Corsa Coal Corp.

Management's Discussion and Analysis

September 30, 2017

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For the three and nine months ended September 30, 2017

The purpose of the Corsa Coal Corp. ("Corsa" or the "Company") Management's Discussion and Analysis ("MD&A") for the three and nine months ended September 30, 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 intended to be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2017 and 2016 and the related notes thereto, which 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"), and the audited consolidated financial statements at and for the years ended December 31, 2016 and 2015 and the related notes thereto. 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". This MD&A is dated as of November 16, 2017.

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CAUTIONARY STATEMENT REGARDING 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.

CAUTIONARY STATEMENT REGARDING CERTAIN MEASURES OF PERFORMANCE

This MD&A presents certain measures, including "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", that are not recognized measures under International Financial Reporting Standards ("IFRS"). This data may not be comparable to data presented by other coal producers. For a definition and reconciliation of these measures to the most directly comparable financial information presented in the consolidated financial statements prepared in accordance with IFRS, see Non-GAAP Financial Measures starting on page 27 of this MD&A. The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in performing year-over-year comparisons. However, these non-GAAP measures should be considered together with other data prepared in accordance with IFRS, and these measures, taken by themselves, are not necessarily indicative of operating costs or cash flow measures prepared in accordance with IFRS.

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017

- Corsa reported net and comprehensive income of $6.8 million, or $0.06 per share, for the third quarter of 2017, compared to net and comprehensive loss of $7.1 million, or $0.09 per share, for the third quarter of 2016.
- Operating cash flows for the third quarter of 2017 were $7.4 million compared to cash used in operations of $2.2 million for the same period in the prior year.
- Total revenue was $80.4 million for the third quarter of 2017, an improvement of 235% as compared to the third quarter 2016. Metallurgical coal sales volumes increased 44% in the third quarter of 2017 as compared to the second quarter of 2017 and 225% compared to the third quarter of 2016. This marks the sixth consecutive quarter of above 20% or greater growth in metallurgical coal sales volumes.
- Corsa's adjusted EBITDA[1] was $13.2 million and $12.6 million at its NAPP Division and on a consolidated basis, respectively, for the three months ended September 30, 2017.
- Corsa achieved an average realized price per ton of metallurgical coal sold[1] at its NAPP Division of $112.15 in the third quarter 2017, an increase of 61% as compared to the third quarter of 2016. This average realized price is the approximate equivalent of $152 to $154 on a free-on-board terminal basis[2] and is comprised of a mix of 20% sales to domestic customers and 80% sales to international customers.
- The Acosta Mine successfully commenced production in early June 2017, consistent with previous guidance. Conditions at the mine are positive from a geologic, equipment and hiring standpoint. Production from the Acosta Mine will increase in the fourth quarter of 2017, as a second mining unit and additional shifts are added.

(1) This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" starting on page 27 of this MD&A.
(2) 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 $26-$28 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.

BUSINESS OVERVIEW

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 seven mines, has two development mines, operates three preparation plants and has approximately 410 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. 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.

All scientific and technical information contained in this MD&A has been reviewed and approved by Peter V. Merritts, Professional Engineer and the Company's President - NAPP Division, who is a qualified person within the meaning of National Instrument 43-101 - Standards of Disclosure for Mineral Projects.

NAPP Division

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 Acosta Deep Mine, an underground mine utilizing the room and pillar mining method; the Schrock Run Mine, a surface mine using contour mining methods; and the Hamer surface and Horning mines are under development. The Casselman mine is located in Garrett County, Maryland and the Quecreek, Schrock Run, Acosta Deep, Horning 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.

Growth Projects

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

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

CAPP Division

Mines

CAPP currently operates one underground mine, the Cooper Ridge 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 Double Mountain Deep Mine ceased operating in October 2017 as all economically recoverable reserves were exhausted. 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.

Growth Projects

CAPP has the Rich Gap Mason Deep Project which is not permitted and is evaluating other projects.

COAL PRICING TRENDS AND OUTLOOK

NAPP Division

Spot prices for low volatile metallurgical coal experienced significant volatility in the third quarter of 2017, rising approximately 40% to a high in early September 2017 and then ending the quarter at levels 30% higher than at the end of the second quarter of 2017. High rates of global steel production growth fueled increased demand for raw materials which created tightness in the seaborne metallurgical coal market. Chinese domestic metallurgical coal prices have risen as a result of strong steel production and government policy initiatives to decrease coal production capacity and consolidate coal production. Currently, Chinese domestic metallurgical coal prices remain elevated, which encourages imports and creates supply tightness in the seaborne market. The forward curve for low volatile metallurgical coal prices for calendar 2018 is above $165/mt, suggesting that a supply deficit will continue in the quarters ahead. We are seeing a localized scarcity of low vol metallurgical coal in the United States, as a result of significant supply disruptions in 2017 and increased demand. We continue to see high levels of interest for low, medium, and high vol coals from our international customers.

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 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.

CAPP Division

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. Coal prices for utility and industrial coal shipments from the CAPP Division in the third quarter were in line with the previous quarter and are reflective of our annual contracts. Fourth quarter utility and industrial coal prices for the CAPP Division will be at the annual contract rates as well. CAPP Division high vol metallurgical coal prices are subject to the same market influences noted above in the NAPP Division Coal Pricing Trends and Outlook.

See "Risk Factors" below for an additional discussion regarding certain factors that could impact coal pricing trends and outlook.

FINANCIAL AND OPERATIONAL RESULTS

(in thousands)	For the three months ended September 30, 2017	2016	Variance
Revenue	$ 80,366	$ 23,983	$ 56,383
Cost of sales	(66,386)	(25,643)	(40,743)
Gross margin	13,980	(1,660)	15,640
Selling, general and administrative expense	(4,875)	(3,281)	(1,594)
Income (loss) from operations	9,105	(4,941)	14,046
Net finance expense	(2,084)	(2,950)	866
Other income	(206)	785	(991)
Income (loss) before tax	6,815	(7,106)	13,921
Income tax expense (recovery)	—	—	—
Net and comprehensive income (loss)	$ 6,815	$ (7,106) $	$ 13,921
Diluted earnings (loss) per share	$ 0.06	$ (0.09)	$ 0.15

(in thousands)	For the nine months ended September 30, 2017	2016	Variance
Revenue	$ 205,649	$ 59,258	$ 146,391
Cost of sales	(166,446)	(67,879)	(98,567)
Gross margin	39,203	(8,621)	47,824
Selling, general and administrative expense	(13,112)	(9,026)	(4,086)
Income (loss) from operations	26,091	(17,647)	43,738
Net finance expense	(3,336)	(7,038)	3,702
Other (loss) income	(1,305)	1,230	(2,535)
Income (loss) before tax	21,450	(23,455)	44,905
Income tax expense (recovery)	—	—	—
Net and comprehensive income (loss)	$ 21,450	$ (23,455) $	$ 44,905
Diluted earnings (loss) per share	$ 0.16	$ (0.31)	$ 0.47

Operations Summary

(in thousands)	For the three months ended September 30, 2017	2016	Variance
Coal sold - tons			
NAPP - metallurgical coal	488	177	311
NAPP - thermal coal	40	61	(21)
CAPP - thermal coal	123	152	(29)
CAPP - metallurgical coal	87	—	87
Total	738	390	348
Realized price per ton sold(1)			
NAPP - metallurgical coal	$ 112.15	$ 69.48	$ 42.67
NAPP - thermal coal	$ 46.68	$ 39.64	$ 7.04
CAPP - thermal and metallurgical coal	$ 69.38	$ 56.07	$ 13.31
Cash production cost per ton sold(1)			
NAPP - metallurgical coal(2)	$ 70.30	$ 60.07	$ (10.23)
NAPP - thermal coal(2)	$ 45.95	$ 43.07	$ (2.88)
CAPP - thermal and metallurgical coal	$ 64.76	$ 50.16	$ (14.60)
Cash cost per ton sold(1)			
NAPP - metallurgical coal(3)	$ 80.29	$ 60.07	$ (20.22)
NAPP - thermal coal(3)	$ 45.95	$ 43.07	$ (2.88)
CAPP - thermal and metallurgical coal	$ 64.76	$ 50.16	$ (14.60)
Cash margin per ton sold(1)			
NAPP - metallurgical coal	$ 31.86	$ 9.41	$ 22.45
NAPP - thermal coal	$ 0.73	$ (3.43)	$ 4.16
CAPP - thermal and metallurgical coal	$ 4.62	$ 5.91	$ (1.29)
Adjusted EBITDA(1)			
NAPP	$ 13,228	$ 463	$ 12,765
CAPP	380	795	(415)
Corporate	(984)	(724)	(260)
Total	$ 12,624	$ 534	$ 12,090

(1) This is a non-GAAP financial measure. See “Non-GAAP Financial Measures” starting on page 27 of this MD&A.

(2) Cash production cost per ton sold excludes purchased coal. This non-GAAP Financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 27 of this MD&A.

(3) Cash cost per ton sold includes purchased coal. This non-GAAP Financial measure is defined in more detail in “Non-GAAP Financial Measures” starting on page 27 of this MD&A.

(in thousands)	For the nine months ended September 30, 2017	2016	Variance
Coal sold - tons			
NAPP - metallurgical coal	1,153	427	726
NAPP - thermal coal	166	169	(3)
CAPP - thermal coal	393	348	45
CAPP - metallurgical coal	115	—	115
Total	1,827	944	883
Realized price per ton sold[1]			
NAPP - metallurgical coal	$ 126.48	$ 67.00	$ 59.48
NAPP - thermal coal	$ 44.63	$ 39.15	$ 5.48
CAPP - thermal and metallurgical coal	$ 63.30	$ 60.43	$ 2.87
Cash production cost per ton sold[1]			
NAPP - metallurgical coal[2]	$ 70.14	$ 59.74	$ (10.40)
NAPP - thermal coal[2]	$ 42.10	$ 44.82	$ 2.72
CAPP- thermal and metallurgical coal	$ 61.41	$ 52.60	$ (8.81)
Cash cost per ton sold[1]			
NAPP - metallurgical coal[3]	$ 83.05	$ 59.74	$ (23.31)
NAPP - thermal coal[3]	$ 42.10	$ 44.82	$ 2.72
CAPP - thermal and metallurgical coal	$ 61.41	$ 52.60	$ (8.81)
Cash margin per ton sold[1]			
NAPP - metallurgical coal	$ 43.43	$ 7.26	$ 36.17
NAPP - thermal coal	$ 2.53	$ (5.67)	$ 8.20
CAPP - thermal and metallurgical coal	$ 1.89	$ 7.83	$ (5.94)
Adjusted EBITDA[1]			
NAPP	$ 42,491	$ (1,304)	$ 43,795
CAPP	(353)	1,843	(2,196)
Corporate	(2,829)	(2,420)	(409)
Total	$ 39,309	$ (1,881)	$ 41,190

(1) This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" starting on page 27 of this MD&A.

(2) Cash production cost per ton sold excludes purchased coal. This non-GAAP Financial measure is defined in more detail in "Non-GAAP Financial Measures" starting on page 27 of this MD&A.

(3) Cash cost per ton sold includes purchased coal. This non-GAAP Financial measure is defined in more detail in "Non-GAAP Financial Measures" starting on page 27 of this MD&A.

REVIEW OF THIRD QUARTER FINANCIAL RESULTS

	For the three months ended September 30, 2017			
(in thousands)	**NAPP**	**CAPP**	**Corporate**	**Consolidated**
Revenue	$ 62,944	$ 17,422	$ —	$ 80,366
Cost of sales	(48,681)	(17,705)	—	(66,386)
Gross margin	14,263	(283)	—	13,980
Selling, general and administrative expense	(3,193)	(402)	(1,280)	(4,875)
Income (loss) from operations	11,070	(685)	(1,280)	9,105
Net finance expense	(389)	(115)	(1,580)	(2,084)
Other income	(285)	79	—	(206)
Income (loss) before tax	10,396	(721)	(2,860)	6,815
Income tax expense (recovery)	—	—	—	—
Net and comprehensive income (loss)	$ 10,396	$ (721)	$ (2,860)	$ 6,815

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

	Dollar variance for the three months ended September 30, 2017 versus 2016			
(in thousands)	**NAPP**	**CAPP**	**Corporate**	**Consolidated**
Revenue	$ 47,483	$ 8,900	$ —	$ 56,383
Cost of sales	(31,716)	(9,027)	—	(40,743)
Gross margin	15,767	(127)	—	15,640
Selling, general and administrative expense	(2,072)	(39)	517	(1,594)
Income (loss) from operations	13,695	(166)	517	14,046
Net finance income (expense)	206	17	643	866
Other (expense) income	(655)	(336)	—	(991)
Income (loss) before tax	13,246	(485)	1,160	13,921
Income tax expense (recovery)	—	—	—	—
Net and comprehensive income (loss)	$ 13,246	$ (485)	$ 1,160	$ 13,921

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

	For the three months ended September 30,		
(in thousands)	**2017**	**2016**	**Variance**
Metallurgical coal revenue (at preparation plant)	$ 54,727	$ 12,298	$ 42,429
Thermal coal revenue (at preparation plant)	1,867	2,418	(551)
Transportation revenue	5,056	736	4,320
Tolling revenue	1,294	9	1,285
	$ 62,944	$ 15,461	$ 47,483

- Metallurgical coal revenue, net of transportation charges increased $42,429,000 as a result of increased sales volumes which increased revenue by $21,608,000 and increased sales price per ton sold which increased revenue by $20,821,000. Metallurgical coal sold was 488,000 tons and 177,000 tons for the three months ended September 30, 2017 and 2016, respectively, an increase of 311,000 tons. This increase was primarily 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 $42.67 primarily due to the increased global demand for metallurgical coal.

- Thermal coal revenue decreased $551,000 as a result of the expiration of a sales contract. The thermal coal sales contract is being fulfilled in the 2017 period by third party coal purchases.

- Revenue associated with the transportation of coal to the loading terminal or customer increased $4,320,000 as a result of increased export sales in the three months ended September 30, 2017 as compared to the 2016 period due to the sales mix being heavily weighted on export shipments.

- Tolling revenue increased $1,285,000 as a result of the Company processing additional third party coal through its preparation plant during the three months ended September 30, 2017 as compared to the 2016 period.

Cost of sales - NAPP Division

Cost of sales consists of the following:

	For the three months ended September 30,		
(in thousands)	**2017**	**2016**	**Variance**
Mining and processing costs	$ 16,139	$ 10,536	$ 5,603
Purchased coal costs	23,516	1,718	21,798
Royalty expense	1,365	1,006	359
Amortization expense	2,999	2,882	117
Transportation costs from preparation plant to customer	5,056	737	4,319
Idle mine expense	225	138	87
Tolling costs	452	(26)	478
Write-off of advance royalties and other assets	133	—	133
Other costs	(1,204)	(26)	(1,178)
	$ 48,681	$ 16,965	$ 31,716

- Mining and processing costs increased primarily due to less favorable geological conditions at the Quecreek and Casselman mines. Costs also increased as a result of the Acosta mine commencing production during the three months ended September 30, 2017 and costs should normalize as the second production unit is installed at the mine. Costs also increased as a result of increased volumes sold during the three months ended September 30, 2017. These increases in costs were partially offset by decreased thermal coal mining and processing costs as a result of purchasing the thermal coal to fulfill the sales contracts from third party producers during the three months ended September 30, 2017.
- 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 to ship a blended metallurgical coal product to export customers. The sales and trading platform commenced in the nine months ended September 30, 2017, for further details surrounding the sales and trading platform, see "Non-GAAP Financial Measures" on page 27 of this MD&A.
- 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, which includes vessel demurrage costs.
- Other costs decreased primarily due to an actuarial adjustment of historical workers' compensation claims.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

	For the three months ended September 30,		
(in thousands)	**2017**	**2016**	**Variance**
Salaries and other compensations	$ 1,036	$ 731	$ 305
Selling expense	1,429	99	1,330
Professional fees	140	117	23
Office expenses and insurance	431	100	331
Other	157	74	83
	$ 3,193	$ 1,121	$ 2,072

Selling, general and administrative expense related to the NAPP Division increased primarily due to increased selling expense as a result of increased export sales commissions paid to third party agents as well as additional staffing requirements.

Other income (expense)

Other income (expense) decreased primarily due to various litigation accruals, lower gains on sales of assets in the three months ended September 30, 2017 and various other items, none of which were individually material.

CAPP Division

Revenue - CAPP Division

	For the three months ended September 30,		
(in thousands)	**2017**	**2016**	**Variance**
Coal revenue (at preparation plant)	$ 14,570	$ 8,522	$ 6,048
Transportation revenue	2,852	—	2,852
	$ 17,422	$ 8,522	$ 8,900

- Revenue, consisting of thermal, industrial and metallurgical coal sales, net of transportation, increased $6,048,000 as a result of increased sales volumes which increased revenue by $3,252,000 and increased sales price per ton sold which increased revenue by $2,796,000. Coal sales were 210,000 tons and 152,000 tons for the three months ended September 30, 2017 and 2016, respectively, an increase of 58,000 tons. This increase is primarily driven by an increase in metallurgical coal sales from the division as a result of increased demand in the export metallurgical coal market. During the three months ended September 30, 2016, there were no metallurgical coal sales. Realized price per ton sold increased $13.31 primarily due to the sale of metallurgical coal which increased the price realizations as compared to placing the tons in the thermal coal market.

- Revenue associated with the transportation of coal to the loading terminal or customer increased $2,852,000 as a result of export metallurgical coal sales during the three months ended September 30, 2017. There were no metallurgical coal sales where the division is responsible for transporting the coal to the loading terminal in the three months ended September 30, 2016.

Cost of sales - CAPP Division

Cost of sales consists of the following:

	For the three months ended September 30,		
(in thousands)	**2017**	**2016**	**Variance**
Mining and processing costs	$ 9,720	$ 6,600	$ 3,120
Purchased coal costs	3,228	577	2,651
Royalty expense	651	448	203
Amortization expense	1,112	993	119
Transportation costs from preparation plant to customer	2,852	—	2,852
Idle mine expense	142	25	117
Write-off of advance royalties and other assets	—	35	(35)
	$ 17,705	$ 8,678	$ 9,027

- Mining and processing costs increased as a result of additional sales volumes in the three months ended September 30, 2017.
- Purchased coal costs increased primarily due to an increase in volumes purchased and blended to meet certain quality specifications for thermal and metallurgical coal sales.
- 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, which includes vessel demurrage costs.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

	For the three months ended September 30,		
(in thousands)	**2017**	**2016**	**Variance**
Salaries and other compensations	$ 811	$ 1,277	$ (466)
Professional fees	275	363	(88)
Office expenses and insurance	167	150	17
Other	27	7	20
	$ 1,280	$ 1,797	$ (517)

- Salaries and other compensation decreased primarily due to the acceleration of stock based compensation expense during the three months ended September 30, 2016 as a result of the cancellation of certain stock options which required the acceleration of vesting requirements prior to cancellation. This increase was partially offset as a result of additional staffing requirements and various salary increases.

Net finance expense (income) - Corporate Division

Net finance expense (income) consists of the following:

	For the three months ended September 30,		
	2017	**2016**	**Variance**
Warrant financial liability (gain) loss	$ (150)	$ 1,130	$ (1,280)
Interest expense	1,458	778	680
Accretion of discount on loan payable	335	324	11
Foreign exchange gain	(20)	—	(20)
Interest income	(43)	(9)	(34)
	$ 1,580	$ 2,223	$ (643)

- The warrant financial liability resulted in income of $150,000 in the three months ended September 30, 2017 compared with $1,130,000 of additional expense in the three months ended September 30, 2016 due to changes in the underlying assumptions used to value the liability.
- Interest expense increased during the three months ended September 30, 2017 as a result of additional interest on the term loan payable on the anniversary of this term loan.

REVIEW OF YEAR-TO-DATE FINANCIAL RESULTS

(in thousands)	For the nine months ended September 30, 2017 NAPP	CAPP	Corporate	Consolidated
Revenue	$ 169,661	$ 35,988	$ —	$ 205,649
Cost of sales	(128,100)	(38,346)	—	(166,446)
Gross margin	41,561	(2,358)	—	39,203
Selling, general and administrative expense	(7,929)	(1,325)	(3,858)	(13,112)
Income (loss) from operations	33,632	(3,683)	(3,858)	26,091
Net finance expense	(1,090)	(368)	(1,878)	(3,336)
Other (expense) income	(1,736)	431	—	(1,305)
Income (loss) before tax	30,806	(3,620)	(5,736)	21,450
Income tax expense (recovery)	—	—	—	—
Net and comprehensive income (loss)	$ 30,806	$ (3,620)	$ (5,736)	$ 21,450

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

(in thousands)	Dollar variance for the nine months ended September 30, 2017 versus 2016 NAPP	CAPP	Corporate	Consolidated
Revenue	$ 131,433	$ 14,958	$ —	$ 146,391
Cost of sales	(81,564)	(17,003)	—	(98,567)
Gross margin	49,869	(2,045)	—	47,824
Selling, general and administrative expense	(4,426)	(236)	576	(4,086)
Income (loss) from operations	45,443	(2,281)	576	43,738
Net finance income (expense)	476	6	3,220	3,702
Other (expense) income	(2,387)	(148)	—	(2,535)
Income (loss) before tax	43,532	(2,423)	3,796	44,905
Income tax expense (recovery)	—	—	—	—
Net and comprehensive income (loss)	$ 43,532	$ (2,423)	$ 3,796	$ 44,905

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

(in thousands)	For the nine months ended September 30, 2017	2016	Variance
Metallurgical coal revenue (at preparation plant)	$ 145,836	$ 28,611	$ 117,225
Thermal coal revenue (at preparation plant)	7,409	6,616	793
Transportation revenue	14,454	2,918	11,536
Tolling revenue	1,962	83	1,879
	$ 169,661	$ 38,228	$ 131,433

- Metallurgical coal revenue, net of transportation charges increased $117,225,000 as a result of increased sales price per ton sold which increased revenue by $68,580,000 and increased sales volumes which increased revenue by $48,645,000. Metallurgical coal sold was 1,153,000 tons and 427,000 tons for the nine months ended September 30, 2017 and 2016, respectively, an increase of 726,000 tons. This increase was primarily 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 $59.48 primarily due to the increased global demand for metallurgical coal.

- Thermal coal revenue increased $793,000 as a result of the timing of shipments on the thermal sales contracts. The thermal coal sales contracts were executed during the nine month period ending September 30, 2016 and are being fulfilled in the nine months ending September 30, 2017 period by third party coal purchases.

- Revenue associated with the transportation of coal to the loading terminal or customer increased $11,536,000 as a result of increased export sales in the nine months ended September 30, 2017 as compared to the 2016 period due to the sales mix being heavily weighted on export shipments.

- Tolling revenue increased $1,879,000 as a result of the Company processing additional third party coal through its preparation plants during the nine months ended September 30, 2017 as compared to the 2016 period.

Cost of sales - NAPP Division

Cost of sales consists of the following:

(in thousands)	For the nine months ended September 30, 2017	2016	Variance
Mining and processing costs	$ 40,399	$ 28,961	$ 11,438
Purchased coal costs	57,675	1,776	55,899
Royalty expense	4,675	2,348	2,327
Amortization expense	9,142	9,315	(173)
Transportation costs from preparation plant to customer	14,454	2,919	11,535
Idle mine expense	773	716	57
Tolling costs	808	38	770
Write-off of advance royalties and other assets	303	126	177
Other costs	(129)	337	(466)
	$ 128,100	$ 46,536	$ 81,564

- Mining and processing costs increased primarily due additional produced metallurgical coal volumes sold during the nine months ended September 30, 2017 as well as less favorable geological conditions at the Quecreek and Casselman mines. Costs also increased as a result of the Acosta mine commencing production during the nine months ended September 30, 2017 and costs should normalize as the second production unit is installed at the mine. These increases in costs were partially offset by decreased thermal coal mining and processing costs as a result of purchasing the thermal coal to fulfill the sales contracts from third party producers during the nine months ended September 30, 2017.

- 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 to ship a blended metallurgical coal product to export customers. The sales and trading platform commenced in the nine months ended September 30, 2017, for further details surrounding the sales and trading platform, see "Non-GAAP Financial Measures" on page 27 of this MD&A.
- Royalty expense increased primarily due to the additional volumes sold at higher prices in the nine months ended September 30, 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, which includes vessel demurrage costs.
- Tolling costs increased as a result of processing additional third party coal through Corsa's preparation plants in the nine months ended September 30, 2017.
- Other costs decreased primarily due to an actuarial adjustment of historical workers' compensation claims partially offset by contingent rent related to a lease entered into after the September 30, 2016 period and plant start-up costs incurred in connection with the Shade Creek preparation plant start-up.

Selling, general and administrative expense - NAPP Division

Selling, general and administrative expense consists of the following:

	For the nine months ended September 30,		
(in thousands)	**2017**	**2016**	**Variance**
Salaries and other compensations	$ 3,474	$ 2,319	$ 1,155
Selling expense	2,774	235	2,539
Professional fees	443	344	99
Office expenses and insurance	747	321	426
Other	491	284	207
	$ 7,929	$ 3,503	$ 4,426

Selling, general and administrative expense related to the NAPP Division increased primarily due to increased selling expense as a result of increased export sales commissions paid to third party agents, additional staffing requirements and increased bank charges as a result of fees paid to secure payment related to export shipments.

Other income (expense)

Other income (expense) decreased primarily due to the revaluation of the transportation contract liquidated damages liability. During the nine months ending September 30, 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 impacted due to lower gains on sales of assets in the nine months ended September 30, 2017, litigation accruals and various other items, none of which were individually material.

CAPP Division

Revenue - CAPP Division

(in thousands)	For the nine months ended September 30, 2017	2016	Variance
Coal revenue (at preparation plant)	$ 32,154	$ 21,030	$ 11,124
Transportation revenue	3,834	—	3,834
	$ 35,988	$ 21,030	$ 14,958

- Revenue, consisting of thermal, industrial and metallurgical coal sales, net of transportation, increased $11,124,000 as a result of increased sales volumes which increased revenue by $9,669,000 and increased sales price per ton sold which increased revenue by $1,455,000. Coal sales were 508,000 tons and 348,000 tons for the nine months ended September 30, 2017 and 2016, respectively, an increase of 160,000 tons. This increase is primarily driven by an increase in metallurgical coal sales from the division as a result of increased demand in the export metallurgical coal market. During the nine months ended September 30, 2016, there were no metallurgical coal sales. Realized price per ton sold increased $2.87 primarily due to the sale of metallurgical coal which increased the price realizations as compared to placing the tons in the thermal coal market.

- Revenue associated with the transportation of coal to the loading terminal or customer increased $3,834,000 as a result of export metallurgical coal sales during the nine months ended September 30, 2017. There were no metallurgical coal sales where the division is responsible for transporting the coal to the loading terminal in the nine months ended September 30, 2016.

Cost of sales - CAPP Division

Cost of sales consists of the following:

(in thousands)	For the nine months ended September 30, 2017	2016	Variance
Mining and processing costs	$ 24,186	$ 15,507	$ 8,679
Purchased coal costs	5,427	1,307	4,120
Royalty expense	1,584	1,492	92
Amortization expense	3,276	2,569	707
Transportation costs from preparation plant to customer	3,834	—	3,834
Idle mine expense	187	363	(176)
Change in estimate of reclamation provision	(148)	—	(148)
Write-off of advance royalties and other assets	—	105	(105)
	$ 38,346	$ 21,343	$ 17,003

- Mining and processing costs increased as a result of additional production volumes sold in the nine months ended September 30, 2017 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 for thermal and metallurgical coal sales.
- Amortization expense increased due primarily to the Cooper Ridge mine operating in the nine months ending September 30, 2017, previously this mine was under development and costs were capitalized as mine development.
- 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, which includes vessel demurrage costs.

Corporate Division

Selling, general and administrative expense - Corporate Division

Selling, general and administrative expense consists of the following:

	For the nine months ended September 30,		
(in thousands)	2017	2016	Variance
Salaries and other compensations	$ 2,446	$ 2,652	$ (206)
Professional fees	891	1,391	(500)
Office expenses and insurance	445	355	90
Other	76	36	40
	$ 3,858	$ 4,434	$ (576)

- Salaries and other compensation decreased primarily due to the acceleration of stock based compensation expense during the nine months ended September 30, 2016 as a result of the cancellation of certain stock options which required the acceleration of vesting requirements prior to cancellation. This increase was partially offset 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 nine months ended September 30,		
	2017	2016	Variance
Warrant financial liability (gain) loss	$ (1,914)	$ 1,960	$ (3,874)
Interest expense	3,068	2,265	803
Accretion of discount on loan payable	990	948	42
Foreign exchange gain	(155)	(55)	(100)
Interest income	(111)	(20)	(91)
	$ 1,878	$ 5,098	$ (3,220)

- The warrant financial liability resulted in income of $1,914,000 in the nine months ended September 30, 2017 compared with expense of $1,960,000 in the nine months ended September 30, 2016 due to changes in the underlying assumptions used to value the liability.
- Interest expense increased during the nine months ended September 30, 2017 as a result of additional interest on the term loan payable on the anniversary of this term loan.

FINANCIAL CONDITION

(in thousands)	September 30, 2017	December 31, 2016	Variance
Current assets	$ 74,087	$ 48,657	$ 25,430
Non-current assets	161,423	152,315	9,108
Total assets	$ 235,510	$ 200,972	$ 34,538
Current liabilities	$ 53,463	$ 33,164	$ 20,299
Non-current liabilities	100,395	108,825	(8,430)
Total liabilities	$ 153,858	$ 141,989	$ 11,869
Total equity	$ 81,652	$ 58,983	$ 22,669

- Current assets increased primarily due to the increase in accounts receivable as a result of timing of customer shipments.
- Non-current assets increased as a result of growth capital expenditures partially offset by depreciation, depletion and amortization.
- Current liabilities increased primarily due to the timing of trade payables, which includes purchased coal payables, as a result of the sales and trading platform.
- Non-current liabilities decreased as a result of prepayments on the transportation contract liquidated damages liability, reclamation and water treatment expenditures, the reduction in the warrant financial liability due to changes in the underlying assumptions used to value the liability and scheduled payments related to finance leases and notes payable.
- Total equity increased primarily due to net and comprehensive income that occurred during the period.

LIQUIDITY AND CAPITAL RESOURCES

Our sources of cash have been coal sales to customers and proceeds received from the issuance of securities. Our primary uses of cash have been for funding our existing operations, our capital expenditures, our reclamation and water treatment obligations, our water treatment trust funding, our debt service costs and professional fees. We expect to fund our maintenance capital and liquidity requirements with cash on hand and projected cash flow from operations. Our future spending on growth capital expenditures and development of our coal properties will be dependent upon market conditions, achieving acceptable rates of return on investment and financing availability.

If our cash flows from operations are less than we require, we may need to incur additional debt or issue additional equity. From time to time we may need to access the long-term and short-term capital markets to obtain financing. Although we believe we can currently finance our operations on acceptable terms and conditions, our access to, and the availability of, financing on acceptable terms and conditions in the future will be affected by many factors, including the liquidity of the overall capital markets, the current state of the global economy and restrictions in our existing debt agreements and any other future debt agreements. There can be no assurance that we will have or continue to have access to the capital markets on terms acceptable to us.

(in thousands)	September 30, 2017	December 31, 2016	Variance
Cash	$ 24,246	$ 25,757	$ (1,511)
Working capital	$ 20,624	$ 15,493	$ 5,131
Total Debt			
Notes payable	$ 2,909	$ 6,765	$ (3,856)
Finance lease obligations	5,259	8,054	(2,795)
Loan payable	29,425	28,435	990
	$ 37,593	$ 43,254	$ (5,661)

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, generating positive cash flow from operations and a reduction in notes payable as a result of scheduled payments. These increases to working capital were partially offset by an increase in purchased coal payables as a result of the timing of coal purchases and a decrease in coal inventory as a result of timing of vessel loadings.

We maintain a significant cash balance to enable us to purchase the required coal in order to advance our sales and trading platform. As a result of the additional export sales under this platform, we are required to purchase coal and incur transportation costs prior to receiving payment from the customer on the coal sale. To mitigate the timing risk we maintain an adequate level of cash to support the sales and trading platform.

Total Debt

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.

Contingent Receivable - A Seam Condemnation

In December 2014, PBS Coals, Inc. filed a Petition with the Court of Common Pleas of Somerset County, Pennsylvania, seeking to convene a State Mining Commission (the "SMC") in order to determine the quantity and value of coal required to be left in place as a result Pennsylvania Department of Transportation's construction of State Route 219 over coal estates leased by PBS Coals, Inc. from Penn Pocahontas Coal Co. The SMC was convened in January 2015 and then bifurcated the proceedings into quantity and valuation phases. The SMC heard testimony on the quantity phase during dates between November 2016 and June 2017. On August 24, 2017, the SMC issued a ruling on the support quantity favorable to PBS Coals, Inc. and directed further hearings regarding the tonnages, valuation and mineability of the support coal. The Pennsylvania Department of Transportation then filed an application to allow it to file an interlocutory appeal by permission with the Pennsylvania Commonwealth Court together with a request for stay of further hearings before the SMC. On October 3, 2017, the SMC granted the Department of

Transportation's application and stayed further proceedings before the SMC pending the resolution of the appellate process before the Commonwealth Court. Presently, the Company has not recognized this contingent receivable and cannot provide a reasonable estimate for the potential magnitude of the claim.

Cash Flows

	For the three months ended September 30,			For the nine months ended September 30,		
	2017	2016	Change	2017	2016	Change
Cash Flows:						
Provided by (used in) operating activities	$ 7,376	$ (2,185)	$ 9,561	$ 24,754	$ (6,710)	$ 31,464
Used in investing activities	(6,653)	(176)	(6,477)	(19,765)	(2,258)	(17,507)
Provided by (used in) financing activities	(2,125)	36	(2,161)	(6,500)	7,840	(14,340)
(Decrease) increase in cash	(1,402)	(2,325)	923	(1,511)	(1,128)	(383)
Cash at beginning of period	25,648	10,690	14,958	25,757	9,493	16,264
Cash at end of period	$ 24,246	$ 8,365	$ 15,881	$ 24,246	$ 8,365	$ 15,881

- Cash flow provided by operating activities increased $9.6 million and $31.5 million for the three and nine months ended September 30, 2017, respectively, compared to the same period in the prior year, primarily due to the increase in net and comprehensive income which was driven by the improved market for metallurgical coal and increased sales volumes. The improvement in net and comprehensive income was partially offset by changes in non-cash operating items and changes in working capital as a result of increased sales and the addition of the sales and trading platform.

- The increase in cash used in investing activities for the three and nine months ended September 30, 2017 is primarily due to increased capital expenditures in the 2017 period related to opening of the Acosta mine and equipment purchases. As a result of the improved coal markets, the Company is investing in the mines to improve efficiency and replace equipment.

- The change in financing activities during the three and nine months ended September 30, 2017 is primarily due to the following items:
  - Scheduled payments for the three and nine months ended September 30, 2017 were $0.9 million and $3.2 million, respectively, on the CAPP Division revolving credit/term loan facility. During the three and nine months ended September 30, 2016, the Company borrowed $1.0 million and $2.2 million, respectively, on the revolving credit facility. In December 2016, the Company converted this revolving credit facility into a term loan facility with amortizing principal payments to be made monthly in 2017. The balance of this term loan of $1.0 million will be paid by December 10, 2017.
  - Net proceeds from the issuance of common shares of the Company ("Common Shares") were $10.1 million during the nine months ended September 30, 2016. There were no proceeds from equity issuances during the three and nine months ended September 30, 2017.

Capital Expenditures

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

(in thousands)	NAPP	CAPP	Corporate	Total
Maintenance capital expenditures				
Deep mines	$ 2,015	$ 907	$ —	$ 2,922
Surface mines	1,747	—	—	1,747
Plant	283	136	—	419
Administrative	73	—	42	115
	4,118	1,043	42	5,203
Growth capital expenditures				
Deep mines	13,396	695	—	14,091
Surface mines	1,044	192	—	1,236
	14,440	887	—	15,327
	$ 18,558	$ 1,930	$ 42	$ 20,530

Corsa's capital expenditures for the nine months ended September 30, 2017 was primarily focused on growth capital to develop the Acosta mine. Maintenance capital was primarily incurred to replace mining equipment. 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. There were no receipts from this program in the nine months ended September 30, 2017.

GUIDANCE[1]

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

(all tonnage in short tons)

	YTD September 2017	Quarter Ended December 31, 2017		Year Ended December 31, 2017		Change from Previous Guidance[2]	
	Actual	Low	High	Low	High	Low	High
Metallurgical Coal Sales Tons							
NAPP Division							
Company Produced	640,000	180,000	200,000	820,000	840,000	(80,000)	(160,000)
Purchased - Value Added Services	224,000	76,000	86,000	300,000	310,000	50,000	10,000
Purchased - Sales & Trading	289,000	61,000	186,000	350,000	475,000	(22,061)	52,939
Total NAPP Met. Sales Tons	1,153,000	317,000	472,000	1,470,000	1,625,000	(52,061)	(97,061)
CAPP Division	115,000	20,000	35,000	135,000	150,000	69,943	49,943
Total Metallurgical Coal Sales Tons	1,268,000	337,000	507,000	1,605,000	1,775,000	17,882	(47,118)
Thermal Coal Sales Tons							
NAPP Division	166,000	44,000	54,000	210,000	220,000	(5,000)	(15,000)
CAPP Division	393,000	135,000	155,000	528,000	548,000	(117,000)	(142,000)
	559,000	179,000	209,000	738,000	768,000	(122,000)	(157,000)
Cash Production Cost/Ton Sold[3]							
NAPP Division Metallurgical Coal[3][4]	$ 70.14	$ 69.50	$ 82.00	$ 70.00	$ 73.00	$ 5.00	$ 3.00
CAPP Division - Met. and Thermal Coal[3]	$ 61.41	$ 51.00	$ 60.00	$ 59.00	$ 61.00	$ 4.00	$ 1.00

Corsa's Company Produced metallurgical sales volumes were updated to reflect future production assumptions based on current productivity and coal seam thickness. Value Added Services and Sales and Trading purchased coal reflect updated availability of coal that the Company will be able to procure. The CAPP Division metallurgical coal has been updated to reflect additional blend vessels that are scheduled to ship during the fourth quarter 2017. Thermal coal sales volumes have been updated to reflect future production assumptions primarily related to the projected coal quality at the CAPP Division due to the timing of the Double Mountain Mine exhausting economical coal reserves as well as current qualities at the surface mines meeting the metallurgical coal specifications. The cash production cost has been updated to reflect the mix of production from the Company's mines taking into account the current operating conditions, advance rates and coal recovery.

(1) Guidance projections ("Guidance") are considered "forward-looking statements" and "forward looking information" and represent management's good faith estimates or expectations of future production and sales results as of the date hereof. Guidance is based upon certain assumptions, including, but not limited to, future cash production costs, future sales and production and the availability of coal from other suppliers that the Company may purchase. Such assumptions may prove to be incorrect and actual results may differ materially from those anticipated. Consequently, Guidance cannot be guaranteed. As such, investors are cautioned not to place undue reliance upon Guidance, forward-looking statements and forward looking information as there can be no assurance that the plans, assumptions or expectations upon which they are placed will occur.

(2) Previous Guidance was presented in the Company's MD&A for the three and six months ended June 30, 2017 dated August 16, 2017.

(3) This is a non-GAAP financial measure. See "Cautionary Statement Regarding Certain Measures of Performance" above for more information.

(4) Cash Production Cost / Ton Sold excludes purchased coal. This non-GAAP financial measure see "Cautionary Statement Regarding Certain Measures of Performance" above for more information.

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 September 30, 2017.

Corporate loan payable

The covenants required to be met under the Company's $25,000,000 secured term loan (the "Facility"), as subsequently amended with Sprott Resource Lending Corp. ("SRLC") are described below. Such measurements are made on the consolidated results of Corsa excluding the CAPP Division. Corsa is permitted to provide financial assistance to the CAPP Division in an amount not exceeding $5 million. No financial assistance has been provided to 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, a subsidiary of Corsa, 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

(in thousands)	Carrying Value at Sept. 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	$ 39,635	$ 39,635	$ 39,635	$ —	$ —	$ —
Notes payable	2,909	2,909	2,250	659	—	—
Finance lease obligations	5,259	5,284	2,580	2,440	264	—
Loan payable	29,425	32,017	—	32,017	—	—
Other liabilities	14,272	14,919	2,991	7,944	3,500	484
Purchase order firm commitments	—	9,932	9,932	—	—	—
Water treatment trust funding	—	7,106	1,935	3,741	1,430	—
Operating leases and other obligations	—	3,025	752	890	370	1,013
Total	$ 91,500	$ 114,827	$ 60,075	$ 47,691	$ 5,564	$ 1,497

The purchase order firm commitments primarily relate to the procurement of mining equipment which will be funded from cash on hand or cash flows from operations.

NON-GAAP FINANCIAL MEASURES

The Company has included certain non-GAAP financial measures throughout this MD&A. These performance measures are employed by the Company to measure its performance internally and to assist in business decision-making as well as providing key performance information to senior management. The Company believes that, in addition to the conventional measures prepared in accordance with GAAP, certain investors and other stakeholders also use these non-GAAP financial measures to evaluate the Company's performance; however, these non-GAAP financial measures do not have any standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Accordingly, these non-GAAP financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Commencing in the Company's first quarter for its 2017 fiscal year, the Company established a sales and trading platform which was not previously part of the Company's business model. In the sales and trading platform, the Company purchases and then sells coal on a clean or finished goods basis from suppliers outside of the Company's main operating area. The Company blends this coal, which primarily has a different quality basis than the coal the Company produces, to provide a blended product to customers who do not have the ability to purchase and blend different qualities of coal at their facilities. As a result of the addition of this platform to the Company's business model, new non-GAAP financial measures (i.e., cash production cost per ton sold and cash cost per sales and trading purchased coal per ton sold) were introduced to present the cost of the coal the Company produces and sells separately from the total costs of the coal sold, which total costs includes the coal we purchase under the sales and trading platform. These are presented separately due to the purchases being derived from market prices that are considered to be higher than the Company's internal production costs. As the total cost per ton sold increases as a result of these coal purchases under the sales and trading platform, the Company believes that providing a breakdown of the cost of coal that the Company produces provides a meaningful metric to investors as this non-GAAP financial measure is utilized in evaluating the operational effectiveness of the Company's mines.

Management uses the following non-GAAP financial measures:

- **EBITDA** - earnings before deductions for interest, taxes, depreciation and amortization;
- **Adjusted EBITDA** - EBITDA adjusted for change in estimate of reclamation provision 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. Adjusted EBITDA is used as a supplemental financial measure by management and by external users of our financial statements to assess our performance as compared to the performance of other companies in the coal industry, without regard to financing methods, historical cost basis or capital structure; the ability of our assets to generate sufficient cash flow; and our ability to incur and service debt and fund capital expenditures. Management also uses adjusted EBITDA for the purposes of making decisions to allocate resources among segments or assessing segment performance.
- **Realized price per ton sold** - revenue from coal sales less transportation costs from the mine to the loading terminal divided by tons of coal sold. Management evaluates our operations based on the volume of coal we can safely produce or purchase and sell in compliance with regulatory standards, and the prices we receive for our coal. Our sales volume and sales prices are largely dependent upon the terms of our contracts, for which prices generally are set based on an index. We evaluate the price we receive for our coal on an average realized price on an FOB mine per short ton basis;
- **Cash production cost per ton sold** - cash production costs of sales excluding sales and trading purchased coal costs, all included within cost of sales, divided by tons of produced coal sold. Cash production cost is based on cost of sales and includes items such as manpower, royalties, fuel, and other similar production related items, pursuant to GAAP, but relate directly to the costs incurred to produce coal and sell it on an FOB mine basis. Cash production cost per ton sold is used as a supplemental financial measure by management and by external users to assess our operating performance as compared to the operating performance of other companies in the coal industry. Sales and Trading purchased coal is excluded as the purchased coal costs are based on market prices of coal purchased not the cost to produce the coal;
- **Cash cost per sales and trading purchased coal per ton sold** - sales and trading purchased coal costs divided by tons of sales and trading purchased coal sold. Management uses this non-GAAP financial measure to assess coal purchases against the market price at which this coal will be sold and the performance of the Company's sales and trading platform;
- **Cash cost per ton sold** - cash production costs of sales, included within cost of sales, divided by total tons sold. Management uses cash cost per ton sold to assess our overall financial performance on a per ton basis to include the Company's production and purchased coal cost in total;
- **Cash margin per ton sold** - calculated difference between realized price per ton sold and cash cost per ton sold. Cash margin per ton sold is used by management and external users to assess the operating performance as compared to the operating performance of other coal companies in the coal industry.

Since non-GAAP financial measures do 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 as follows:

EBITDA and Adjusted EBITDA for the three months ended September 30, 2017 and 2016

	For the three months ended September 30, 2017				For the three months ended September 30, 2016			
(in thousands)	**NAPP**	**CAPP**	**Corp.**	**Total**	**NAPP**	**CAPP**	**Corp.**	**Total**
Net and comprehensive income (loss)	$ 10,396	$ (721)	$ (2,860)	$ 6,815	$ (2,850)	$ (236)	$ (4,020)	$ (7,106)
Add (Deduct):								
Amortization expense	2,999	1,112	—	4,111	2,882	993	—	3,875
Interest expense	159	32	1,458	1,649	243	44	778	1,065
Income tax expense	—	—	—	—	—	—	—	—
EBITDA	13,554	423	(1,402)	12,575	275	801	(3,242)	(2,166)
Add (Deduct):								
Write-off of advance royalties and other assets	133	—	—	133	—	35	—	35
Change in estimate of reclamation provision	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	296	296	—	—	1,073	1,073
Net finance (income) expense, excluding interest expense	230	83	122	435	352	88	1,445	1,885
Gain on disposal of assets	(47)	(126)	—	(173)	(160)	(129)	—	(289)
Other costs	(642)	—	—	(642)	(4)	—	—	(4)
Adjusted EBITDA	$ 13,228	$ 380	$ (984)	$ 12,624	$ 463	$ 795	$ (724)	$ 534

EBITDA and Adjusted EBITDA for the nine months ended September 30, 2017 and 2016

(in thousands)	For the nine months ended September 30, 2017 NAPP	CAPP	Corp.	Total	For the nine months ended September 30, 2016 NAPP	CAPP	Corp.	Total
Net and comprehensive income (loss)	$ 30,806	$ (3,620)	$ (5,736)	$ 21,450	$ (12,726)	$ (1,197)	$ (9,532)	$ (23,455)
Add (Deduct):								
Amortization expense	9,142	3,276	—	12,418	9,315	2,569	—	11,884
Interest expense	573	129	3,068	3,770	600	107	2,265	2,972
Income tax expense	—	—	—	—	—	—	—	—
EBITDA	40,521	(215)	(2,668)	37,638	(2,811)	1,479	(7,267)	(8,599)
Add (Deduct):								
Write-off of advance royalties and other assets	303	—	—	303	126	105	—	231
Change in estimate of reclamation provision	—	(148)	—	(148)	—	—	—	—
Stock-based compensation	—	—	1,029	1,029	—	—	2,014	2,014
Net finance (income) expense, excluding interest expense	517	239	(1,190)	(434)	966	267	2,833	4,066
Gain on disposal of assets	(146)	(229)	—	(375)	(956)	(129)	—	(1,085)
Other costs	1,296	—	—	1,296	1,371	121	—	1,492
Adjusted EBITDA	$ 42,491	$ (353)	$ (2,829)	$ 39,309	$ (1,304)	$ 1,843	$ (2,420)	$ (1,881)

Realized price per ton sold for the three months ended September 30, 2017 and 2016

(in thousands except per ton amounts)	For the three months ended September 30, 2017					For the three months ended September 30, 2016				
	NAPP Met	NAPP Thermal	Total NAPP	CAPP	Total	NAPP Met	NAPP Thermal	Total NAPP	CAPP	Total
Revenue	$ 61,077	$ 1,867	$ 62,944	$ 17,422	$ 80,366	$ 12,808	$ 2,653	$ 15,461	$ 8,522	$ 23,983
Add (Deduct):										
Tolling revenue	(1,294)	—	(1,294)	—	(1,294)	(9)	—	(9)	—	(9)
Transportation costs from preparation plant to customer	(5,056)	—	(5,056)	(2,852)	(7,908)	(501)	(235)	(736)	—	(736)
Net coal sales (at preparation plant)	$ 54,727	$ 1,867	$ 56,594	$ 14,570	$ 71,164	$ 12,298	$ 2,418	$ 14,716	$ 8,522	$ 23,238
Coal sold - tons	488	40	528	210	738	177	61	238	152	390
Realized price per ton sold (at preparation plant)	$ 112.15	$ 46.68	$ 107.19	$ 69.38	$ 96.43	$ 69.48	$ 39.64	$ 61.83	$ 56.07	$ 59.58

Realized price per ton sold for the nine months ended September 30, 2017 and 2016

(in thousands except per ton amounts)	For the nine months ended September 30, 2017					For the nine months ended September 30, 2016				
	NAPP Met	NAPP Thermal	Total NAPP	CAPP	Total	NAPP Met	NAPP Thermal	Total NAPP	CAPP	Total
Revenue	$162,252	$ 7,409	$169,661	$ 35,988	$205,649	$ 30,845	$ 7,383	$ 38,228	$ 21,030	$ 59,258
Add (Deduct):										
Tolling revenue	(1,962)	—	(1,962)	—	(1,962)	(83)	—	(83)	—	(83)
Transportation costs from preparation plant to customer	(14,454)	—	(14,454)	(3,834)	(18,288)	(2,151)	(767)	(2,918)	—	(2,918)
Net coal sales (at preparation plant)	$145,836	$ 7,409	$153,245	$ 32,154	$185,399	$ 28,611	$ 6,616	$ 35,227	$ 21,030	$ 56,257
Coal sold - tons	1,153	166	1,319	508	1,827	427	169	596	348	944
Realized price per ton sold (at preparation plant)	$ 126.48	$ 44.63	$ 116.18	$ 63.30	$ 101.48	$ 67.00	$ 39.15	$ 59.11	$ 60.43	$ 59.59

Cash cost per ton sold, cash production cost per ton sold, and cash cost per sales and trading purchased coal per ton sold for the three months ended September 30, 2017 and 2016

	For the three months ended September 30, 2017					For the three months ended September 30, 2016				
(in thousands except per ton amounts)	**NAPP Met**	**NAPP Thermal**	**Total NAPP**	**CAPP**	**Total**	**NAPP Met**	**NAPP Thermal**	**Total NAPP**	**CAPP**	**Total**
Cost of Sales:										
Mining and processing costs	$ 16,139	$ —	$ 16,139	$ 9,720	$ 25,859	$ 7,799	$ 2,213	$ 10,012	$ 7,124	$ 17,136
Purchased coal costs	21,678	1,838	23,516	3,228	26,744	1,532	186	1,718	577	2,295
Royalty expense	1,365	—	1,365	651	2,016	1,302	228	1,530	(76)	1,454
Total cash costs of tons sold	$ 39,182	$ 1,838	$ 41,020	$ 13,599	$ 54,619	$ 10,633	$ 2,627	$ 13,260	$ 7,625	$ 20,885
Total tons sold	488	40	528	210	738	177	61	238	152	390
Cash cost per ton sold (at preparation plant)	$ 80.29	$ 45.95	$ 77.69	$ 64.76	$ 74.01	$ 60.07	$ 43.07	$ 55.71	$ 50.16	$ 53.55
Total cash costs of tons sold	$ 39,182	$ 1,838	$ 41,020	$ 13,599	$ 54,619	$ 10,633	$ 2,627	$ 13,260	$ 7,625	$ 20,885
Less: Sales and trading purchased coal	(21,678)	—	(21,678)	—	(21,678)	—	—	—	—	—
Cash cost of produced coal sold	$ 17,504	$ 1,838	$ 19,342	$ 13,599	$ 32,941	$ 10,633	$ 2,627	$ 13,260	$ 7,625	$ 20,885
Tons sold - produced	249	40	289	210	499	177	61	$ 238	152	$ 390
Cash production cost per ton sold (at preparation plant)	$ 70.30	$ 45.95	$ 66.93	$ 64.76	$ 66.01	$ 60.07	$ 43.07	$ 55.71	$ 50.16	$ 53.55
Sales and trading purchased coal	$ 21,678	$ —	$ 21,678	$ —	$ 21,678	$ —	$ —	$ —	$ —	$ —
Tons sold - sales and trading	239	—	239	—	239	—	—	—	—	—
Cash cost per sales and trading purchased coal per ton sold (at preparation plant)	$ 90.70	$ —	$ 90.70	$ —	$ 90.70	$ —	$ —	$ —	$ —	$ —

Cash cost per ton sold, cash production cost per ton sold, and cash cost per sales and trading purchased coal per ton sold for the nine months ended September 30, 2017 and 2016

	For the nine months ended September 30, 2017					For the nine months ended September 30, 2016				
(in thousands except per ton amounts)	**NAPP Met**	**NAPP Thermal**	**Total NAPP**	**CAPP**	**Total**	**NAPP Met**	**NAPP Thermal**	**Total NAPP**	**CAPP**	**Total**
Cost of Sales:										
Mining and processing costs	$ 40,253	$ 146	$ 40,399	$ 24,186	$ 64,585	$ 22,082	$ 6,879	$ 28,961	$ 15,507	$ 44,468
Purchased coal costs	50,873	6,802	57,675	5,427	63,102	1,590	186	1,776	1,307	3,083
Royalty expense	4,635	40	4,675	1,584	6,259	1,838	510	2,348	1,492	3,840
Total cash costs of tons sold	$ 95,761	$ 6,988	$102,749	$ 31,197	$133,946	$ 25,510	$ 7,575	$ 33,085	$ 18,306	$ 51,391
Total tons sold	1,153	166	1,319	508	1,827	427	169	596	348	944
Cash cost per ton sold (at preparation plant)	$ 83.05	$ 42.10	$ 77.90	$ 61.41	$ 73.31	$ 59.74	$ 44.82	$ 55.51	$ 52.60	$ 54.44
Total cash costs of tons sold	$ 95,761	$ 6,988	$102,749	$ 31,197	$133,946	$ 25,510	$ 7,575	$ 33,085	$ 18,306	$ 51,391
Less: Sales and trading purchased coal	(50,873)	—	(50,873)	—	(50,873)	—	—	—	—	—
Cash cost of produced coal sold	$ 44,888	$ 6,988	$ 51,876	$ 31,197	$ 83,073	$ 25,510	$ 7,575	$ 33,085	$ 18,306	$ 51,391
Tons sold - produced	640	166	806	508	1,314	427	169	596	348	944
Cash production cost of sales (at preparation plant)	$ 70.14	$ 42.10	$ 64.36	$ 61.41	$ 63.22	$ 59.74	$ 44.82	$ 55.51	$ 52.60	$ 54.44
Sales and trading purchased coal	$ 50,873	$ —	$ 50,873	$ —	$ 50,873	$ —	$ —	$ —	$ —	$ —
Tons sold - sales and trading	513	—	513	—	513	—	—	—	—	—
Cash cost per sales and trading purchased coal (at preparation plant)	$ 99.17	$ —	$ 99.17	$ —	$ 99.17	$ —	$ —	$ —	$ —	$ —

Cash margin per ton sold for the three and nine months ended September 30, 2017 and 2016

	For the three months ended September 30, 2017					For the three months ended September 30, 2016				
	NAPP Met	NAPP Thermal	Total NAPP	CAPP	Total	NAPP Met	NAPP Thermal	Total NAPP	CAPP	Total
Realized price per ton sold (at preparation plant)	$ 112.15	$ 46.68	$ 107.19	$ 69.38	$ 96.43	$ 69.48	$ 39.64	$ 61.83	$ 56.07	$ 59.58
Cash cost per ton sold (at preparation plant)	$ 80.29	$ 45.95	$ 77.69	$ 64.76	$ 74.01	$ 60.07	$ 43.07	$ 55.71	$ 50.16	$ 53.55
Cash margin per ton sold	$ 31.86	$ 0.73	$ 29.50	$ 4.62	$ 22.42	$ 9.41	$ (3.43)	$ 6.12	$ 5.91	$ 6.03

	For the nine months ended September 30, 2017					For the nine months ended September 30, 2016				
	NAPP Met	NAPP Thermal	Total NAPP	CAPP	Total	NAPP Met	NAPP Thermal	Total NAPP	CAPP	Total
Realized price per ton sold (at preparation plant)	$ 126.48	$ 44.63	$ 116.18	$ 63.30	$ 101.48	$ 67.00	$ 39.15	$ 59.11	$ 60.43	$ 59.59
Cash cost per ton sold (at preparation plant)	83.05	42.10	77.90	61.41	73.31	59.74	44.82	55.51	52.60	54.44
Cash margin per ton sold	$ 43.43	$ 2.53	$ 38.28	$ 1.89	$ 28.17	$ 7.26	$ (5.67)	$ 3.60	$ 7.83	$ 5.15

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	6,358,737
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	111,438,813

On December 7, 2016, the Common Shares were consolidated (the "Consolidation") on the basis of one post-Consolidation Common Share for each 20 pre-Consolidation Common Shares. Common Shares are herein presented on a post-Consolidation basis. As of the date of this MD&A, Quintana 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 equal to the product of: (i) the number of Redeemable Units to be redeemed divided by 20 (due to the Consolidation), and (ii) the 10-day volume weighted average trading price, prior to the date of notice of redemption, of the Common Shares. The Company has the option to satisfy the redemption price for the Redeemable Units with Common Shares on a 20 to one basis (i.e., 20 Redeemable Units for one Common Share). The Company is restricted from paying cash to the holder for the redemption of Redeemable Units if a balance remains outstanding under the Facility.

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.

	Quarter Ended			
(in thousands except per share amounts)	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**	**December 31, 2016**
Revenue	$ 80,366	$ 66,244	$ 59,039	$ 37,728
Net and comprehensive income (loss)	$ 6,815	$ 4,551	$ 10,084	$ (10,685)
Earnings (loss) per share:				
Basic	$ 0.06	$ 0.03	$ 0.08	$ (0.13)
Diluted	$ 0.06	$ 0.03	$ 0.07	$ (0.13)

	Quarter Ended			
(in thousands except per share amounts)	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**	**December 31, 2015**
Revenue	$ 23,983	$ 18,662	$ 16,613	$ 26,565
Net and comprehensive loss	$ (7,106)	$ (8,052)	$ (8,297)	$ (106,354)
Loss per share:				
Basic	$ (0.09)	$ (0.10)	$ (0.12)	$ (1.43)
Diluted	$ (0.09)	$ (0.10)	$ (0.12)	$ (1.43)

Our recent financial results reflect the impact of the improved metallurgical coal price environment. As a result of increased demand for the metallurgical coal we produce, we have been able to increase our sales volumes by additional production from our existing mines as well as the establishment of a sales and trading platform which was not previously part of the Company's business model. In the sales and trading platform, the Company purchases and sells coal on a clean or finished goods basis from suppliers outside of our main operating area. The Company then blends this coal, which primarily has a different quality basis than the coal we produce, to provide a blended product to customers who do not have the ability to purchase and blend different qualities of coal at their facilities. As a result of this platform, we have been able to significantly increase our revenues by expanding our customer base and generate net and comprehensive income.

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 September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
Royalties and property taxes (a)	$ 304	$ 448	$ 999	$ 1,642
Supplies purchase (b)	102	25	247	81
Purchased coal (c)	1,481	—	3,268	—
	$ 1,887	$ 473	$ 4,514	$ 1,723

(a) During the three and nine months ended September 30, 2017 and 2016, the Company paid royalties and property taxes to WPP, LLC, a subsidiary of Natural Resource Partners L.P., which is 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 nine months ended September 30, 2017 and 2016, the Company purchased supplies used in the coal separation process from Quality Magnetite, which is significantly influenced by key management personnel of QEP. 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 nine months ended September 30, 2017, the Company purchased coal from Smoky Mountain Coal Company, a company determined to be a related party as a result of their sales representative being a close family member of the president of the CAPP Division, Hunter Hobson. 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 September 30, 2017 and December 31, 2016 is $200,000 and $1,308,000, respectively, due to related parties, as a result of the transactions noted above. These amounts are unsecured and non-interest bearing.

At September 30, 2017 and December 31, 2016, the Company had a loan payable to SRLC of $29,425,000 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.

<u>Property, plant and equipment</u>

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

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 has concluded its analysis of this new standard and the 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 Company is currently evaluating this guidance and currently believes that this new guidance will not have a material impact on its financial results when adopted, but will require additional assets and liabilities to be recognized for certain agreements where the Company has the rights to use assets.

(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 nine months ended September 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 September 30, 2017 the Company had a consolidated cash balance of $24,246,000 and consolidated working capital of $20,624,000. 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.

If our cash flows from operations are less than we require, we may need to incur additional debt or issue additional equity. From time to time we may need to access the long-term and short-term capital markets to obtain financing. Although we believe we can currently finance our operations on acceptable terms and conditions, our access to, and the availability of, financing on acceptable terms and conditions in the future will be affected by many factors, including the liquidity of the overall capital markets, the current state of the global economy and restrictions in our existing debt agreements and any other future debt agreements. There can be no assurance that we will have or continue to have access to the capital markets on terms acceptable to us.

Fair Value

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

	September 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loan Payable	$ 29,425	$ 24,221	$ 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.

	September 30, 2017		December 31, 2016	
	Level 1	Level 2	Level 1	Level 2
Financial assets				
Cash	$ 24,246	$ —	$ 25,757	$ —
Restricted cash	34,078	—	33,063	—
	$ 58,324	$ —	$ 58,820	$ —
Financial liabilities				
Warrant financial liability	$ —	$ 891	$ —	$ 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 nine months ended September 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 September 30, 2017 and December 31, 2016, the Company had no financial instruments which used Level 3 fair value measurements.

RISK FACTORS

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, updated with the additional risk factor below.

Climate Change

Climate change continues to attract considerable public and scientific attention. There is widespread concern about the contributions of human activity to such changes, especially through the emission of greenhouse gasses ("GHGs"). There are three primary sources of GHGs associated with the coal industry. First, the end use of our coal by our customers in electricity generation, coke plants, and steel making is a source of GHGs. Second, combustion of fuel by equipment used in coal production and to transport our coal to our customers is a source of GHGs. Third, coal mining itself can release methane, which is considered to be a more potent GHG than CO_2, directly into the atmosphere. These emissions from coal consumption, transportation and production are subject to pending and proposed regulation as part of initiatives to address global climate change.

There are many legal and regulatory approaches currently in effect or being considered to address GHGs, including international treaty commitments, new foreign, federal and state legislation that may impose a carbon emissions tax or establish a "cap and trade" program, and regulation by the EPA. As a result, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of GHGs. Collectively, these initiatives could result in higher electric costs to our customers or lower the demand for coal used in electric generation, which could in turn adversely impact our business.

At present, we are principally focused on metallurgical coal production, which is not used in connection with the production of power generation. However, we do produce and sell coal into the power-generation market. The market for our coal may be adversely impacted if comprehensive legislation or regulations focusing on GHG emission reductions are adopted, or if our customers are unable to obtain financing for their operations.

ADDITIONAL INFORMATION

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