

# Corsa Coal Announces Financial Results for Second Quarter 2018

28.08.2018 | [CNW](#)

CANONSBURG, PA, Aug. 28, 2018 /CNW/ - [Corsa Coal Corp.](#) (TSXV: CSO) ("Corsa" or the "Company"), a premium metallurgical coal producer, today reported financial results for the three and six months ended June 30, 2018. Corsa has also released unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2018 and related 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 expressed 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.

## Second Quarter Highlights

- Corsa reported net and comprehensive loss from continuing operations of \$4.9 million, or \$0.05 per share, for the second quarter 2018, compared to net and comprehensive income from continuing operations of \$5.7 million, or \$0.04 per share, for the second quarter 2017.
- Operating cash flows used in continuing operations for the second quarter 2018 were \$4.6 million compared to operating cash flows from continuing operations of \$3.0 million for the second quarter 2017.
- Total revenue from continuing operations was \$57.3 million for the second quarter 2018, an improvement of 6% as compared to the second quarter 2017.
- Corsa's adjusted EBITDA<sup>(1)</sup> was \$5.7 million and \$4.3 million at its Northern Appalachia division ("NAPP" or "NAF") and on a consolidated basis, respectively, for the second quarter 2018. Corsa's EBITDA<sup>(1)</sup> was \$4.5 million and \$3.5 million at its NAPP Division and on a consolidated basis, respectively, for the second quarter 2018.
- Corsa sold a total of 392,334 tons of metallurgical coal in the second quarter 2018. On a first half year-to-date basis, total volatile metallurgical coal sales volumes are up 25% versus first half 2017 levels, and total metallurgical sales volumes are up 45% as compared to the first half of 2017. This growth has been accomplished despite significant supply chain disruptions due to export terminals and rail service.
- Corsa achieved an average realized price per ton of metallurgical coal sold<sup>(1)</sup> at its NAPP Division of \$115.52 for the second quarter 2018, this average realized price is the approximate equivalent of \$110.00 per ton on an FOB vessel basis<sup>(2)</sup> and is comprised of a mix of 25% sales to domestic customers and 75% sales to international customers.
- At the Casselman mine, a successful transition was made from February through June to cross under a stream and return to the northeast reserve base. This transition, which is now completed, required using extra roof support and other measures which limited production and increased mining costs.
- The Acosta mine achieved its full forecasted production run-rate in June, as goals related to staffing levels, mining activities, deliveries and regulatory approvals have been met.

(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, "Metallurgical coal and steel markets remain very volatile and forward pricing for exports appears strong through 2019 and domestic prices are poised to rise in 2019. Corsa continues to focus on its operational and sales growth objectives during the second quarter. In the second quarter, we invested heavily in our operations to remain on track for our growth projections. Multiple operational milestones were achieved in the quarter which are expected to have a positive effect on the long-term value of the mine, but had short-term negative effects on profitability given the market conditions."

conditions that were involved.

At our flagship Casselman mine, we have now successfully made the connection to the northeastern reserve base. This mining under a stream and incurring additional roof support costs and slower mining advance from February through June. Because this travel way will be used daily for years, we undertook additional operational measures to ensure the long-term stability of this area. We have now successfully mined through this area and have returned to using conventional mining techniques. At the Acosta mine, during the second quarter, we continued our ramp up of the mine. In June we completed this effort, with June production reaching full run-rate levels. All phases of the ramp up are finalized, including staffing, regulatory approvals, equipment deliveries, and mining a significant portion of the main travel way for the mine. Similar to Casselman, in July and August productivity and operating costs have been reflective of conventional mining techniques. Developing a new reserve area at Casselman and ramping up Acosta are major accomplishments that are expected to pay dividends in future periods. We experienced more favorable geology and mining conditions at both Acosta and Casselman in the third quarter and expect to continue in the quarters ahead.

With our mining equipment upgrade cycle completed as of this month, we believe we have positioned the company very well for the years ahead. We now have three underground mines (Casselman, Acosta, and Horning) with long-term reserve life and a complement of rebuilt or new equipment. This will reduce maintenance capital expenditures in the coming years and will improve productivity underground. Corsa's cash position at the end of the quarter was impacted by our mining equipment investment, timing of export customer receipts, geologic conditions at Casselman, the Acosta mine ramp-up and demurrage expenses related to port congestion. We forecast positive free cash flow for the remainder of the year as cash mining returns to expected levels and the mining equipment upgrades have been finished.

Our customers' end markets remain very strong, particularly domestically, where steel prices are near 10-year highs and production is expected to increase in the second half of this year and into 2019. We are currently in a sold out position through November and for the year are 94% committed with our existing order book. The domestic low volatile metallurgical coal market is particularly tight, as production interruptions at existing operations have recently impacted supply. Globally, the supply of stretched thin and metallurgical coal producers continue to experience problems in getting their coal to market. Port congestion and rail service continue to be industry-wide problems. In the second quarter, Corsa incurred \$1.5 million of demurrage expense as we had several trains pushed into the third quarter. Metallurgical coal demand is robust, which has supported both spot prices and as the forward outlook for prices, which is currently at healthy levels for the coming years.

We have a positive outlook for our business and believe that we are now well positioned with our mining operations and can capitalize on a very strong steel and metallurgical coal market."

## Second Quarter 2018 Sales Metrics

### Metallurgical Coal Sales Volume

Corsa's metallurgical coal sales in second quarter 2018 were 392,334 tons, an increase of 6% from second quarter 2017. This eighteen-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 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 six months ended June 30, 2018, Corsa's sales are broken down into the following categories.

### Metallurgical Coal Sales by Category (Tons)

	Q1 2018	Q2 2018	YTD 2018
Company Produced	242,511	194,051	436,562
Purchased - Value Added Services	145,856	88,393	234,249
Purchased - Sales and Trading	169,354	109,890	279,244

Total

557,721

392,334

950,055



## Financial and Operations Summary

(in thousands)	For the three months ended			For the six months ended		
	June 30,			June 30,		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Revenues	\$ 57,331	\$ 54,338	\$ 2,993	\$ 137,779	\$ 106,717	\$ 31,062
Cost of sales <sup>(2)</sup>	\$ 55,097	\$ 42,540	\$ 12,557	\$ 125,826	\$ 79,419	\$ 46,407
Selling, general and administrative expense	\$ 5,100	\$ 3,598	\$ 1,502	\$ 11,557	\$ 7,314	\$ 4,243
Net and comprehensive (loss) income for the period from continuing operations	\$ (4,889)	\$ 5,665	\$ (10,554)	\$ (2,932)	\$ 17,534	\$ (20,466)
Cash (used in) provided by operating activities from continuing operations	\$ (4,556)	\$ 3,001	\$ (7,557)	\$ 3,215	\$ 17,895	\$ (14,680)
Adjusted EBITDA <sup>(1)</sup>	\$ 4,305	\$ 11,264	\$ (6,959)	\$ 15,166	\$ 27,418	\$ (12,252)
Coal sold - tons						
NAPP &ndash; metallurgical coal	392	370	22	950	665	285

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

(2) Cost of sales consists of the following:

(in thousands)	For the three months ended		For the six months ended	
	June 30,	June 30,	June 30,	June 30,
	2018	2017	2018	2017
Mining and processing costs	\$ 17,107	\$ 11,251	\$ 37,447	\$ 24,261
Purchased coal costs	20,146	19,982	48,561	34,159
Royalty expense	1,041	1,441	3,124	3,310
Amortization expense	6,233	2,895	12,422	6,143
Transportation costs from preparation plant to customer	9,884	6,403	22,785	9,398
Idle mine expense	131	233	240	548
Tolling costs	696	355	1,131	355
Write-off of advance royalties and other assets	&mdash;	112	5	170
Other costs	(141)	(132)	111	1,075
	\$ 55,097	\$ 42,540	\$ 125,826	\$ 79,419

	For the three months ended			For the six months ended		
	June 30,	June 30,		June 30,	June 30,	
	2018	2017	Variance	2018	2017	Variance
Realized price per ton sold <sup>(1)(4)</sup>						
NAPP &ndash; metallurgical coal	\$ 115.52	\$ 121.77	\$ (6.25)	\$ 117.25	\$ 137.01	\$ (19.76)
Cash production cost per ton sold <sup>(1)(2)(4)</sup>						
NAPP &ndash; metallurgical coal	\$ 93.46	\$ 65.34	\$ (28.12)	\$ 92.49	\$ 70.04	\$ (22.45)
Cash cost per ton sold <sup>(1)(3)(4)</sup>						
NAPP &ndash; metallurgical coal	\$ 97.65	\$ 82.40	\$ (15.25)	\$ 93.64	\$ 85.08	\$ (8.56)
Cash margin per ton sold <sup>(1)(4)</sup>						
NAPP &ndash; metallurgical coal	\$ 17.87	\$ 39.37	\$ (21.50)	\$ 23.61	\$ 51.93	\$ (28.32)
Adjusted EBITDA <sup>(1)</sup> (000's)						
NAPP	\$ 5,660	\$ 12,059	\$ (6,399)	\$ 17,879	\$ 29,263	\$ (11,384)
Corporate	(1,355)	(795)	(560)	(2,713)	(1,845)	(868)
Total	\$ 4,305	\$ 11,264	\$ (6,959)	\$ 15,166	\$ 27,418	\$ (12,252)

- (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.
- (4) In light of the divestiture of the Company's Central Appalachia division, the Company has decided to no longer highlight non-GAAP measures related to thermal coal as this type of coal no longer represents a material portion of the Company's business. See "Non-GAAP Financial Measures" below.

#### Guidance<sup>(1)</sup>

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 <sup>(2)</sup> Full Year 2018	Change to Previous Guidance
<b>Metallurgical Coal Sales Tons<sup>(3)</sup></b>			
Company Produced	1.0 million	1.0 - 1.2 million	0.0 - (0.2) million
Purchased - Value Added Services	0.4 - 0.5 million	0.4 - 0.5 million	&mdash;
Purchased - Sales and Trading	0.7 - 0.8 million	0.7 - 1.1 million	0.0 - (0.3) million
Total Metallurgical Coal Sales Tons	2.1 - 2.3 million	2.1 - 2.8 million	0.0 - (0.5) million
<b>Share of Metallurgical Coal Sales Tons</b>			
% Domestic Sales at the mid-point	27%	21%	6%
% Export Sales at the mid-point	73%	79%	(6)%
<b>Metallurgical Coal Sales Tons Commitments<sup>(7)</sup></b>			
Committed at the mid-point	94%	80%	14%
Committed and Priced at the mid-point	79%	61%	18%
<b>Cash Production Cost per ton sold (FOB Mine)<sup>(4)</sup></b>			
NAPP Division Metallurgical Coal <sup>(5)</sup>	\$82 - \$84	\$78 - \$82	\$4 - \$2
<b>General and Administrative Expenses<sup>(6)</sup></b>			
NAPP Division	\$9.0 - \$10.0 million	\$8.0 - \$10.0 million	\$1.0 - \$0.0 million
Corporate Division	\$6.5 - \$7.0 million	\$5.0 - \$7.0 million	\$1.5 - \$0.0 million
Total Corsa	\$15.5 - \$17.0 million	\$13.0 - \$17.0 million	\$2.5 - \$0.0 million

Note: Selling expenses are forecasted to be covered by margins from Sales and Trading tons sold.

**Maintenance Capital Expenditures per ton sold<sup>(7)</sup>**

2018 Full Year	\$9	\$9	&mdash;
2018-2020 Forecasted Average	\$4	\$4	&mdash;

- (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 ended March 31, 2018 dated May 9, 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

Current market conditions continue to be supportive for metallurgical coal demand globally and domestically. We expect growing demand from our US customers as they expect to increase blast furnace output in 2018 and 2019. US steel production is up approximately 2.9% year-to-date ("YTD"). Spot inquiries from our US customers indicate strong demand and further tightening supply chains. As a result, several US buyers have moved up their 2019 buying process to earlier in the year.

Global steel demand remains strong as well and continues to drive a healthy US export market. Global steel production is up 5% YTD and has experienced 26 consecutive months of positive growth. Global steel capacity utilization is approximately 78%. China continues to hit daily steel production records, and their production is up 6.3% YTD while India is up 5.5% YTD. Corsa has been able to benefit from the strong export market by accessing our international customer base in conjunction with our Value Added Services and Sales and Trading platforms. By utilizing these platforms, we continue to access third party supplies that complement our production to meet varied export requirements, as well as expand our customer reach.

Throughout this year, we have witnessed extreme congestion at ports which began due to extreme weather conditions and continued as both thermal and metallurgical coal exports markets remained strong. This has created bottlenecks throughout the domestic and export supply chains. We continue to witness difficulties in accessing qualified labor and adequate trucking capacity due to a tight labor market. This is a manifestation of a strong US economy and high demand for qualified workers driven by energy and manufacturing. The international metallurgical coal price indices are likely to remain volatile as the market digests the uncertainty of trade discussions as well as the impact of limited supply growth amidst transportation issues. Given these points, the forward curve on international metallurgical coal price indices points towards a constructive forward price environment and we expect pricing to stay above the 90th percentile of the global marginal cost curve over the coming quarters, which we believe to be \$150 per metric ton. As of August 27, 2018, the calendar 2019 forward curve for premium low vol metallurgical coal is at a midpoint of \$182 per metric ton and the calendar 2020 forward curve is at \$168 per metric ton. This compares to a spot price today of \$183, suggesting that the market expects to remain tight over the coming years.

#### Financial Statements and Management's Discussion and Analysis

Refer to Corsa's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2018 and 2017 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.

## 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 and six months ended June 30, 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 Wednesday, August 29, 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/1824893/64AF3489BCDF149C9A4B4452F2846860>

## Forward-Looking Statements

Certain information set forth in this press release contains "forward-looking statements" and "forward-looking information" (collectively, "forward-looking statements") under applicable securities laws. Except for statements of historical fact, certain information contained herein relating to projected sales, coal prices, coal production, mine development, the capacity and recovery of Corsa's preparation plants, expected cash production costs, geological conditions, future capital expenditures and expectations of market demand for coal, constitutes forward-looking statements which include management's assessment of future plans and operations and are based on current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "estimates", "expects", "anticipates", "believes", "projects", "plans", "capacity", "hope", "forecast", "anticipate", "could" and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause Corsa's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: risks that the actual production or sales for the 2018 fiscal year will be less than projected production or sales for this period; risks that the prices for coal sales will be less than projected; liabilities inherent in coal mine development and production; geological, mining and processing technical problems; inability to obtain required mine licenses, mine permits and regulatory approvals or renewals required in connection with the mining and processing of coal; risks that Corsa's preparation plants will not operate at production capacity during the relevant period, unexpected changes in coal quality and specification; variations in the coal mine or preparation plant recovery rates; dependence on third party coal transportation systems; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in commodity prices and exchange rates; changes in the regulations in respect to the use, mining and processing of coal; changes in regulations on refuse disposal; the effects of competition and pricing pressures in the coal market; the oversupply of, or lack of demand for, coal; inability of management to secure coal sales or third party purchase contracts; currency and interest rate fluctuations; various events which could disrupt operations and/or the transportation of coal products, including labor stoppages and severe weather conditions; the demand for and availability of rail, port and other transportation services; the ability to purchase third party coal for processing and delivery under purchase agreements; and management's ability to anticipate and manage the foregoing factors and risks. The forward-looking statements and information contained in this 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; Kevin M. Harrigan, Chief Financial Officer and Corporate Secretary, Corsa Coal Corp., (724)754-0028, [Communication@corsacoal.com](mailto:Communication@corsacoal.com), [www.corsacoal.com](http://www.corsacoal.com)

assurances 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.

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