Corsa Coal Corp.
(formerly Corsa Capital Ltd.)
Interim Consolidated Financial Statements
February 28, 2011
(Unaudited)

Management's Responsibility for Financial Reporting

The accompanying interim consolidated financial statements of Corsa Coal Corp. (formerly Corsa Capital Ltd.) are the responsibility of management and have been approved by the Board of Directors.

The interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these principles have been set out in the Company's audited consolidated financial statements as at and for the year ended November 30, 2010. Only significant changes in accounting policies have been disclosed in these interim consolidated financial statements. The interim consolidated financial statements include estimates based on the experience and judgement of management in order to ensure that the financial statements are presented fairly, in all material respects.

The management of the Company and its subsidiaries developed and continues to maintain systems of internal accounting controls and management practices designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors exercises its responsibilities for ensuring that management fulfills its responsibilities for financial reporting with the assistance of the Audit Committee.

The Audit Committee is appointed by the Board of Directors and all its members are independent. The Committee meets periodically to review the interim consolidated financial statements and to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee reviews the Company's interim and annual consolidated financial statements and recommends their approval to the Board of Directors.

(Signed)

Donald K. Charter
President and Chief Executive Officer

(Signed)

Paul D. Caldwell
Chief Financial Officer and Corporate Secretary

Toronto, Ontario
April 27, 2011

Corsa Coal Corp.
(formerly Corsa Capital Ltd.)
Interim Consolidated Balance Sheets
(Expressed in United States dollars)
(All dollar amounts are in thousands)
(Unaudited)

	As at February 28, 2011	As at November 30, 2010
Assets		
Current		
Cash	$ 19,953	$ 980
Restricted cash (note 6)	355	67,760
Amounts receivable (note 7)	542	186
Prepaid expenses	394	8
Inventories (note 8)	1,610	-
	22,854	68,934
Advance royalties (note 9)	622	-
Advances to Wilson Creek Energy, LLC (note 5)	-	4,472
Deferred acquisition costs (note 5)	-	2,034
Mineral property, plant and equipment (note 10)	75,937	79
	$ 99,413	$ 75,519
Liabilities		
Current		
Accounts payable and accrued liabilities (note 18)	$ 5,263	$ 4,407
Current portion of notes payable (note 11)	258	4,963
	5,521	9,370
Notes payable (note 11)	390	-
Asset retirement obligations (note 12)	4,311	-
	10,222	9,370
Shareholders' Equity		
Share capital (note 13)	92,838	4,815
Subscriptions received, net (note 13)	-	64,542
Contributed surplus (note 14)	2,193	680
Deficit	(5,998)	(4,046)
Accumulated other comprehensive income	158	158
	89,191	66,149
	$ 99,413	$ 75,519

The accompanying notes form an integral part of these consolidated financial statements.

On behalf of the Board:

(Signed)	(Signed)
Colin K. Benner	Robert Scott
Chairman	Director

Corsa Coal Corp.
(formerly Corsa Capital Ltd.)
Interim Consolidated Statements of Operations and Deficit
(Expressed in United States dollars)
(All dollar amounts are in thousands, except for per share amounts)
(Unaudited)

	Three months ended February 28, 2011	Three months ended February 28, 2010
Revenue		
Coal sales	$ 1,106	$ -
Expenses		
Cost of coal sold	1,899	-
Royalties	149	-
Amortization	832	-
Corporate and administrative	1,119	103
Stock-based compensation (note 15)	888	-
Accretion (note 12)	47	-
	4,934	103
Loss from operations	(3,828)	(103)
Other income and (expense)		
Interest income	80	-
Interest expense	(18)	-
Foreign exchange gain	1,904	-
Loss on sale of assets	(90)	-
Write-off of mineral property	-	(1)
	1,876	(1)
Net loss for the period	(1,952)	(104)
Deficit, beginning of period	(4,046)	(2,539)
Deficit, end of period	$ (5,998)	$ (2,643)
Weighted average number of common shares outstanding (thousands) - basic and diluted (note 16)	216,578	17,383
Net loss per common share - basic and diluted (note 16)	$ (0.01)	$ (0.01)

The accompanying notes form an integral part of these interim consolidated financial statements.

Corsa Coal Corp.
(formerly Corsa Capital Ltd.)
Interim Consolidated Statements of Comprehensive Loss
(Expressed in United States dollars)
(All dollar amounts are in thousands)
(Unaudited)

	Three months ended February 28, 2011	2010
Net loss for the period	$ (1,952)	$ (104)
Other comprehensive income		
Unrealized exchange gain on translation of functional currency to reporting currency	-	3
Total other comprehensive income	-	3
Comprehensive loss for the period	$ (1,952)	$ (101)

The accompanying notes form an integral part of these interim consolidated financial statements.

Corsa Coal Corp.
(formerly Corsa Capital Ltd.)
Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in United States dollars)
(All dollar amounts are in thousands)
(Unaudited)

Three months ended February 28, 2011

	Number of Common Shares (000's)	Share capital	Subscription receipts, net	Contributed surplus	Accumulated other Compre-hensive income	Deficit	Total Shareholders' Equity
Balance, November 30, 2010	24,457	$ 4,815	$ 64,542	$ 680	$ 158	$ (4,046)	$ 66,149
Private Placement	154,320	67,486	(67,486)	-	-	-	-
Acquisition of Wilson Creek Energy, LLC	52,570	23,404	-	-	-	-	23,404
Acquisition advisory fee	1,000	445	-	-	-	-	445
Exercise of stock options	295	447	-	(282)	-	-	165
Exercise of share purchase warrants	320	124	-	(33)	-	-	91
Issuance costs	-	(3,883)	2,944	-	-	-	(939)
Stock-based compensation	-	-	-	888	-	-	888
Share purchase warrants Issued	-	-	-	940	-	-	940
Net loss for the period	-	-	-	-	-	(1,952)	(1,952)
Balance, February 28, 2011	232,962	$ 92,838	$ -	$ 2,193	$ 158	$ (5,998)	$ 89,191

The accompanying notes form an integral part of these interim consolidated financial statements.

Corsa Coal Corp.
(formerly Corsa Capital Ltd.)
Interim Consolidated Statements of Cash Flows
(Expressed in United States dollars)
(All dollar amounts are in thousands)
(Unaudited)

	Three months ended February 28, 2011	2010
Operating Activities		
Net loss for the period	$ (1,952)	$ (104)
Items not affecting cash:		
Amortization	832	-
Stock-based compensation	888	-
Accretion	47	-
Unrealized foreign exchange gain	(924)	-
Loss on sale of assets	90	-
Write-off of mineral property	-	1
	(1,019)	(103)
Changes in non-cash working capital balances related to operations (note 17)	(184)	(63)
Cash used in operating activities	(1,203)	(166)
Investing Activities		
Acquisition of Wilson Creek Energy, LLC (note 5)	(12,207)	-
Restricted cash	67,731	-
Advance royalties	(622)	-
Proceeds on sale of assets	105	-
Mineral property, plant and equipment	(10,686)	(39)
Cash provided by (used in) investing activities	44,321	(39)
Financing Activities		
Notes payable	(22,346)	-
Share capital proceeds	256	26
Share capital issuance costs	(2,954)	-
Cash (used in) provided by financing activities	(25,044)	26
Foreign exchange gain on cash	899	4
Net increase (decrease) in cash for the period	18,973	(175)
Cash, beginning of period	980	854
Cash, end of period	$ 19,953	$ 679

The accompanying notes form an integral part of these interim consolidated financial statements.

1. Nature of Operations

The primary business of Corsa Coal Corp. (formerly Corsa Capital Ltd.) ("Corsa" or the "Company") is the mining, processing and selling of metallurgical coal, as well as actively exploring, acquiring and developing resource properties that are consistent with its existing coal business. On December 8, 2010, the Company completed the acquisition of Wilson Creek Energy, LLC ("Wilson Creek"), which is based in Pennsylvania, U.S.A. The leases, options and contracts of the Company give it control over land in Pennsylvania and Maryland containing coal reserves, resources and inferred resources.

The business of exploring for and developing mineral resources is highly risky and there can be no assurance that planned programs will ultimately result in profitable mining operations. The recoverability of amounts recorded for mineral property depends upon the ability of the Company to obtain necessary financing to complete the development of mineral resources as well as to have future profitable operations. Changes in future conditions or circumstances, such as the amount of coal produced and sold, the market price of coal, operating costs, environmental costs and the level of exploration and development activity, might result in material write-downs of the carrying value of mineral property.

These interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As at February 28, 2011, the Company has working capital of $17,333,000 and has adequate resources to maintain its core activities and exploration and development plans for the upcoming 12 months (refer to note 20 for subsequent events).

2. Summary of Significant Accounting Policies

Basis of presentation

These interim consolidated financial statements and accompanying notes have been prepared in accordance with Canadian GAAP for the preparation of interim financial statements. They do not include all the information and disclosures required by Canadian GAAP for annual consolidated financial statements. These interim consolidated financial statements have been prepared in accordance with the accounting policies and methods set forth in the Company's audited consolidated financial statements as at and for the year ended November 30, 2010 and should be read in conjunction with those audited financial statements and notes thereto. Significant accounting policies adopted as a result of the Wilson Creek acquisition are as follows:

2. Summary of Significant Accounting Policies (continued)

Change in functional and reporting currency

Effective December 1, 2010, the Company changed its functional and reporting currency to the United States dollar. The change in functional currency is to better reflect the Company's business activities as a result of the Wilson Creek acquisition. Concurrent with this change in functional currency, to facilitate the comparison of the Company's financial statements with other publicly traded businesses in the coal mining industry, the Company has adopted the United States dollar as its reporting currency effective December 1, 2010. Prior to December 1, 2010, the Company reported its annual and interim consolidated balance sheets and the related consolidated statements of operations and cash flows in Canadian dollars. In making this change in reporting currency, the Company followed the recommendations of the Emerging Issues Committee ("EIC") of the Canadian Institute of Chartered Accountants ("CICA") set out in EIC 130 - Translation Method when the Reporting Currency Differs from the Measurement Currency or there is a Change in the Reporting Currency. In accordance with EIC -130, the comparative financial statements for the year and period presented have been translated to the new reporting currency using the current rate method. Under this method, the statements of operations and cash flow items for each year and period have been translated into the reporting currency using the average exchange rates prevailing during each reporting period. All assets and liabilities have been translated using the exchange rate prevailing at the balance sheet date. Shareholders' equity transactions since December 1, 2007 have been translated using the rate of exchange in effect as of the dates of the various capital transactions, while shareholders' equity balances on December 1, 2007 have been translated at the exchange rate on that date. All resulting exchange gains or losses arising from the translation are included as a separate component of other comprehensive income.

Foreign currency translation

Monetary assets and liabilities of the Company which are denominated in foreign currencies are translated into United States dollars at the exchange rate prevailing at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at historical rates at each transaction date. Revenues and expenses are translated at exchange rates prevailing in the transaction period. All exchange gains and losses are included in the determination of income for the period.

Inventories

Coal inventory is valued at the lower of average production cost and net realizable value. Production costs include contract mining costs, direct labour, operating materials and supplies, transportation costs, amortization, royalties and a proportion of manufacturing overheads based on normal operating capacity. Net realizable value is the expected difference between the average selling price for the finished product less the costs to get the product into saleable form and to the selling location.

Materials inventory consists of consumable parts and supplies which are valued at the lower of average cost and net realizable value. Net realizable value is actual cost less any provision for obsolescence.

2. Summary of Significant Accounting Policies (continued)

Mineral property, plant and equipment

Mineral property and mine development are recorded at cost. Costs of developing new surface mines up until the commencement of mining, and the development of underground mines, along with certain underground expansion projects, are capitalized. Underground development costs, which are costs incurred to make the mineral physically accessible include costs to prepare property for shafts, driving main entries for ventilation, haulage, personnel, construction of airshafts, roof protection and other facilities. Depletion of producing properties is provided using a unit-of production method based upon the adjusted proven and probable mineral reserve position of the mine at the beginning of the fiscal year. Development costs are capitalized and charged to operations on a unit-of-production method based on proven and probable mineral reserves.

Plant, buildings and mine facilities are recorded at cost and depreciated on a straight-line basis over their useful lives of generally fifteen to twenty years, except for mine facilities which is over the life of the mine.

Equipment is recorded at cost and is depreciated on a straight line-basis over its useful life of generally three to five years. Maintenance and repairs of a routine nature are expensed as incurred.

Mineral property, plant and equipment include interest and financing costs relating to the construction of plant and equipment and operating costs, net of revenues, prior to the commencement of commercial production of new mines. Interest and financing costs are capitalized only for those projects for which funds have been borrowed.

Revenue recognition

Revenue is earned from the sale of coal and is recognized in the statement of operations when coal is delivered to a purchaser pursuant to a purchase agreement that fixes the quantity and price of the coal for each delivery.

Recent accounting pronouncements

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements”, and 1602 “Non-controlling Interests”, which replace CICA Handbook Sections 1581 “Business Combinations” and 1600 “Consolidated Financial Statements”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Corsa did not early adopt these sections.

3. Capital Management

The Company defines managed capital as its shareholders' equity. The objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders. At February 28, 2011, total managed capital was $89,191,000 (November 30, 2010 - $66,149,000).

The Company's capital structure reflects the requirements of a company focused on sustaining cash flows from its current mining operations and financing both internal and external growth opportunities and development projects. The Company faces lengthy development lead times as well as risks associated with increasing capital costs and project completion due to unavailability of resources, permits and other factors beyond the Company's control. The Company's operations are also significantly affected by the market price of coal.

The Company continually assesses its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics associated with its underlying assets. In order to maintain or adjust the capital structure, the Company may issue new common shares or enter into new debt arrangements.

During the three months ended February 28, 2011, the Company changed its definition of managed capital from amounts receivable, current liabilities and shareholders' equity to shareholders' equity. The change was made due the acquisition of Wilson Creek on December 8, 2010.

4. Financial Instruments

The Company's financial instruments consist of cash, restricted cash, amounts receivable, accounts payable and accrued liabilities and notes payable.

(a) Fair Value

Cash and restricted cash are designated as held-for-trading and therefore carried at fair value with the unrealized gains or losses recorded in the interim consolidated statements of operations and deficit. Amounts receivable are designated as loans and receivables and, therefore, carried at amortized cost with the gains or losses recognized in the interim consolidated statements of operations and deficit in the period that the asset is derecognized or impaired.

Accounts payable and accrued liabilities and notes payable are designated as other financial liabilities and therefore carried at amortized cost with the gains or losses recognized in the interim consolidated statements of operation and deficit when the financial liability is derecognized or impaired. The estimated fair values of amounts receivable, accounts payable and accrued liabilities and notes payable approximate their respective carrying values.

4. Financial Instruments (continued)

(b) Financial Risk Management

The Company is exposed to 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, whose balance at February 28, 2011 was $19,953,000. Bank accounts are held with major banks in Canada and the United States. As the majority of the Company's cash is held by a Canadian bank, there is a concentration of credit risk with one bank in Canada. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to credit risk is on its amounts receivable which consists of trade receivables and sales taxes receivable. The Company assesses the quality of its customers, taking into account their creditworthiness and reputation, past experience and other factors. The risk on sales taxes receivable is minimal as they consist of refundable Canadian government value-added sales taxes.

Currency Risk

The Company also operates in Canada and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The Company's cash, amounts receivable, and accounts payable and accrued liabilities that are held in Canadian dollars are subject to fluctuation against the United States dollar. A +/- 5% change in the exchange rates between the Canadian and United States dollars would, based on the Company's interim consolidated financial statements as at February 28, 2011, have an effect on the loss before taxes of approximately +/- $883,000 .

Interest Rate Risk

The Company is exposed to interest rate risk as bank accounts earn interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short term interest rates. The income earned on these bank accounts is subject to the movements in interest rates. A change of 100 basis points in interest rates would have an effect on the loss before taxes for the three months ended February 28, 2011 of approximately +/- $26,000.

The Company also records transaction costs related to the acquisition or issue of held-for-trading financial instruments to the interim consolidated statements of operations and deficit as incurred. Transaction costs related to financial instruments not designated as held for trading are included in the financial instrument's initial recognition amount.

4. Financial Instruments (continued)

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining a sufficient cash balance. As at February 28, 2011, the Company was holding cash totalling $19,953,000.

5. Acquisition of Wilson Creek Energy, LLC

On August 16, 2010, the Company entered into an agreement with Wilson Creek and the owners of Wilson Creek pursuant to which the Company would acquire it.

On December 8, 2010, the Company completed the acquisition of Wilson Creek, which is based in Pennsylvania, U.S.A. The leases, options and contracts of Wilson Creek give it control over land in west-central Pennsylvania containing coal reserves, resources and inferred resources. Wilson Creek has surface and underground projects located in Garrett County, Maryland and in the Cambria, Somerset and Washington Counties of Pennsylvania. The purchase has been accounted for as a business combination with the Company as the acquirer and Wilson Creek as the acquiree. The results of operations of Wilson Creek have been consolidated with those of the Company commencing on the acquisition date.

On September 24, 2010, the Company entered into a loan agreement with Wilson Creek for up to $5,000,000 to fund the construction of the Wilson Creek coal preparation plant. Cash of $4,498,000 provided by the Company to Wilson Creek under the terms of the loan agreement has been included in the total purchase price of Wilson Creek.

The Company paid total consideration of $41,642,000 which comprised cash of $10,943,000 and 52,570,204 common shares issued at CDN$0.45 to the owners of Wilson Creek, cash of $4,498,000 loaned to Wilson Creek and transaction costs of $2,797,000.

The purchase price was allocated, on a preliminary basis, to the underlying assets acquired and liabilities assumed based on the fair values at the date of acquisition. The Company determined the fair values based on discounted cash flows, market information, independent valuations and management's estimates. Final valuations of certain items are not yet complete due to the inherent complexity associated with valuations, therefore, the purchase price allocation is preliminary and subject to adjustment over the course of the 2011 fiscal year on completion of the valuation process and resulting tax effects.

(Expressed in United States dollars)
(All tabular dollar amounts are in thousands, except for per share amounts)

5. Acquisition of Wilson Creek Energy, LLC (continued)

The total purchase price was as follows:

Cash	$	10,943
Common shares issued		23,404
Cash advanced to Wilson Creek under loan agreement		4,498
Transaction costs		2,797
	$	41,642

The following table sets out the preliminary allocation of the purchase price to the fair values of the assets acquired and the liabilities assumed:

Cash	$	3
Restricted cash		326
Net non-cash working capital		(18,255)
Mineral property, plant and equipment		64,537
Notes payable		(705)
Asset retirement obligations		(4,264)
	$	41,642

6. Restricted Cash

Restricted cash at February 28, 2011consists of an interest bearing escrow account held as reclamation reserve for a contract miner and as collateral for the insurance company which provides mining bonds.

Restricted cash at November 30, 2010 consists of the gross proceeds of a private placement that were held in escrow by the Company's transfer agent pending completion of the acquisition of Wilson Creek (see Note 13(a)).

(Expressed in United States dollars)
(All tabular dollar amounts are in thousands, except for per share amounts)

7. Amounts Receivable

Accounts receivable consist of the following:

	As at February 28, 2011	As at November 30, 2010
Trade receivables	$ 291	$ -
Sales taxes receivable	251	186
	$ 542	$ 186

8. Inventories

Inventories consist of the following:

	As at February 28, 2011	As at November 30, 2010
Raw coal stockpiles	$ 1,610	$ -

9. Advance Royalties

Advance royalties consists of royalty payments that are required on certain mineral properties in advance of actual coal production or sales from those mineral properties. When production or sales commences from the properties, the royalty payments will be expensed on the basis of units-of-production or percentage of selling price depending on the terms of the royalty.

(Expressed in United States dollars)
(All tabular dollar amounts are in thousands, except for per share amounts)

10. Mineral Property, Plant and Equipment

Mineral property, plant and equipment consist of the following:

	As at February 28, 2011	As at November 30, 2010
Mineral property and mine development		
Cost	$ 46,651	$ 77
Less: accumulated amortization	(722)	-
	45,929	77
Plant		
Cost	18,656	-
Less: accumulated amortization	-	-
	18,656	-
Equipment		
Cost	11,524	7
Less: accumulated amortization	(172)	(5)
	11,352	2
	$ 75,937	$ 79

Mineral property is subject to various royalties that are either based on a percentage of the sales price of the coal produced from a mineral property or a rate per ton for coal produced from a mineral property.

(Expressed in United States dollars)
(All tabular dollar amounts are in thousands, except for per share amounts)

11. Notes Payable

Notes payable consist of the following:

	As at February 28, 2011	As at November 30, 2010
Various notes payable with monthly payments ranging from $718 to $14,678, including interest rates ranging from 0% to 7.25%, collateralized by equipment.	$ 648	$ -
Bridge financing in the aggregate principal amount of $5,000,000, evidenced by a debenture, which was repaid in full on December 8, 2010 in accordance with its terms.	-	4,963
	648	4,963
Less: Current portion of notes payable	258	4,963
	$ 390	$ -

The aggregate amount of principal payments required on notes payable is as follows:

	Amount
Nine months ending November 30, 2011	$ 208
Year ending November 30, 2012	242
Year ending November 30, 2013	131
Year ending November 30, 2014	67
	$ 648

(Expressed in United States dollars)
(All tabular dollar amounts are in thousands, except for per share amounts)

12. Asset Retirement Obligations

The Company's asset retirement obligations arise from its obligations to undertake site reclamation and remediation in connection with its activities. The following table summarizes the movements in the asset retirement obligations:

	Three months ended February 28, 2011	Three months ended February 28, 2010
Balance, beginning of period	$ -	$ -
Acquisition of Wilson Creek	4,264	-
Accretion	47	-
Balance, end of period	$ 4,311	$ -

The assumptions used in the determination of the asset retirement obligations are as follows:

	As at February 28, 2011	As at November 30, 2010
Estimated cost (undiscounted cash flow basis)	$ 4,978	$ -
End of mine life	2014	-
Discount rate	6.00%	-

13. Share Capital

Share capital consists of the following:

	As at February 28, 2011	As at November 30, 2010
Common shares (a)	$ 92,838	$ 4,815

Authorized capital stock of the Company consists of an unlimited number of common voting shares without par value and an unlimited number of preferred shares without par value.

(Expressed in United States dollars)
(All tabular dollar amounts are in thousands, except for per share amounts)

13. Share Capital (continued)

(a) Common shares

The changes in issued and outstanding common shares during the three months ended February 28, 2011 are as follows:

	Number of common shares (000's)		Amount
Balance, November 30, 2010	24,457	$	4,815
Private placement (i)	154,320		67,486
Acquisition of Wilson Creek (ii)	52,570		23,404
Acquisition advisory fee (iii)	1,000		445
Exercise of stock options (iv)	295		447
Exercise of share purchase warrants (v)	320		124
Issuance costs	-		(3,883)
Balance, February 28, 2011	232,962	$	92,838

(i) On December 8, 2010, the gross proceeds of the private placement of subscription receipts completed on September 30, 2010 of $67,486,000 (CDN$69,444,000) were released from escrow and delivered to the Company. Each subscription receipt was converted into one common share of the Company upon the completion of the acquisition of Wilson Creek. The Company issued 154,319,800 common shares on the conversion of subscription receipts issued on September 30, 2010. The net proceeds from the subscription receipts were $64,547,000 (CDN$66,415,000) after deducting $2,939,000 (CDN$3,029,000) in related costs.

(ii) On December 8, 2010, the Company completed the acquisition of Wilson Creek and paid total consideration of $41,642,000 which comprised cash of $10,943,000 and 52,570,204 common shares issued at CDN$0.45 per share to the owners of Wilson Creek, cash of $4,498,000 loaned to Wilson Creek and transaction costs of $2,797,000. The total value of the common shares issued was $23,404,000.

(iii) On December 8, 2010, the Company issued 1,000,000 common shares with a value of CDN$0.45 per share as payment of an advisory fee with respect to the acquisition of Wilson Creek. The total value of the common shares issued was $445,000.

(iv) During the three months ended February 28, 2011, 295,000 stock options, with exercise prices ranging from CDN$0.55 to CDN$0.59, were exercised.

(Expressed in United States dollars)
(All tabular dollar amounts are in thousands, except for per share amounts)

13. Share Capital (Continued)

(v) During the three months ended February 28, 2011, 320,597 share purchase warrants, with exercise prices ranging from CDN$0.15 to CDN$0.50, were exercised.

(b) Stock Option Plan

The Company has a stock option plan providing for the issuance of stock options to directors, officers, employees and service providers. The number of shares that may be acquired under an option granted to a participant is determined by the Board of Directors. The exercise price of the options granted shall comply with the requirements of the stock exchange or exchanges on which the Company's common shares are listed. The maximum term of any option may not exceed five years. Generally, options vest over three years. At February 28, 2011, there were 12,996,737 stock options available for grant under the stock option plan.

The changes in stock options during the three months ended February 28, 2011 are as follows:

	Number of stock options (000's)		Weighted average exercise price (Cdn$)
Balance, November 30, 2010	495	$	0.56
Granted to directors, officers and employees	10,030		0.56
Granted to a service provider (i)	70		0.55
Exercised	(295)		0.56
Balance, February 28, 2011	10,300	$	0.56

(i) On December 8, 2010, the Company granted a stock option with an exercise price of CD$0.55 per share and an expiry date of December 8, 2015 to a service provider.

(Expressed in United States dollars)
(All tabular dollar amounts are in thousands, except for per share amounts)

13. Share Capital (Continued)

The following tables summarize information about the stock options outstanding and exercisable at February 28, 2011:

Options outstanding:

Exercise prices (Cdn$)	Number outstanding at February 28, 2011 (000's)	Weighted average remaining contractual life (years)		Weighted average exercise price (Cdn$)
0.55	200	3.21	$	0.55
0.55	9,870	4.78		0.55
0.82	230	4.91		0.82
0.55 to 0.82	10,300	4.75	$	0.56

Options exercisable:

Exercise prices (Cdn$)	Number exercisable at February 28, 2011 (000's)		Weighted average exercise price (Cdn$)
0.55	1,900	$	0.55

(c) Share Purchase Warrants

The changes in share purchase warrants during the three months ended February 28, 2011 are as follows:

(Expressed in United States dollars)
(All tabular dollar amounts are in thousands, except for per share amounts)

13. Share Capital (continued)

	Number of share purchase warrants (000's)		Weighted average exercise price (Cdn$)
Balance, November 30, 2010	500	$	0.15
Issued (i)	6,338		0.50
Exercised	(320)		0.28
Balance, February 28, 2011	6,518	$	0.48

(i) On December 8, 2010, the Company issued 6,338,206 common share purchase warrants to the agents for the private placement. Each share purchase warrant entitles the holder to purchase one common share at a price of CDN$0.50 per common share until December 7, 2012.

The fair value of the share purchase warrants was estimated on the date of issue using the Black-Scholes warrant pricing model with the following weighted average assumptions:

Expected life in years: 1.0
Risk-free interest rate: 1.4%
Expected volatility: 93.9%
Dividend yield: 0%

The weighted average fair value per share purchase warrant issued was Cdn$0.15.

The following tables summarize information about the share purchase warrants outstanding and exercisable at February 28, 2011:

Exercise prices (Cdn$)	Number outstanding at February 28, 2011 (000's)	Weighted Average remaining contractual Life (years)		Weighted average exercise price (Cdn$)
0.15	300	0.28	$	0.15
0.50	6,218	1.78		0.50
0.15 to 0.50	6,518	1.71	$	0.48

(Expressed in United States dollars)
(All tabular dollar amounts are in thousands, except for per share amounts)

14. Contributed Surplus

The changes in contributed surplus during the three months ended February 28, 2011 are as follows:

		Amount
Balance, November 30, 2010	$	680
Grant of stock options		488
Vesting of stock options granted		400
Share purchase warrants issued		940
Exercise of stock options		(282)
Exercise of share purchase warrants		(33)
Balance, February 28, 2011	$	2,193

15. Stock-based Compensation

The stock-based compensation expense during the three months ended February 28, 2011 was $888,000 (2010 - nil) and this amount was credited to contributed surplus. In the case of options which vest immediately, the fair value of the options is expensed immediately. In the case of options which vest over time, the graded vesting method is used to expense compensation over the vesting period.

The exercise prices of the options granted to directors, officers, employees and a service provider during the three months ended February 28, 2011 were CDN$0.55 and CDN$0.82. There were no options granted in the three months ended February 28, 2010.

The fair values of the stock options granted during the three months ended February 28, 2011 were estimated on the date of issue using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected life in years: 2.0 to 4.0
Risk-free interest rate: 1.7% to 2.4%
Expected volatility: 139.7% to 142.0%
Dividend yield: 0.0%

The weighted average fair value per option for the options granted during the three months ended February 28, 2011 was Cdn$0.33.

16. Net Loss per Common Share

Basic and diluted net loss per common share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period.

Basic and diluted net loss per common share has been calculated using the weighted average number of common shares outstanding of 216,578,000 during the three months ended February 28, 2011 (2010 – 17,383,000).

Any potential common shares whose effect is anti-dilutive have not been reflected in the calculation of diluted loss per common share. The determination of the weighted average number of common shares outstanding for the calculation of diluted loss per common share does not include the effect of outstanding stock options since to do so would reduce the loss per common share and would therefore be anti-dilutive.

(Expressed in United States dollars)
(All tabular dollar amounts are in thousands, except for per share amounts)

17. Supplemental Cash Flow Information

	Three months ended February 28, 2011	Three months ended February 28, 2010
Changes in non-cash working capital balances related to operations:		
Amounts receivable	$ (356)	$ (3)
Prepaid expenses	(262)	(2)
Inventories	(1,553)	-
Accounts payable and accrued liabilities	1,987	(58)
	$ (184)	$ (63)
Non-cash investing activities:		
Advances to Wilson Creek settled by acquisition of Wilson Creek	$ 4,472	$ -
Consideration for acquisition of Wilson Creek settled by issue of common shares	$ (23,404)	$ -
Acquisition advisory fee settled by issue of common shares	$ (445)	$ -
Non-cash financing activities:		
Share capital issue costs settled by issue of share purchase warrants	$ (940)	$ -
Cash paid for interest	$ (18)	$ -
Cash paid for income taxes	$ -	$ -

18. Related party transactions

During the three months ended February 28, 2011, the Company purchased $512,000 in goods and services from companies that are controlled by certain directors and employees of the Company.

During the three months ended February 28, 2010, the Company entered into the following transactions:

(a) Reimbursed expenses for travel and conference charges of $6,000 and office and administration charges of $4,000 to a company controlled by an officer of the Company.

(b) Incurred $23,000 in accounting and consulting fees to directors and officers of the Company.

(Expressed in United States dollars)
(All tabular dollar amounts are in thousands, except for per share amounts)

18. Related party transactions (continued)

Included in accounts payable and accrued liabilities at February 28, 2011 is $362,000 (November 30, 2010 - $35,000) due to related parties. The amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and in, certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

19. Segmented information

The Company currently operates in one reportable operating segment, being the mining, processing and selling of metallurgical coal, as well as actively exploring, acquiring and developing resource properties consistent with its coal business. The following geographic data includes revenues and mineral property, plant and equipment based on location:

	Three months ended February 28, 2011		
	United States	**Canada**	**Total**
Revenue	$ 1,106	$ -	$ 1,106
Mineral property, plant and equipment	$ 75,935	$ 2	$ 75,937

	Three months ended February 28, 2010		
	United States	**Canada**	**Total**
Revenue	$ -	$ -	$ -
Mineral property, plant and equipment	$ 77	$ 2	$ 79

20. Subsequent Events

(a) Subsequent to February 28, 2011, 27,500 stock options with an exercise price of CDN$0.55 each were exercised, 1,468,318 share purchase warrants with an exercise price of CDN$0.50 each were exercised and 755,000 stock options with an exercise price of CDN$1.07 each were granted.

(b) On March 22, 2011, the Company entered into an agreement with the owner of the Casselman Mine in Maryland, U.S.A, Maryland Energy Resources, LLC ("MER"), and the owners of MER pursuant to which the Company will acquire MER. The purchase price is $15,000,000 and the assumption of approximately $1,200,000 of debt. In addition, production from the Casselman Mine is subject to a 1.25 percent royalty in favour of the MER vendors.

(c) On March 22, 2011, the Company entered into a $25,000,000 senior credit facility which consists of two separate loans, both of which will be drawn down in one advance. The first loan will be for $5,500,000 with a term of 13 months and the second loan will be for $19,500,000 with an initial term of 6 months. The Company will use the proceeds to fund the purchase of the Casselman mine and related capital requirements as well as for working capital purposes. The loans have not been drawn down as of April 27, 2011.

(d) On April 5, 2011, pursuant to its option agreement, the Company purchased the rights to mine all coal seams under the Alumbaugh property in Pennsylvania. The total purchase price was $7,000,000, of which $3,000,000 was paid on April 5, 2011. On each of April 5, 2012 and 2013, $500,000 is payable. If the property is permitted for mining before these dates, then the payments are due on the permit date. The balance is payable in three equal instalments commencing on the earlier of the date the property is permitted for mining and April 5, 2014.

21. Comparative figures

The comparative financial statements have been reclassified to conform to the presentation of the current period interim consolidated financial statements.