

CANONSBURG, PA, May 18, 2016 /CNW/ - [Corsa Coal Corp.](#) (TSXV: CSO) ("Corsa"), a premium quality metallurgical, thermal and industrial coal producer, today reported financial results for the three months ended March 31, 2016. Corsa has filed its unaudited Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2016 and 2015 and related Management's Discussion and Analysis under its profile on [www.sedar.com](http://www.sedar.com).

Unless otherwise noted, all dollar amounts in this news release are expressed in United States dollars and all ton amounts are short tons (2,000 pounds per ton).

#### First Quarter 2016 Highlights

- Spot prices for metallurgical coal rose 10% over the course of the first quarter 2016, and are up approximately 25% in 2016. With an open sales position and the ability to increase production as the year progresses, Corsa expects to immediately benefit from these increases in prices for metallurgical coal.
- NAPP secured a new thermal coal sales order that brings our committed and priced production up to 70% for fiscal 2016.
- CAPP has substantially completed the mine development for the Cooper Ridge Deep Mine. This mine is expected to strategically reposition CAPP into the specialty coal and industrial coal markets which typically generate premium pricing.
- NAPP cost reduction efforts have been successful with the cash production cost per ton sold<sup>(1)</sup> for metallurgical coal decreasing 18.2% [from \$76.09 to \$62.23] in the three months ended March 31, 2016 compared to the prior year comparable quarter.
- CAPP cost reduction efforts have also been successful with cash production cost per ton sold<sup>(1)</sup> for thermal and industrial coal decreasing 20.8% [from \$61.96 to \$49.05] in the three months ended March 31, 2016 compared to the prior year comparable quarter.
- Corsa's operations continue to achieve industry leading safety performance, with violation per inspection day rates that are 50% lower than the national average.
- In March 2016, Corsa raised \$8 million from its largest three investors as well as its senior lender by way of a non-brokered private placement of common shares to fund working capital and for general corporate purposes, the details of which were previously announced.
- In March 2016, Corsa amended its secured term loan ("Facility") to provide covenant relief and the ability to pay interest by adding such interest to the principal amount of the Facility through the first quarter 2017, the details of which were previously announced.
- Key Operating Metrics:

	For the three months ended		
	March 31, 2016		
(in thousands except per ton amounts)	NAPP - Metallurgical Coal	NAPP - Thermal Coal	CAPP
Tons sold	107	42	99
Realized price per ton sold <sup>(1)</sup>	\$ 68.82	\$ 37.74	\$ 64.73
Cash production cost per ton sold <sup>(1)</sup>	62.23	39.00	49.05
Cash margin per ton sold <sup>(1)</sup>	\$ 6.59	\$ (1.26)	\$ 15.68

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

George Dethlefsen, Chief Executive Officer of Corsa, commented, "We have seen a significant improvement in pricing for steel and raw materials used in the steel value chain in early 2016, including metallurgical coal. We believe that January 2016 marked a 12-year bottom for metallurgical coal prices and that renewed infrastructure spending and the effects of metallurgical coal production cuts will cause prices to recover to a point on the supply cost curve where producers are cash margin positive again. Some areas of the world have experienced shortages in 2016 for high quality metallurgical coal and we believe that the domestic supply chain is extremely fragile and prone to supply disruptions.

We will continue to execute on our plans to reduce our controllable costs and lower our fixed cost profile in 2016. At our NAPP Division, due to the weak market environment leading into Q1 2016, we showed discipline by reducing our export sales shipments, which negatively impacted fixed cost absorption and impacted profitability. We believe that Q1 2016 pricing will represent the lowest period of realized prices for the company in 2016. At our CAPP Division, we reduced mining costs per ton by over 20% year-on-year and continued to execute on the development of the Cooper Ridge mine in order to diversify into the industrial coal markets.

We are currently evaluating multiple accretive growth projects and believe that now is the time to pursue growth. Corsa's

advantaged position on the mining cost curve, access to coal processing infrastructure, and logistical advantages will enable us to expand volumes as the price environment recovers."

## Financial and Operations Summary

	For the three months ended		
	March 31,		
	2016	2015	Increase (Decrease)
Revenues (000's)	\$ 16,613	\$ 31,366	\$ (14,753)
Cost of sales <sup>(3)</sup> (000's)	\$ 19,676	\$ 52,676	\$ (33,000)
Corporate and administrative expense (000's)	\$ 3,107	\$ 4,139	\$ (1,032)
Net and comprehensive income (loss) for the period (000's)	\$ (8,297)	\$ (25,627)	\$ 17,330
Adjusted EBITDA <sup>(1)</sup> (000's)	\$ (619)	\$ (648)	\$ 29
Cash provided by (used in) operating activities (000's)	\$ (1,597)	\$ 3,652	\$ (5,249)
Coal sold - tons (000's)			
NAPP &#8211; metallurgical coal	107	159	(52)
NAPP &#8211; thermal coal	42	&#8212; 42	
CAPP	99	200	(101)
Total	248	359	(111)

	For the three months ended		
	March 31,		
	2016	2015	Increase (Decrease)
Realized price per ton sold <sup>(1)</sup>			
NAPP &#8211; metallurgical coal	\$ 68.82	\$ 87.50	\$ (18.68)
NAPP &#8211; thermal coal	\$ 37.74	\$ &#8212; 37.74	
CAPP	\$ 64.73	\$ 66.95	\$ (2.22)
Cash production cost per ton sold <sup>(1)</sup>			
NAPP &#8211; metallurgical coal <sup>(2)</sup>	\$ 62.23	\$ 76.09	\$ (13.86)
NAPP &#8211; thermal coal	\$ 39.00	\$ &#8212; 39.00	
CAPP	\$ 49.05	\$ 61.96	\$ (12.91)

Cash margin per ton sold<sup>(1)</sup>

NAPP metallurgical coal	\$ 6.59	\$ 11.41	\$ (4.82)
NAPP thermal coal	\$(1.26)	\$(1.26)	\$(1.26)
CAPP	\$ 15.68	\$ 4.99	\$ 10.69

Adjusted EBITDA<sup>(1)</sup> (000's)

NAPP <sup>(2)</sup>	\$(607)	\$ 2	\$(609)
CAPP	952	345	607
Corporate	(964)	(995)	31
Total	\$(619)	\$(648)	\$ 29

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

<sup>(2)</sup> NAPP cash production cost per ton sold<sup>(1)</sup> and Adjusted EBITDA<sup>(1)</sup> was impacted by adverse geologic conditions in January 2016 which increased mining costs. The conditions improved by the end of January 2016 when the mining unit advanced into the active panel.

<sup>(3)</sup> Cost of sales consists of the following:

	For the three months ended	
	March 31,	
	2016	2015
Mining and processing costs	\$ 11,463	\$ 22,599
Purchased coal costs	302	1,088
Royalty expense	1,410	2,409
Amortization expense	4,587	8,548
Transportation costs from preparation plant to customer	1,210	1,751
Idle mine expense	578	1,277
Change in estimate of reclamation provision for non-operating properties		1,688
Impairment and write-off of mineral properties		12,490
Write-off of advance royalties and other assets	126	826
Other costs		
	\$ 19,676	\$ 52,676

Guidance

Corsa is maintaining guidance for the year ended December 31, 2016, as per Corsa's Management's Discussion and Analysis for the year ended December 31, 2015, which is as follows:

- Total sales of 1,525,000 to 1,825,000 tons.
- NAPP Division sales of 850,000 to 1,050,000 tons, including metallurgical coal sales guidance of 600,000 to 700,000 tons and thermal coal sales guidance of 250,000 to 350,000 tons. See "Coal Pricing Trends and Outlook"; NAPP Division" below.
- CAPP Division sales of 675,000 to 775,000 tons of thermal and industrial coal. See "Coal Pricing Trends and Outlook"; CAPP Division" below.
- NAPP Division cash production cost per ton sold<sup>(1)</sup> for metallurgical coal of \$57 to \$62.
- NAPP Division cash production cost per ton sold<sup>(1)</sup> for thermal coal of \$32 to \$37.

- CAPP Division cash production cost per ton sold<sup>(1)</sup> for thermal coal of \$56 to \$61.

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

## Coal Pricing Trends and Outlook

### NAPP Division

Spot prices for metallurgical coal have risen by approximately 25% on a year-to-date basis as the steel prices have risen substantially, the destocking phase for inventories has ended, blast furnace utilization rates have risen, and imports of metallurgical coal in Asia have risen. US metallurgical coal exporters have benefited from a weaker US dollar versus the Australian and Canadian dollars. Over the past three years, coal producers have made limited capital expenditures to develop new mines and maintain existing mines. Over the past two years, approximately 48 million tons of metallurgical coal production cuts, representing approximately 16% of the annual seaborne metallurgical coal trade, have been announced. On the demand side, we are seeing increases in steel demand globally, which is leading to very low inventory levels and long wait times for steel orders. This has increased steel prices by approximately 40% in the United States on a year-to-date basis. Corsa believes that increased infrastructure spending in Asia and the United States will continue to drive steel demand and reverse the decline in crude steel production that was experienced in 2015. We expect these supply and demand factors to continue to provide support for metallurgical coal prices in future quarters.

The second quarter 2016 coking coal benchmark pricing increased to \$84.00 per metric ton, representing an increase of approximately 4% from the first quarter of 2016 and a year-over-year decrease of approximately 23%. The second quarter price is the third time the benchmark settlement was below \$90 per metric ton since 2004, on a nominal basis, and represents a point on the cost curve where analysts estimate a substantial portion of the global seaborne production is unprofitable. As of April 2016, spot prices have increased past the second quarterly settlement. If this trend continues, Corsa expects to see a further strengthening in the quarterly benchmark settlement.

Despite the increases seen in early 2016, current metallurgical coal prices remain at levels where a substantial amount of global production is uneconomic. Prior to the upturn in pricing in early 2016, the five-year downturn in metallurgical coal prices represented the longest and deepest downturn in pricing in over 60 years. 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 2016 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.

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. Domestically, severe financial distress has caused high profile bankruptcies in 2015 and 2016 and may lead to additional supply cuts in the near future. This situation has also created an environment where producers are deferring capital expenditures, not reinvesting in reserves or permitting efforts, and are highly vulnerable to supply disruptions. For these reasons, Corsa believes that the domestic market is poised to rebound faster than the international seaborne market. Corsa's geographic proximity to over 50% of domestic coke production capacity and short rail distance and multiple options to access the Baltimore export terminals solidify Corsa's ability to take advantage of any recoveries in coal pricing.

Corsa's metallurgical coal sales in 2016 from its NAPP Division are expected to be in the range of 600,000 to 700,000 tons. Approximately 70% of these sales are currently 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. Corsa has the ability to produce and sell significantly more tons of metallurgical coal in 2016, should market conditions improve.

Corsa's thermal coal sales in 2016 from its NAPP Division are expected to be in the range of 250,000 to 350,000 tons. Approximately 90% of these sales are currently committed at the midpoint of the range. Actual sales will depend on customer demand and market conditions.

### CAPP Division

Current Southeastern U.S. utility market thermal coal spot pricing declined 25% over the course of 2015. As a result, much of the Central Appalachia coal production is uneconomic. Corsa expects utility coal demand for Central Appalachia production to decrease in 2016. Conversely, industrial thermal demand grew 4% year over year for 2015 and Corsa expects industrial demand to grow in 2016.

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 2016. The 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 Division coal sales for 2016 are expected to be in the range of 675,000 to 775,000 tons. Approximately 55% of these sales are currently committed at the midpoint of the range. Actual sales will depend on customer demand and market conditions.

#### Stock Options Grant

Corsa also announces that its Board of Directors has granted stock options to purchase a total of 21,979,656 common shares of Corsa ("Common Shares") to certain officers and employees of Corsa, which grant represents approximately 1.4% of the total outstanding Common Shares. These options were granted in accordance with Corsa's Amended and Restated Option Plan (the "Option Plan"), are exercisable for five years at a price of the higher of (a) C\$0.07, being the closing price of the Common Shares on the TSX Venture Exchange ("TSX-V") on May 17, 2016 and (b) the closing price of the Common Shares on the TSX-V on May 20, 2016, being the date following the Corporation's "blackout" period in connection with its first quarter 2016 financial statements, and are subject to the terms and conditions of the Option Plan and TSX-V approval. Such options will vest on December 31, 2016.

George G. Dethlefsen, Chief Executive Officer, received 3,502,404 options; Kevin M. Harrigan, Chief Financial Officer and Corporate Secretary received 1,531,815 options; Peter Merritts, President - NAPP Division received 1,760,444 options; Keith Dyke - President - CAPP Division received 2,464,458 options; Joseph Gallo, Senior Vice President - NAPP Division received 1,389,287 options; Steve Meehan, Vice President Sales received 671,294 options and certain other employees of Corsa received an aggregate of 10,659,954 options.

#### Non-GAAP Measures

Management uses realized price per ton sold, cash production cost per ton sold and adjusted EBITDA 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, 2016 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, 2016 and 2015 and related Management's Discussion and Analysis, filed under Corsa's profile on [www.sedar.com](http://www.sedar.com), for 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.

#### Information about Corsa

Corsa is one of the leading suppliers of premium quality metallurgical coal, an essential ingredient in the production of steel. Our core business is supplying metallurgical coal with the highest safety, yield, and strength characteristics to domestic steel producers while being a strategic source of supply in the Atlantic and Pacific basin markets. Corsa also offers high heat content, low delivered cost coal to major utilities and industrial users in the Southeast region of the U.S.

#### 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, coal prices, coal production, mine development, acquisitions, 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 2016 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; Corsa's ability to make accretive acquisitions and to meet funding obligations; 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 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 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 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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