

Corsa Coal Corp. Announces Financial Results for Third Quarter 2020 and Corporate Update

06.11.2020 | [CNW](#)

FRIEDENS, Nov. 5, 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 and nine months ended September 30, 2020. Corsa has filed its unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 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.

Third Quarter 2020 Highlights

- Corsa reported net and comprehensive loss of \$3.6 million and \$50.7 million, or \$(0.04) and \$(0.47) per share attributable to shareholders, for the three and nine months ended September 30, 2020, respectively, compared to income of \$1.0 million and \$7.6 million, or \$0.01 and \$0.06 per share attributable to shareholders, for the three and nine months ended September 30, 2019, respectively. The nine months ended September 30, 2020 includes a non-cash adjustment of \$41.7 million related to an asset impairment.
- In response to the deterioration of both the domestic and export metallurgical coal markets, driven in large part by the COVID-19 pandemic, Corsa implemented operational changes in early August, which included, among other things, a reduction in the operating shifts which reduced coal production and resulted in layoffs of a significant number of employees.
- Corsa's adjusted EBITDA⁽¹⁾ was a loss of \$4.8 million and income of \$5.8 million for the three and nine months ended September 30, 2020, respectively, compared to income of \$6.1 million and \$25.4 million for the three and nine months ended September 30, 2019, respectively. Corsa's EBITDA⁽¹⁾ was income of \$1.8 million and a loss of \$32.6 million (impacted by the previously mentioned non-cash impairment) for the three and nine months ended September 30, 2020, respectively, compared to income of \$7.2 million and \$26.9 million for the three and nine months ended September 30, 2019, respectively.
- Cash production cost per ton sold⁽¹⁾ was \$77.15 for the three months ended September 30, 2020, a decrease of \$0.76 per ton, or 1%, as compared to the three months ended September 30, 2019. Cash production cost per ton sold⁽¹⁾ was \$70.13 for the nine months ended September 30, 2020, a decrease of \$11.87 per ton, or 14%, as compared to the nine months ended September 30, 2019.
- Cash flow (used in) provided by operating activities were \$(10.3) million and \$10.9 million for the three and nine months ended September 30, 2020, respectively, compared to cash flow provided by operating activities of \$2.2 million and \$16.6 million for the three and nine months ended September 30, 2019, respectively.
- Total revenues were \$23.3 million and \$111.0 million for the three and nine months ended September 30, 2020, respectively, compared to \$58.1 million and \$178.4 million for the three and nine months ended September 30, 2019, respectively.
- Low volatile metallurgical coal sales tons, comprised of "Company Produced" tons and "Value Added Services" purchased coal tons, were 286,944 and 617, respectively, in the three months ended September 30, 2020 compared to 282,591 and 56,246, respectively, in the three months ended September 30, 2019. In the three months ended September 30, 2020, Corsa did not sell any "Sales and Trading" purchased coal tons, which would have been treated as pass-through from a profitability perspective, compared to 126,304 tons in the three months ended September 30, 2019.
- Corsa's average realized price per ton of metallurgical coal sold⁽¹⁾ was \$66.54 per short ton for all metallurgical qualities in the three months ended September 30, 2020 compared to \$97.98 in the three months ended September 30, 2019. This average realized price for the third quarter 2020 is the approximate equivalent of between \$101 to \$106 per metric ton on an FOB vessel basis⁽²⁾. For the third quarter 2020, Corsa's sales mix included 24% of sales to domestic customers and 76% of sales to international customers.

- In April 2020, certain wholly-owned subsidiaries of Corsa, as borrowers, entered into loan agreements with KeyBank National Association ("KeyBank") 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 and at least \$7.2 million is expected to be 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 \$25-\$30 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 reduced production schedule implemented during the third quarter was a difficult decision because it resulted in the layoff of dedicated and hard-working employees, however, it was necessary to balance our production with our contractual commitments while allowing us to maintain our strategic inventory and to quickly and efficiently increase production in response to positive market opportunities."

Although our third quarter cash costs per produced ton sold were negatively impacted by the lower production levels, our focus on reducing controllable costs and the continued high level of performance from our operations served to minimize our cash production costs during this period of depressed spot market prices. The export market index-based sales that negatively impacted our third quarter results were transacted as we worked to balance our production and inventories and, due to our production discipline, we are better positioned to minimize these types of sales.

We are continuously monitoring the market for profitable opportunities and have the strategy, facilities and, most importantly, the personnel to increase our production to serve those orders. The Corsa team is ready to respond when the metallurgical coal market strengthens and the price environment recovers."

2020 Third 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 and nine months ended September 30, 2020, Corsa's sales were broken down into the following categories.

Metallurgical Coal Sales by Category (Tons)				
	Q1 2020	Q2 2020	Q3 2020	YTD 2020
Company Produced	384,750	336,928	286,944	1,008,622
Purchased - Value Added Services	29,576	2,426	617	32,619
Purchased - Sales and Trading	34,587	102,076	82,121	136,663
Total	448,913	441,430	287,561	1,177,904

Financial and Operations Summary

	For the three months ended			For the nine months ended		
	September 30,			September 30,		
			Increase			Increase
(in thousands)	2020	2019	(Decrease)	2020	2019	(Decrease)
Revenues	\$ 23,318	\$ 58,085	\$ (34,767)	\$ 110,951	\$ 178,393	\$ (67,442)
Cost of sales	\$ 32,028	\$ 53,527	\$ (21,499)	\$ 117,186	\$ 158,446	\$ (41,260)
Cost of sales - asset impairment	—	—	—	41,684	—	41,684
Total cost of sales ⁽²⁾	\$ 32,028	\$ 53,527	\$ (21,499)	\$ 158,870	\$ 158,446	\$ 424
Selling, general and administrative expense	\$ 2,507	\$ 4,013	\$ (1,506)	\$ 7,060	\$ 12,723	\$ (5,663)
Net and comprehensive (loss) income for the period	\$ (3,579)	\$ 1,033	\$ (4,612)	\$ (50,681)	\$ 7,638	\$ (58,319)
Cash provided by operating activities	\$ (10,327)	\$ 2,172	\$ (12,499)	\$ 10,882	\$ 16,644	\$ (5,762)
EBITDA ⁽¹⁾	\$ 1,820	\$ 7,177	\$ (5,357)	\$ (32,563)	\$ 26,931	\$ (59,494)
Adjusted EBITDA ⁽¹⁾	\$ (4,839)	\$ 6,078	\$ (10,917)	\$ 5,821	\$ 25,350	\$ (19,529)
Coal sold - tons						
NAPP – metallurgical coal	288	465	(177)	1,178	1,324	(146)

(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		For the nine months ended	
	September 30,		September 30,	
(in thousands)	2020	2019	2020	2019
Mining and processing costs	\$ 21,012	\$ 20,300	\$ 66,147	\$ 67,599
Purchased coal costs	39	15,374	13,613	40,320
Royalty expense	1,509	1,772	5,204	5,178
Amortization expense	4,966	4,795	16,490	15,955
Transportation costs from preparation plant to customer	3,426	10,396	12,835	25,878
Idle mine expense	129	69	294	864
Tolling costs	221	792	793	2,663
Change in estimate of reclamation liability	—	—	278	—
Write-off of advance royalties and other assets	65	48	484	48
Other costs	661	(19)	1,048	(59)
Cost of sales	32,028	53,527	117,186	158,446
Cost of sales - asset impairment	—	—	41,684	—
Total cost of sales	\$ 32,028	\$ 53,527	\$ 158,870	\$ 158,446

	For the three months ended			For the nine months ended		
	September 30,			September 30,		
	2020	2019	Variance	2020	2019	Variance
Realized price per ton sold ⁽¹⁾						
NAPP metallurgical coal	\$ 66.54	\$ 97.98	\$ (31.44)	\$ 81.73	\$ 110.32	\$ (28.59)
Cash production cost per ton sold ⁽¹⁾⁽²⁾						
NAPP metallurgical coal	\$ 77.15	\$ 77.91	\$ 0.76	\$ 70.13	\$ 82.00	\$ 11.87
Cash cost per ton sold ⁽¹⁾⁽³⁾						
NAPP metallurgical coal	\$ 77.01	\$ 80.28	\$ 3.27	\$ 71.63	\$ 84.95	\$ 13.32
Cash margin per ton sold ⁽¹⁾						
NAPP metallurgical coal	\$ (10.47)	\$ 17.70	\$ (28.17)	\$ 10.10	\$ 25.37	\$ (15.27)
EBITDA ⁽¹⁾ (000's)						
NAPP	\$ 2,569	\$ 9,661	\$ (7,092)	\$ (30,140)	\$ 32,941	\$ (63,081)
Corporate	(749)	(2,484)	1,735	(2,423)	(6,010)	3,587
Total	\$ 1,820	\$ 7,177	\$ (5,357)	\$ (32,563)	\$ 26,931	\$ (59,494)
Adjusted EBITDA ⁽¹⁾ (000's)						
NAPP	\$ (4,346)	\$ 6,795	\$ (11,141)	\$ 7,729	\$ 28,410	\$ (20,681)
Corporate	(493)	(717)	224	(1,908)	(3,060)	1,152
Total	\$ (4,839)	\$ 6,078	\$ (10,917)	\$ 5,821	\$ 25,350	\$ (19,529)

⁽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 remains unknown and continues to rapidly evolve.

Given the extreme volatility in financial markets and commodity prices, along with uncertainty regarding the impact thereof on the future performance of the Company, the Company does not believe it is appropriate to issue guidance for the remainder of 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 second quarter at \$116/metric ton ("mt") delivered-to-the-port based ("FOBT") for spot deliveries of Australian premium low volatile metallurgical coal and closed the quarter at \$139/mt FOBT. The quarterly average price for the second quarter of 2020 was \$115/mt FOBT for Australian premium low volatile metallurgical coal, compared to \$118/mt FOBT in the second quarter of 2019, and traded in a range from a high of \$139/mt FOBT to a low of \$106/mt FOBT. October 2020 spot market pricing for Australian premium low volatile metallurgical coal opened the month at \$139/mt FOBT, closed the month at \$109/mt FOBT and traded in a range from a high of \$139/mt FOBT to a low of \$106/mt FOBT for an average price of \$115/mt FOBT.

The World Steel Association reported that, through September 2020, global crude steel production fell by 3.2% in the first nine months of 2020 versus the comparable period in 2019. However, due to the impact of the COVID-19 pandemic on those submitting production data, the report cautioned that some estimates were used and that the number could be revised in the next update. For the first nine months of 2020, production was up 4.5% in China and was down 19.2% in the U.S., 19.1% in Japan and 16.5% in India. Crude steel production from the European Union and Brazil was down 17.9% and 9.7%, respectively. Regionally, Asia, which includes China and India, increased by 0.2%, North America decreased by 18.2% and South America decreased by 13.9%.

Following a first half 2020 decrease of 6.0% when compared to the first half of 2019, global crude steel production was down in July by 2.5 %, up in August by 0.6% and up in September by 2.9 % when compared to the same months in 2019. When comparing the month of September 2020 to September 2019, crude steel production was up in Asia by 7.4% and 0.9% in South America and was down 17.4% in North America and 14.0% in the European Union. Individual country comparisons of September 2020 to September 2019 show Turkey up 18.0%, China up 10.9%, and Brazil up 7.5%, and the U.S. down 18.5%, Japan down 19.3%, and India down 2.9%. Chinese hot-rolled coil steel prices are up approximately 7.1% since the start of the year, with U.S. and Northern European prices up 21.7% and 16.7%, respectively, in the same time period. Preliminary U.S. coking coal export data through July of 40.1 million tons shows an approximate 30% year-to-date decline with annualized U.S. coking coal exports of approximately 42 million tons as compared to 53 million tons in 2019.

The World Steel Association Short Range Outlook released in October forecasted that steel demand will contract by 2.4% in 2020 versus 2019 and will increase by 4.1% in 2021 versus 2020. Global steel demand in 2021 is expected to exceed 2019 levels, driven primarily by Chinese increases compared to 2019. Chinese steel demand is expected to increase by 8.0% in 2020 as compared to 2019 and remain flat in 2021. Excluding China, steel demand from the rest of the world will decrease by 13.3% in 2020 and increase by 9.4% in 2021. Regionally, the collective demand from the United States, Canada and Mexico is forecasted to decrease by 15.3% in 2020 and increase by 6.7% in 2021; demand from the European Union is forecasted to decrease by 15.2% in 2020 and increase by 11.0% in 2021; the collective demand from Asia and Oceania (excluding China) is forecasted to decrease by 13.3% in 2020 and increase by 10.7% in 2021; and the collective demand from Central and South America is forecasted to decrease by 10.1% in 2020 and increase by 8.2% in 2021.

The forward curve for the fourth quarter of 2020 according to the TSI index is trading in the mid-\$120s/mt FOBT range with December in the high \$120s/mt FOBT and the 2021 forward curve is in the mid \$140s/mt FOBT. Import quota restrictions enforced by Chinese authorities and trade tensions between China and Australia continue to impact the supply and demand balance of the seaborne metallurgical coal market in the second half of 2020 and increased the price volatility in spot transactions and futures markets. Domestic metallurgical coal market contract negotiations for 2021 are underway and will be finalized as we approach the end of the year. Increased steel production coupled with supply-side inventory reductions and geographical and grade specific metallurgical coal production constraints support an environment of

increasing spot market coal prices in 2021. Price volatility is expected as 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. 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.

See "Risk Factors" in the Company's annual information form dated March 30, 2020 for the year ended December 31, 2019 for an additional discussion regarding certain factors that could impact coal pricing trends and outlook, as well as the Company's ongoing operations.

Financial Statements and Management's Discussion and Analysis

Refer to Corsa's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 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.

Corporate Update

In September 2020, the Company learned that an overseas third-party sales agent had been charged in an overseas jurisdiction in connection with allegedly unlawful benefits given to a representative of an overseas customer in relation to a sale of coal from operations of U.S. subsidiaries of the Company. A Special Committee of the Board of Directors of the Company was promptly constituted and the Special Committee engaged outside legal counsel to conduct an investigation as to whether any employees of the Company or any of its subsidiaries were aware of, or involved in, the alleged conduct and whether any such knowledge or involvement may have given rise to a violation of anti-corruption laws by the Company or any of its subsidiaries. On the basis of preliminary findings resulting from such investigation, which is ongoing, the Company has taken corrective action to minimize risk. At this time, no charges have been brought against the Company or any of its subsidiaries in any jurisdiction. The risks associated with any such charges are uncertain. However, such risks may include resulting fines and penalties, as well as the disgorgement of some of the profits on revenues received from the customer. Due to the preliminary nature of the investigation and limitations on the ability of the Company to collect evidence, it is not possible to estimate any potential financial exposure.

The Company and its subsidiaries are committed to the highest standards of integrity and diligence in their business dealings and to the ethical and legally compliant business conduct by their employees and representatives. Potentially unlawful business conduct is in direct conflict with corporate and compliance policies. The Company will continue to investigate this matter and cooperate with authorities as needed with a view to a prompt and appropriate resolution.

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 and nine months ended September 30, 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 including, but not limited to, statements relating to the expected price volatility of the metallurgical coal market, the future demand for steel and its production, the availability of its supply, and the finalization of domestic metallurgical coal market contract negotiations in 2021, 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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