

Corsa Coal Announces Financial Results for First Quarter 2019 and Updates Investor Presentation

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CANONSBURG, PA, May 8, 2019 /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, 2019. Corsa has filed unaudited condensed interim consolidated financial statements for the three months ended March 31, 2019 and 2018 and management's discussion and analysis under its profile on [www.sedar.com](#). An updated investor presentation has been posted on [www.corsacoal.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 basis unless otherwise noted.

First Quarter Highlights

- Corsa reported net and comprehensive income from continuing operations of \$3.0 million, or \$0.02 per share attributable to shareholders, for the first quarter 2019, compared to \$2.0 million, or \$0.01 per share attributable to shareholders, for the first quarter 2018.
- Corsa's adjusted EBITDA⁽¹⁾ was \$9.2 million for the first quarter 2019 compared to \$10.9 million for the first quarter 2018. Corsa's EBITDA⁽¹⁾ was \$9.5 million for the first quarter 2019 compared to \$9.1 million for the first quarter 2018.
- Cash production cost per ton sold⁽¹⁾ was \$83.21 for the first quarter 2019, a decrease of \$8.25 per ton, or 9%, as compared to the first quarter 2018.
- Operating cash flows provided by continuing operations for the first quarter 2019 were \$5.7 million compared to \$5.0 million for the first quarter 2018. Operating cash flows for the first quarter 2019 included a payment of \$2.7 million to settle a previously disclosed \$52 million claim made by Lucchini S.p.A. against PBS Coals, Inc. related to shipments made by Corsa's ownership of PBS Coals, Inc.
- In March 2019, Corsa reduced the principal balance on the loan payable to Sprott Resource Lending Corp. ("SRL") by \$3.0 million, the secured term loan (the "Facility") by \$3.0 million.
- Low volatile metallurgical coal sales tons, comprised of "Company Produced" tons and "Value Added Services" tons, were 358,854 in the first quarter 2019 compared to 388,367 in the first quarter 2018. In the first quarter 2019, Corsa sold a total of 49,982 "Sales & Trading" tons, which are treated as pass-through from a profitability perspective, compared to 169,354 tons in the first quarter 2018.
- Corsa achieved an average realized price per ton of metallurgical coal sold⁽¹⁾ of \$116.47 for all metallurgical quality coal sold in the first quarter 2019 compared to \$118.46 in the first quarter 2018. This average realized price is the approximate equivalent of \$167 to \$172 on an FOB vessel basis.⁽²⁾ For low volatile metallurgical coal sold, Corsa achieved the approximate equivalent of \$170 to \$176 on an FOB vessel basis. For the first quarter 2019, Corsa's sales mix included 31% of sales to domestic customers and 69% of sales to international customers.

(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 (or "FOB vessel 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 \$35-\$40 per short ton. Historically, freight rates rise and fall as market prices rise and fall. The low volatile metallurgical coal sales price is approximated at 3-4% above the equivalent metallurgical coal price on an FOB vessel basis. 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, "Over the past two and a half years, Corsa's operating performance has improved significantly. We are pleased with the results for the first quarter 2019 and expect continued growth throughout the year."

been in growth mode, as the Acosta, Horning, and Schrock Run mines have been developed, and as the Northeastern base at Casselman has been developed. As the Schrock Run mine is expected to achieve full development status late second quarter, we will reach the point where all our active mining operations will be operating at their full run-rate capacity. We realized the benefits of this ramp-up in the first quarter, as production from our mines hit a five-year high for the company. Additionally, despite being in an inflationary cost environment in the mining space, we reduced cash mining costs by 9% year ago. We expect to continue to experience these benefits of increased scale as the year progresses.

With Corsa's metallurgical coal production forecasted to double in 2019 from 2016 levels and sales volumes tripling over the period, we now plan to shift our near-term focus to free cash flow generation and deleveraging. After investing heavily in capital expenditures over the past two years, we expect our free cash flow yield to increase in the coming quarters as our capital expenditure levels decline. Growth remains a strategic priority for the Company, and we expect to receive the Keyser permit in the near future. Once the permit is received, we will evaluate market conditions and the progress of our free cash flow generation prior to commencing this project.

First quarter profitability was driven by strong metallurgical coal production levels and cost performance. As we entered the first quarter, coal market conditions were temporarily softer than normal because of global macroeconomic concerns that arose in December. These conditions, in combination with managerial discretion on whether to sell tons or build inventory, resulted in shifting sales shipments out of the first quarter and into subsequent quarters of the year. We are now experiencing robust demand for our low volatile metallurgical coal and expect to move higher levels of low volatile tons in upcoming quarters, including the second quarter. As a result, we are maintaining our profitability guidance for 2019.

The outlook for metallurgical coal pricing remains very healthy as global steel production levels remain elevated and coal supply disruptions continue to impact the market. While the spot price of metallurgical coal has declined slightly since the beginning of the year, the forward price outlook for the remainder of 2019, 2020 and 2021 have all increased meaningfully. We expect that the fundamentals for metallurgical coal pricing will remain supportive in the coming quarters and years because of continued economic growth and limited investment in new coal production. These market conditions, in combination with our expanded production, the Company's production and sales, give us confidence in our outlook."

2019 First Quarter Sales Metrics

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) on the coal saleable ("Valued Added Services"); and (iii) selling coal that Corsa purchases on a clean or finished basis from third parties outside the Northern Appalachia region ("Sales and Trading"). For the three months ended March 31, 2019, Corsa's sales are broken down into the following categories.

Metallurgical Coal Sales by Category (Tons)

| | Q1 2019 |
|----------------------------------|---------|
| Company Produced | 280,657 |
| Purchased - Value Added Services | 78,197 |
| Purchased - Sales and Trading | 49,982 |
| Total | 408,836 |

Financial and Operations Summary

| | For the three months ended March 31, | | |
|--|---|----------|-------------|
| | | | Increase |
| (in thousands) | 2019 | 2018 | (Decrease) |
| Revenues | \$57,334 | \$80,448 | \$ (23,114) |
| Cost of sales ⁽²⁾ | \$49,902 | \$70,729 | \$ (20,827) |
| Selling, general and administrative expense | \$4,555 | \$6,457 | \$ (1,902) |
| Net and comprehensive income for the period from continuing operations | \$3,002 | \$1,957 | \$ 1,045 |
| Cash provided by operating activities from continuing operations | \$5,718 | \$7,771 | \$ (2,053) |
| EBITDA ⁽¹⁾ | \$9,518 | \$9,106 | \$ 412 |
| Adjusted EBITDA ⁽¹⁾ | \$9,184 | \$10,861 | \$ (1,677) |
| Coal sold - tons | | | |
| NAPP – metallurgical coal | 409 | 558 | (149) |

⁽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) | 2019 | 2018 |
| Mining and processing costs | \$ 22,050 | \$ 20,340 |
| Purchased coal costs | 12,018 | 28,415 |
| Royalty expense | 1,580 | 2,083 |
| Amortization expense | 5,493 | 6,189 |
| Transportation costs from preparation plant to customer | 7,201 | 12,901 |
| Idle mine expense | 472 | 109 |
| Tolling costs | 1,069 | 435 |
| Write-off of advance royalties and other assets | — | 5 |
| Other costs | 19 | 252 |
| | \$ 49,902 | \$ 70,729 |

| | For the three months ended | | |
|---|----------------------------|-----------|------------|
| | March 31, | | |
| | 2019 | 2018 | Variance |
| Realized price per ton sold ⁽¹⁾ | | | |
| NAPP – metallurgical coal | \$ 116.47 | \$ 118.46 | \$ (1.99) |
| Cash production cost per ton sold ⁽¹⁾⁽²⁾ | | | |
| NAPP – metallurgical coal | \$ 83.21 | \$ 91.46 | \$ 8.25 |
| Cash cost per ton sold ⁽¹⁾⁽³⁾ | | | |
| NAPP – metallurgical coal | \$ 86.18 | \$ 90.65 | \$ 4.47 |
| Cash margin per ton sold ⁽¹⁾ | | | |
| NAPP – metallurgical coal | \$ 30.29 | \$ 27.81 | \$ 2.48 |
| EBITDA ⁽¹⁾ (000's) | | | |
| NAPP | \$ 11,415 | \$ 11,128 | \$ 287 |
| Corporate | (1,897) | (2,022) | 125 |
| Total | \$ 9,518 | \$ 9,106 | \$ 412 |
| Adjusted EBITDA ⁽¹⁾ (000's) | | | |
| NAPP | \$ 10,460 | \$ 12,219 | \$ (1,759) |
| Corporate | (1,276) | (1,358) | 82 |
| Total | \$ 9,184 | \$ 10,861 | \$ (1,677) |

⁽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^(a)

Corsa's updated guidance for the year ending December 31, 2019 is as follows:

| (all dollar amounts in U.S. dollars and tonnage in short tons) | Updated Guidance Full Year 2019 | Previous Guidance Full Year 2019 | Change to Previous Guidance |
|--|---------------------------------|----------------------------------|-----------------------------|
| Metallurgical Coal Sales Tons | | | |
| Company Produced | 1.25 to 1.40 million | 1.25 to 1.40 million | — |
| Purchased - Value Added Services | 0.30 to 0.40 million | 0.30 to 0.40 million | — |
| Purchased - Sales and Trading | 0.325 to 0.425 million | 0.45 to 0.60 million | (0.125) to (0.175) m |
| Total Metallurgical Coal Sales Tons | 1.875 to 2.225 million | 2.0 to 2.4 million | (0.125) to (0.175) m |
| Share of Metallurgical Coal Sales Tons | | | |
| % Domestic Sales at the mid-point | 29% | 29% | —% |
| % Export Sales at the mid-point | 71% | 71% | —% |
| Metallurgical Coal Sales Tons Commitments ^(e) | | | |
| Committed at the mid-point | 79% | 69% | 10% |
| Committed and Priced at the mid-point | 50% | 46% | 4% |
| Cash Production Cost per ton sold (FOB Mine) ^{(b)(c)} | | | |
| NAPP Division Metallurgical Coal | \$78 - \$82 | \$78 - \$82 | — |
| General and Administrative Expenses ^(d) | | | |
| NAPP Division | \$8.5 - \$9.0 million | \$8.5 - \$9.0 million | — |
| Corporate Division | \$5.0 - \$5.5 million | \$5.0 - \$5.5 million | — |
| Total Corsa | \$13.5 - \$14.5 million | \$13.5 - \$14.5 million | — |
| Note: Selling expenses are forecasted to be covered by margins from Sales and Trading tons sold. | | | |
| Net and comprehensive income | \$13 to \$15 million | \$13 to \$15 million | — |
| Adjusted EBITDA ^(e) | \$42 - \$46 million | \$42 - \$46 million | — |
| Capital Expenditures per ton sold ^(f) | | | |
| Maintenance capital expenditures | \$5 | \$5 | — |
| Total capital expenditures | \$5 | \$6 | (\$1) |

- (a) 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.
- (b) This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.
- (c) Cash production cost per ton sold excludes purchased coal.
- (d) Exclusive of stock-based compensation and selling related commissions, bank fees and finance charges.
- (e) This is a non-GAAP financial measure. For a reconciliation, please see the Company's press release dated December 10, 2018.
- (f) Tons sold excludes purchased coal used in the Sales and Trading platform.

Coal Pricing Trends and Outlook

Overall, the metallurgical coal market remains well supported as steel production remains at elevated levels and as supply disruptions continue to arise. Entering the first quarter of 2019, global macroeconomic growth fears, combined with Chinese import restrictions on Australian coals, put downward pressure on coal prices. Since then, the spot market stabilized and remained relatively stable over the quarter. Metallurgical coal producers, particularly the largest players, have shown supply discipline over the course of this cycle, which bodes well for future market balance. We believe a high cost of capital for coal producers, a growing emphasis to have environmental, social and governance factors impact production and investment decisions, and a preference for dividends and share repurchases from major investors of coal producers will collectively serve to dampen new production of metallurgical coal going forward. This, in combination with ongoing mine depletion, should support a rise in the global cost curve in the year ahead, which historically has led to higher metallurgical coal prices.

There is continued speculation that the U.S. and China will soon come to a trade pact which should benefit the global economy to support stronger global growth which would in turn lift steel demand. China also imposed import restrictions on Australian coals which slowed clearing customs from 20 days to a reported 40-60 days. Both events led to spot prices for Australian premium low volatile metallurgical coal finished at \$205/metric ton ("mt") FOBTT from beginning the quarter at \$211/mt while U.S. East Coast low volatile coal finished at \$189/mt from beginning the quarter at \$197/mt. The futures market for Q2 2019 remains steady with prices currently at \$200/mt. Currently, the futures market for calendar 2020 is \$190/mt and for 2021 is at \$178.75/mt. These are profitable levels for almost all of the global cost curve.

The World Steel Association recently issued its short-range outlook forecasting steel demand to be up by 1.3% in 2019. Growth in Asia, excluding China, is forecasted to remain robust with 6.5% growth expected in 2019. Through March, Chinese steel production was up 9.9% due to strong infrastructure spending. China represented 52% of global steel production. Global steel production was up 4.9% which was thirty-fifth straight month of positive annual growth. Preliminary U.S. metallurgical coal export data shows a 1.5% decline for a total of 8 million tons year-to-date through February. Steam coal exports are expected to weaken throughout the year as steam coal prices have weakened globally. If this trend continues, it should free up rail and terminal capacity and lessen congestion risks at the ports for metallurgical coal exports.

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, 2019 and 2018 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, EBITDA 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, 2019 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.

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 9, 2019 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/1997225/FE517C3D1668BD5B4EDC1FC18E7CFFC1>

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 2019 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, 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.

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