

Corsa Coal Announces Financial Results for Fourth Quarter and Full Year 2019

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CANONSBURG, March 30, 2020 - [Corsa Coal Corp.](#) (TSXV: CSO; OTCQX: CRSXF) ("Corsa" or the "Company"), a premium quality metallurgical coal producer, today reported financial results for the three months and full year ended December 31, 2019. Corsa has filed its audited consolidated financial statements for the years ended December 31, 2019 and 2018, related management's discussion and analysis and its annual information form 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 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.

Fourth Quarter and Full Year 2019 Highlights

- Corsa reported net and comprehensive loss from continuing operations of \$8.2 million, or \$0.09 per share attributable to shareholders, for the fourth quarter 2019, compared to income of \$10.3 million, or \$0.09 per share attributable to shareholders, for the fourth quarter 2018. Net and comprehensive loss from continuing operations for the year ended December 31, 2019 was \$0.5 million, or \$0.03 per share attributable to shareholders compared to income of \$5.9 million, or \$0.03 per share attributable to shareholders for the year ended December 31, 2018.
- Corsa's net and comprehensive loss from continuing operations includes two significant non-cash adjustments for the fourth quarter 2019 which are: (1) \$3.2 million of accelerated amortization expense as a result of the asset retirement obligation asset for a surface mine where management has determined not to pursue future mining and (2) \$1.2 million of expense related to the annual review of the reclamation and water treatment provision that resulted from changes in the underlying assumptions utilized to measure the liability.
- Corsa's adjusted EBITDA⁽¹⁾ was \$3.5 million and \$28.9 million for the three months and year ended December 31, 2019, respectively, compared to \$11.3 million and \$35.0 million for the three months and year ended December 31, 2018, respectively. Corsa's EBITDA⁽¹⁾ was \$2.5 million and \$29.4 million for the three months and year ended December 31, 2019, respectively, compared to \$14.5 million and \$32.8 million for the three months and year ended December 31, 2018, respectively.
- Cash production cost per ton sold⁽¹⁾ was \$73.87 for the fourth quarter 2019, a decrease of \$2.90 per ton, or 4%, as compared to the fourth quarter 2018. Cash production cost per ton sold⁽¹⁾ was \$79.38 for the year ended December 31, 2019, a decrease of \$4.23 per ton, or 5%, as compared to the year ended December 31, 2018.
- Operating cash flows used in continuing operations for the three months ended December 31, 2019 were \$2.0 million and cash provided by operating activities of \$14.7 million for the year ended December 31, 2019 compared to \$5.6 million and \$15.3 million cash provided for the three months and year ended December 31, 2018, respectively.
- Total revenue from continuing operations for the three months and year ended December 31, 2019 were \$52.5 million and \$230.9 million, respectively, compared to \$66.5 million and \$265.9 million for the three months and year ended December 31, 2018, respectively.
- Low volatile metallurgical coal sales tons, comprised of "Company Produced" tons and "Value Added Services" purchased coal tons, were 440,086 in the fourth quarter 2019 compared to 372,313 in the fourth quarter 2018 and 1,551,882 for the full year 2019 compared to 1,385,229 for the full year 2018. In the fourth quarter 2019, Corsa sold a total of 68,879 "Sales and Trading" tons, which are treated as pass-through from a profitability perspective, compared to 94,212 tons in the fourth quarter 2018 and 281,471 for the full year 2019 compared to 486,876 for the full year 2018.
- Corsa achieved an average realized price per ton of metallurgical coal sold⁽¹⁾ of \$86.70 for all metallurgical qualities in the fourth quarter 2019 compared to \$116.27 in the fourth quarter 2018 and \$103.76 for the full year 2019 compared to \$114.50 for the full year 2018. This average realized price for the fourth quarter 2019 is the approximate equivalent of \$129 to \$134 on an FOB vessel basis.⁽²⁾ For the fourth quarter 2019, Corsa's sales mix included 31% of sales to domestic customers and 69% of sales to international customers and for the full year 2019 included 30% of sales to domestic customers and 70% of sales to international customers.

- In August 2019, certain wholly-owned subsidiaries of Corsa, as borrowers, entered into a senior secured revolving credit facility with KeyBank National Association for up to \$25 million and a lease financing agreement with Key Equipment Finance, as lessor and assignor, and 36th Street Capital Partners, LLC, as assignee, for the sale and leaseback of various coal mining equipment for a funding amount of \$12 million. These new facilities replaced the \$25 million senior secured term credit facility with Sprott Resource Lending Corp.
- In 2019, Corsa recognized income of \$3.4 million related to the A-Seam Condemnation Judgement (as defined herein). This income is net of the contingent legal fees associated with the A-Seam Condemnation Judgement and payment was received in December 2019. This income was partially offset by debt extinguishment expense of \$1.2 million as a result of the debt refinancing noted above.

(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 \$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.

Peter Merritts, Chief Executive Officer of Corsa, commented, "Our mines and plants are producing at a high level.? For the full year 2019, quarterly production records were successively broken in the first quarter, the second quarter and again in the third quarter.? Our strong operational performance continued into the fourth quarter with our cash production costs per ton sold at the lowest levels for the year, decreasing by 5% as compared to the third quarter of 2019.? The reduction in cash production costs per ton sold partially offset the margin erosion caused by the decrease in realized prices.? The continued deterioration of the metallurgical coal market and downward pressure on spot prices resulted in our lowest realized pricing for the year and significantly impacted our profitability for the quarter.

Our emphasis on operational efficiency and cost control is evident in our production costs and we are now fully realizing the benefits of the general and administrative cost reduction activities that were implemented in the second half of 2019.? We will maintain our intense focus on reducing or eliminating any unnecessary costs from the business.

Spot market prices have increased modestly in the first part of 2020 although the impact of the COVID-19 pandemic creates some uncertainty in the global markets.? Our team of dedicated and high-performing miners and professionals has, and will continue to respond to the challenges and opportunities of the market."

2019 Full Year 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) to make the coal saleable ("Valued 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").? For the year ended December 31, 2019, Corsa's sales were broken down into the following categories.

Metallurgical Coal Sales by Category (Tons)

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	220000
Company Produced	230,672 244
Purchased - Value Added Services	9,500 88
Purchased - Sales and Trading	5,000 71
Total	435,172 553
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Financial and Operations Summary

	For the three months ended			For the years ended		
	December 31,			December 31,		
			Increase			Increase
(in thousands)	2019	2018	(Decrease)	2019	2018	(Decrease)
Revenues	\$ 52,476	\$ 66,513	\$ (14,037)	\$ 230,869	\$ 265,853	\$ (34,984)
Cost of sales ⁽²⁾	\$ 57,604	\$ 54,091	\$ 3,513	\$ 216,050	\$ 236,840	\$ (20,790)
Selling, general and administrative expense	\$ 3,025	\$ 4,090	\$ (1,065)	\$ 15,748	\$ 20,607	\$ (4,859)
Net and comprehensive (loss) income for the period from continuing operations	\$ (8,151)	\$ 10,273	\$ (18,424)	\$ (513)	\$ 5,871	\$ (6,384)
Cash (used in) provided by operating activities from continuing operations	\$ (1,958)	\$ 5,627	\$ (7,585)	\$ 14,686	\$ 15,307	\$ (621)
EBITDA ⁽¹⁾	\$ 2,517	\$ 14,546	\$ (12,029)	\$ 29,448	\$ 32,829	\$ (3,381)
Adjusted EBITDA ⁽¹⁾	\$ 3,528	\$ 11,334	\$ (7,806)	\$ 28,878	\$ 35,005	\$ (6,127)
Coal sold - tons						
NAPP ? metallurgical coal	509	466	43	1,833	1,872	(39)

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

(2) Cost of sales consists of the following:

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(in thousands)	For the three months ended		For the years ended	
	December 31,	December 31,	December 31,	December 31,
	2019	2018	2019	2018
Mining and processing costs	\$ 29,401	\$ 19,915	\$ 97,000	\$ 76,130
Purchased coal costs	7,038	18,232	47,358	83,882
Royalty expense	1,790	1,938	6,968	6,808
Amortization expense	10,006	5,927	25,961	25,020
Transportation costs from preparation plant to customer	7,597	10,335	33,475	44,054
Change in estimate of reclamation and water treatment provision	1,190	(3,727)	1,190	(3,727)
Idle mine expense	74	592	938	1,200
Tolling costs	290	758	2,953	2,447
Write-off of advance royalties and other assets	123	?	171	38
Other costs	95	121	36	988
	\$ 57,604	\$ 54,091	\$ 216,050	\$ 236,840

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	For the three months ended			For the years ended		
	December 31,			December 31,		
	2019	2018	Variance	2019	2018	Variance
Realized price per ton sold ⁽¹⁾						
NAPP ? metallurgical coal	\$ 86.70	\$ 116.27	\$ (29.57)	\$ 103.76	\$ 114.50	\$ (10.74)
Cash production cost per ton sold ⁽¹⁾⁽²⁾						
NAPP ? metallurgical coal	\$ 73.87	\$ 76.77	\$ 2.90	\$ 79.38	\$ 83.61	\$ 4.23
Cash cost per ton sold ⁽¹⁾⁽³⁾						
NAPP ? metallurgical coal	\$ 74.59	\$ 85.39	\$ 10.80	\$ 82.07	\$ 88.59	\$ 6.52
Cash margin per ton sold ⁽¹⁾						
NAPP ? metallurgical coal	\$ 12.11	\$ 30.88	\$ (18.77)	\$ 21.69	\$ 25.91	\$ (4.22)
EBITDA ⁽¹⁾ (000's)						
?? NAPP	\$ 3,082	\$ 16,109	\$ (13,027)	\$ 36,023	\$ 41,196	\$ (5,173)
?? Corporate	(565)	(1,563)	998	(6,575)	(8,367)	1,792
?? Total	\$ 2,517	\$ 14,546	\$ (12,029)	\$ 29,448	\$ 32,829	\$ (3,381)
Adjusted EBITDA ⁽¹⁾ (000's)						
NAPP	\$ 4,082	\$ 12,304	\$ (8,222)	\$ 32,492	\$ 40,048	\$ (7,556)
Corporate	(554)	(970)	416	(3,614)	(5,043)	1,429
Total	\$ 3,528	\$ 11,334	\$ (7,806)	\$ 28,878	\$ 35,005	\$ (6,127)

(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.

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GUIDANCE

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The current COVID-19 pandemic is significantly impacting the global economy and commodity and financial markets. The full extent and impact of the COVID-19 pandemic is unknown, and rapidly evolving. Given the extreme volatility in financial markets and commodity prices, along with uncertainty regarding the impact thereof on

the performance of the Company, the Company does not believe it is appropriate to issue full year guidance at this time for fiscal 2020. The Company will continue to evaluate events and circumstances and will provide guidance when appropriate and as information is available.

Coal Pricing Trends and Outlook

Price levels opened the fourth quarter at \$147/metric ton ("mt") delivered-to-the-port based ("FOBT") for spot deliveries of Australian premium low volatile metallurgical coal and closed the quarter and year at \$140/mt. The quarterly average price for the fourth quarter of 2019 was \$140/mt for Australian premium low volatile metallurgical coal, compared to \$161/mt in the third quarter of 2019, and traded in a range from a high of \$152/mt to a low of \$132/mt. For the year, prices opened at \$211/mt, averaged \$177/mt, and traded in a range from a high of \$216/mt to a low of \$132/mt.

The World Steel Association reported that global crude steel production rose 3.4% in 2019 versus 2018 with the U.S. up 1.5 %, China up 8.3% and India up 1.8%. Additionally, 2019 crude steel production from the European Union and Brazil were down 4.9% and 9.0%, respectively. Regionally, the Middle East grew by 19.2%, Asia, which includes China and India, increased by 5.7%, North America decreased by 0.8% and South America decreased by 8.4%. Chinese hot-rolled steel coil prices rose approximately 1% over the course of 2019, with U.S. and Northern European prices down 22% and 17%, respectively, in the same time period.

Spot market pricing for metallurgical coal in the first quarter of 2020 primarily traded in the \$140-\$150/mt FOBT range. Price volatility is expected as the metallurgical coal market responds to changes in both supply and demand across different geographical areas resulting from the workforce restrictions and economic impacts of the COVID-19 pandemic. Due to the uncertainty of the global business impact of COVID-19 on both metallurgical coal supply and demand, Corsa is suspending the provision of additional commentary regarding expectations for metallurgical coal prices in 2020 at the time of this press release. Metallurgical coal supply, demand and pricing outlook commentary will be resumed when deemed appropriate by the Company.

Through February 2020, the World Steel Association reported that global crude steel production rose 1.0% in 2020 versus 2019 with the U.S. up 2.4 %, China up 3.1% and Japan up 1.7%. Crude steel production from the European Union and Brazil were down 9.1% and 6.4%, respectively. Regionally, the Middle East grew by 26.2%, Asia, which includes China and India, increased by 2.0%, North America decreased by 1.4% and South America decreased by 6.0%. The most recent 2020 global steel demand forecast for 2020 was provided by the World Steel Association in October 2019 before the COVID-19 outbreak and therefore do not reflect the impacts on the global steel market. Global steel demand forecast statistics may be provided as they become available and are reflective of the global business changes.

Financial Statements and Management's Discussion and Analysis

Refer to Corsa's audited consolidated financial statements for the years ended December 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 both terms are defined below, 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 and full year ended December 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 Merritts, Professional Engineer and the Company's Chief Executive Officer, 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.

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 2020 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; the ability to resolve litigation and similar matters involving the Company and/or its assets; the ability to pay down indebtedness; 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 the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

SOURCE [Corsa Coal Corp.](#)

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