double Mountain Deep Mine as well as the Cooper Ridge Deep Mine currently in production which is a higher cost structure mine. The Cooper Ridge Deep Mine was in development in First Quarter 2016.
- Royalty expense decreased as a result of the decrease in average sales price and various royalty rate decreases that occurred after the First Quarter 2016 period.

### Corporate Division

#### Corporate and administrative expense - Corporate Division

Corporate and administrative expense consists of the following:

| (in thousands)                   | For the three months ended March 31, |                 |                 |
|----------------------------------|--------------------------------------|-----------------|-----------------|
|                                  | 2017                                 | 2016            | Variance        |
| Salaries and other compensations | \$ 792                               | \$ 772          | \$ 20           |
| Professional fees                | 409                                  | 627             | (218)           |
| Office expenses and insurance    | 171                                  | 108             | 63              |
| Other                            | 34                                   | 15              | 19              |
|                                  | <u>\$ 1,406</u>                      | <u>\$ 1,522</u> | <u>\$ (116)</u> |

Professional fees decreased as a result of reduced consulting costs.

#### Net finance expense (income) - Corporate Division

Net finance expense (income) consists of the following:

|   | For the three months ended March 31, |                 |                   |
|---|--------------------------------------|-----------------|-------------------|
|   | 2017                                 | 2016            | Variance          |
| Warrant financial liability (gain) loss | \$ (1,247)                           | \$ 841          | \$ (2,088)        |
| Interest expense                        | 800                                  | 737             | 63                |
| Accretion of discount on loan payable   | 326                                  | 306             | 20                |
| Foreign exchange gain                   | (124)                                | (4)             | (120)             |
| Interest income                         | (32)                                 | (4)             | (28)              |
|   | <u>\$ (277)</u>                      | <u>\$ 1,876</u> | <u>\$ (2,153)</u> |

The warrant financial liability resulted in income of \$1,247,000 in First Quarter 2017 compared with expense of \$841,000 in First Quarter 2016 due to changes in the underlying assumptions used to value the liability.

## **Financial Condition**

| <b>(in thousands)</b>   | <b>March 31,<br/>2017</b> | <b>December 31,<br/>2016</b> | <b>Variance</b>  |
|-------------------------|---------------------------|------------------------------|------------------|
| Current assets          | \$ 57,822                 | \$ 48,657                    | \$ 9,165         |
| Non-current assets      | 153,566                   | 152,315                      | 1,251            |
| Total assets            | <u>\$ 211,388</u>         | <u>\$ 200,972</u>            | <u>\$ 10,416</u> |
| Current liabilities     | \$ 37,078                 | \$ 33,164                    | \$ 3,914         |
| Non-current liabilities | 104,697                   | 108,825                      | (4,128)          |
| Total liabilities       | <u>\$ 141,775</u>         | <u>\$ 141,989</u>            | <u>\$ (214)</u>  |
| Total equity            | <u>\$ 69,613</u>          | <u>\$ 58,983</u>             | <u>\$ 10,630</u> |

- Current assets increased primarily due to the increase in cash during the quarter as a result of the improved metallurgical coal market and increases in trade receivables as a result of timing of shipments.
- Non-current assets increased as a result of growth capital expenditures partially offset by depreciation, depletion and amortization.
- Current liabilities increased primarily due to the timing of trade payables and purchased coal payables partially offset by scheduled note payable payments.
- Non-current liabilities decreased as a result of prepayments on the transportation contract liquidated damages liability and the reduction in the warrant financial liability due to changes in the underlying assumptions used to value the liability.
- Total equity increased primarily due to net income that occurred during the period.

## Liquidity and Capital Resources

| (in thousands)            | March 31,<br>2017 | December 31,<br>2016 | Variance   |
|---------------------------|-------------------|----------------------|------------|
| Cash                      | \$ 32,386         | \$ 25,757            | \$ 6,629   |
| Working capital           | \$ 20,744         | \$ 15,493            | \$ 5,251   |
| Debt                      |                   |                      |            |
| Notes payable             | \$ 5,080          | \$ 6,765             | \$ (1,685) |
| Finance lease obligations | 7,009             | 8,054                | (1,045)    |
| Loan payable              | 28,761            | 28,435               | 326        |
|                           | \$ 40,850         | \$ 43,254            | \$ (2,404) |

### **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 the increase in cash, increased trade accounts receivable as a result of timing of sales, and scheduled note payable payments. These increases to working capital were partially offset by increased trade payables and purchased coal payables that increased as a result of timing.

### **Debt**

On August 19, 2014, the Company entered into a \$25,000,000 secured term loan (the “Facility”), as subsequently 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 by the Company taken place on August 19, 2014 (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 decreased primarily due to payments made on the existing notes payable and finance lease obligations.

## Cash Flows

### Quarter

#### Operating activities

In First Quarter 2017, the cash provided by operating activities was \$13,699,000 compared with cash used in operating activities of \$1,597,000 in First Quarter 2016, an increase of \$15,296,000. Adjusting the net and comprehensive loss for the items not affecting cash resulted in cash provided of \$13,989,000 in First Quarter 2017 as compared with cash used of \$1,907,000 in First Quarter 2016. The cash spent on reclamation activities was \$1,386,000 in First Quarter 2017 as compared with \$987,000 in First Quarter 2016 due to additional reclamation activities. The changes in non-cash working capital balances related to operations provided cash of \$1,096,000 in First Quarter 2017 as compared with \$1,297,000 in First Quarter 2016.

#### Investing activities

The cash used in investing activities in First Quarter 2017 was \$4,515,000 compared with \$1,686,000 in First Quarter 2016, an increase of \$2,829,000. This increase was primarily due to additional capital expenditures that occurred in First Quarter 2017 related to mine development growth capital as well as additional maintenance capital.

## Financing activities

Cash used in financing activities was \$2,555,000 in First Quarter 2017 as compared with cash provided by financing activities of \$6,659,000 in First Quarter 2016, representing a decrease of \$9,214,000. Net proceeds from the private placement that occurred during First Quarter 2016 provided cash of \$7,953,000. There were no proceeds from equity issuances in First Quarter 2017. Repayment of notes payable used cash of \$1,698,000 in First Quarter 2017 as compared to \$597,000 in First Quarter 2016, an increase of \$1,101,000. The increase was primarily due to the conversion of the revolving credit facility to a term loan which amortizes the principal balance over the calendar year 2017. First Quarter 2016 included proceeds of \$500,000 from this revolving credit facility and there were no advances in 2017 under this facility as a result of the conversion to the term loan.

## Capital Expenditures

The equipment and development added to property, plant and equipment for the three months ended March 31, 2017 were as follows:

| <b>(in thousands)</b>            | <b>NAPP</b>     | <b>CAPP</b>     | <b>Total</b>    |
|----------------------------------|-----------------|-----------------|-----------------|
| Maintenance capital expenditures |                 |                 |                 |
| Deep mines                       | \$ 982          | \$ 742          | \$ 1,724        |
| Surface mines                    | 99              | —               | \$ 99           |
| Plant                            | —               | 100             | \$ 100          |
|                                  | 1,081           | 842             | 1,923           |
| Growth capital expenditures      |                 |                 |                 |
| Deep mines                       | 2,119           | 646             | \$ 2,765        |
| Surface mines                    | 228             | 171             | \$ 399          |
| Plant                            | —               | —               | \$ —            |
|                                  | 2,347           | 817             | 3,164           |
|                                  | <u>\$ 3,428</u> | <u>\$ 1,659</u> | <u>\$ 5,087</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.

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 final grant agreement. Once all the aforementioned conditions have been met, the grant will be released on a periodic basis and the Company will be reimbursed for certain expenditures. The Company will offset the receipts from this program against the capitalized development costs as they are received.

## 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 income (loss) or consolidated balance sheets. These measures are considered to be non-GAAP financial measures and, as such, a further description of the covenant calculations is included below. Corsa was in compliance with all covenants at March 31, 2017.

### 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<sup>(1)</sup> 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. See “Non-GAAP Financial Measures” below.
- (1) Debt Service Coverage Ratio is measured by EBITDA<sup>(2)</sup> divided by Debt Service<sup>(3)</sup>
  - (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<sup>(1)</sup> 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<br>Value at<br>March 31,<br>2017 | Payments due by period |                     |                  |                  |                  |
|--|---|------------------------|---------------------|------------------|------------------|------------------|
|  |   | Total                  | Less Than<br>1 Year | 1 to<br>3 Years  | 4 to<br>5 Years  | After 5<br>Years |
| Accounts payable and accruals          | \$ 21,208                                 | \$ 21,208              | \$ 21,208           | \$ —             | \$ —             | \$ —             |
| Notes payable                          | 5,080                                     | 5,080                  | 4,132               | 937              | 11               | —                |
| Finance lease obligations              | 7,009                                     | 7,040                  | 3,176               | 3,506            | 358              | —                |
| Loan payable                           | 28,761                                    | 32,017                 | —                   | 32,017           | —                | —                |
| Other liabilities                      | 14,910                                    | 16,000                 | 2,336               | 4,142            | 6,515            | 3,007            |
| Purchase order firm commitments        | —   | 10,501                 | 10,501              | —                | —                | —                |
| Water treatment trust funding          | —   | 7,904                  | 1,000               | 3,741            | 3,163            | —                |
| Operating leases and other obligations | —   | 1,433                  | 674                 | 759              | —                | —                |
| <b>Total</b>                           | <b>\$ 76,968</b>                          | <b>\$ 101,183</b>      | <b>\$ 43,027</b>    | <b>\$ 45,102</b> | <b>\$ 10,047</b> | <b>\$ 3,007</b>  |

## Non-GAAP Financial Measures

This MD&A reports certain financial measures, not recognized under International Financial Reporting Standards (“IFRS” or “GAAP”), as used by management and readers of this MD&A to evaluate the historical performance of Corsa. Since certain non-GAAP financial measures may not have a standardized meaning and may not be comparable to similar measures presented by other companies, the non-GAAP financial measures are clearly defined, quantified and reconciled with their nearest GAAP measure. Certain financial measures referred to in this MD&A, namely EBITDA (earnings before deductions for interest, taxes, depreciation and amortization); Adjusted EBITDA (EBITDA adjusted for change in estimate of reclamation provisions for non-operating properties, impairment and write-off of mineral properties and advance royalties, gain (loss) on sale of assets and other costs, stock-based compensation, non-cash finance expenses and other non-cash adjustments); realized price per ton sold (net coal sales divided by tons of coal sold); cash production cost per ton sold (cash production costs of sales divided by tons of coal sold), cash cost per ton sold (cash production costs of sales including purchased coal costs divided by tons of coal sold) and cash margin per ton sold (difference between realized price per ton sold and cash 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, cash 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 income (loss), the nearest GAAP measure, is as follows:

### Consolidated

| <b>(in thousands)</b>                                    | <b>For the three months ended</b> |             |
|--|-----------------------------------|-------------|
|  | <b>March 31,</b>                  |             |
|  | <b>2017</b>                       | <b>2016</b> |
| Net and comprehensive income (loss)                      | \$ 10,084                         | \$ (8,297)  |
| Add (Deduct):  |                                   |             |
| Amortization expense                                     | 4,250                             | 4,587       |
| Interest expense   | 1,081                             | 915         |
| Income tax expense (recovery)                            | —                                 | —           |
| EBITDA   | 15,415                            | (2,795)     |
| Add (Deduct):  |                                   |             |
| Write-off of advance royalties and other assets          | 58                                | 126         |
| Stock-based compensation                                 | 356                               | 558         |
| Net finance (income) expense, excluding interest expense | (960)                             | 1,519       |
| Gain on disposal of assets                               | (111)                             | (438)       |
| Other costs  | 665                               | 411         |
| Adjusted EBITDA  | \$ 15,423                         | \$ (619)    |

**NAPP Division**

| <b>(in thousands)</b>                                    | <b>For the three months ended</b> |                 |
|--|-----------------------------------|-----------------|
|  | <b>March 31,</b>                  |                 |
|  | <b>2017</b>                       | <b>2016</b>     |
| Net and comprehensive income (loss)                      | \$ 12,998                         | \$ (4,782)      |
| Add (Deduct):  |                                   |                 |
| Amortization expense                                     | 3,248                             | 3,755           |
| Interest expense   | 223                               | 151             |
| EBITDA   | 16,469                            | (876)           |
| Add (Deduct):  |                                   |                 |
| Write-off of advance royalties and other assets          | 58                                | 126             |
| Net finance (income) expense, excluding interest expense | 39                                | 291             |
| Gain on disposal of assets                               | (27)                              | (438)           |
| Other costs  | 665                               | 290             |
| Adjusted EBITDA  | <u>\$ 17,204</u>                  | <u>\$ (607)</u> |

**CAPP Division**

| <b>(in thousands)</b>                                    | <b>For the three months ended</b> |               |
|--|-----------------------------------|---------------|
|  | <b>March 31,</b>                  |               |
|  | <b>2017</b>                       | <b>2016</b>   |
| Net and comprehensive loss                               | \$ (1,785)                        | \$ (117)      |
| Add (Deduct):  |                                   |               |
| Amortization expense                                     | 1,002                             | 832           |
| Interest expense   | 58                                | 27            |
| EBITDA   | (725)                             | 742           |
| Add (Deduct):  |                                   |               |
| Net finance (income) expense, excluding interest expense | 78                                | 89            |
| Gain on disposal of assets                               | (84)                              | —             |
| Other costs  | —                                 | 121           |
| Adjusted EBITDA  | <u>\$ (731)</u>                   | <u>\$ 952</u> |

**Corporate Division**

| <b>(in thousands)</b>                                    | <b>For the three months ended</b> |             |
|--|-----------------------------------|-------------|
|  | <b>March 31,</b>                  |             |
|  | <b>2017</b>                       | <b>2016</b> |
| Net and comprehensive loss                               | \$ (1,129)                        | \$ (3,398)  |
| Add (Deduct):  |                                   |             |
| Interest expense   | 800                               | 737         |
| Income tax expense (recovery)                            | —                                 | —           |
| EBITDA   | (329)                             | (2,661)     |
| Add (Deduct):  |                                   |             |
| Stock-based compensation                                 | 356                               | 558         |
| Net finance (income) expense, excluding interest expense | (1,077)                           | 1,139       |
| Adjusted EBITDA  | \$ (1,050)                        | \$ (964)    |

**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**

| <b>(in thousands)</b>                                   | <b>For the three months ended</b> |             |
|---|-----------------------------------|-------------|
|   | <b>March 31,</b>                  |             |
|   | <b>2017</b>                       | <b>2016</b> |
| Revenue   | \$ 59,039                         | \$ 16,613   |
| Add (Deduct):   |                                   |             |
| Tolling Revenue   | —                                 | (46)        |
| Transportation costs from preparation plant to customer | (2,995)                           | (1,210)     |
| Net coal sales (at preparation plant)                   | \$ 56,044                         | \$ 15,357   |
| Coal sold - tons  | 492                               | 248         |
| Realized price per ton sold (at preparation plant)      | \$ 113.91                         | \$ 61.92    |

**NAPP Division**

| <b>(in thousands)</b>                                   | <b>For the three months ended</b> |                 |                  |
|---|-----------------------------------|-----------------|------------------|
|   | <b>March 31, 2017</b>             |                 |                  |
|   | <b>Met.</b>                       | <b>Thermal</b>  | <b>Total</b>     |
| Revenue   | \$ 52,379                         | \$ —            | \$ 52,379        |
| Add (Deduct):   |                                   |                 |                  |
| Thermal coal sales                                      | (3,329)                           | 3,329           | —                |
| Transportation costs from preparation plant to customer | (2,995)                           | —               | (2,995)          |
| Net coal sales (at preparation plant)                   | <u>\$ 46,055</u>                  | <u>\$ 3,329</u> | <u>\$ 49,384</u> |
| Coal sold - tons  | <u>295</u>                        | <u>77</u>       | <u>372</u>       |
| Realized price per ton sold (at preparation plant)      | <u>\$ 156.12</u>                  | <u>\$ 43.23</u> | <u>\$ 132.75</u> |

| <b>(in thousands)</b>                                   | <b>For the three months ended</b> |                 |                 |
|---|-----------------------------------|-----------------|-----------------|
|   | <b>March 31, 2016</b>             |                 |                 |
|   | <b>Met.</b>                       | <b>Thermal</b>  | <b>Total</b>    |
| Revenue   | \$ 10,205                         | \$ —            | \$ 10,205       |
| Add (Deduct):   |                                   |                 |                 |
| Tolling Revenue   | (46)                              | —               | (46)            |
| Thermal coal sales                                      | (1,853)                           | 1,853           | —               |
| Transportation costs from preparation plant to customer | (1,210)                           | —               | (1,210)         |
| Net coal sales (at preparation plant)                   | <u>\$ 7,096</u>                   | <u>\$ 1,853</u> | <u>\$ 8,949</u> |
| Coal sold - tons  | <u>107</u>                        | <u>42</u>       | <u>149</u>      |
| Realized price per ton sold (at preparation plant)      | <u>\$ 66.32</u>                   | <u>\$ 44.12</u> | <u>\$ 60.06</u> |

**CAPP Division**

| <b>(in thousands)</b>  | <b>For the three months ended</b> |                 |
|--|-----------------------------------|-----------------|
|  | <b>March 31,</b>                  |                 |
|  | <b>2017</b>                       | <b>2016</b>     |
| Net thermal and industrial coal sales (at preparation plant) | <u>\$ 6,660</u>                   | <u>\$ 6,408</u> |
| Thermal and industrial coal sold - tons                      | <u>120</u>                        | <u>99</u>       |
| Realized price per ton sold (at preparation plant)           | <u>\$ 55.50</u>                   | <u>\$ 64.73</u> |

**Cash production cost/cash 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**

| <b>(in thousands)</b>                                    | <b>For the three months ended</b> |             |
|--|-----------------------------------|-------------|
|  | <b>March 31,</b>                  |             |
|  | <b>2017</b>                       | <b>2016</b> |
| Cost of sales  | \$ 44,981                         | \$ 19,676   |
| Add (Deduct):  |                                   |             |
| Amortization expense                                     | (4,250)                           | (4,587)     |
| Transportation costs from preparation plant to customer  | (2,995)                           | (1,210)     |
| Write-off of advance royalties and other assets          | (58)                              | (126)       |
| Idle mine expense  | (352)                             | (578)       |
| Purchased coal cost                                      | (14,177)                          | —           |
| Tolling costs  | —                                 | (22)        |
| Other costs  | (1,207)                           | —           |
| Cash production cost of sales (at preparation plant)     | \$ 21,942                         | \$ 13,153   |
| Coal sold - tons   | 329                               | 248         |
| Cash production cost per ton sold (at preparation plant) | \$ 66.69                          | \$ 53.04    |
| Purchased coal cost                                      | \$ 14,177                         | \$ —        |
| Purchased coal sold - tons                               | 163                               | —           |
| Cash cost per purchased ton sold                         | \$ 86.98                          | \$ —        |
| Total cash cost of sales                                 | \$ 36,119                         | \$ 13,153   |
| Coal sold - tons   | 492                               | 248         |
| Cash cost per ton sold (at preparation plant)            | \$ 73.41                          | \$ 53.04    |

**NAPP Division****For the three months ended  
March 31, 2017**

| <b>(in thousands)</b>                                    | <b>Met.</b>      | <b>Thermal</b>  | <b>Total</b>     |
|--|------------------|-----------------|------------------|
| Cost of sales  | \$ 36,879        | \$ —            | \$ 36,879        |
| Add (Deduct):  |                  |                 |                  |
| Amortization expense                                     | (3,248)          | —               | (3,248)          |
| Transportation costs from preparation plant to customer  | (2,995)          | —               | (2,995)          |
| Write-off of advance royalties and other assets          | (58)             | —               | (58)             |
| Idle mine expense  | (315)            | —               | (315)            |
| Thermal mining cost                                      | (169)            | 169             | —                |
| Purchased coal cost                                      | (14,177)         | —               | (14,177)         |
| Other costs  | (1,207)          | —               | (1,207)          |
| Cash production cost of sales (at preparation plant)     | <u>\$ 14,710</u> | <u>\$ 169</u>   | <u>\$ 14,879</u> |
| Produced coal sold - tons                                | <u>197</u>       | <u>12</u>       | <u>209</u>       |
| Cash production cost per ton sold (at preparation plant) | <u>\$ 74.67</u>  | <u>\$ 14.08</u> | <u>\$ 71.19</u>  |
| Purchased coal cost                                      | \$ 11,382        | \$ 2,795        | \$ 14,177        |
| Tons purchased   | 98               | 65              | 163              |
| Cash cost per ton purchased (at preparation plant)       | <u>\$ 116.14</u> | <u>\$ 43.00</u> | <u>\$ 86.98</u>  |
| Total cash cost of sales                                 | \$ 26,092        | \$ 2,964        | \$ 29,056        |
| Coal sold - tons   | 295              | 77              | 372              |
| Cash cost per ton sold (at preparation plant)            | <u>\$ 88.45</u>  | <u>\$ 38.49</u> | <u>\$ 78.11</u>  |

**For the three months ended  
March 31, 2016**

| <b>(in thousands)</b>                                    | <b>Met.</b>     | <b>Thermal</b>  | <b>Total</b>    |
|--|-----------------|-----------------|-----------------|
| Cost of sales  | \$ 13,679       | \$ —            | \$ 13,679       |
| Add (Deduct):  |                 |                 |                 |
| Amortization expense                                     | (3,755)         | —               | (3,755)         |
| Transportation costs from preparation plant to customer  | (1,210)         | —               | (1,210)         |
| Write-off of advance royalties and other assets          | (126)           | —               | (126)           |
| Idle mine expense  | (269)           | —               | (269)           |
| Thermal mining cost                                      | (1,906)         | 1,906           | —               |
| Tolling costs  | (22)            | —               | (22)            |
| Cash production cost of sales (at preparation plant)     | <u>\$ 6,391</u> | <u>\$ 1,906</u> | <u>\$ 8,297</u> |
| Coal sold - tons   | <u>107</u>      | <u>42</u>       | <u>149</u>      |
| Cash production cost per ton sold (at preparation plant) | <u>\$ 59.73</u> | <u>\$ 45.38</u> | <u>\$ 55.68</u> |



## CAPP Division

| <b>(in thousands)</b>                                    | <b>For the three months ended</b> |                 |
|--|-----------------------------------|-----------------|
|  | <b>March 31,</b>                  |                 |
|  | <b>2017</b>                       | <b>2016</b>     |
| Cost of sales  | \$ 8,102                          | \$ 5,997        |
| Add (Deduct):  |                                   |                 |
| Amortization expense                                     | (1,002)                           | (832)           |
| Idle mine expense  | (37)                              | (309)           |
| Cash production cost of sales (at preparation plant)     | <u>\$ 7,063</u>                   | <u>\$ 4,856</u> |
| <br>   |                                   |                 |
| Thermal and industrial coal sold - tons                  | <u>120</u>                        | <u>99</u>       |
| <br>   |                                   |                 |
| Cash production cost per ton sold (at preparation plant) | <u>\$ 58.86</u>                   | <u>\$ 49.05</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.

|  | <b>Number of</b>     |
|--|----------------------|
|  | <b>Common Shares</b> |
| Common Shares issued and outstanding                                   | 94,591,245           |
| Common Shares issuable upon exercise of stock options                  | 6,876,875            |
| 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>111,956,951</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 C\$3.90.

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

|  | <b>Quarter Ended<br/>March 31,<br/>2017</b> | <b>Quarter Ended<br/>December 31,<br/>2016</b> | <b>Quarter Ended<br/>September 30,<br/>2016</b> | <b>Quarter Ended<br/>June 30,<br/>2016</b> |
|--|---|--|---|--|
| <b>(in thousands except per share amounts)</b> |   |  |   |  |
| Revenue  | \$ 59,039                                   | \$ 37,728                                      | \$ 23,983                                       | \$ 18,662                                  |
| Net and comprehensive income (loss)            | \$ 10,084                                   | \$ (10,685)                                    | \$ (7,106)                                      | \$ (8,052)                                 |
| Earnings (loss) per share:                     |   |  |   |  |
| Basic  | \$ 0.08                                     | \$ (0.13)                                      | \$ (0.09)                                       | \$ (0.10)                                  |
| Diluted  | \$ 0.07                                     | \$ (0.13)                                      | \$ (0.09)                                       | \$ (0.10)                                  |

|  | <b>Quarter Ended<br/>March 31,<br/>2016</b> | <b>Quarter Ended<br/>December 31,<br/>2015</b> | <b>Quarter Ended<br/>September 30,<br/>2015</b> | <b>Quarter Ended<br/>June 30,<br/>2015</b> |
|--|---|--|---|--|
| <b>(in thousands except per share amounts)</b> |   |  |   |  |
| Revenue  | \$ 16,613                                   | \$ 26,565                                      | \$ 31,742                                       | \$ 39,669                                  |
| Net and comprehensive loss                     | \$ (8,297)                                  | \$ (106,354)                                   | \$ (9,288)                                      | \$ (11,720)                                |
| Loss per share:                                |   |  |   |  |
| Basic  | \$ (0.12)                                   | \$ (1.43)                                      | \$ (0.15)                                       | \$ (0.20)                                  |
| Diluted  | \$ (0.12)                                   | \$ (1.43)                                      | \$ (0.15)                                       | \$ (0.20)                                  |

## 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 unaudited condensed interim consolidated statement of operations and comprehensive income (loss) of the Company are summarized below:

|                                  | <b>For the three months ended<br/>March 31,</b> |               |
|----------------------------------|---|---------------|
|                                  | <b>2017</b>                                     | <b>2016</b>   |
| Royalties and property taxes (i) | \$ 327  | \$ 777        |
| Supplies purchase (ii)           | 84  | 32            |
| Purchased coal (iii)             | 1,514   | —             |
|                                  | <u>\$ 1,925</u>                                 | <u>\$ 809</u> |

- i. During the three months ended March 31, 2017 and 2016, 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 unaudited condensed interim consolidated statements of operations and comprehensive income (loss).
- ii. During the three months ended March 31, 2017 and 2016, 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 unaudited condensed interim consolidated statements of operations and comprehensive income (loss).

- iii. During the three months ended March 31, 2017, the Company purchased 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 cost of sales in the unaudited condensed interim consolidated statements of operations and comprehensive income (loss).

Included in accounts payable and accrued liabilities at March 31, 2017 and December 31, 2016 is \$16,000 and \$1,308,000, 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 March 31, 2017 and December 31, 2016, the Company had a loan payable to SRLC of \$28,761,000 and \$28,435,000, 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 as of such date but may result in significant departures from management's expectation, including the impact of any changes in economic, technological or regulatory circumstances may impact the carrying value of the water treatment provision.

### Impairment of long-term assets

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.

The Company’s financial instruments consist of cash, restricted cash, warrant financial liability, accounts receivable, accounts payable and accrued liabilities, notes payable, finance lease payable, loan payable and other liabilities.

(a) Financial risk management

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

*Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company’s primary exposure to credit risk is on its bank accounts. These bank accounts are held with high credit quality institutions in Canada and the United States. Restricted cash consists of certificates of deposit and interest bearing securities invested with highly rated financial institutions.

Accounts receivable consist of trade receivables and other receivables. The Company assesses the quality of its customers, taking into account their creditworthiness and reputation, past experience and other factors. The Company has not recorded any allowance for credit losses for the three months ended March 31, 2017 and 2016.

*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 March 31, 2017 the Company had a consolidated cash balance of \$32,386,000 and consolidated working capital of \$20,744,000. 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 for 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):

|              | <b>March 31, 2017</b> |                   | <b>December 31, 2016</b> |                   |
|--------------|-----------------------|-------------------|--------------------------|-------------------|
|              | <b>Carrying</b>       |                   | <b>Carrying</b>          |                   |
|              | <b>Amount</b>         | <b>Fair Value</b> | <b>Amount</b>            | <b>Fair Value</b> |
| Loan Payable | \$ 28,761             | \$ 22,456         | \$ 28,435                | \$ 21,667         |

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%.

### *Fair value hierarchy*

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

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

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

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

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

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

|                             | March 31, 2017   |                 | December 31, 2016 |                 |
|-----------------------------|------------------|-----------------|-------------------|-----------------|
|                             | Level 1          | Level 2         | Level 1           | Level 2         |
| Financial assets            |                  |                 |                   |                 |
| Cash                        | \$ 32,386        | \$ —            | \$ 25,757         | \$ —            |
| Restricted cash             | 33,301           | —               | 33,063            | —               |
|                             | <u>\$ 65,687</u> | <u>\$ —</u>     | <u>\$ 58,820</u>  | <u>\$ —</u>     |
| Financial liabilities       |                  |                 |                   |                 |
| Warrant financial liability | <u>\$ —</u>      | <u>\$ 1,559</u> | <u>\$ —</u>       | <u>\$ 2,805</u> |

The inputs used to measure the warrant financial liability (note 9(b)) are based on observable unadjusted market prices for identical assets and are therefore classified as Level 2 inputs under the financial instruments hierarchy.

At March 31, 2017 and December 31, 2016, the Company had no financial instruments which used Level 3 fair value measurements.

### **Risk Factors Relating to Corsa and the Coal Mining Industry**

Corsa is subject to a number of risks and uncertainties as a result of its operations. In addition to the other information contained in this MD&A and Corsa's other publicly filed disclosure documents, readers should give careful consideration to the risks that are set out in Corsa's Management's Discussion and Analysis for the year ended December 31, 2016 available under Corsa's profile at [www.sedar.com](http://www.sedar.com).

## **Forward-Looking Statements**

Certain information set forth in this MD&A contains “forward-looking statements” and “forward-looking information” under applicable securities laws. Except for statements of historical fact, certain information contained herein relating to projected sales, coal prices, coal production, mine development, 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](http://www.sedar.com).