

Corsa Coal Announces Financial Results for Second Quarter 2021 and Corporate Update

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FRIEDENS, Aug. 11, 2021 - [Corsa Coal Corp.](#) (TSXV: CSO) (OTCQX: CRSXF) ("Corsa" or the "Company"), a premium metallurgical coal producer, today reported financial results for the three and six months ended June 30, 2021. Corsa has also released its unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2021 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 expressed in short tons (2,000 pounds per ton). Pricing and cost per ton information is expressed on a free-on-board, or FOB, mine basis unless otherwise noted.

Second Quarter 2021 Highlights

- Key financial results and operational statistics are shown below:

| | Three months ended | | Six months ended | |
|--|--------------------|-----------|------------------|-----------|
| | June 30, | | June 30, | |
| (in millions except per share, per ton and sales tons) | 2021 | 2020 | 2021 | 2020 |
| Net and comprehensive income (loss) | \$ 2.2 | \$ (41.3) | \$ (2.3) | \$ (47.1) |
| Non-cash asset impairment adjustment (included above) | \$ - | \$ (41.7) | \$ - | \$ (41.7) |
| Diluted earnings (loss) per share | \$ 0.02 | \$ (0.36) | \$ (0.02) | \$ (0.43) |
| Adjusted EBITDA ⁽¹⁾ | \$ 2.7 | \$ 4.3 | \$ 2.8 | \$ 10.7 |
| EBITDA ⁽¹⁾ | \$ 7.0 | \$ (35.7) | \$ 7.1 | \$ (34.4) |
| Cash (used in) provided by operating activities | \$ (2.8) | \$ 12.9 | \$ (1.3) | \$ 21.2 |
| Total revenue | \$ 30.4 | \$ 41.2 | \$ 55.0 | \$ 88.1 |
| Average realized price per ton of metallurgical coal sold ⁽¹⁾ | \$ 91.67 | \$ 82.72 | \$ 89.35 | \$ 86.64 |
| Cash production cost per ton sold ⁽¹⁾ | \$ 77.23 | \$ 63.04 | \$ 78.12 | \$ 67.35 |
| Company produced sales tons | 290,117 | 336,928 | 541,582 | 721,678 |
| Value added services sales tons | 13,578 | 2,426 | 20,073 | 32,002 |
| Sales and Trading sales tons | - | 102,076 | - | 136,663 |
| Total sales tons | 303,695 | 441,430 | 561,655 | 890,343 |

- Corsa's average realized price for the second quarter 2021 is the approximate equivalent of between \$129 to \$133 per metric ton on an FOB vessel basis⁽²⁾. For the second quarter 2021, Corsa's sales mix included 57% of sales to domestic customers and 43% of sales to international customers.

- In the second quarter 2021, QKGI Legacy Holdings, LP redeemed their 170,316,639 Redeemable Units of Wilson Energy, LLC. The Company elected 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.

Bob Schneid, President and Chief Executive Officer of Corsa, commented, "Increased demand for metallurgical coal and constrained supply are supporting a recovery in the market for our low vol product. The easing of COVID-19 related restrictions and reopening of economies, along with the growing potential for increased infrastructure spending continues to support a higher priced environment both domestically and internationally. Domestic U.S. steel producers have reported that strong demand for higher steel prices are showing no signs of slowing down into calendar year 2022."

The Company's focus in the first half of the year was to build inventory in anticipation of higher spot market prices in the second half of 2021. Although the price recovery in the export spot market started midway through the second quarter, the impact of higher priced export sales has not been reflected fully in our historical results. Higher priced sales will be reflected in the third quarter and Corsa's average selling price is expected to increase accordingly.

Our cash costs per ton sold improved slightly from the first quarter of 2021 but still reflect the impacts of challenging conditions at various times throughout second quarter. We expect these challenging conditions to be behind us in the third quarter. When combined with the impact of higher priced export sales, we anticipate increasing coal sales margins and improved profitability for our shareholders in the second half of the year."

Financial and Operations Summary

| | For the three months ended | | | For the six months ended | | |
|---|----------------------------|-------------|-------------|--------------------------|-------------|-------------|
| | June 30, | | Increase | June 30, | | Increase |
| (in thousands) | 2021 | 2020 | (Decrease) | 2021 | 2020 | (Decrease) |
| Revenues | \$ 30,426 | \$ 41,224 | \$ (10,798) | \$ 55,045 | \$ 88,065 | \$ (33,020) |
| Cost of sales | \$ 30,474 | \$ 40,316 | \$ (9,842) | \$ 56,790 | \$ 85,498 | \$ (28,708) |
| Cost of sales - asset impairment | - | \$ 41,684 | (41,684) | - | 41,684 | (41,684) |
| Total cost of sales ⁽²⁾ | \$ 30,474 | \$ 82,000 | \$ (51,526) | \$ 56,790 | \$ 127,182 | \$ (70,392) |
| Selling, general and administrative expense | \$ 2,201 | \$ 2,444 | \$ (243) | \$ 4,230 | \$ 4,553 | \$ (323) |
| Net and comprehensive loss for the period | \$ 2,153 | \$ (41,313) | \$ 43,466 | \$ (2,280) | \$ (47,102) | \$ 44,822 |
| Cash provided by operating activities | \$ (2,756) | \$ 12,902 | \$ (15,658) | \$ (1,255) | \$ 21,209 | \$ (22,464) |
| EBITDA ⁽¹⁾ | \$ 7,011 | \$ (35,704) | \$ 42,715 | \$ 7,096 | \$ (34,383) | \$ 41,479 |
| Adjusted EBITDA ⁽¹⁾ | \$ 2,721 | \$ 4,268 | \$ (1,547) | \$ 2,842 | \$ 10,660 | \$ (7,818) |
| Coal sold - tons | | | | | | |
| NAPP - metallurgical coal | 304 | 441 | (137) | 562 | 890 | (328) |

(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 six months ended | |
|---|----------------------------|-----------|--------------------------|------------|
| | June 30, 2021 | 2020 | June 30, 2021 | 2020 |
| Mining and processing costs | \$ 21,206 | \$ 19,493 | \$ 40,057 | \$ 45,135 |
| Purchased coal costs | 1,415 | 8,797 | 2,473 | 13,574 |
| Royalty expense | 1,208 | 1,794 | 2,447 | 3,695 |
| Amortization expense | 4,207 | 5,020 | 8,056 | 11,524 |
| Transportation costs from preparation plant to customer | 1,414 | 3,878 | 2,724 | 9,409 |
| Idle mine expense | 151 | 78 | 303 | 165 |
| Tolling costs | 218 | 313 | 237 | 572 |
| Change in estimate of reclamation provision | - | 278 | - | 278 |
| Limestone costs | 258 | 241 | 426 | 340 |
| Write-off of advance royalties and other assets | - | (13) | - | 419 |
| Other costs | 397 | 437 | 67 | 387 |
| Cost of sales | \$ 30,474 | \$ 40,316 | \$ 56,790 | \$ 85,498 |
| Cost of sales - asset impairment | \$ - | \$ 41,684 | \$ - | \$ 41,684 |
| Total cost of sales | \$ 30,474 | \$ 82,000 | \$ 56,790 | \$ 127,182 |

| | For the three months ended | | | For the six months ended | | |
|---|----------------------------|-------------|------------|--------------------------|-------------|------------|
| | June 30, | | | June 30, | | |
| | 2021 | 2020 | Variance | 2021 | 2020 | Variance |
| Realized price per ton sold ⁽¹⁾ | | | | | | |
| NAPP - metallurgical coal | \$ 91.67 | \$ 82.72 | \$ 8.95 | \$ 89.35 | \$ 86.64 | \$ 2.71 |
| Cash production cost per ton sold ⁽¹⁾⁽²⁾ | | | | | | |
| NAPP - metallurgical coal | \$ 77.23 | \$ 63.04 | \$ (14.19) | \$ 78.12 | \$ 67.35 | \$ (10.77) |
| Cash cost per ton sold ⁽¹⁾⁽³⁾ | | | | | | |
| NAPP - metallurgical coal | \$ 77.04 | \$ 68.12 | \$ (8.92) | \$ 77.98 | \$ 69.88 | \$ (8.10) |
| Cash margin per ton sold ⁽¹⁾ | | | | | | |
| NAPP - metallurgical coal | \$ 14.63 | \$ 14.60 | \$ 0.03 | \$ 11.37 | \$ 16.76 | \$ (5.39) |
| EBITDA ⁽¹⁾ (000's) | | | | | | |
| NAPP | \$ 8,011 | \$ (34,886) | \$ 42,897 | \$ 9,101 | \$ (32,709) | \$ 41,810 |
| Corporate | (1,000) | (818) | (182) | (2,005) | (1,674) | (331) |
| Total | \$ 7,011 | \$ (35,704) | \$ 42,715 | \$ 7,096 | \$ (34,383) | \$ 41,479 |
| Adjusted EBITDA ⁽¹⁾ (000's) | | | | | | |
| NAPP | \$ 3,467 | \$ 4,914 | \$ (1,447) | \$ 4,319 | \$ 12,075 | \$ (7,756) |
| Corporate | (746) | (646) | (100) | (1,477) | (1,415) | (62) |
| Total | \$ 2,721 | \$ 4,268 | \$ (1,547) | \$ 2,842 | \$ 10,660 | \$ (7,818) |

(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 second quarter 2021 at \$112.50/metric ton ("mt") delivered-to-the-port ("FOBT") for spot deliveries of Australian premium low volatile metallurgical coal and closed the quarter at \$194.00/mt FOBT. The quarterly average price for the second quarter of 2021 was \$137.46 /mt FOBT, compared to \$127.14/mt FOBT in the first quarter of 2021, and traded in a range from a high of \$194.00/mt FOBT to a low of \$106.50/mt FOBT. July 2021 spot market pricing opened the month at \$198.00/mt FOBT, and as of late July were \$214.50/mt FOBT with trades in a range from a high of \$214.50/mt FOBT to a low of \$198.00 /mt

FOBT for an average price of \$207.03/mt FOBT.

The World Steel Association reported that through June, global crude steel production increased by 14.4% in 2021 versus 2020 with India up 31.3%, Brazil up 24.0%, Turkey up 20.6%, U.S. up 15.5%, Japan up 13.8%, China up 11.8% and Russia up 8.5%. There were no June year-to-date or year-over-year steel production decreases in any of the top 10 steel producing countries. Regionally, South America increased by 28.1%, the EU increased by 18.4%, North America increased by 16.4% and Asia and Oceania, which includes China and India, increased by 13.8% year-over-year. Hot-rolled steel coil prices continued their historic rise in the second quarter of 2021 and remain strong in the first month of the third quarter. The reopening of economies and the impacts of pent-up demand plus the potential of increased infrastructure spending continue to fuel improved domestic and international economic activities and growth. From the beginning of 2021 through mid-July, hot-rolled steel coil prices rose 82%, 76% and 39% in the U.S., Northern Europe 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 is expected to 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 third quarter of 2021 at \$198.00/mt FOBT, the forward curve for the third quarter of 2021 according to the SGX TSI index is trading near \$213/mt FOBT with July at \$209.25/mt FOBT, August at \$217.33/mt FOBT and September at \$212.83/mt FOBT. Forward curve pricing for 2021 is trading at an average of \$178.33/mt FOBT with the first quarter of 2022 at a high of \$195.33/mt FOBT and the fourth quarter of 2022 at a low of \$165.33/mt FOBT. The forward curve for 2023 is showing pricing at an average of \$168.00/mt FOBT. Increased global steel demand and increased global steel production are driving the demand and supporting higher prices for metallurgical coal. Trade tensions between China and Australia influenced the international metallurgical coal market supply routes and pricing dynamics and continue to impact the export pricing for metallurgical coal products. Domestically, metallurgical coal consumption is expected to increase year-over-year and according to the U.S. Energy Information Administration (the "EIA") and is forecasted to be 18.3 million tons in 2021 as compared to 14.4 million tons in 2020 and 18.0 million tons in 2019. The EIA also reported that 2021 metallurgical coal exports are expected to increase by to 46.9 million tons in 2021 and or an 11% increase over the 42.1 million tons of metallurgical coal exported in 2020. Metallurgical coal exports are expected to increase by 22% in 2022 over 2021 to 57.4 million tons.

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 unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 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.

Stock Options Granted

Corsa also announces that its Board of Directors has granted stock options to purchase a total of 150,000 common shares of Corsa to Robert J. Schneid, President and Chief Executive Officer, which represents 0.15% of the total outstanding common shares. These options were granted in accordance with Corsa's Second Amended and Restated Option Plan (the "2017 Plan"), are exercisable for five years at a price of the higher of (a) C\$0.42, being the closing price of the common shares on the TSX Venture Exchange (the

"TSXV") on August 10, 2021 or (b) the closing price of the common shares on the TSXV on August 13, 2021, being the date following Corsa's "blackout" period in connection with its second quarter 2021 financial statements, and are subject to the terms and conditions of the 2017 Plan and TSXV approval. Such options will vest one-third on each the first, second and third anniversary of the date of grant.

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 the sale of coal from operations of U.S. subsidiaries of the Company. A special committee of the Board of Directors of the Company (the "Special Committee") was promptly constituted, and the Special Committee engaged outside legal counsel to conduct an independent 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, the Company has taken corrective action to minimize risk. Furthermore, the Company reported the matter to the U.S. Department of Justice and the Royal Canadian Mounted Police, which are conducting investigations. The Company and its subsidiaries are cooperating with these investigations.

At this time, no charges have been brought against the Company, any of its subsidiaries, or any employees thereof in any jurisdiction. The risks associated with any charges that may be brought against any such entity or any related processes are uncertain. However, such risks may include resulting fines and penalties, as well as the disgorgement of profits on revenues received from the overseas customer. A range of potential exposure to the Company and its subsidiaries is uncertain and is not presently determinable.

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 and its subsidiaries will continue to cooperate with authorities 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 six months ended June 30, 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 Operating 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 contained in this press release contains "forward-looking statements" (and "forward-looking information" or "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, and the availability of its supply, changes to sales margins and expected profitability 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," "forecasts," "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.](#)