

TORONTO, June 2, 2015 /CNW/ - [Corsa Coal Corp.](#) (TSXV: CSO) ("Corsa"), a premium quality metallurgical and thermal coal producer, today reports financial results for the three months ended March 31, 2015. Corsa has filed its unaudited Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2015 and 2014 and related Management's Discussion and Analysis on [www.sedar.com](http://www.sedar.com) under Corsa's profile and has posted these documents to its website [www.corsacoal.com](http://www.corsacoal.com).

The reference in this news release to "First Quarter 2015" means the three months ended March 31, 2015. Unless otherwise noted, all dollar amounts in this new release are expressed in United States dollars and all ton amounts are short tons (2,000 pounds per ton).

#### First Quarter 2015 Highlights

- Despite a very challenging coal pricing environment, Corsa achieved positive Adjusted EBITDA<sup>(1)</sup> at its Northern Appalachia and Central Appalachia Divisions.
- NAPP productivity improvement initiatives and cost containment efforts have been successful with the cash production cost per ton sold<sup>(1)</sup> for metallurgical coal decreasing 32% from the three months ended December 31, 2014<sup>(2)</sup>.
- Corsa's operations continue to achieve industry leading safety performance, with violation per inspection day (VPID) rates that are 40% lower than the national average, as well as a significant reduction in the total number of reportable accidents versus previous quarters.
- In February 2015, Corsa restructured its senior management team by appointing Peter Merritts to the role of President & NAPP.
- Key Operating Metrics
  - NAPP metallurgical coal sales of 159,000 tons.
  - NAPP realized price per ton sold<sup>(1)</sup> for metallurgical coal of \$87.
  - NAPP cash production cost per ton sold<sup>(1)</sup> for metallurgical coal of \$65.
  - CAPP thermal coal sales of 200,000 tons.
  - CAPP realized price per ton sold<sup>(1)</sup> for thermal coal of \$67.
  - CAPP cash production cost per ton sold<sup>(1)</sup> for thermal coal of \$62.

George Dethlefsen, Chief Executive Officer, commented, "Corsa made great strides in the first quarter to lower the overall cost profile and drive productivity improvement across the operating locations. At NAPP, targets for production and cost performance were exceeded, in particular at the Casselman Mine, as the cash production costs declined \$30 per ton from the fourth quarter. Corsa continued to integrate the assets acquired in the PBS transaction and the results of those integration efforts have put us in a highly favorable position on the domestic metallurgical coal delivered cost curve. Corsa's cost control and productivity improvement efforts at NAPP resulted in an increase in cash margins of \$21 per ton from the prior quarter despite a decrease of \$5 per ton in realized pricing. Despite the cost improvements, Corsa's statement of operations was negatively impacted by declining coal spot prices, higher surface mining costs at the CAPP Division due to difficult winter weather, the impact of idle mine expenses at the NAPP Division, and approximately \$14 million of impairment and write-off charges."

Dethlefsen continued, "North American metallurgical coal producers are enduring a time of extreme financial distress, and we expect this situation to lead to a rationalization of supply in the coming months and quarters. Corsa is uniquely positioned from a mining cost, coal quality, and infrastructure standpoint to grow both organically and through acquisitions during this trough in the market."

#### Financial and Operations Summary

	For the three months ended			
	March 31,		Increase (decrease)	
	2015	2014 <sup>(1)</sup>	\$ or Tons	%
Revenue (000's)	\$ 31,366	\$ 19,844	\$ 11,522	58%
Cost of sales (000's) <sup>(3)</sup>	\$ 52,651	\$ 20,905	\$ 31,746	152%
Corporate and administrative expense (000's)	\$ 4,139	\$ 1,926	\$ 2,213	115%
Net and comprehensive loss for the period (000's)	\$ 26,233	\$ 573	\$ 25,660	4,478%
Adjusted EBITDA <sup>(2)</sup> (000's)	\$ (299)	\$ 756	\$ (1,055)	(140%)
Cash provided by (used in) operating activities (000's)	\$ 3,651	\$ (7,489)	\$ 11,140	\$ 149%
Coal sold - tons				
NAPP	159,000	45,000	114,000	253%
CAPP	200,000	222,000	(22,000)	(10%)
Total	359,000	267,000	92,000	34%
Realized price per ton sold <sup>(2)</sup>				
NAPP	\$ 87	\$ 87	\$ -	-
CAPP	\$ 67	\$ 68	\$ (1)	(1%)
Cash production cost per ton sold <sup>(2)</sup>				
NAPP	\$ 65	\$ 85	\$ (20)	(24%)
CAPP	\$ 62	\$ 56	\$ 6	11%
Cash margin per ton sold <sup>(2)</sup>				
NAPP	\$ 22	\$ 2	\$ 20	1,000%
CAPP	\$ 5	\$ 12	\$ (7)	(58%)
Adjusted EBITDA <sup>(2)</sup>				
NAPP (000's)	\$ 339	\$ (553)	\$ 892	\$ 161%
CAPP (000's)	357	1,987	(1,630)	(82%)
Corporate (000's)	(995)	(678)	(317)	(47%)
Total (000's)	\$ (299)	\$ 756	\$ (1,055)	\$ (140%)

(1) The results of PBS are not included as it was acquired on August 19, 2014.

(2) This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.

(3) Cost of sales consists of the following:

	For the three months ended	
	March 31,	
	2015	2014
	(000's)	(000's)
Mining and processing costs	\$ 21,602	\$ 13,395
Purchased coal costs	1,088	980
Royalties expense	2,409	1,913
Amortization expense	8,547	3,032
Transportation costs from preparation plant to customer	1,752	796
Idle mine expense	1,566	371
Change in estimate of reclamation provision for non-operating properties	1,624	372
Impairment of mineral properties	12,685	5
Write-off of advance royalties and other assets	1,290	-
Other costs	88	41
	\$ 52,651	\$ 20,905

## Guidance

Corsa is maintaining guidance for the year ended December 31, 2015, as per Corsa's Management's Discussion and Analysis for the year ended December 31, 2014, which is as follows:

- Total sales of 1,670,000 to 1,810,000 tons.
- NAPP Division sales of 895,000 to 985,000 tons, including metallurgical coal sales guidance of 725,000 to 775,000 tons and thermal coal sales guidance of 170,000 to 210,000 tons. See "Coal Pricing Trends and Outlook &ndash; NAPP" below.
- CAPP Division sales of 775,000 to 825,000 tons of thermal coal. See "Coal Pricing Trends and Outlook &ndash; CAPP" below.
- NAPP Division cash production cost per ton sold<sup>(1)</sup> for metallurgical coal of \$67 to \$72.
- NAPP Division cash production cost per ton sold<sup>(1)</sup> for thermal coal of \$30 to \$35.
- CAPP Division cash production cost per ton sold<sup>(1)</sup> for thermal coal of \$57 to \$62.

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

## Coal Pricing Trends and Outlook

### NAPP

Current metallurgical coal prices remain at depressed levels where a substantial amount of global production is uneconomic. This situation arose as a result of global producers committing to multi-billion dollar projects in a significantly higher price environment. Large scale mines often take three or more years from final investment decision to first production. New supply came online over 2013 and 2014, a period where demand growth softened. This supply growth is expected to mitigate in 2015 as the pipeline of growth projects is exhausted and prices are insufficient to incentivize new production. Corsa expects that over time, the fundamentals of the metallurgical coal market will rebalance as supply growth ends and production cutbacks are implemented. Seaborne benchmark contract prices for the highest quality metallurgical coal decreased to \$109.50 per metric ton in the second quarter of calendar 2015, reflecting a year-over-year decrease of approximately 9% and a decline of 6% from the first quarter of calendar 2015. Adjusting for inflation, the second quarter price is the lowest benchmark settlement since

2004.

Unfavorable foreign exchange movements, low dry-bulk chartering rates, and softening oil prices have added downward pressure on demand for U.S. metallurgical coal. Corsa estimates that greater than half of the U.S. production for domestic and export markets is unprofitable. Since on average, Central Appalachia metallurgical coal producers have higher cost structures, the great majority of the at-risk production is weighted towards that region with Northern Appalachia production making up the smallest portion of the at-risk production. Recent announcements of U.S. domestic steel production cutbacks have decreased the overall domestic metallurgical coal demand. However, this decrease has been mitigated in part by a corresponding increase in metallurgical coal demand in the transportation-advantaged region for Northern Appalachia producers, including Corsa. Many of the steel producers' strongest coke plants are located in this region.

As metallurgical coal production is rationalized in places like China, Western Canada, Australia and the United States, Corsa expects the seaborne metallurgical coal fundamentals to normalize. Corsa expects that this rebalancing will occur first in the domestic U.S. market as the combination of financially distressed producers and high cost mines will create additional mine closures. Corsa's short rail distance and multiple options to access the Baltimore export terminals solidify Corsa's ability to take advantage of any recoveries in seaborne pricing.

Metallurgical coal sales in 2015 are expected to be in the range of 725,000 to 775,000 tons. As of the date hereof, approximately 81% of these sales are committed at the midpoint of the range. Actual sales will depend on customer demand and market conditions. Vessel nominations for export sales are determined by customers and concluded on a month-by-month basis.

## CAPP

Current Southeastern U.S. utility market thermal coal spot pricing declined 25% over the course of 2014. As a result, much of the Central Appalachia coal production is uneconomic. Corsa expects utility coal demand for Central Appalachia production to decrease in 2015. Conversely, industrial thermal demand grew 4% year over year for 2015 and Corsa expects industrial demand to grow in 2015.

The CAPP mineral reserve base exclusively consists of high BTU and high carbon content coal. These unique qualities, combined with advantaged logistics, set CAPP apart from other producers and create a niche in the utility and industrial marketplace. As a result, despite thermal supply outpacing demand in 2015, CAPP has been successful in maintaining a high level of contracted sales for the future.

CAPP will continue to target the industrial market segment as it transitions from a utility supplier to an industrial supplier during 2015. The planned opening of the Cooper Ridge mine will position CAPP to service the industrial specialty coal markets. These specialty markets are well suited for CAPP's coal qualities and relatively protected from natural gas prices and historically reflect higher pricing than the thermal markets.

The CAPP coal sales for 2015 are expected to be in the range of 775,000 to 825,000 tons. As of the date hereof, approximately 92% of these sales are committed at the midpoint of the range. Actual sales will depend on customer demand and market conditions. CAPP also has sales contracts in place for 500,000 tons in 2016.

## Non-GAAP Measures

Management uses realized price per ton sold, cash production cost per ton sold, adjusted EBITDA and net cash flow from operations as internal measurements of operating performance for Corsa's mining and processing operations. Management believes these non-GAAP measures provide useful information for investors as they provide information in addition to the GAAP measures to assist in their evaluation of the operating performance of Corsa. Reference is made to the Management's Discussion and Analysis for the three months ended March 31, 2015 for a reconciliation of non-GAAP measures to GAAP measures.

## Financial Statements and Management's Discussion and Analysis

Refer to Corsa's unaudited Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2015 and 2014 and related Management's Discussion and Analysis, filed on [www.sedar.com](http://www.sedar.com) under Corsa's profile and posted to Corsa's website [www.corsacoal.com](http://www.corsacoal.com), for the details of the financial performance of Corsa and the matters referred to in this news release.

## Caution

The estimated coal sales, projected market conditions and potential development disclosed in this news release are considered

to be forward looking information. Readers are cautioned that actual results may vary from this forward looking information. Actual sales are subject to variation based on a number of risks and other factors referred to under the heading "Forward-Looking Statements" below as well as demand and sales orders received.

## Mailing of Shareholder Meeting Materials

Corsa is also pleased to announce that it has mailed the meeting materials with respect to Corsa's annual and special meeting of shareholders (the "Meeting") to be held at 9:00 a.m. (Toronto time) on Tuesday, June 23, 2015, at the offices of Stikeman Elliott LP (Ottawa Boardroom, 53rd Floor) in Toronto, Ontario. Meeting materials will be available online through our website at [www.corsacoal.com](http://www.corsacoal.com) or under Corsa's profile on SEDAR at [www.sedar.com](http://www.sedar.com). At the Meeting, shareholders will be asked to vote in respect of, among other things, approving a new restricted stock unit plan for Corsa, as more particularly described in the management information circular mailed to shareholders in connection with the Meeting.

## Information about Corsa

Corsa's primary business is the mining, processing and selling of thermal and metallurgical coal, as well as actively exploring, acquiring and developing resource properties consistent with its coal business.

## Forward-Looking Statements

Certain information set forth in this press release 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 for the year ended December 31, 2015, including price and demand, expected cash production costs 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", "outlook", "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 2015 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 or expected; liabilities inherent in coal mine development and production including restarting idled mines; 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 coal 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 coal 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 with 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 labour 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 press release 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 where 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 to realize cost synergies following the completion of Corsa's acquisition of PBS. 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 press release 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.

The TSX Venture Exchange has in no way passed on the merits of this news release. Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

SOURCE [Corsa Coal Corp.](#)

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