

TORONTO, Sept. 1, 2015 /CNW/ - [Corsa Coal Corp.](#) (TSXV: CSO) ("Corsa"), a premium quality metallurgical and thermal coal producer, yesterday reported financial results for the three and six months ended June 30, 2015. Corsa has filed its unaudited Condensed Interim Financial Statements for the three and six months ended June 30, 2015 and 2014 and related Management's Discussion and Analysis on [www.sedar.com](http://www.sedar.com) under Corsa's profile and has posted these documents to its website [www.corsacoal.com](http://www.corsacoal.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).

### Three and Six Months ending June 30, 2015 Highlights

- Despite a very challenging coal pricing environment, Corsa achieved positive adjusted EBITDA<sup>(1)</sup> at its Northern Appalachia ("NAPP") and Central Appalachia ("CAPP") Divisions, as well as on a consolidated basis.
- NAPP productivity improvement initiatives and cost containment efforts have been successful with the cash production cost per ton sold<sup>(1)</sup> for metallurgical coal decreasing 16.5% from the three months ended June 30, 2014. The Casselman Mine successfully completed a challenging geologic transition under the Casselman River.
- Corsa's operations continue to achieve industry leading safety performance, with violation per inspection day (VPID) rates that are 50% lower than the national average.
- The Quecreek mine was restarted in May 2015 as a result of securing a long-term thermal coal sales contract that allowed Corsa to economically mine the metallurgical and thermal coal reserve base.
- NAPP continues to aggressively manage its cost structure. The mines idled during the first quarter 2015, as well as other inactive deep mining operations, were sealed in an effort to significantly reduce idle mine costs. NAPP incurred idle mine costs of \$2.7 million during the six months ended June 30, 2015, which is expected to dramatically decline over the balance of the year as a result of these mines being sealed. Additionally, Corsa successfully consolidated its coal processing plants in the second quarter 2015, resulting in significant operating cost savings. Efforts are being undertaken to reduce general and administrative expenses and water treatment expenses at NAPP, and to manage reclamation efforts more efficiently.
- CAPP improved upon its first quarter 2015 performance by generating adjusted EBITDA<sup>(1)</sup> of approximately \$948,000 during the three months ended June 30, 2015, driven by excellent cost performance. CAPP also has substantially completed the face up for the Cooper Ridge Deep Mine.
- In February 2015, Corsa restructured its senior management team by appointing Peter Merritts to the role of President & NAPP and in June 2015, Kevin Harrigan was appointed to the role of Chief Financial Officer and Corporate Secretary.
- Key Operating Metrics for the three months ended June 30, 2015:
  - NAPP metallurgical coal sales of 265,000 tons.
  - NAPP realized price per ton sold<sup>(1)</sup> for metallurgical coal of \$78.07.
  - NAPP cash production cost per ton sold<sup>(1)</sup> for metallurgical coal of \$66.66.
  - CAPP thermal coal sales of 190,000 tons.
  - CAPP realized price per ton sold<sup>(1)</sup> for thermal coal of \$66.27.
  - CAPP cash production cost per ton sold<sup>(1)</sup> for thermal coal of \$58.35.

George Dethlefsen, Chief Executive Officer, commented, "Corsa continued its focus on cost reductions and asset optimization in the second quarter, while at the same time as positioning the company for the future. At the NAPP Division, we successfully completed the three-month crossing of the Casselman River at our Casselman Mine in July. This initiative grants us access to the main body of the coal reserve at the mine and positions us well for the remainder of the year and beyond. We were pleased to restart the Quecreek Mine after securing local thermal coal contracts. Our efforts in the thermal coal space diversify our revenue sources and protect against a further weak metallurgical coal price environment.

The CAPP Division showed outstanding cost performance across all operations, and also substantially completed the face up for the new Cooper Ridge deep mine. The mine represents the future of the division and will strategically reposition the division over time into the premium-priced specialty and industrial coal markets.

With metallurgical coal prices at 11 year lows, financial distress has overtaken many domestic producers. We estimate that approximately 70% of domestic low volatile metallurgical coal supply is being sourced from producers either in the process of selling their mines or in a bankruptcy process. This situation should accelerate production rationalization and lead to a rebalancing of supply and demand. Consistent with our strategy, Corsa is well positioned to grow during this market trough, with advantaged operating costs, coal qualities, logistics, and financial sponsorship. We will aggressively seek out opportunities to grow both organically and through acquisitions over the next 12 months."

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

### Financial and Operations Summary

	For the three months ended			For the six months ended		
	June 30,			June 30,		
			Increase			Increase
	2015	2014 <sup>(1)</sup>	(Decrease)	2015	2014 <sup>(1)</sup>	(Decrease)
Revenue (000's)	\$ 39,669	\$ 24,319	\$ 15,350	\$ 71,036	\$ 44,162	\$ 26,874
Cost of sales <sup>(3)</sup> (000's)	\$ 46,640	\$ 26,413	\$ 20,227	\$ 99,317	\$ 47,302	\$ 52,015
Corporate and administrative expense (000's)	\$ 4,512	\$ 2,021	\$ 2,491	\$ 8,651	\$ 3,948	\$ 4,703
Net and comprehensive income for the period (000's)	\$ (11,720)	\$ 692	\$ (12,412)	\$ (37,347)	\$ 119	\$ (37,466)
Adjusted EBITDA <sup>(2)</sup> (000's)	\$ 346	\$ 1,547	\$ (1,201)	\$ (302)	\$ 2,301	\$ (2,603)
Cash provided by (used in) operating activities (000's)	\$ 3,166	\$ 4,243	\$ (1,077)	\$ 6,818	\$ (3,246)	\$ 10,064
Coal sold - tons (000's)						
NAPP - metallurgical coal	265	93	172	424	138	286
CAPP	190	222	(32)	390	444	(54)
Total	455	315	140	814	582	232
Realized price per ton sold <sup>(2)</sup>						
NAPP - metallurgical coal	\$ 78.07	\$ 94.09	\$ (16.02)	\$ 81.61	\$ 91.73	\$ (10.12)
CAPP	\$ 66.27	\$ 66.95	\$ (0.68)	\$ 66.62	\$ 67.57	\$ (0.95)
Cash production cost per ton sold <sup>(2)</sup>						
NAPP - metallurgical coal	\$ 66.66	\$ 79.85	\$ (13.19)	\$ 70.20	\$ 81.65	\$ (11.45)
CAPP	\$ 58.35	\$ 57.17	\$ 1.18	\$ 60.20	\$ 56.61	\$ 3.59
Cash margin per ton sold <sup>(2)</sup>						
NAPP - metallurgical coal	\$ 11.41	\$ 14.24	\$ (2.83)	\$ 11.41	\$ 10.08	\$ 1.33
CAPP	\$ 7.92	\$ 9.78	\$ (1.86)	\$ 6.42	\$ 10.96	\$ (4.54)
Adjusted EBITDA <sup>(2)</sup> (000's)						
NAPP	\$ 1,203	\$ 703	\$ 500	\$ 1,205	\$ 148	\$ 1,057
CAPP	948	1,636	(688)	1,293	3,624	(2,331)
Corporate	(1,805)	(792)	(1,013)	(2,800)	(1,471)	(1,329)
Total	\$ 346	\$ 1,547	\$ (1,201)	\$ (302)	\$ 2,301	\$ (2,603)

(1) The results of PBS Coals are not included as it was acquired by Corsa on August 19, 2014.

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

(3) Cost of sales consists of the following:

	For the three		For the six	
	months ended June 30,		months ended June 30,	
	2015	2014	2015	2014
Mining and processing costs	\$ 25,959	\$ 16,088	\$ 48,559	\$ 29,481
Purchased coal costs	1,117	1,264	2,205	2,244
Royalties expense	2,463	2,766	4,872	4,679
Amortization expense	7,072	4,169	15,620	7,201
Transportation costs from preparation plant to customer	3,707	705	5,458	1,501
Idle mine expense	1,829	225	3,106	597
Change in estimate of reclamation provision for non-operating properties	(452)	1,214	1,236	1,570
Impairment and write-off of mineral properties	3,756	-	16,246	-
Write-off of advance royalties and other assets	69	-	895	-
Other costs	438	(18)	438	29
Thermal coal mining costs at the Quecreek Deep Mine	682	-	682	-
	\$ 46,640	\$ 26,413	\$ 99,317	\$ 47,302

#### Guidance

Corsa is maintaining guidance for the year ended December 31, 2015, as per Corsa's Management's Discussion and Analysis for the year ended December 31, 2014, which is as follows:

- Total sales of 1,670,000 to 1,810,000 tons.
- NAPP Division sales of 895,000 to 985,000 tons, including metallurgical coal sales guidance of 725,000 to 775,000 tons and thermal coal sales guidance of 170,000 to 210,000 tons. See "Coal Pricing Trends and Outlook & NAPP" below.
- CAPP Division sales of 775,000 to 825,000 tons of thermal coal. See "Coal Pricing Trends and Outlook & CAPP" below.
- NAPP Division cash production cost per ton sold<sup>(1)</sup> for metallurgical coal of \$67 to \$72.
- NAPP Division cash production cost per ton sold<sup>(1)</sup> for thermal coal of \$30 to \$35.
- CAPP Division cash production cost per ton sold<sup>(1)</sup> for thermal coal of \$57 to \$62.

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

#### Coal Pricing Trends and Outlook

##### NAPP

Current metallurgical coal prices remain at depressed levels where a substantial amount of global production is uneconomic.

This situation arose as a result of global producers committing to multi-billion dollar projects in a significantly higher price environment. Large scale mines often take three or more years from final investment decision to first production. New supply came online over 2013 and 2014, a period where demand growth softened. This supply growth is expected to mitigate in 2015 as the pipeline of growth projects is exhausted and prices are insufficient to incentivize new production. Corsa expects that over time, the fundamentals of the metallurgical coal market will rebalance as supply growth ends and production cutbacks are implemented.

Weak Chinese demand for imported metallurgical coal, in combination with a strong U.S. dollar and low dry bulk freight rates, have continued to put downward pressure on seaborne metallurgical coal pricing. The third quarter 2015 coking coal benchmark pricing decreased to \$93.00 per metric ton, representing a decrease of approximately 15% from the second quarter of calendar 2015 and a year-over-year decrease of approximately 23%. The third quarter price is the first time the benchmark settlement was below \$100 per metric ton since 2007, on a nominal basis, and represents a point on the cost curve where analysts estimate half of the global seaborne production is unprofitable.

As metallurgical coal production is rationalized in places like China, Western Canada, Australia and the United States, Corsa expects the seaborne metallurgical coal fundamentals to normalize. Domestically, severe financial distress has caused high profile bankruptcies in 2015 and will likely lead to additional supply cuts in the near future. This situation has also created an environment where producers are deferring capital expenditures, not reinvesting in reserves or permitting efforts, and are highly vulnerable to supply disruptions. For these reasons, Corsa believes that the domestic market is poised to rebound faster than the international seaborne market. Corsa's geographic proximity to over 50% of domestic coke production capacity and short rail distance and multiple options to access the Baltimore export terminals solidify Corsa's ability to take advantage of any recoveries in coal pricing.

Metallurgical coal sales in 2015 are expected to be in the range of 725,000 to 775,000 tons. As of the date of this press release, approximately 90% of these sales are committed at the midpoint of the range. Actual sales will depend on customer demand and market conditions. Vessel nominations for export sales are determined by customers and concluded on a month-by-month basis.

## CAPP

Current Southeastern U.S. utility market thermal coal spot pricing declined 25% over the course of 2014. As a result, much of the Central Appalachia coal production is uneconomic. Corsa expects utility coal demand for Central Appalachia production to decrease in 2015. Conversely, industrial thermal demand grew 4% year over year for 2015 and Corsa expects industrial demand to grow in 2015.

The CAPP mineral reserve base exclusively consists of high BTU and high carbon content coal. These unique qualities, combined with advantaged logistics, set CAPP apart from other producers and create a niche in the utility and industrial marketplace. As a result, despite thermal supply outpacing demand in 2015, CAPP has been successful in maintaining a high level of contracted sales for the future.

CAPP will continue to target the industrial market segment as it transitions from a utility supplier to an industrial supplier during 2015. The planned opening of the Cooper Ridge mine will position CAPP to service the industrial specialty coal markets. These specialty markets are well suited for CAPP's coal qualities and relatively protected from natural gas prices and historically reflect higher pricing than the thermal markets.

The CAPP coal sales for 2015 are expected to be in the range of 775,000 to 825,000 tons. As of the date of this press release, approximately 96% of these sales are committed at the midpoint of the range. Actual sales will depend on customer demand and market conditions. CAPP also has sales contracts in place for 500,000 tons in 2016.

## Non-GAAP Measures

Management uses realized price per ton sold, cash production cost per ton sold and adjusted EBITDA as internal measurements of operating performance for Corsa's mining and processing operations. Management believes these non-GAAP measures provide useful information for investors as they provide information in addition to the GAAP measures to assist in their evaluation of the operating performance of Corsa. Reference is made to the Management's Discussion and Analysis for the three and six months ended June 30, 2015 for a reconciliation of non-GAAP measures to GAAP measures.

## 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, 2015 and 2014 and related Management's Discussion and Analysis, filed on [www.sedar.com](http://www.sedar.com) under Corsa's profile and posted to Corsa's website [www.corsacoal.com](http://www.corsacoal.com), for details of the financial performance of Corsa and the matters referred to in this news release.

## Caution

The estimated coal sales, projected market conditions and potential development disclosed in this news release are considered to be forward looking information. Readers are cautioned that actual results may vary from this forward looking information. Actual sales are subject to variation based on a number of risks and other factors referred to under the heading "Forward-Looking Statements" below as well as demand and sales orders received.

## Information about Corsa

Corsa is one of the leading suppliers of premium quality metallurgical coal, an essential ingredient in the production of steel, which is necessary for the secular trends in global urbanization. Our core business is supplying metallurgical coal with the highest safety, yield, and strength characteristics to domestic steel producers while being a strategic source of supply in the Atlantic and Pacific basin markets. Corsa also offers high heat content, low delivered cost coal to major utilities and industrial users in the Southeast region of the U.S.

## Forward-Looking Statements

Certain information set forth in this press release contains "forward-looking statements" and "forward-looking information" under applicable securities laws. Except for statements of historical fact, certain information contained herein relating to projected sales, coal prices, coal production, mine development, expected cash production costs, geological conditions, future capital expenditures, reduction in operating costs and expectations of market demand for coal, constitutes forward-looking statements which include management's assessment of future plans and operations and are based on current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "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, which may cause Corsa's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: risks that the actual production or sales for the 2015 fiscal year will be less than projected production or sales for this period; risks that the prices for coal sales will be less than projected; liabilities inherent in coal mine development and production; geological, mining and processing technical problems; inability to obtain required mine licenses, mine permits and regulatory approvals or renewals required in connection with the mining and processing of coal; risks that Corsa's preparation plants will not operate at production capacity during the relevant period, unexpected changes in coal quality and specification; variations in the coal mine or preparation plant recovery rates; dependence on third party coal transportation systems; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in commodity prices and exchange rates; changes in the regulations in respect to the use, mining and processing of coal; changes in regulations on refuse disposal; the effects of competition and pricing pressures in the coal market; the oversupply of, or lack of demand for, coal; inability of management to secure coal sales or third party purchase contracts; currency and interest rate fluctuations; various events which could disrupt operations and/or the transportation of coal products, including labour stoppages and severe weather conditions; the demand for and availability of rail, port and other transportation services; the ability to purchase third party coal for processing and delivery under purchase agreements; and management's ability to anticipate and manage the foregoing factors and risks. The forward-looking statements and information contained in this press release are based on certain assumptions regarding, among other things, coal sales being consistent with expectations; future prices for coal; future currency and exchange rates; Corsa's ability to generate sufficient cash flow from operations and access capital markets to meet its future obligations; the regulatory framework representing royalties, taxes and environmental matters in the countries in which Corsa conducts business; coal production levels; Corsa's ability to retain qualified staff and equipment in a cost-efficient manner to meet its demand; and Corsa being able to execute its program of operational improvement and initiatives to realize cost synergies following the PBS Transaction. 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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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