Corsa Coal Corp.

Management's Discussion and Analysis

June 30, 2017

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For the three and six months ended June 30, 2017

The purpose of the Corsa Coal Corp. ("Corsa" or the "Company") Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 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 August 16, 2017 and is intended to be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 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 "Second Quarter 2017" means the three months ended June 30, 2017; "Second Quarter 2016" means the three months ended June 30, 2016; "1H2017" means the six month ended June 30, 2017; and "1H2016" means the six months ended June 30, 2016. The unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 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 six mines, has one development mine, operates three preparation plants and has approximately 400 employees. Corsa's common shares ("Common Shares") are 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.

Second Quarter 2017 Highlights

- Corsa reported positive net and comprehensive income of $4.6 million for the second quarter of 2017, an increase of 157% from the second quarter of 2016. Revenues were $66.2 million, an increase of 255% from the second quarter of 2016.
- Corsa achieved adjusted EBITDA[1] of $12.1 million and $11.3 million at its NAPP Division and on a consolidated basis, respectively, for the three months ended June 30, 2017.
- Corsa achieved an average realized price per ton of metallurgical coal sold[1] at its NAPP Division of $121.77 in the second quarter 2017, an increase of 101% as compared to the second quarter of 2016. This average realized price is the approximate equivalent of $167 to $170 on a free-on-board terminal basis[4].
- Metallurgical coal sales volumes increased 35% in the second quarter of 2017 as compared to the first quarter of 2017 and 178% compared to the second quarter of 2016. This marks the fifth consecutive quarter of above 20% or greater growth in metallurgical coal sales volumes.
- For the second 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 comparable to the MSHA national average for coal mines.
- The Acosta Mine successfully commenced production in early June 2017, consistent with previous guidance. Early indications are positive from a geologic, equipment and hiring standpoint. Production from the Acosta Mine will increase over the second half of 2017, as additional shifts are added and a second mining unit is added.
- Key Operating Metrics:

(in thousands except per ton amounts)	For the three months ended June 30, 2017			For the six months ended June 30, 2017		
	NAPP - Metallurgical Coal	NAPP - Thermal Coal	CAPP	NAPP - Metallurgical Coal	NAPP - Thermal Coal	CAPP
Tons sold	370	49	178	665	126	298
Realized price per ton sold[1][4]	$ 121.77	$ 45.16	$ 61.37	$ 137.01	$ 43.98	$ 59.01
Cash production cost per ton sold[1][2]	$ 65.34	$ —	$ 59.19	$ 70.04	$ 15.50	$ 59.05
Cash cost per ton sold[1][3]	$ 82.40	$ 44.61	$ 59.19	$ 85.08	$ 40.87	$ 59.05
Cash margin per ton sold[1]	$ 39.37	$ 0.55	$ 2.18	$ 51.93	$ 3.11	$ (0.04)

[1] This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.
[2] Cash production cost per ton sold excludes purchased coal.
[3] Cash cost per ton sold includes purchased coal.
[4] Similar to most U.S. metallurgical coal producers, Corsa reports sales and costs per ton on an FOB mine basis and denominated in short tons. Many international metallurgical coal producers report prices and costs on a delivered-to-the-port basis, thereby including freight costs between the mine and the port. Additionally, Corsa reports sales and costs per short ton, which is approximately 10% lower than a metric ton. For the purposes of this figure, we have used an illustrative freight rate of $30-$33 per short ton. Historically, freight rates rise and fall as market prices rise and fall. As a note, most published indices for metallurgical coal report prices on a delivered-to-the-port basis and denominated in metric tons.

Guidance

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

(all tonnage in short tons)

	1H 2017	2H 2017		Full Year 2017		Previous Guidance		Change from Previous Guidance	
	Actual	Low	High	Low	High	Low	High	Low	High
Metallurgical Coal Sales Tons									
NAPP Division									
Company Produced	390,852	509,148	609,148	900,000	1,000,000				
Purchased - Value added services	143,463	106,537	156,537	250,000	300,000				
Purchased - Sales & Trading	130,874	241,187	291,187	372,061	422,061				
Total NAPP Met. Sales Tons	665,189	856,872	1,056,872	1,522,061	1,722,061	1,200,000	1,300,000	322,061	422,061
CAPP Division	27,938	37,119	72,119	65,057	100,057	125,000	175,000	(59,943)	(74,943)
Total Metallurgical Coal Sales Tons	693,127	893,991	1,128,991	1,587,118	1,822,118	1,325,000	1,475,000	262,118	347,118
Thermal Coal Sales Tons									
NAPP Division	126,000	89,000	109,000	215,000	235,000	230,000	260,000	(15,000)	(25,000)
CAPP Division	270,000	375,000	420,000	645,000	690,000	645,000	690,000	—	—
	396,000	464,000	529,000	860,000	925,000	875,000	950,000	(15,000)	(25,000)
Cash Production Cost/Ton Sold									
NAPP Division Metallurgical Coal(1)(2)	$ 70.04	$ 65.00	$ 70.00	$ 65.00	$ 70.00	$ 65.00	$ 70.00	$ —	$ —
CAPP Division - Metallurgical and Thermal Coal(1)	$ 59.05	$ 55.00	$ 60.00	$ 55.00	$ 60.00	$ 50.00	$ 55.00	$ 5.00	$ 5.00

(1) This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.
(2) Cash Production Cost / Ton Sold excludes purchased coal.

Coal Pricing Trends and Outlook

NAPP Division

Metallurgical coal prices declined from record levels in April 2017 after the Australian export terminals returned to service after the impact of Cyclone Debbie. In the second quarter of 2017, prices reversed course and have risen by more than 20%, as Chinese metallurgical coal miners have announced intentions to reduce output in response to seaborne prices breaching the $140/mt FOB terminal price level. We view this move as a reflection of the cost curve for producing metallurgical coal in China and as a significant marker for estimating a long range metallurgical coal price. Additional supply interruptions in Australia and the United States occurred in July which pushed spot prices higher. These moves in aggregate continue to suggest that the global supply chain for metallurgical coal remains fragile and prone to disruption.

On the demand side, the steel industry is enjoying profitable prices globally and production growth has been robust in the first half of 2017, with global crude steel production up 4.5% year-to-date through June. Multiple catalysts for continued strong steel pricing and production levels exist in the second half of 2017, including healthy margins for Chinese and U.S. steel producers, a strong economic outlook, the potential for increased infrastructure spending in the U.S. and China, the potential for steel import tariffs in the United States, and the potential for higher blast furnace utilization rates in the United States.

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 1,522,061 to 1,722,061 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 215,000 to 235,000 tons 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 improved slightly since the previous outlook as coal burn increased due increased utility demand and higher natural gas prices. Current spot pricing is approximately $53 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. The CAPP Division metallurgical coal sales for 2017 are expected to be in the range of 65,057 to 100,057 tons. Actual sales will depend on customer demand and market conditions.

Financial and Operations Summary

Financial Summary

	For the three months ended June 30,		
(in thousands)	**2017**	**2016**	**Variance**
Revenue	$ 66,244	$ 18,662	$ 47,582
Cost of sales	(55,079)	(22,560)	(32,519)
Gross margin	11,165	(3,898)	15,063
Corporate and administrative expense	(4,050)	(2,638)	(1,412)
Income (loss) from operations	7,115	(6,536)	13,651
Net finance expense	(1,131)	(1,654)	523
Other (expense) income	(1,433)	138	(1,571)
Income (loss) before tax	4,551	(8,052)	12,603
Income tax expense (recovery)	—	—	—
Net and comprehensive income (loss)	$ 4,551 $	$ (8,052) $	$ 12,603
EBITDA[1]	$ 9,648	$ (3,638)	$ 13,286
Adjusted EBITDA[1]	$ 11,262	$ (1,796)	$ 13,058
Cash provided by (used in) operating activities	$ 3,679	$ (2,928)	$ 6,607

(in thousands)	For the six months ended June 30, 2017	2016	Variance
Revenue	$ 125,283	$ 35,275	$ 90,008
Cost of sales	(100,060)	(42,236)	(57,824)
Gross margin	25,223	(6,961)	32,184
Corporate and administrative expense	(8,237)	(5,745)	(2,492)
Income (loss) from operations	16,986	(12,706)	29,692
Net finance expense	(1,252)	(4,088)	2,836
Other (loss) income	(1,099)	445	(1,544)
Income (loss) before tax	14,635	(16,349)	30,984
Income tax expense (recovery)	—	—	—
Net and comprehensive income (loss)	$ 14,635 $	$ (16,349) $	$ 30,984
EBITDA[1]	$ 25,063	$ (6,433)	$ 31,496
Adjusted EBITDA[1]	$ 26,685	$ (2,415)	$ 29,100
Cash provided by (used in) operating activities	$ 17,378	$ (4,525)	$ 21,903

Operations Summary

(in thousands)	For the three months ended June 30, 2017	2016	Variance
Coal sold - tons			
NAPP - metallurgical coal	370	143	227
NAPP - thermal coal	49	66	(17)
CAPP - thermal coal	150	97	53
CAPP - metallurgical coal	28	—	28
Total	597	306	291
Realized price per ton sold(1)			
NAPP - metallurgical coal	$ 121.77	$ 60.73	$ 61.04
NAPP - thermal coal	$ 45.16	$ 43.59	$ 1.57
CAPP - thermal and metallurgical coal	$ 61.37	$ 62.89	$ (1.52)
Cash production cost per ton sold(1)			
NAPP - metallurgical coal(2)	$ 65.34	$ 59.34	$ (6.00)
NAPP - thermal coal(2)	$ —	$ 46.09	$ 46.09
CAPP - thermal and metallurgical coal	$ 59.19	$ 60.05	$ 0.86
Cash cost per ton sold(1)			
NAPP - metallurgical coal(3)	$ 82.40	$ 59.34	$ (23.06)
NAPP - thermal coal(3)	$ 44.61	$ 46.09	$ 1.48
CAPP - thermal and metallurgical coal	$ 59.19	$ 60.05	$ 0.86
Cash margin per ton sold(1)			
NAPP - metallurgical coal	$ 39.37	$ 1.39	$ 37.98
NAPP - thermal coal	$ 0.55	$ (2.50)	$ 3.05
CAPP - thermal and metallurgical coal	$ 2.18	$ 2.84	$ (0.66)
Adjusted EBITDA(1)			
NAPP	$ 12,059	$ (1,160)	$ 13,219
CAPP	(2)	96	(98)
Corporate	(795)	(732)	(63)
Total	$ 11,262	$ (1,796)	$ 13,058

(in thousands)	For the six months ended June 30, 2017	2016	Variance
Coal sold - tons			
NAPP - metallurgical coal	665	250	415
NAPP - thermal coal	126	108	18
CAPP - thermal coal	270	196	74
CAPP - metallurgical coal	28	—	28
Total	1,089	554	535
Realized price per ton sold[1]			
NAPP - metallurgical coal	$ 137.01	$ 63.12	$ 73.89
NAPP - thermal coal	$ 43.98	$ 43.80	$ 0.18
CAPP - thermal and metallurgical coal	$ 59.01	$ 63.82	$ (4.81)
Cash production cost per ton sold[1]			
NAPP - metallurgical coal[2]	$ 70.04	$ 59.51	$ (10.53)
NAPP - thermal coal[2]	$ 15.50	$ 45.81	$ 30.31
CAPP- thermal and metallurgical coal	$ 59.05	$ 54.49	$ (4.56)
Cash cost per ton sold[1]			
NAPP - metallurgical coal[3]	$ 85.08	$ 59.51	$ (25.57)
NAPP - thermal coal[3]	$ 40.87	$ 45.81	$ 4.94
CAPP - thermal and metallurgical coal	$ 59.05	$ 54.49	$ (4.56)
Cash margin per ton sold[1]			
NAPP - metallurgical coal	$ 51.93	$ 3.61	$ 48.32
NAPP - thermal coal	$ 3.11	$ (2.01)	$ 5.12
CAPP - thermal and metallurgical coal	$ (0.04)	$ 9.33	$ (9.37)
Adjusted EBITDA[1]			
NAPP	$ 29,263	$ (1,767)	$ 31,030
CAPP	(733)	1,048	(1,781)
Corporate	(1,845)	(1,696)	(149)
Total	$ 26,685	$ (2,415)	$ 29,100

[1] This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.
[2] Cash production cost per ton sold excludes purchased coal.
[3] 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 and coke producers, as well as other coal companies for blending, via railroad, truck 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 Norfolk Southern 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; the Schrock Run Mine, a surface mine using contour mining methods; and the Acosta Deep Mine and the Hamer surface mine are under development. The Casselman mine is located in Garrett County, Maryland and the Quecreek, Schrock Run, Acosta Deep and Hamer 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 130,000 tons of clean coal and 55,000 tons of raw coal and load out facilities adjacent to a CSX rail line. The Shade Creek Plant has an operating capacity of 450 tons of raw coal per hour, storage capacity for 75,000 tons of clean coal and 170,000 tons of raw coal and load out facilities adjacent to a Norfolk Southern rail line. The Rockwood Plant has an operating capacity of 325 tons of raw coal per hour, storage capacity of 24,000 tons of clean coal and 85,000 tons of raw coal and load out facilities adjacent to a CSX rail line.

Projects

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

Name	Type of Mine	Status
Acosta Deep Project	Underground	Development
Hamer Project	Surface	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 Second Quarter 2017, NAPP operated two underground mines (the Casselman and Quecreek Mines), one surface mine (the Schrock Run Mine), two preparation plants (the Cambria and Shade Creek Plants) and had two mines in development (the Acosta Deep Mine and the Hamer surface mine). See "NAPP Operations" above.

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

The metallurgical coal sold increased by 227,000 tons in Second Quarter 2017 as compared to Second Quarter 2016 due to the strengthened market for metallurgical coal during the 2017 period.

The realized price per ton of metallurgical coal sold increased $61.04 in Second Quarter 2017 as compared to Second 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 $6.00 in Second Quarter 2017 as compared to Second 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 $23.06 in Second Quarter 2017 as compared to Second 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.

Year-to-Date

The metallurgical coal sold increased by 415,000 tons in 1H2017 as compared to 1H2016 due to the strengthened market for metallurgical coal during the 2017 period.

The realized price per ton of metallurgical coal sold increased $73.89 in 1H2017 as compared to 1H2016 due to the recovery of the metallurgical coal market as a result of increased global demand and weather related events in Australia which reduced metallurgical coal supply. See "Non-GAAP Financial Measures" below.

The metallurgical coal cash production cost per ton sold increased by $10.53 in 2017 as compared to 2016 due primarily to increased royalty costs that are a direct result of the increased sales price and less favorable 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 $25.57 in 2017 as compared to 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 and metallurgical coal 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 as well as international steel producers and is 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 one underground mine, the Double Mountain Deep Mine, which utilizes the room and pillar mining method, and two surface operations, the Valley Creek Mine, a surface mine utilizing contour and auger mining methods and the Buffalo Creek Mine, a surface and highwall mine. The Cooper Ridge Deep Mine, a room and pillar mine, was idled in August 2017 due to less favorable geology, with a view of developing changes to the mine plan in light of the less favorable geology. 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 are 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 the Rich Gap Mason Deep Project which is not permitted and is evaluating other projects.

CAPP Operating Results

Quarter

In Second Quarter 2017, CAPP operated two underground mines (the Double Mountain Deep Mine and the Cooper Ridge Deep Mine), two contract surface mines (the Valley Creek and Buffalo Creek Mines), and one preparation plant. See "CAPP Operations" above.

In Second 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, industrial and metallurgical coal sold increased 81,000 tons in Second Quarter 2017 as compared to Second Quarter 2016 as a result of the timing of shipments on the various contracts and entering the metallurgical coal market.

The realized price per ton sold decreased by $1.52 in Second Quarter 2017 as compared to Second Quarter 2016 due primarily to the declining market pricing for thermal coal, partially offset by higher realized prices on metallurgical coal sales. See "Non-GAAP Financial Measures" below.

The cash production cost per ton sold decreased by $0.86 in Second Quarter 2017 as compared to Second Quarter 2016. See "Non-GAAP Financial Measures" below.

Year-to-Date

The thermal, industrial and metallurgical coal sold increased 102,000 tons in 1H2017 as compared to 1H2016 as a result of the timing of shipments on the various contracts and entering the metallurgical coal market.

The realized price per ton sold decreased by $4.81 in 1H2017 as compared to 1H2016 due primarily to the declining market pricing for thermal coal, partially offset by higher realized prices on the metallurgical coal sales. See "Non-GAAP Financial Measures" below.

The cash production cost per ton sold increased by $4.56 in 1H2017 as compared to 1H2016 due to geological conditions experienced at the Double Mountain Deep Mine and Cooper Ridge Deep Mine. See "Non-GAAP Financial Measures" below.

Quarterly Financial Results

(in thousands)	For the three months ended June 30, 2017 NAPP	CAPP	Corporate	Consolidated
Revenue	$ 54,338	$ 11,906	$ —	$ 66,244
Cost of sales	(42,540)	(12,539)	—	(55,079)
Gross margin	11,798	(633)	—	11,165
Corporate and administrative expense	(2,426)	(452)	(1,172)	(4,050)
Income (loss) from operations	9,372	(1,085)	(1,172)	7,115
Net finance expense	(439)	(117)	(575)	(1,131)
Other (expense) income	(1,521)	88	—	(1,433)
Income (loss) before tax	7,412	(1,114)	(1,747)	4,551
Income tax expense (recovery)	—	—	—	—
Net and comprehensive income (loss)	$ 7,412	$ (1,114)	$ (1,747)	$ 4,551
Adjusted EBITDA(1)	$ 12,059	$ (2)	$ (795)	$ 11,262

(in thousands)	For the three months ended June 30, 2016 NAPP	CAPP	Corporate	Consolidated
Revenue	$ 12,562	$ 6,100	$ —	$ 18,662
Cost of sales	(15,892)	(6,668)	—	(22,560)
Gross margin	(3,330)	(568)	—	(3,898)
Corporate and administrative expense	(1,204)	(319)	(1,115)	(2,638)
Loss from operations	(4,534)	(887)	(1,115)	(6,536)
Net finance expense	(529)	(126)	(999)	(1,654)
Other (expense) income	(31)	169	—	138
Loss before tax	(5,094)	(844)	(2,114)	(8,052)
Income tax expense (recovery)	—	—	—	—
Net and comprehensive loss	$ (5,094)	$ (844)	$ (2,114)	$ (8,052)
Adjusted EBITDA(1)	$ (1,160)	$ 96	$ (732)	$ (1,796)

(in thousands)	Dollar variance for the three months ended June 30, 2017 versus 2016 NAPP	CAPP	Corporate	Consolidated
Revenue	$ 41,776	$ 5,806	$ —	$ 47,582
Cost of sales	(26,648)	(5,871)	—	(32,519)
Gross margin	15,128	(65)	—	15,063
Corporate and administrative expense	(1,222)	(133)	(57)	(1,412)
Income (loss) from operations	13,906	(198)	(57)	13,651
Net finance income (expense)	90	9	424	523
Other (expense) income	(1,490)	(81)	—	(1,571)
Income (loss) before tax	12,506	(270)	367	12,603
Income tax expense (recovery)	—	—	—	—
Net and comprehensive income (loss)	$ 12,506	$ (270)	$ 367	$ 12,603
Adjusted EBITDA[1]	$ 13,219	$ (98)	$ (63)	$ 13,058

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

Operating Segments

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

NAPP Division

Revenue - NAPP Division

Revenue, consisting of metallurgical and thermal coal sales, transportation and tolling revenue, increased by $41.8 million from Second Quarter 2016 to Second Quarter 2017 and consisted of the following:

(in thousands)	For the three months ended June 30, 2017	2016	Variance
Metallurgical coal revenue (at preparation plant)	$ 45,054	$ 8,685	$ 36,369
Thermal coal revenue (at preparation plant)	2,213	2,877	(664)
Transportation revenue	6,403	972	5,431
Tolling revenue	668	28	640
	$ 54,338	$ 12,562	$ 41,776

Metallurgical coal revenue, net of transportation charges increased $36,369,000 as a result of increased sales price per ton sold which increased revenue by $22,582,000 and increased sales volumes which increased revenue by $13,787,000. Metallurgical coal sold increased 227,000 tons in Second Quarter 2017 as compared to Second 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 $61.04 primarily due to the increased global demand for metallurgical coal.

Thermal coal revenue decreased $664,000 as a result of timing of shipments.

Revenue associated with the transportation of coal to the loading terminal or customer increased $5,431,000 as a result of increased export sales.

Tolling revenue increased $640,000 as a result of the Company processing additional third party coal through its preparation plants.

Cost of sales - NAPP Division

Cost of sales consists of the following:

	For the three months ended June 30,		
(in thousands)	**2017**	**2016**	**Variance**
Mining and processing costs	$ 11,606	$ 10,644	$ 962
Purchased coal costs	19,982	58	19,924
Royalty expense	1,441	868	573
Amortization expense	2,895	2,678	217
Transportation costs from preparation plant to customer	6,403	972	5,431
Idle mine expense	233	481	(248)
Write-off of advance royalties and other assets	112	—	112
Other costs	(132)	191	(323)
	$ 42,540	$ 15,892	$ 26,648

- Mining and processing costs increased primarily due to increased production volumes and less favorable 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 Second 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.

Corporate and administrative expense - NAPP Division

Corporate and administrative expense consists of the following:

	For the three months ended June 30,		
(in thousands)	**2017**	**2016**	**Variance**
Salaries and other compensations	$ 1,116	$ 770	$ 346
Professional fees	930	203	727
Office expenses and insurance	223	84	139
Other	157	147	10
	$ 2,426	$ 1,204	$ 1,222

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.

Other income (expense) - NAPP Division

Other income (expense) decreased primarily due to the revaluation of the transportation contract liquidated damages liability. During the Second Quarter 2017 payments on this obligation were accelerated as a result of increased coal sales prices. The prepayment resulted in a reduction of the long-term portion of the obligation which impacted the carrying value of the obligation due to discounting. The overall decrease was also due to lower gains on sales of assets in the Second Quarter 2017 and various other items, none of which were individually material.

CAPP Division

Revenue - CAPP Division

Revenue, consisting of thermal, industrial and metallurgical coal sales, net of transportation, increased $4,824,000 from Second Quarter 2016 to Second Quarter 2017 as a result of the increase in tons sold partially offset by a decrease in realized price per ton sold. Sales of thermal and metallurgical coal were 178,000 tons in Second Quarter 2017 compared with 97,000 tons in Second Quarter 2016. These increased tons sold resulted in an increase in revenue of $5,094,000 partially offset by the decrease in average sales price which reduced revenue by $270,000.

Revenue associated with the transportation of coal to the loading terminal or customer increased $982,000 as a result of export sales.

Cost of sales - CAPP Division

Cost of sales consists of the following:

	For the three months ended June 30,		
(in thousands)	**2017**	**2016**	**Variance**
Mining and processing costs	$ 8,140	$ 4,765	$ 3,375
Purchased coal costs	1,789	428	1,361
Royalty expense	606	632	(26)
Amortization expense	1,162	744	418
Write-off of advance royalties and other assets	—	70	(70)
Transportation costs from preparation plant to customer	982	—	982
Idle mine expense	8	29	(21)
Change in estimate of reclamation provision	(148)	—	(148)
	$ 12,539	$ 6,668	$ 5,871

- Mining and processing costs increased as a result of additional production volumes that occurred during Second Quarter 2017 as compared to Second Quarter 2016 as well as the higher cost Cooper Ridge mine producing in the current period when it was in development during Second Quarter 2016.
- Purchased coal costs increased primarily due to an increase in volumes purchased and blended to meet certain quality specifications.
- 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.

Corporate Division

Corporate and administrative expense - Corporate Division

Corporate and administrative expense consists of the following:

	For the three months ended June 30,		
(in thousands)	**2017**	**2016**	**Variance**
Salaries and other compensations	$ 843	$ 603	$ 240
Professional fees	207	401	(194)
Office expenses and insurance	107	97	10
Other	15	14	1
	$ 1,172	$ 1,115	$ 57

- Salaries and other compensation increased as a result of additional staffing requirements and various salary increases.
- Professional fees decreased as a result of reduced consulting and legal costs.

Net finance expense (income) - Corporate Division

Net finance expense (income) consists of the following:

	For the three months ended June 30,		
	2017	2016	Variance
Warrant financial liability (gain) loss	$ (517)	$ (11)	$ (506)
Interest expense	810	750	60
Accretion of discount on loan payable	329	318	11
Foreign exchange gain	(11)	(51)	40
Interest income	(36)	(7)	(29)
	$ 575	$ 999	$ (424)

- The warrant financial liability resulted in income of $517,000 in Second Quarter 2017 compared with $11,000 in Second Quarter 2016 due to changes in the underlying assumptions used to value the liability.

Year-to-Date Financial Results

	For the six months ended June 30, 2017			
(in thousands)	**NAPP**	**CAPP**	**Corporate**	**Consolidated**
Revenue	$ 106,717	$ 18,566	$ —	$ 125,283
Cost of sales	(79,419)	(20,641)	—	(100,060)
Gross margin	27,298	(2,075)	—	25,223
Corporate and administrative expense	(4,736)	(923)	(2,578)	(8,237)
Income (loss) from operations	22,562	(2,998)	(2,578)	16,986
Net finance expense	(701)	(253)	(298)	(1,252)
Other (expense) income	(1,451)	352	—	(1,099)
Income (loss) before tax	20,410	(2,899)	(2,876)	14,635
Income tax expense (recovery)	—	—	—	—
Net and comprehensive income (loss)	$ 20,410	$ (2,899)	$ (2,876)	$ 14,635
Adjusted EBITDA[(1)]	$ 29,263	$ (733)	$ (1,845)	$ 26,685

	For the six months ended June 30, 2016			
(in thousands)	**NAPP**	**CAPP**	**Corporate**	**Consolidated**
Revenue	$ 22,767	$ 12,508	$ —	$ 35,275
Cost of sales	(29,571)	(12,665)	—	(42,236)
Gross margin	(6,804)	(157)	—	(6,961)
Corporate and administrative expense	(2,382)	(726)	(2,637)	(5,745)
Loss from operations	(9,186)	(883)	(2,637)	(12,706)
Net finance expense	(971)	(242)	(2,875)	(4,088)
Other income	281	164	—	445
Loss before tax	(9,876)	(961)	(5,512)	(16,349)
Income tax expense (recovery)	—	—	—	—
Net and comprehensive loss	$ (9,876)	$ (961)	$ (5,512)	$ (16,349)
Adjusted EBITDA[(1)]	$ (1,767)	$ 1,048	$ (1,696)	$ (2,415)

(in thousands)	Dollar variance for the six months ended June 30, 2017 versus 2016 NAPP	CAPP	Corporate	Consolidated
Revenue	$ 83,950	$ 6,058	$ —	$ 90,008
Cost of sales	(49,848)	(7,976)	—	(57,824)
Gross margin	34,102	(1,918)	—	32,184
Corporate and administrative expense	(2,354)	(197)	59	(2,492)
Income (loss) from operations	31,748	(2,115)	59	29,692
Net finance income (expense)	270	(11)	2,577	2,836
Other (expense) income	(1,732)	188	—	(1,544)
Income (loss) before tax	30,286	(1,938)	2,636	30,984
Income tax expense (recovery)	—	—	—	—
Net and comprehensive income (loss)	$ 30,286	$ (1,938)	$ 2,636	$ 30,984
Adjusted EBITDA[1]	$ 31,030	$ (1,781)	$ (149)	$ 29,100

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

Operating Segments

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

NAPP Division

Revenue - NAPP Division

Revenue, consisting of metallurgical coal sales, thermal coal sales, transportation and tolling revenue, increased by $84.0 million from 1H2016 to 1H2017 and consisted of the following:

	For the six months ended June 30,		
(in thousands)	**2017**	**2016**	**Variance**
Metallurgical coal revenue (at preparation plant)	$ 91,109	$ 15,781	$ 75,328
Thermal coal revenue (at preparation plant)	5,542	4,730	812
Transportation revenue	9,398	2,182	7,216
Tolling revenue	668	74	594
	$ 106,717	$ 22,767	$ 83,950

Metallurgical coal revenue, net of transportation charges increased $75,328,000 as a result of increased sales price per ton sold which increased revenue by $49,132,000 and increased sales volumes which increased revenue by $26,196,000. Metallurgical coal sold increased 415,000 tons in 1H2017 as compared to 1H2016 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 $73.89 primarily due to the increased global demand for metallurgical coal and weather related events in Australia which reduced metallurgical coal supply.

Thermal coal revenue increased $812,000 as a result of increased volumes sold and changes in contractual mix of these sales.

Revenue associated with the transportation of coal to the loading terminal or customer increased $7,216,000 as a result of increased export sales.

Tolling revenue increased $594,000 as a result of the Company processing additional third party coal through its preparation plants.

Cost of sales - NAPP Division

Cost of sales consists of the following:

	For the six months ended June 30,		
(in thousands)	**2017**	**2016**	**Variance**
Mining and processing costs	$ 24,616	$ 18,489	$ 6,127
Purchased coal costs	34,159	58	34,101
Royalty expense	3,310	1,342	1,968
Amortization expense	6,143	6,433	(290)
Transportation costs from preparation plant to customer	9,398	2,182	7,216
Idle mine expense	548	750	(202)
Write-off of advance royalties and other assets	170	126	44
Other costs	1,075	191	884
	$ 79,419	$ 29,571	$ 49,848

- Mining and processing costs increased primarily due to increased production volumes and less favorable 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 production by the Company.
- Royalty expense increased primarily due to the additional volumes sold at higher prices in 1H2017.
- 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 primarily due to contingent rent related to a lease entered into after the 1H016 period and plant startup costs incurred in connection with the Shade Creek preparation plant start-up.

Corporate and administrative expense - NAPP Division

Corporate and administrative expense consists of the following:

(in thousands)	For the six months ended June 30, 2017	2016	Variance
Salaries and other compensations	$ 2,438	$ 1,588	$ 850
Professional fees	1,648	363	1,285
Office expenses and insurance	316	221	95
Other	334	210	124
	$ 4,736	$ 2,382	$ 2,354

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.

Other income (expense)

Other income (expense) decreased primarily due to the revaluation of the transportation contract liquidated damages liability. During 1H2017 payments on this obligation were accelerated as a result of increased coal sales prices. The prepayment resulted in a reduction of the long-term portion of the obligation which impacted the carrying value of the obligation due to discounting. The overall decrease was also due to lower gains on sales of assets in 1H2017 and various other items, none of which were individually material.

CAPP Division

Revenue - CAPP Division

Revenue, consisting of thermal, industrial and metallurgical coal sales, net of transportation, increased $5,076,000 from 1H2016 to 1H2017 as a result of the increase in tons sold and an increase in realized price per ton sold. Sales of thermal and metallurgical coal were 298,000 tons in 1H2017 compared with 196,000 tons in 1H2016. These increased tons sold resulted in an increase in revenue of $6,509,000 partially offset by the decrease in average sales price which reduced revenue by $1,433,000.

Revenue associated with the transportation of coal to the loading terminal or customer increased $982,000 as a result of export sales.

Cost of sales - CAPP Division

Cost of sales consists of the following:

(in thousands)	For the six months ended June 30, 2017	2016	Variance
Mining and processing costs	$ 14,466	$ 8,383	$ 6,083
Purchased coal costs	2,199	730	1,469
Royalty expense	933	1,568	(635)
Amortization expense	2,164	1,576	588
Write-off of advance royalties and other assets	—	70	(70)
Transportation costs from preparation plant to customer	982	—	982
Idle mine expense	45	338	(293)
Change in estimate of reclamation provision	(148)	—	(148)
	$ 20,641	$ 12,665	$ 7,976

- Mining and processing costs increased as a result of additional production volumes that occurred during 1H2017 as compared to 1H2016 and less favorable geological conditions encountered at the Double Mountain and Cooper Ridge Deep Mines.
- Purchased coal costs increased primarily due to an increase in volumes purchased and blended to meet certain quality specifications.
- Royalty expense decreased primarily due to the lower average realized prices and certain lease rate reductions that were negotiated subsequent to the 1H2016 period.
- Amortization expense increased due primarily to the Cooper Ridge mine currently in production.
- 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.

Corporate Division

Corporate and administrative expense - Corporate Division

Corporate and administrative expense consists of the following:

	For the six months ended June 30,		
(in thousands)	**2017**	**2016**	**Variance**
Salaries and other compensations	$ 1,635	$ 1,375	$ 260
Professional fees	616	1,028	(412)
Office expenses and insurance	278	205	73
Other	49	29	20
	$ 2,578	$ 2,637	$ (59)

- Salaries and other compensation increased as a result of additional staffing requirements and various salary increases.
- Professional fees decreased as a result of reduced consulting and legal costs.

Net finance expense (income) - Corporate Division

Net finance expense (income) consists of the following:

	For the six months ended June 30,		
	2017	**2016**	**Variance**
Warrant financial liability (gain) loss	$ (1,764)	$ 830	$ (2,594)
Interest expense	1,610	1,487	123
Accretion of discount on loan payable	655	624	31
Foreign exchange gain	(135)	(55)	(80)
Interest income	(68)	(11)	(57)
	$ 298	$ 2,875	$ (2,577)

- The warrant financial liability resulted in income of $1,764,000 in 1H2017 compared with expense of $830,000 in 1H2016 due to changes in the underlying assumptions used to value the liability.

Financial Condition

(in thousands)	June 30, 2017	December 31, 2016	Variance
Current assets	$ 66,000	$ 48,657	$ 17,343
Non-current assets	158,246	152,315	5,931
Total assets	$ 224,246	$ 200,972	$ 23,274
Current liabilities	$ 47,244	$ 33,164	$ 14,080
Non-current liabilities	102,461	108,825	(6,364)
Total liabilities	$ 149,705	$ 141,989	$ 7,716
Total equity	$ 74,541	$ 58,983	$ 15,558

- Current assets increased primarily due to the increase in accounts receivable as a result of timing of customer shipments and increased coal inventory as Corsa is loading larger export vessels which require the Company to build significant inventory levels to fulfill these orders.
- 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, the reduction in the warrant financial liability due to changes in the underlying assumptions used to value the liability, scheduled payments related to finance leases and notes payable and reclamation and water treatment expenditures.
- Total equity increased primarily due to net income that occurred during the period.

Liquidity and Capital Resources

(in thousands)	June 30, 2017	December 31, 2016	Variance
Cash	$ 25,648	$ 25,757	$ (109)
Working capital	$ 18,756	$ 15,493	$ 3,263
Debt			
Notes payable	$ 4,205	$ 6,765	$ (2,560)
Finance lease obligations	6,078	8,054	(1,976)
Loan payable	29,090	28,435	655
	$ 39,373	$ 43,254	$ (3,881)

Cash

See "Cash Flows" below for an explanation of the cash decrease for the period.

Working capital

The net increase in working capital was primarily due to the increase in trade accounts receivable as a result of timing of sales, the increase in coal inventory as a result of timing of vessel loadings 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 anniversaries of the acquisition of the PBS Coals, Inc. and affiliated entities 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 partially offset by an additional borrowing to purchase mining equipment and amortization of debt issuance costs.

Cash Flows

Quarter

Operating activities

In Second Quarter 2017, the cash provided by operating activities was $3,679,000 compared with cash used in operating activities of $2,928,000 in Second Quarter 2016, an increase of $6,607,000. Adjusting the net and comprehensive loss for the items not affecting cash resulted in cash provided of $10,078,000 in Second Quarter 2017 as compared with cash used of $2,130,000 in Second Quarter 2016. The cash spent on reclamation activities was $1,567,000 in Second Quarter 2017 as compared with $1,111,000 in Second Quarter 2016 due to additional reclamation activities. The changes in non-cash working capital balances related to operations used cash of $4,832,000 in Second Quarter 2017 as compared with cash provided of $313,000 in Second Quarter 2016.

Investing activities

The cash used in investing activities in Second Quarter 2017 was $8,597,000 compared with $396,000 in Second Quarter 2016, a decrease of $8,201,000. This decrease was primarily due to additional capital expenditures that occurred in Second Quarter 2017 related to mine development growth capital as well as additional maintenance capital. The decrease was also due to additional funding related to restricted cash.

Financing activities

Cash used in financing activities was $1,820,000 in Second Quarter 2017 as compared with cash provided by financing activities of $1,145,000 in Second Quarter 2016, representing a decrease of $2,965,000. Net proceeds from the private placement of Common Shares that occurred during Second Quarter 2016 provided cash of $2,169,000. There were no proceeds from equity issuances in Second Quarter 2017. Repayment of notes payable used cash of $1,287,000 in Second Quarter 2017 as compared to $595,000 in Second Quarter 2016, which was primarily due to the payment of the revolving credit facility that was converted into a term loan where the principal balance is amortized over the calendar year 2017. Proceeds from the issuance of notes payable was $400,000 in Second Quarter 2017 to purchase mining equipment. Proceeds from the issuance of notes payable was $650,000 in Second Quarter 2016 as a result of borrowings on the revolving credit facility which was subsequently converted to a term loan.

<u>Year-to-Date</u>

Operating activities

In 1H2017, the cash provided by operating activities was $17,378,000 compared with cash used in operating activities of $4,525,000 in 1H2016, an increase of $21,903,000. Adjusting the net and comprehensive loss for the items not affecting cash resulted in cash provided of $24,067,000 in 1H2017 as compared with cash used of $4,037,000 in 1H2016. The cash spent on reclamation activities was $2,953,000 in 1H2017 as compared with $2,098,000 in 1H2016 due to additional reclamation activities. The changes in non-cash working capital balances related to operations used cash of $3,736,000 in 1H2017 as compared with cash provided of $1,610,000 in 1H2016.

Investing activities

The cash used in investing activities in 1H2017 was $13,112,000 compared with $2,082,000 in 1H2016, a decrease of $11,030,000. This decrease was primarily due to additional capital expenditures that occurred in 1H2017 related to mine development growth capital as well as additional maintenance capital.

Financing activities

Cash used in financing activities was $4,375,000 in 1H2017 as compared with cash provided by financing activities of $7,804,000 in 1H2016, representing a decrease of $12,179,000. Net proceeds from the private placements of Common Shares that occurred during 1H2016 provided cash of $10,122,000. There were no proceeds from equity issuances in 1H2017. Repayment of notes payable used cash of $2,985,000 in 1H2017 as compared to $1,192,000 in 1H2016, which was primarily due to the payment of the revolving credit facility that was converted into a term loan where the principal balance is amortized over the calendar year 2017. Proceeds from the issuance of notes payable was $400,000 in 1H2017 to purchase mining equipment. Proceeds from the issuance of notes payable was $1,150,000 in 1H2016 as a result of borrowings on the revolving credit facility which was subsequently converted to a term loan.

Capital Expenditures

The equipment and development added to property, plant and equipment for the six months ended June 30, 2017 were as follows:

(in thousands)	NAPP	CAPP	Total
Maintenance capital expenditures			
Deep mines	$ 2,083	$ 892	$ 2,975
Surface mines	521	—	$ 521
Plant	72	136	$ 208
	2,676	1,028	3,704
Growth capital expenditures			
Deep mines	7,959	690	$ 8,649
Surface mines	708	192	$ 900
Plant	—	—	$ —
	8,667	882	9,549
	$ 11,343	$ 1,910	$ 13,253

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 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 and finance lease obligations. 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 June 30, 2017.

Corporate loan payable

The covenants required to be met for the Facility are described below. 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)

NAPP finance lease

In August 2016, Corsa entered into a Comprehensive Master Equipment Lease Financing Modification, Consolidation and Security Agreement (the "Modified Lease") regarding various mobile equipment that was previously leased under a finance lease at Wilson Creek Energy, LLC, effective as of June 1, 2016. The covenants required to be met are described below for the noted agreement. Such measurements are made on the consolidated results of Wilson Creek Energy, LLC excluding the CAPP Division.

- Debt Service Coverage Ratio(1) must exceed 1.25 to 1.00 (measured quarterly).
- Maintain a minimum cash balance of $2,000,000 at all times, on a consolidated bases excluding the CAPP Division (measured monthly).

(1) Debt Service Coverage Ratio is measured as:

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

(2) Adjusted net income is defined as Net Income plus the sum of (a) non-cash expenditures, (b) rent expense and (c) interest expense.
(3) Financed debt includes notes payable, finance leases and other institutional debt.

Contractual Obligations

Corsa has the following contractual obligations:

(in thousands)	Carrying Value at June 30, 2017	Payments due by period Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years
Accounts payable and accruals	$ 32,580	$ 32,580	$ 32,580	$ —	$ —	$ —
Notes payable	4,205	4,205	3,317	888	—	—
Finance lease obligations	6,078	6,106	2,842	2,953	311	—
Loan payable	29,090	32,017	—	32,017	—	—
Other liabilities	14,132	14,850	2,468	6,912	3,268	2,202
Purchase order firm commitments	—	9,071	9,071	—	—	—
Water treatment trust funding	—	7,302	1,218	3,741	2,343	—
Operating leases and other obligations	—	1,352	702	650	—	—
Total	$ 86,085	$ 107,483	$ 52,198	$ 47,161	$ 5,922	$ 2,202

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

	For the three months ended June 30,		For the six months ended June 30,	
(in thousands)	**2017**	**2016**	**2017**	**2016**
Net and comprehensive income (loss)	$ 4,551	$ (8,052)	$ 14,635	$ (16,349)
Add (Deduct):				
Amortization expense	4,057	3,422	8,307	8,009
Interest expense	1,040	992	2,121	1,907
Income tax expense (recovery)	—	—	—	—
EBITDA	9,648	(3,638)	25,063	(6,433)
Add (Deduct):				
Write-off of advance royalties and other assets	112	70	170	196
Change in estimate of reclamation provision	(148)	—	(148)	—
Stock-based compensation	377	383	733	941
Net finance (income) expense, excluding interest expense	91	662	(869)	2,181
Gain on disposal of assets	(91)	(358)	(202)	(796)
Other costs	1,273	1,085	1,938	1,496
Adjusted EBITDA	$ 11,262	$ (1,796)	$ 26,685	$ (2,415)

NAPP Division

(in thousands)	For the three months ended June 30, 2017	2016	For the six months ended June 30, 2017	2016
Net and comprehensive income (loss)	$ 7,412	$ (5,094)	$ 20,410	$ (9,876)
Add (Deduct):				
Amortization expense	2,895	2,678	6,143	6,433
Interest expense	191	206	414	357
EBITDA	10,498	(2,210)	26,967	(3,086)
Add (Deduct):				
Write-off of advance royalties and other assets	112	—	170	126
Net finance (income) expense, excluding interest expense	248	323	287	614
Gain on disposal of assets	(72)	(358)	(99)	(796)
Other costs	1,273	1,085	1,938	1,375
Adjusted EBITDA	$ 12,059	$ (1,160)	$ 29,263	$ (1,767)

CAPP Division

(in thousands)	For the three months ended June 30, 2017	2016	For the six months ended June 30, 2017	2016
Net and comprehensive loss	$ (1,114)	$ (844)	$ (2,899)	$ (961)
Add (Deduct):				
Amortization expense	1,162	744	2,164	1,576
Interest expense	39	36	97	63
EBITDA	87	(64)	(638)	678
Add (Deduct):				
Net finance (income) expense, excluding interest expense	78	90	156	179
Write-off of advance royalties and other assets	—	70	—	70
Change in estimate of reclamation provision	(148)	—	(148)	—
Gain on disposal of assets	(19)	—	(103)	—
Other costs	—	—	—	121
Adjusted EBITDA	$ (2)	$ 96	$ (733)	$ 1,048

Corporate Division

(in thousands)	For the three months ended June 30, 2017	2016	For the six months ended June 30, 2017	2016
Net and comprehensive loss	$ (1,747)	$ (2,114)	$ (2,876)	$ (5,512)
Add (Deduct):				
Interest expense	810	750	1,610	1,487
Income tax expense (recovery)	—	—	—	—
EBITDA	(937)	(1,364)	(1,266)	(4,025)
Add (Deduct):				
Stock-based compensation	377	383	733	941
Net finance (income) expense, excluding interest expense	(235)	249	(1,312)	1,388
Adjusted EBITDA	$ (795)	$ (732)	$ (1,845)	$ (1,696)

Realized price per ton sold

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

Consolidated

(in thousands)	For the three months ended June 30, 2017	2016	For the six months ended June 30, 2017	2016
Revenue	$ 66,244	$ 18,662	$ 125,283	$ 35,275
Add (Deduct):				
Tolling Revenue	(668)	(28)	(668)	(74)
Transportation costs from preparation plant to customer	(7,385)	(972)	(10,380)	(2,182)
Net coal sales (at preparation plant)	$ 58,191	$ 17,662	$ 114,235	$ 33,019
Coal sold - tons	597	306	1,089	554
Realized price per ton sold (at preparation plant)	$ 97.47	$ 57.72	$ 104.90	$ 59.60

NAPP Division

(in thousands)	For the three months ended June 30, 2017 Met.	Thermal	Total	For the six months ended June 30, 2017 Met.	Thermal	Total
Revenue	$ 54,338	$ —	$ 54,338	$ 106,717	$ —	$ 106,717
Add (Deduct):						
Tolling Revenue	(668)	—	(668)	(668)	—	(668)
Thermal coal sales	(2,213)	2,213	—	(5,542)	5,542	—
Transportation costs from preparation plant to customer	(6,403)	—	(6,403)	(9,398)	—	(9,398)
Net coal sales (at preparation plant)	$ 45,054	$ 2,213	$ 47,267	$ 91,109	$ 5,542	$ 96,651
Coal sold - tons	370	49	419	665	126	791
Realized price per ton sold (at preparation plant)	$ 121.77	$ 45.16	$ 112.81	$ 137.01	$ 43.98	$ 122.19

(in thousands)	For the three months ended June 30, 2016 Met.	Thermal	Total	For the six months ended June 30, 2016 Met.	Thermal	Total
Revenue	$ 12,562	$ —	$ 12,562	$ 22,767	$ —	$ 22,767
Add (Deduct):						
Tolling Revenue	(28)	—	(28)	(74)	—	(74)
Thermal coal sales	(2,877)	2,877	—	(4,730)	4,730	—
Transportation costs from preparation plant to customer	(972)	—	(972)	(2,182)	—	(2,182)
Net coal sales (at preparation plant)	$ 8,685	$ 2,877	$ 11,562	$ 15,781	$ 4,730	$ 20,511
Coal sold - tons	143	66	209	250	108	358
Realized price per ton sold (at preparation plant)	$ 60.73	$ 43.59	$ 55.32	$ 63.12	$ 43.80	$ 57.29

CAPP Division

(in thousands)	For the three months ended June 30, 2017	2016	For the six months ended June 30, 2017	2016
Revenue	$ 11,906	$ 6,100	$ 18,566	$ 12,508
Add (Deduct):				
Transportation costs from preparation plant to customer	(982)	—	(982)	—
Net coal sales (at preparation plant)	10,924	6,100	$ 17,584	$ 12,508
Thermal, industrial and metallurgical coal sold - tons	178	97	298	196
Realized price per ton sold (at preparation plant)	$ 61.37	$ 62.89	$ 59.01	$ 63.82

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

	For the three months ended June 30,		For the six months ended June 30,	
(in thousands)	**2017**	**2016**	**2017**	**2016**
Cost of sales	$ 55,079	$ 22,560	$ 100,060	$ 42,236
Add (Deduct):				
Amortization expense	(4,057)	(3,422)	(8,307)	(8,009)
Transportation costs from preparation plant to customer	(7,385)	(972)	(10,380)	(2,182)
Write-off of advance royalties and other assets	(112)	(70)	(170)	(196)
Change in reclamation provision	148	—	148	—
Idle mine expense	(241)	(510)	(593)	(1,088)
Purchased coal cost	(19,982)	—	(34,159)	—
Tolling costs	(355)	(42)	(355)	(64)
Other costs	132	(191)	(1,075)	(191)
Cash production cost of sales (at preparation plant)	$ 23,227	$ 17,353	$ 45,169	$ 30,506
Coal sold - tons	372	306	701	554
Cash production cost per ton sold (at preparation plant)	$ 62.44	$ 56.71	$ 64.44	$ 55.06
Purchased coal cost	$ 19,982	$ —	$ 34,159	$ —
Purchased coal sold - tons	225	—	388	—
Cash cost per purchased ton sold	$ 88.81	$ —	$ 88.04	$ —
Total cash cost of sales	$ 43,209	$ 17,353	$ 79,328	$ 30,506
Coal sold - tons	597	306	1,089	554
Cash cost per ton sold (at preparation plant)	$ 72.38	$ 56.71	$ 72.84	$ 55.06

NAPP Division

(in thousands)	For the three months ended June 30, 2017 Met.	Thermal	Total	For the six months ended June 30, 2017 Met.	Thermal	Total
Cost of sales	$ 42,540	$ —	$ 42,540	$ 79,419	$ —	$ 79,419
Add (Deduct):						
Amortization expense	(2,895)	—	(2,895)	(6,143)	—	(6,143)
Transportation costs from preparation plant to customer	(6,403)	—	(6,403)	(9,398)	—	(9,398)
Write-off of advance royalties and other assets	(112)	—	(112)	(170)	—	(170)
Idle mine expense	(233)	—	(233)	(548)	—	(548)
Thermal mining cost	(17)	17	—	(186)	186	—
Purchased coal cost	(19,982)	—	(19,982)	(34,159)	—	(34,159)
Tolling costs	(355)	—	(355)	(355)	—	(355)
Other costs	132	—	132	(1,075)	—	(1,075)
Cash production cost of sales (at preparation plant)	$ 12,675	$ 17	$ 12,692	$ 27,385	$ 186	$ 27,571
Produced coal sold - tons	194	—	194	391	12	403
Cash production cost per ton sold (at preparation plant)	$ 65.34	$ —	$ 65.42	$ 70.04	$ 15.50	$ 68.41
Purchased coal cost	$ 17,813	$ 2,169	$ 19,982	$ 29,195	$ 4,964	$ 34,159
Tons purchased	176	49	225	274	114	388
Cash cost per ton purchased (at preparation plant)	$ 101.21	$ 44.27	$ 88.81	$ 106.55	$ 43.54	$ 88.04
Total cash cost of sales	$ 30,488	$ 2,186	$ 32,674	$ 56,580	$ 5,150	$ 61,730
Coal sold - tons	370	49	419	665	126	791
Cash cost per ton sold (at preparation plant)	$ 82.40	$ 44.61	$ 77.98	$ 85.08	$ 40.87	$ 78.04

(in thousands)	For the three months ended June 30, 2016 Met.	Thermal	Total	For the six months ended June 30, 2016 Met.	Thermal	Total
Cost of sales	$ 15,892	$ —	$ 15,892	$ 29,571	$ —	$ 29,571
Add (Deduct):						
Amortization expense	(2,678)	—	(2,678)	(6,433)	—	(6,433)
Transportation costs from preparation plant to customer	(972)	—	(972)	(2,182)	—	(2,182)
Write-off of advance royalties and other assets	—	—	—	(126)	—	(126)
Idle mine expense	(481)	—	(481)	(750)	—	(750)
Thermal mining cost	(3,042)	3,042	—	(4,948)	4,948	—
Tolling costs	(42)	—	(42)	(64)	—	(64)
Other Costs	(191)	—	(191)	(191)	—	(191)
Cash production cost of sales (at preparation plant)	$ 8,486	$ 3,042	$ 11,528	$ 14,877	$ 4,948	$ 19,825
Coal sold - tons	143	66	209	250	108	358
Cash production cost per ton sold (at preparation plant)	$ 59.34	$ 46.09	$ 55.16	$ 59.51	$ 45.81	$ 55.38

CAPP Division

(in thousands)	For the three months ended June 30, 2017	2016	For the six months ended June 30, 2017	2016
Cost of sales	$ 12,539	$ 6,668	$ 20,641	$ 12,665
Add (Deduct):				
Amortization expense	(1,162)	(744)	(2,164)	(1,576)
Transportation costs from preparation plant to customer	(982)	—	(982)	—
Change in reclamation provision	148	—	148	—
Write-off of advance royalties and other assets	—	(70)	—	(70)
Idle mine expense	(8)	(29)	(45)	(338)
Cash production cost of sales (at preparation plant)	$ 10,535	$ 5,825	$ 17,598	$ 10,681
Thermal, industrial and metallurgical coal sold - tons	178	97	298	196
Cash production cost per ton sold (at preparation plant)	$ 59.19	$ 60.05	$ 59.05	$ 54.49

Outstanding Share Data

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

	Number of Common Shares
Common Shares issued and outstanding	94,591,245
Common Shares issuable upon exercise of stock options	6,556,775
Common Shares issuable upon redemption of Redeemable Units	8,515,831
Common Shares issuable upon exercise of Bonus Warrants	1,805,000
Common Shares issuable upon exercise of Broker Warrants	168,000
Total	111,636,851

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 subsidiary of Corsa. Redeemable Units are redeemable, at the option of the holder, for cash on a per Redeemable Unit basis equivalent to the fair market value of a Common Share subject to the option of Corsa to exchange such Redeemable Units for Common Shares on a 20 for one basis (i.e., 20 Redeemable Units for one Common Share) 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 of Common Shares 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 from the date of issuance.

Summary of Quarterly Results

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

(in thousands except per share amounts)	Quarter Ended June 30, 2017	Quarter Ended March 31, 2017	Quarter Ended December 31, 2016	Quarter Ended September 30, 2016
Revenue	$ 66,244	$ 59,039	$ 37,728	$ 23,983
Net and comprehensive income (loss)	$ 4,551	$ 10,084	$ (10,685)	$ (7,106)
Earnings (loss) per share:				
Basic	$ 0.03	$ 0.08	$ (0.13)	$ (0.09)
Diluted	$ 0.03	$ 0.07	$ (0.13)	$ (0.09)

(in thousands except per share amounts)	Quarter Ended June 30, 2016	Quarter Ended March 31, 2016	Quarter Ended December 31, 2015	Quarter Ended September 30, 2015
Revenue	$ 18,662	$ 16,613	$ 26,565	$ 31,742
Net and comprehensive loss	$ (8,052)	$ (8,297)	$ (106,354)	$ (9,288)
Loss per share:				
Basic	$ (0.10)	$ (0.12)	$ (1.43)	$ (0.15)
Diluted	$ (0.10)	$ (0.12)	$ (1.43)	$ (0.15)

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 Holdings.

Transactions with related parties included in the unaudited condensed interim consolidated statement of operations and comprehensive income (loss) of the Company are summarized below:

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Royalties and property taxes (a)	$ 368	$ 417	$ 695	$ 1,194
Supplies purchase (b)	61	24	145	56
Purchased coal (c)	273	—	1,787	—
	$ 702	$ 441	$ 2,627	$ 1,250

(a) During the three and six months ended June 30, 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).

(b) During the three and six months ended June 30, 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).

(c) During the three and six months ended June 30, 2017, the Company purchased coal in an arm's length transaction from a related party who is a close family member of key management personnel of the Company. These amounts were included in cost of sales in the unaudited condensed interim consolidated statements of operations and comprehensive income (loss).

Included in accounts payable and accrued liabilities at June 30, 2017 and December 31, 2016 is $203,000 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 June 30, 2017 and December 31, 2016, the Company had a loan payable to SRLC of $29,090,000 and $28,435,000, respectively. SRLC is a minority shareholder of the Company as a result of the issuance of Fee Shares.

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

Impairment of long-term assets

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, 2018. 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. Management believes that adoption of this new guidance will not have a material impact on the Company's financial statements.

(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.

(d) IFRIC 23 – Uncertainty over income tax treatments

In June 2017, the IASB issued IFRIC 23 – *Uncertainty over income tax treatments* ("IFRIC 23"). IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. IFRIC 23 clarifies application of recognition and measurements requirements in International Accounting Standard 12 – *Income Taxes* when there is uncertainty over income tax treatments. IFRIC 23 specifically addresses whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The Company intends to adopt IFRIC 23 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 interpretation has not yet been determined.

Financial Instruments and Other Instruments

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.

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 and six months ended June 30, 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 June 30, 2017 the Company had a consolidated cash balance of $25,648,000 and consolidated working capital of $18,756,000. 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.

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):

	June 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loan Payable	$ 29,090	$ 23,304	$ 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.

	June 30, 2017		December 31, 2016	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Cash	$ 25,648	$ —	$ 25,757	$ —
Restricted cash	33,571	—	33,063	—
	$ 59,219	$ —	$ 58,820	$ —
Financial liabilities				
Warrant financial liability	$ —	$ 1,041	$ —	$ 2,805

The inputs used to measure the warrant financial liability (see note 9(b) of the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2017 and 2016) are based on observable unadjusted market prices for identical assets and are therefore classified as Level 2 inputs under the financial instruments hierarchy.

At June 30, 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 Annual Information Form for the year ended December 31, 2016 available under Corsa's profile at www.sedar.com.

Forward-Looking Statements

Certain information set forth in this MD&A contains "forward-looking statements" and "forward-looking information" under applicable securities laws. Except for statements of historical fact, certain information contained herein relating to projected sales, coal prices, coal production, mine development, 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.