

Corsa Coal Corp. Announces Financial Results for Fourth Quarter and Full Year 2020

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FRIEDENS, March 3, 2021 - [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, 2020. Corsa has filed its audited consolidated financial statements for the years ended December 31, 2020 and 2019, 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 2020 Highlights

- Corsa reported net and comprehensive loss of \$13.0 million and \$63.7 million, or \$(0.13) and \$(0.60) per share attributable to shareholders, for the three months and year ended December 31, 2020, respectively, compared to a loss of \$8.2 million and \$0.5 million, or \$(0.09) and \$(0.03) per share attributable to shareholders, for the three months and year ended December 31, 2019, respectively. The year ended December 31, 2020 includes a non-cash adjustment of \$41.7 million related to an asset impairment.
- Corsa's adjusted EBITDA⁽¹⁾ was a loss of \$1.4 million and income of \$4.4 million for the three months and year ended December 31, 2020, respectively, compared to income of \$3.5 million and \$28.9 million for the three months and year ended December 31, 2019, respectively. Corsa's EBITDA⁽¹⁾ was a loss of \$9.2 million and \$41.8 million (impacted by the previously mentioned non-cash impairment) for the three months and year ended December 31, 2020, respectively, compared to income of \$2.5 million and \$29.4 million for the three months and year ended December 31, 2019, respectively.
- Cash production cost per ton sold⁽¹⁾ was \$77.11 for the three months ended December 31, 2020, an increase of \$3.24 per ton, or 4%, as compared to the three months ended December 31, 2019. Cash production cost per ton sold⁽¹⁾ was \$71.24 for the year ended December 31, 2020, a decrease of \$8.14 per ton, or 10%, as compared to the year ended December 31, 2019.
- Cash flow (used in) provided by operating activities were \$(0.2) million and \$10.7 million for the three months and year ended December 31, 2020, respectively, compared to cash flow (used in) provided by operating activities of \$(2.0) million and \$14.7 million for the three months and year ended December 31, 2019, respectively.
- Total revenues were \$16.8 million and \$128.5 million for the three months and year ended December 31, 2020, respectively, compared to \$52.6 million and \$232.1 million for the three months and year ended December 31, 2019, respectively.
- Low volatile metallurgical coal sales tons, comprised of "Company Produced" tons and "Value Added Services" purchased coal tons, were 190,412 and 3,314, respectively, in the three months ended December 31, 2020 and 1,199,034 and 35,933, respectively, for the year ended December 31, 2020 compared to 418,794 and 21,292, respectively, in the three months ended December 31, 2019 and 1,301,244 and 250,638, respectively, for the year ended December 31, 2019. In the three months and year ended December 31, 2020, Corsa sold a total of 360 and 137,023 "Sales and Trading" purchased coal tons, respectively, which are treated as pass-through from a profitability perspective, compared to 68,879 and 281,471 tons, respectively, in the three months and year ended December 31, 2019.
- Corsa's average realized price per ton of metallurgical coal sold⁽¹⁾ was \$82.03 and \$81.77 per short ton for all metallurgical qualities in the three months and year ended December 31, 2020, respectively, compared to \$86.70 and \$103.76 in the three months and year ended December 31, 2019, respectively. This average realized price for the fourth quarter 2020 is the approximate equivalent of between \$112 to \$118 per metric ton on an FOB vessel basis⁽²⁾. For the fourth quarter 2020, Corsa's sales mix included 51% of sales to domestic customers and 49% 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.

- In December 2020, certain wholly-owned subsidiaries of Corsa, as borrowers, entered into a five-year secured term loan with KeyBank for \$25.0 million through the Main Street Lending 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 \$20-\$25 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, "While the unprecedented challenges of 2020 are reflected in our fourth quarter and full year financial results, the impacts of our employee's talents and dedication are evident in the Company's ability to overcome these challenges and to position us for success in the years ahead. Our full year 2020 cash production cost per ton sold improved by 10% from 2019 and our general and administrative expenses were at their lowest levels. We also secured additional financing in the fourth quarter that provides the liquidity needed to support our current operations and our eventual return to full production at our mines. The cost reduction and operational improvements that we made in 2020 will continue to deliver increased profitability as the international metallurgical coal market recovers and we increase our participation in the export market. Our mines, preparation plants and experienced team are ready to serve our domestic and international customers as the steel markets improve, economies recover and profitable opportunities increase."

2020 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, 2020, Corsa's sales were broken down into the following categories.

Metallurgical Coal Sales by Category (Tons)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	YTD 2020
Company Produced	384,750	336,928	286,944	190,412	1,199,034
Purchased - Value Added Services	29,576	2,426	617	3,314	35,933
Purchased - Sales and Trading	34,587	102,076	-	360	137,023
Total	448,913	441,430	287,561	194,086	1,371,990

Financial and Operations Summary

	For the three months ended			For the years ended		
	December 31,			December 31,		
			Increase			Increase
(in thousands)	2020	2019	(Decrease)	2020	2019	(Decrease)
Revenues	\$ 16,835	\$ 52,641	\$ (35,806)	\$ 128,486	\$ 232,069	\$ (103,583)
Cost of sales	\$ 26,901	\$ 57,746	\$ (30,845)	\$ 144,402	\$ 216,748	\$ (72,346)
Cost of sales - asset impairment	-	-	-	41,684	-	41,684
Total cost of sales ⁽²⁾	\$ 26,901	\$ 57,746	\$ (30,845)	\$ 186,086	\$ 216,748	\$ (30,662)
Selling, general and administrative expense	\$ 2,997	\$ 3,025	\$ (28)	\$ 10,057	\$ 15,748	\$ (5,691)
Net and comprehensive (loss) income for the period	\$ (13,042)	\$ (8,151)	\$ (4,891)	\$ (63,723)	\$ (513)	\$ (63,210)
Cash provided by operating activities	\$ (188)	\$ (1,958)	\$ 1,770	\$ 10,694	\$ 14,686	\$ (3,992)
EBITDA ⁽¹⁾	\$ (9,249)	\$ 2,517	\$ (11,766)	\$ (41,812)	\$ 29,448	\$ (71,260)
Adjusted EBITDA ⁽¹⁾	\$ (1,431)	\$ 3,528	\$ (4,959)	\$ 4,390	\$ 28,878	\$ (24,488)
Coal sold - tons						
NAPP - metallurgical coal	194	509	(315)	1,372	1,833	(461)

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

⁽²⁾ Cost of sales consists of the following:

(in thousands)	For the three months ended		For the years ended	
	December 31,	December 31,	December 31,	December 31,
	2020	2019	2020	2019
Mining and processing costs	\$ 13,933	\$ 29,401	\$ 80,080	\$ 97,000
Purchased coal costs	243	7,038	13,856	47,358
Royalty expense	945	1,790	6,149	6,968
Amortization expense	3,335	10,006	19,825	25,961
Transportation costs from preparation plant to customer	401	7,597	13,236	33,475
Idle mine expense	153	74	447	938
Tolling costs	119	290	912	2,953
Change in estimate of reclamation and water treatment liability	7,513	1,190	7,791	1,190
Write-off of advance royalties and other assets	-	123	484	171
Other costs	117	95	1,165	36
Cost of sales	26,759	57,604	143,945	216,050
Cost of sales - asset impairment	-	-	41,684	-
Total cost of sales	\$ 26,759	\$ 57,604	\$ 185,629	\$ 216,050

	For the three months ended			For the years ended		
	December 31,			December 31,		
	2020	2019	Variance	2020	2019	Variance
Realized price per ton sold ⁽¹⁾						
NAPP - metallurgical coal	\$ 82.03	\$ 86.70	\$ (4.67)	\$ 81.77	\$ 103.76	\$ (21.99)
Cash production cost per ton sold ⁽¹⁾⁽²⁾						
NAPP - metallurgical coal	\$ 77.11	\$ 73.87	\$ (3.24)	\$ 71.24	\$ 79.38	\$ 8.14
Cash cost per ton sold ⁽¹⁾⁽³⁾						
NAPP - metallurgical coal	\$ 76.77	\$ 74.59	\$ (2.18)	\$ 72.35	\$ 82.07	\$ 9.72
Cash margin per ton sold ⁽¹⁾						
NAPP - metallurgical coal	\$ 5.26	\$ 12.11	\$ (6.85)	\$ 9.42	\$ 21.69	\$ (12.27)
EBITDA ⁽¹⁾ (000's)						
NAPP	\$ (8,116)	\$ 3,082	\$ (11,198)	\$ (38,256)	\$ 36,023	\$ (74,279)
Corporate	(1,133)	(565)	(568)	(3,556)	(6,575)	3,019
Total	\$ (9,249)	\$ 2,517	\$ (11,766)	\$ (41,812)	\$ 29,448	\$ (71,260)
Adjusted EBITDA ⁽¹⁾ (000's)						
NAPP	\$ (775)	\$ 4,082	\$ (4,857)	\$ 6,954	\$ 32,492	\$ (25,538)
Corporate	(656)	(554)	(102)	(2,564)	(3,614)	1,050
Total	\$ (1,431)	\$ 3,528	\$ (4,959)	\$ 4,390	\$ 28,878	\$ (24,488)

(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.

Coal Pricing Trends and Outlook

Price levels opened the fourth quarter 2020 at \$139.00/metric ton ("mt") delivered-to-the-port ("FOBT") for spot deliveries of Australian premium low volatile metallurgical coal and closed the quarter at \$102.50/mt FOBT. The quarterly average price for the fourth quarter of 2020 was \$108.20/mt FOBT for Australian premium low volatile metallurgical coal, compared to \$114.75/mt FOBT in the third quarter of 2020, and traded in a range from a high of \$139.00/mt FOBT to a low of \$97.25/mt FOBT. January 2021 spot market pricing for Australian premium low volatile metallurgical coal opened at \$102.50/mt FOBT, closed the month

at \$160.50/mt FOB T and traded in a range from a high of \$160.50/mt FOB T to a low of \$102.00/mt FOB T for an average price of \$124.44/mt FOB T. February 2021 spot market pricing opened the month at \$160.50/mt FOB T, closed the month at \$125.75/mt FOB T and traded in a range from a high of \$160.50/mt FOB T to a low of \$124.75/mt FOB T for an average price of \$143.70/mt FOB T.

The World Steel Association reported that global crude steel production decreased by 0.9% in 2020 versus 2019 with China up 5.2%, Turkey up 6.0% and Russia up 2.6%. Significant decreases were reported for many countries as the COVID-19 pandemic and related restrictions negatively impacted demand and production. Notable steel production decreases were reported for the U.S. (17.2%), Japan (16.2%), India (10.6%), Germany (10.0%), South Korea (6.0%) and Brazil (4.9%). Regionally, the Middle East grew by 2.5%, Asia, which includes China and India, increased by 1.5%, North America decreased by 15.5%, South America decreased by 8.4% and Europe decreased by 5.3%. According to the U.S. Energy Information Administration, U.S. metallurgical coal exports totaled 30.9 million tons through September, a decrease of approximately 25% when compared to the same period in the previous year. Annualized, 2020 U.S. coking coal exports would be approximately 41 million tons as compared to 55 million tons in 2019. Hot-rolled coil prices varied throughout the year in response to the economic impacts of the COVID-19 pandemic but ended the year significantly higher as vaccinations were administered and restrictions were eased in various countries. When comparing hot-rolled steel coil prices at the end of 2020 to the beginning of 2020, U.S. prices rose 75%, Northern European prices rose 53% and Chinese prices rose 41%.

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. Through January 2021, the World Steel Association reported that global crude steel production rose 4.8% in 2021 versus 2020 with Turkey up 12.7%, Brazil up 10.8%, India up 7.6% and China up 6.8% while the United States and Japan were down 9.9% and 3.9%, respectively. Regionally, South America grew by 11.4%, Asia and Oceania, which includes China and India, increased by 6.3%, the EU was lower by 0.4% and North America was lower by 7.0%. Hot-rolled steel coil prices have increased since the start of 2021 in U.S., Northern Europe and China by 20%, 11% and 6%, respectively.

After opening the first quarter of 2021 at \$102.50/mt FOB T, the forward curve for the first quarter of 2021 according to the TSI index is trading in the \$130s/mt FOB T range with March at \$131/mt FOB T. Forward curve pricing for 2021 and 2022 is showing pricing the low \$140s to upper \$150s/mt FOB T range. Increased global steel demand and increased global steel production are improving the demand for metallurgical coal and driving prices up as production resumes and supply slowly returns. Trade tensions between China and Australia continue to impact the supply and demand balance of the seaborne metallurgical coal market and resulted in changing dynamics and trade routes for U.S. east coast metallurgical coal shipments. Domestic metallurgical coal market contract negotiations for 2021 were completed in the fourth quarter of 2020 and demand is expected to exceed contracted tonnages for the year. Due to the continued uncertainty of the COVID-19 pandemic, 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, new variants of the virus, the pace and effectiveness of vaccinations, the economic stimulus activities of each country and global organizations and the operating status and capabilities of our customers and competitors.

See "Risk Factors" in the Company's annual information form dated March 3, 2021 for the year ended December 31, 2020 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 audited consolidated financial statements for the years ended December 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 and year ended December 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 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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