

Corsa Coal Announces Financial Results for First Quarter 2021

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FRIEDENS, May 5, 2021 - [Corsa Coal Corp.](#) (TSXV: CSO) (OTC: CRSXF) ("Corsa" or the "Company"), a premium quality metallurgical coal producer, today reported financial results for the three months ended March 31, 2021. Corsa has filed its unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021 and 2020 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 2021 Highlights

- Corsa reported net and comprehensive loss of \$4.4 million, or \$(0.05) per share attributable to shareholders, for the three months ended March 31, 2021 compared to a loss of \$5.8 million, or \$(0.06) per share attributable to shareholders, for the three months ended March 31, 2020.
- Corsa's adjusted EBITDA⁽¹⁾ was \$0.1 million for the three months ended March 31, 2021 compared to \$6.4 million for the three months ended March 31, 2020. Corsa's EBITDA⁽¹⁾ was \$0.1 million for the three months ended March 31, 2021 compared to \$1.3 million for the three months ended March 31, 2020.
- Cash production cost per ton sold⁽¹⁾ was \$79.15 for the three months ended March 31, 2021, an increase of \$8.03 per ton, or 11%, as compared to the three months ended March 31, 2020.
- Cash flow provided by operating activities was \$1.5 million for the three months ended March 31, 2021 compared to \$8.3 million for the three months ended March 31, 2020.
- Total revenues were \$24.6 million for the three months ended March 31, 2021 compared to \$46.8 million for the three months ended March 31, 2020.
- Low volatile metallurgical coal sales tons, comprised of "Company Produced" tons and "Value Added Services" purchased coal tons, were 251,465 and 6,495, respectively, in the three months ended March 31, 2021 compared to 384,750 and 29,576, respectively, in the three months ended March 31, 2020. In the three months ended March 31, 2021, Corsa did not sell any "Sales and Trading" purchased coal tons, which are treated as pass-through from a profitability perspective, compared to 34,587 tons in the three months ended March 31, 2020.
- Corsa's average realized price per ton of metallurgical coal sold⁽¹⁾ was \$86.62 per short ton for all metallurgical qualities in the three months ended March 31, 2021 compared to \$90.49 in the three months ended March 31, 2020. This average realized price for the first quarter 2021 is the approximate equivalent of between \$112 to \$117 per metric ton on an FOB vessel basis⁽²⁾. For the first quarter 2021, Corsa's sales mix included 68% of sales to domestic customers and 32% of sales to international customers.
- Following the end of the quarter, QKGI Legacy Holdings, LP delivered a notice of redemption in respect of their 170,316,639 Redeemable Units of Wilson Creek Energy, LLC specifying a May 31, 2021 redemption date. The Company will elect to satisfy the redemption by issuing 8,515,831 Common Shares.

(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, "I am pleased to announce that the Company achieved its first positive quarterly Adjusted EBITDA since the second quarter of 2020, posted its highest

revenues since the second quarter of 2020 and increased its revenue and sales volumes by 46% and 33%, respectively, over the previous quarter. Due to the pandemic and depressed coal markets last year, each successive quarter of 2020 resulted in lower production and higher costs per ton produced. That trend was reversed in the first quarter of 2021 with a 42% increase in metallurgical coal production and a 6% decrease in cash costs per ton produced compared to the fourth quarter of 2020. Our first quarter cash production costs per ton sold, which were higher than expected and higher than those reported in recent quarters, were impacted by adverse geological conditions encountered at one of our underground mines. The cash production costs per ton sold from our other mines were in line with those experienced in 2020 and we anticipate that our overall cash production costs per ton sold will be at lower levels in the second quarter of 2021.

Although improved from recent quarters, our financial results reflect the continued unique challenges of the global metallurgical coal market with robust domestic demand and volatility in the export spot market. While spot market prices rose only slightly over the course of the quarter, instances of significantly increased pricing due to limited supply support our outlook that the export market will stabilize and improve through the course of the year.

In response, we began to increase staffing levels during the quarter to raise production levels to meet existing sales contracts and be better positioned to act on spot sales opportunities in the export market. We will continue to use a measured, disciplined approach to return to a pre-COVID-19 production level that delivers acceptable results in the export metallurgical coal market and improves profitability for our shareholders."

2021 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, 2021, Corsa's sales were broken down into the following categories.

Metallurgical Coal Sales by Category (Tons)

	Q1 2021
Company Produced	251,465
Purchased - Value Added Services	6,495
Purchased - Sales and Trading	-
Total	257,960

Financial and Operations Summary

	For the three months ended		
	March 31,		
			Increase
(in thousands)	2021	2020	(Decrease)
Revenues	\$ 24,619	\$ 46,841	\$ (22,222)
Cost of sales ⁽²⁾	\$ 26,316	\$ 45,182	\$ (18,866)
Selling, general and administrative expense	\$ 2,029	\$ 2,109	\$ (80)
Net and comprehensive loss for the period	\$ (4,433)	\$ (5,789)	\$ 1,356
Cash provided by operating activities	\$ 1,501	\$ 8,307	\$ (6,806)
EBITDA ⁽¹⁾	\$ 85	\$ 1,321	\$ (1,236)
Adjusted EBITDA ⁽¹⁾	\$ 121	\$ 6,392	\$ (6,271)
Coal sold - tons			
NAPP - metallurgical coal	258	449	(191)

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

(2) Cost of sales consists of the following:

	For the three months ended	
	March 31,	
(in thousands)	2021	2020
Mining and processing costs	\$ 18,851	\$ 25,642
Purchased coal costs	1,058	4,777
Royalty expense	1,239	1,901
Amortization expense	3,849	6,504
Transportation costs from preparation plant to customer	1,310	5,531
Idle mine expense	152	87
Tolling costs	19	259
Limestone costs	168	99
Write-off of advance royalties and other assets	-	432
Other costs	(330)	(50)
Total cost of sales	\$ 26,316	\$ 45,182

	For the three months ended		
	March 31,		
	2021	2020	Variance
Realized price per ton sold ⁽¹⁾			
NAPP - metallurgical coal	\$ 86.62	\$ 90.49	\$ (3.87)
Cash production cost per ton sold ⁽¹⁾⁽²⁾			
NAPP - metallurgical coal	\$ 79.15	\$ 71.12	\$ (8.03)
Cash cost per ton sold ⁽¹⁾⁽³⁾			
NAPP - metallurgical coal	\$ 79.08	\$ 71.61	\$ (7.47)
Cash margin per ton sold ⁽¹⁾			
NAPP - metallurgical coal	\$ 7.54	\$ 18.88	\$ (11.34)
EBITDA ⁽¹⁾ (000's)			
NAPP	\$ 1,090	\$ 2,177	\$ (1,087)
Corporate	(1,005)	(856)	(149)
Total	\$ 85	\$ 1,321	\$ (1,236)
Adjusted EBITDA ⁽¹⁾ (000's)			
NAPP	\$ 852	\$ 7,161	\$ (6,309)
Corporate	(731)	(769)	38
Total	\$ 121	\$ 6,392	\$ (6,271)

(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 first quarter 2021 at \$102.50/metric ton ("mt") delivered-to-the-port ("FOBT") for spot deliveries of Australian premium low volatile metallurgical coal and closed the quarter at \$112.50/mt FOBT. The quarterly average price for the first quarter of 2021 was \$127.14/mt FOBT for Australian premium low volatile metallurgical coal, compared to \$108.20/mt FOBT in the fourth quarter of 2020, and traded in a range from a high of \$160.50/mt FOBT to a low of \$102.00/mt FOBT. April 2021 spot market pricing opened the month at \$112.50/mt FOBT, and as of mid-April were \$110.00/mt FOBT with trades in a range from a high of \$114.00/mt FOBT to a low of \$110.00 /mt FOBT for an average price of \$110.89 /mt FOBT.

The World Steel Association reported that through March, global crude steel production increased by 10.0% in 2021 versus 2020 with China up 15.6%, India up 10.4%, Turkey up 9.5%, Brazil up 6.2% and Russia up 4.4%. Steel production decreases were reported for the U.S. (6.3%) and Japan (1.7%). Regionally, Asia and Oceania, which includes China and India, increased by 13.2%, South America increased by 7.1%, the EU increased by 3.1% and North America decreased by (5.2%). Hot-rolled steel coil prices rose significantly in 2020 and continued to improve through the first quarter of 2021. Increased vaccinations, government stimulus programs and the potential impacts from increased infrastructure spending in the U.S. are driving improved economic activities and fueling growth both domestically and in various international countries. From the beginning of 2021 through mid-April, hot-rolled steel coil prices rose 44%, 42% and 34% in Northern Europe, the U.S. and China, respectively.

The World Steel Association Short Range Outlook released in April 2021 forecasted that steel demand will increase by 5.8% in 2021 versus 2020 and increase by 2.7% in 2022 over 2021. Global steel demand in 2021 is expected to exceed 2019 levels by over 6%, driven primarily by Chinese increases compared to 2019. Chinese steel demand is expected to increase by 3.0% in 2021 as compared to 2020 and remain flat in 2022. Excluding China, steel demand from the rest of the world will increase by 9.3% in 2021 and increase by 4.7% in 2022. Regionally, the collective demand from the United States, Canada and Mexico is forecasted to increase by 7.6% in 2021 and increase by 4.6% in 2022; demand from the European Union is forecasted to increase by 10.2% in 2021 and increase by 4.8% in 2022; the collective demand from Asia and Oceania (excluding China) is forecasted to increase by 10.2% in 2021 and increase by 5.1% in 2022; and the collective demand from Central and South America is forecasted to increase by 10.6% in 2021 and increase by 4.2% in 2022.

After opening the second quarter of 2021 at \$112.50/mt FOBT, the forward curve for the second quarter of 2021 according to the TSI index is trading near \$120/mt FOBT with May and June at \$118.00/mt FOBT and \$124.00/mt FOBT, respectively. Forward curve pricing for 2021 and 2022 is showing pricing the low \$130s to upper \$140s/mt FOBT 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 consumption remains steady and according to the U.S. Energy Information Administration (the "EIA"), coking coal consumption is forecasted to be 15.3 million tons in 2021 as compared to 14.5 million ton in 2020 and 18 million tons in 2019. The EIA also reported that 2021 metallurgical coal exports are expected to increase by to 48.5 million tons, or a 15% increase over the 42.1 million tons of metallurgical coal exported in 2020. Due to the continued uncertainty of the COVID-19 pandemic, the price volatility experienced in the first quarter of 2021 is expected to continue in the near term but will give way to improved, stabilized prices as COVID-19 related restrictions are loosened and economic recoveries take hold.

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.

Environmental Matter

In January 2021, the Pennsylvania Department of Environmental Protection (the "PaDEP") issued a compliance order ("C.O.") which rescinds a permitted right of PBS Coals, Inc. ("PBS"), a wholly-owned subsidiary, to inject water treatment sludge into an adjacent abandoned mine by June 30, 2021. The sludge emanates from a mine drainage treatment system associated with an active coal refuse disposal site. The coal refuse disposal site is included in a water treatment trust. PBS appealed the issuance of the C.O., but its request for temporary relief to stay the effect of the C.O. was denied on March 30, 2021. PBS discontinued its appeal on April 27, 2021. PBS is currently evaluating several alternatives to sludge injection and intends to cease injection by the June 30, 2021 abatement date in the C.O. Due to the preliminary nature of the evaluation process, it is difficult to estimate the cost of alternative disposal methods, but the cost to treat, handle and dispose of the sludge will increase above historical costs. Additionally, the anticipated increase in such costs is expected to increase the total amount required in the trust fund which previously had been fully funded. The exposure for the alternative disposal methods, the anticipated increased contribution to the trust fund, and the scheduling thereof is difficult to estimate, and a reliable range of potential exposure is not presently determinable.

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, 2021 and 2020 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, 2021 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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