

Corsa Coal Announces Financial Results for First Quarter 2018

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CANONSBURG, PA, May 9, 2018 /CNW/ - [Corsa Coal Corp.](#) (TSXV: CSO) ("Corsa" or the "Company"), a premium quality metallurgical coal producer, today reported financial results for the three months ended March 31, 2018. Corsa has filed unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018 and 2017 and management's discussion and analysis under its profile on [www.sedar.com](#).

Unless otherwise noted, all dollar amounts in this news release are expressed in United States dollars and all ton amounts are in short tons (2,000 pounds per ton). Pricing and cost per ton information is expressed on a free-on-board, or FOB, mine site basis unless otherwise noted.

First Quarter Highlights

- Corsa reported net and comprehensive income from continuing operations of \$2.0 million, or \$0.01 per share, for the first quarter 2018, compared \$11.9 million, or \$0.08 per share, for the first quarter 2017.
- Operating cash flows from continuing operations for the first quarter 2018 were \$7.8 million compared to \$14.9 million for the first quarter 2017.
- Total revenue from continuing operations was \$80.4 million for the first quarter 2018, an improvement of 54% as compared to the first quarter 2017.
- Corsa's adjusted EBITDA⁽¹⁾ was \$12.2 million and \$10.9 million at its Northern Appalachia ("NAPP") Division and its Central Appalachia ("CAP") Division on a consolidated basis, respectively, for the first quarter 2018. Corsa's EBITDA⁽¹⁾ was \$11.1 million and \$9.1 million at its NAPP Division and on a consolidated basis, respectively.
- Corsa sold a total of 557,721 tons of metallurgical coal in the first quarter 2018, up 89% compared to the first quarter 2017.
- Corsa achieved an average realized price per ton of metallurgical coal sold⁽¹⁾ at its NAPP Division of \$118.46 for the first quarter 2018, this average realized price is the approximate equivalent of \$164 to \$166 per ton on a free-on-board vessel basis⁽²⁾ and is comprised of a mix of 22% sales to domestic customers and 78% sales to international customers.
- Corsa achieved an average realized price per ton of low volatile metallurgical coal sold⁽¹⁾ (totaling 388,367 tons) at its CAP Division of \$133.92 in the first quarter 2018, this average realized price is the approximate equivalent of \$181 to \$183 per ton on a free-on-board vessel basis⁽²⁾.
- Corsa divested its thermal and industrial coal division in March 2018, becoming a pure-play metallurgical coal producer.

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

(2) Similar to most U.S. metallurgical coal producers, Corsa reports sales and costs per ton on an FOB mine site basis and denominated in short tons. Many international metallurgical coal producers report prices and costs on a delivered-to-the-port basis, thereby including freight costs between the mine and the port. Additionally, Corsa reports sales and costs per short ton, which is approximately 10% lower than a metric ton. For the purposes of this figure, we have used an illustrative freight rate of \$30-\$35 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.

George Dethlefsen, Chief Executive Officer of Corsa, commented, "In the first quarter, Corsa made significant progress on our aggressive growth strategy. The first quarter was an outstanding quarter for export shipments and price realizations, and we increased our sales market share in both the international and domestic markets. Before adjusting for the sale of the Central Appalachia division, Corsa achieved record metallurgical coal sales volume levels in the quarter. We experienced strong growth in sales volume as compared to the first quarter of 2017 in each of our three business lines. Year over year, Company produced tons increased 23%, value added services purchased coal tons increased 128% and sales and trading tons increased 390% from its last first quarter of 2017.

During the quarter, Corsa executed against an operational milestone by achieving first production at the Horning mine in Allegheny County, Pennsylvania. Horning will provide Corsa with a high quality, low volatile coal, which will be used across many

will help move the Company closer to its stated goal of doubling metallurgical coal production from 2017 levels by 2019. Additionally, in the quarter, Corsa was successful in the sale of its thermal and industrial coal Central Appalachia division, transforming the Company into a pure play metallurgical producer and shedding the associated environmental and end-of-mine closure liabilities.

There were several items that had the effect of negatively impacting profitability in the first quarter of 2018. First, Corsa encountered challenging geology at both the Casselman and Acosta mines. This led to reduced production and higher costs per ton for the quarter. At Casselman, we are finalizing the development of a main travel way to the northern part of the reserve base, and expect to be through this geologically difficult zone in late May. This area is a vital part of the mine to provide access to several years of economic reserves. We are incurring additional roof support costs in order to ensure the long-term integrity of this important access point. At Acosta, we expect production to increase as we receive the final regulatory approvals for our depth of cuts and as the coal seam regains its average thickness. We view these conditions as temporary in nature and expect the mining costs per ton at these mines to return to forecasted levels in the second half of the year. Finally, in the quarter, Corsa incurred over \$1.7 million of demurrage-related expenses with export shipments. We are confident that the port congestion on the U.S. East Coast will be worked through in the months ahead.

We continue to experience strong customer demand from our international customers, which has driven Corsa's sales growth and profits from our purchased coal and blending activity. Domestically, steel prices are at seven year highs and the market for low volatile metallurgical coal is very tight owing to elevated demand from our customers. Metallurgical coal prices remain at healthy levels, and the forward curve remains well supported through 2020. While the spot price gets the most attention, calendar 2019 and 2020 forward prices have risen by 14% and 18% respectively since the beginning of this year. This reinforces our view that the seaborne market for metallurgical coal is expected to remain at profitable levels for a sustained period.

First Quarter 2017 Sales Metrics

Metallurgical Coal Sales Volume

Corsa's metallurgical coal sales in first quarter 2018 were 557,721 tons, an increase of 89% from first quarter 2017 levels. The month history of Corsa's metallurgical coal sales volumes, adjusted for discontinued operations, is presented below.

Corsa's metallurgical coal sales figures are comprised of three types of sales: (i) selling coal that Corsa produces ("Company Produced"); (ii) selling coal that Corsa purchases and provides value added services (storing, washing, blending, loading) to make the coal saleable ("Valued Added Services"); and (iii) selling coal that Corsa purchases on a clean or finished basis from outside the Northern Appalachia region ("Sales and Trading"). For the first quarter of 2018, Corsa's sales were broken down into the following categories.

Metallurgical Coal Sales by Category (Tons)

	Q1 2018
Company Produced	242,511
Purchased - Value Added Services	145,856
Purchased - Sales and Trading	169,354
Total	557,721

Financial and Operations Summary

(in thousands)	For the three months ended		
	March 31,		
			Increase
	2018	2017	(Decrease)
Revenues	\$ 80,448	\$ 52,379	\$ 28,069
Cost of sales ⁽²⁾	\$ 70,729	\$ 36,879	\$ 33,850
Selling, general and administrative expense	\$ 6,457	\$ 3,716	\$ 2,741
Net and comprehensive income for the period from continuing operations	\$ 1,957	\$ 11,869	\$ (9,912)
Cash provided by (used in) operating activities from continuing operations	\$ 7,771	\$ 14,894	\$ (7,123)
Adjusted EBITDA ⁽¹⁾	10,861	16,154	(5,293)
Coal sold - tons			
NAPP – metallurgical coal	558	295	263
NAPP – thermal coal	4	77	(73)
Total	562	372	190

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

(2) Cost of sales consists of the following:

	For the three months ended	
	March 31,	
(in thousands)	2018	2017
Mining and processing costs	\$ 20,340	\$ 13,010
Purchased coal costs	28,415	14,177
Royalty expense	2,083	1,869
Amortization expense	6,189	3,248
Transportation costs from preparation plant to customer	12,901	2,995
Idle mine expense	109	315
Tolling costs	435	—
Write-off of advance royalties and other assets	5	58
Other costs	252	1,207
	\$ 70,729	\$ 36,879

	For the three months ended		
	March 31,		
	2018	2017	Variance
Realized price per ton sold ⁽¹⁾			
NAPP – metallurgical coal	\$ 118.46	\$ 156.12	\$ (37.66)
NAPP – thermal coal	\$ 63.75	\$ 43.23	\$ 20.52
Cash production cost per ton sold ⁽¹⁾⁽²⁾			
NAPP – metallurgical coal	\$ 91.72	\$ 74.67	\$ (17.05)
NAPP – thermal coal	\$ 39.00	\$ 38.49	\$ (0.51)
Cash cost per ton sold ⁽¹⁾⁽³⁾			
NAPP – metallurgical coal	\$ 90.83	\$ 88.45	\$ (2.38)
NAPP – thermal coal	\$ 39.00	\$ 38.49	\$ (0.51)
Cash margin per ton sold ⁽¹⁾			
NAPP – metallurgical coal	\$ 27.63	\$ 67.67	\$ (40.04)
NAPP – thermal coal	\$ 24.75	\$ 4.74	\$ 20.01
Adjusted EBITDA ⁽¹⁾ (000's)			
NAPP	\$ 12,219	\$ 17,204	\$ (4,985)
Corporate	(1,358)	(1,050)	(308)
Total	\$ 10,861	\$ 16,154	\$ (5,293)

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

(2) Cash production cost per ton sold excludes purchased coal. This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.

(3) Cash cost per ton sold includes purchased coal. This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.

Guidance⁽¹⁾

Corsa's updated guidance for the year ending December 31, 2018 is as follows:

(all dollar amounts in U.S. dollars and tonnage in short tons)	Updated Guidance Full Year 2018	Previous Guidance ⁽²⁾ Full Year 2018	Change to Pre Guidance
Metallurgical Coal Sales Tons⁽³⁾			
Company Produced	1.0 - 1.2 million	1.1 - 1.3 million	(0.1) million
Purchased - Value Added Services	0.4 - 0.5 million	0.3 - 0.4 million	0.1 million
Purchased - Sales and Trading	0.7 - 1.1 million	0.7 - 1.1 million	—
Total Metallurgical Coal Sales Tons	2.1 - 2.8 million	2.1 - 2.8 million	—
Share of Metallurgical Coal Sales Tons			
% Domestic Sales at the mid-point	21%	19%	2%
% Export Sales at the mid-point	79%	81%	(2)%
Metallurgical Coal Sales Tons Commitments⁽⁷⁾			
Committed at the mid-point	80%	73%	7%
Committed and Priced at the mid-point	61%	42%	19%
Cash Production Cost per ton sold (FOB Mine)⁽⁴⁾			
NAPP Division Metallurgical Coal ⁽⁵⁾	\$78 - \$82	\$70 - \$74	\$8
CAPP Division Metallurgical and Thermal Coal	N/A	\$64 - \$70	N/A
General and Administrative Expenses⁽⁶⁾			
NAPP Division	\$8.0 - \$10.0 million	\$8.0 - \$10.0 million	—
CAPP Division	N/A	< \$1.0 million	N/A
Corporate Division	\$5.0 - \$7.0 million	\$5.0 - \$7.0 million	—
Total Corsa	\$13.0 - \$17.0 million	\$13.0 - \$17.0 million	—
Note: Selling expenses are forecasted to be covered by margins from Sales and Trading tons sold.			
Maintenance Capital Expenditures per ton sold⁽⁷⁾			
2018 Full Year	\$9	\$7	\$2
2018-2020 Forecasted Average	\$4	\$3-\$4	—

- (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 months and full year ended December 31, 2017 dated March 13, 2018.
- (3) Corsa's metallurgical coal sales figures are comprised of three types of sales: (i) selling coal that Corsa produces ("Company Produced"); (ii) selling coal that Corsa purchases and provides value added services (storing, washing, blending, loading) to make the coal saleable ("Value Added Services"); and (iii) selling coal that Corsa purchases on a clean or finished basis from suppliers outside the Northern Appalachia region ("Sales and Trading").
- (4) This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below for more information.
- (5) Cash Production Cost per ton sold excludes purchased coal.
- (6) Exclusive of stock-based compensation and selling related commissions, bank fees and finance charges.
- (7) Tons sold excludes purchased coal used in the Sales and Trading platform.

Coal Pricing Trends and Outlook

Strong global steel demand and corresponding high levels of steel production continue to support metallurgical coal prices in both domestic and export markets. United States steel trade actions and continued economic growth have led to higher domestic steel prices, increased blast furnace production and added demand for metallurgical coal. These drivers, as well as the limited availability of high quality, low volatile metallurgical coal, should support current price levels for 2018.

Export pricing remains favorable for the balance of 2018 with metallurgical coal prices indicative of a tightly balanced supply and demand relationship. First quarter seaborne metallurgical coal prices were lifted by logistical issues and weather concerns. These supply constraints eased into the beginning of the second quarter as railroads and ports approached normal operations, vessel queues were reduced, and mills worked through inventories on hand. However, most logistics systems have limited capacity for additional throughput so there will be minimal opportunity for additional supply to put downward pressure on prices in the near term. Chinese import restrictions, production policies and high production costs for metallurgical coal, along with increased steel production in India, continue to support pricing in the export market.

The NAPP Division'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 gives us the ability to market a greater variety of products, access more users and respond to sales opportunities.

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, 2018 and 2017 and related management's discussion and analysis, filed under Corsa's profile on www.sedar.com, for details of the financial performance of Corsa and the matters referred to in this news release.

Non-GAAP Financial Measures

Management uses realized price per ton sold, cash production cost per ton sold, cash cost per ton sold, cash

margin per ton sold and adjusted EBITDA as internal measurements of financial performance for Corsa's mining and processing operations. These measures are not recognized under International Financial Reporting Standards ("GAAP"). Corsa 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 Corsa's operating and financial 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. Reference is made to the management's discussion and analysis for the three months ended March 31, 2018 for a reconciliation and definitions of non-GAAP financial measures to GAAP measures.

Corsa defines adjusted EBITDA as EBITDA (earnings before deductions for interest, taxes, depreciation and amortization) 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.

Qualified Person

All scientific and technical information contained in this news release 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.

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 a coal mining company focused on the production and sales of metallurgical coal, an essential ingredient in the production of steel. Our core business is producing and selling metallurgical coal to domestic and international steel and coke producers in the Atlantic and Pacific basin markets.

Earnings Call

Members of management will host a conference call on Thursday, May 10, 2018 at 10:00 a.m. (Eastern time) to discuss the Company's results. To access the call from Canada and the U.S., dial 1.888.231.8191 (Toll Free). To access the call from other locations, dial 1.647.427.7450 (International)

The live webcast will be available at:

<https://event.on24.com/wcc/r/1668993/C3381C17086805F0FF8C44450513CC6B>

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

