

Corsa Coal Announces Financial Results for First Quarter 2020

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Friedens, May 6, 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 ended March 31, 2020. Corsa has filed its unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020 and 2019 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 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 2020 Highlights

- Corsa reported net and comprehensive loss of \$5.8 million, or \$0.06 per share attributable to shareholders, for the first quarter 2020, compared to income of \$3.0 million, or \$0.02 per share attributable to shareholders, for the first quarter 2019.
- Corsa's net and comprehensive loss includes a non-cash adjustment of \$4.1 million related to market value declines in the restricted cash investments of the Company's water treatment trusts which was primarily the result of market losses related to the coronavirus (COVID-19) pandemic.
- Corsa's adjusted EBITDA⁽¹⁾ was \$6.4 million for the three months ended March 31, 2020 compared to \$9.2 million for the three months ended March 31, 2019. Corsa's EBITDA⁽¹⁾ was \$1.3 million for the three months ended March 31, 2020 compared to \$9.5 million for the three months ended March 31, 2019.
- Cash production cost per ton sold⁽¹⁾ was \$71.12 for the first quarter 2020, a decrease of \$12.09 per ton, or 15%, as compared to the first quarter 2019.
- Cash flows provided by operating activities for the three months ended March 31, 2020 were \$8.3 million compared to \$5.7 million for the three months ended March 31, 2019.
- Total revenues for the three months ended March 31, 2020 were \$46.7 million compared to \$57.3 million for the three months ended March 31, 2019.
- Low volatile metallurgical coal sales tons, comprised of "Company Produced" tons and "Value Added Services" purchased coal tons, were 414,326 in the first quarter 2020 compared to 358,854 in the first quarter 2019. In the first quarter 2020, Corsa sold a total of 34,587 "Sales and Trading" purchased coal tons, which are treated as pass-through from a profitability perspective, compared to 49,982 tons in the first quarter 2019.
- Corsa achieved an average realized price per ton of metallurgical coal sold⁽¹⁾ of \$90.49 for all metallurgical qualities in the first quarter 2020 compared to \$116.47 in the first quarter 2019. This average realized price for the first quarter 2020 is the approximate equivalent of \$133 to \$138 on an FOB vessel basis.⁽²⁾ For the first quarter 2020, Corsa's sales mix included 34% of sales to domestic customers and 66% of sales to international customers.
- In April 2020, certain wholly-owned subsidiaries of Corsa, as borrowers, entered into loan agreements with KeyBank National Association for an aggregate amount of approximately \$8.4 million under the Paycheck Protection Program, which amounts are guaranteed by the U.S. Small Business Administration Paycheck Protection Program and are expected to be fully or substantially forgiven under the terms of the Paycheck Protection Program.

(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, "The health and safety of our employees is one of our Company's core values and during the first quarter, we implemented a number of additional safeguards and measures to continuously monitor the health of our team members and to contain the spread of COVID-19 and minimize its impact on our employees and on our operations.

Despite the impact and operational disruptions caused by COVID-19, our mines and plants continued to produce at a high level. The quarterly production record that was set in the first quarter of 2019 was broken successively in the second and third quarters of 2019 and again in the first quarter of 2020. Our first quarter cash production costs per ton sold decreased by 15% compared to the first quarter of 2019 and 4% compared to the fourth quarter of 2019. The additional production allowed us to take advantage of higher priced spot market opportunities during the first quarter of 2020 which complemented our contractual domestic orders. Overall, we achieved a cash margin per ton sold for the first quarter of 2020 of nearly \$19 a ton, compared to \$30/ton for the first quarter 2019, despite the downward pressure on metallurgical coal spot prices.

Our positive operational results were further supported by the full run-rate of our general and administrative cost reduction activities that were implemented in the second half of 2019. However, first quarter 2020 financial results were negatively impacted by significant non-cash market value declines in the restricted cash investments of the Company's water treatment trusts as a result of the market reaction to the COVID-19 pandemic. The non-cash gains or losses for these trusts are recognized at the end of each quarter in accordance with accounting guidelines.

Metallurgical coal spot market prices and demand declined during the first quarter, and continued to decline into the second quarter, in response to the COVID-19 pandemic which created uncertainty in the global markets. We will continuously monitor the demand for our product and will practice the operational discipline that allows us to continue meeting our customers' needs for our high-quality metallurgical coal while creating value for our shareholders. We know that our team of dedicated and high-performing miners and professionals has and will continue to respond to the challenges and opportunities of the market."

2020 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) 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 three months ended March 31, 2020, Corsa's sales were broken down into the following categories.

Metallurgical Coal Sales by Category (Tons)

	Q1 2020
Company Produced	384,750
Purchased - Value Added Services	29,576
Purchased - Sales and Trading	34,587
Total	448,913

Financial and Operations Summary

For the three months ended

March 31,

	Increase		
(in thousands)	2020	2019	(Decrease)
Revenues	\$ 46,725	\$ 57,334	\$ (10,609)
Cost of sales ⁽²⁾	\$ 45,083	\$ 49,902	\$ (4,819)
Selling, general and administrative expense	\$ 2,109	\$ 4,555	\$ (2,446)
Net and comprehensive (loss) income for the period	\$ (5,789)	\$ 3,002	\$ (8,791)
Cash provided by operating activities	\$ 8,307	\$ 5,718	\$ 2,589
EBITDA ⁽¹⁾	\$ 1,321	\$ 9,518	\$ (8,197)
Adjusted EBITDA ⁽¹⁾	\$ 6,392	\$ 9,184	\$ (2,792)
Coal sold - tons			
NAPP & metallurgical coal	449	409	40

(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	
	March 31,	
	2020	2019
Mining and processing costs	\$ 25,642	22,050
Purchased coal costs	4,777	12,018
Royalty expense	1,901	1,580
Amortization expense	6,504	5,493
Transportation costs from preparation plant to customer	5,531	7,201
Idle mine expense	87	472
Tolling costs	259	1,069
Write-off of advance royalties and other assets	432	—
Other costs	(50)	19
	\$ 45,083	49,902

For the three months ended

March 31,

2020 2019 Variance

Realized price per ton sold⁽¹⁾

NAPP & metallurgical coal	\$ 90.49	\$ 116.47	\$ (25.98)
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Cash production cost per ton sold⁽¹⁾⁽²⁾

NAPP & metallurgical coal	\$ 71.12	\$ 83.21	\$ 12.09
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Cash cost per ton sold⁽¹⁾⁽³⁾

NAPP & metallurgical coal	\$ 71.61	\$ 86.18	\$ 14.57
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Cash margin per ton sold⁽¹⁾

NAPP & metallurgical coal	\$ 18.88	\$ 30.29	\$ (11.41)
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EBITDA⁽¹⁾ (000's)

NAPP	\$ 2,177	\$ 11,415	\$ (9,238)
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Corporate	(856)	(1,897)	1,041
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Total	\$ 1,321	\$ 9,518	\$ (8,197)
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Adjusted EBITDA⁽¹⁾ (000's)

NAPP	\$ 7,161	\$ 10,460	\$ (3,299)
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Corporate	(769)	(1,276)	507
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Total	\$ 6,392	\$ 9,184	\$ (2,792)
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(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

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. If the impacts of the COVID-19 outbreak, including the decrease in economic activity or restrictions on certain business activities, continue for an extended period of time or worsen, it could have a negative impact on the demand for metallurgical coal and/or business activities, which would have a material adverse effect on our business, financial condition, cash flows and results of operations. 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 first quarter at \$141/metric ton ("mt") delivered-to-the-port based ("FOBT") for spot deliveries of Australian premium low volatile metallurgical coal and closed the quarter at \$148/mt FOBT. The quarterly average price for the first quarter of 2020 was \$155/mt FOBT for Australian premium low volatile metallurgical coal, compared to \$140/mt FOBT in the fourth quarter of 2019, and traded in a range from a high of \$164/mt FOBT to a low of \$141/mt FOBT.

Average spot market pricing for metallurgical coal in April 2020 was \$130/mt FOBT, with the month opening at a high of \$145/mt FOBT and closing at a low of \$109/mt FOBT. 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, on March 30, 2020, Corsa suspended the provision of additional commentary regarding expectations for 2020 metallurgical coal prices. Metallurgical coal supply, demand and pricing outlook commentary will be resumed when deemed appropriate by the Company.

The World Steel Association reported that, through March 2020, global crude steel production fell by 1.4% in the first quarter of 2020 versus the first quarter of 2019. However, the report cautioned that the number could be revised in the next update due to the impact of the COVID-19 pandemic on those reporting production data. For the first quarter, production was up 1.2% in China and 9.6% in Turkey and was down 1.0% in the U.S., 2.4% in Japan and 5.3% in India. Crude steel production from the European Union and Brazil were down 10.0% and 7.0%, respectively. Regionally, Asia, which includes China and India, decreased by 0.3%, North America decreased by 4.0% and South America decreased by 7.1%. For the first three months of the year, the World Steel Association reported that global crude steel production was up in January by 2.1%, up in February by 2.1% and down in March by 6.0% when compared to the same months in 2019. When comparing the month of March 2020 to March 2019, crude steel production was down 20.4% in the European Union, 9.4% in South America, 9.4% in North America and 4.1% in Asia. Individual country comparisons of March 2020 to March 2019 show Turkey up 4.1% with India down 13.9%, Japan down 9.7%, Brazil down 8.2%, the U.S. down 6.0% and China down 1.7%.

The most recent global steel demand forecast for 2020 was provided by the World Steel Association in October 2019 before the COVID-19 outbreak and therefore does not reflect its impact on the global steel market. Due to the COVID-19 pandemic, the World Steel Association will not publish a Short Range Outlook until June 2020. Future demand for metallurgical coal and the availability of supply will be impacted by, among other things, country specific and regional efforts to contain and control the spread of the COVID-19 virus, the economic stimulus activities of each country and global organizations and the operating status and capabilities of our customers and competitors. Additional information regarding global steel demand and production will be provided in the future as it becomes available.

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, 2020 and 2019 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 ended March 31, 2020 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

Potential developments and market conditions discussed in this news release are considered to be forward looking information. Readers are cautioned that actual results may vary from this forward-looking information. See "Forward-Looking Statements" below.

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 price volatility of the metallurgical coal market, the future demand for metallurgical coal and the availability of its supply, and the provision of a revised statistic by the World Steel Association regarding the fall of global crude steel production in the first quarter of 2020, constitutes forward-looking statements which include management's assessment of future plans and operations and are based on current internal expectations, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "will", "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. These risks and uncertainties include, but are not limited to: changes in market conditions, governmental or regulatory developments as a result of the COVID-19 pandemic or otherwise, the operating status and capabilities of our customers and competitors; various events which could disrupt operations and/or the transportation of coal products, including labor stoppages, the outbreak of disease and severe weather conditions; and management's ability to anticipate and manage the foregoing factors and risks. 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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