

Corsa Coal Announces Financial Results for Third Quarter 2016

CANONSBURG, PA, Nov. 9, 2016 /CNW/ - Corsa Coal Corp. (TSXV: CSO) ("Corsa"), a premium quality metallurgical, thermal and industrial coal producer, today reported financial results for the three and nine months ended September 30, 2016. Corsa has filed its unaudited Condensed Interim Consolidated Financial Statements for the three and nine months ended September 30, 2016 and 2015 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).

Third Quarter 2016 Highlights

- Spot prices for metallurgical coal have risen by approximately 250% on a year-to-date basis. Corsa plans to increase production and sell significantly more tons of metallurgical coal over the coming quarters. Corsa commenced development work at the Acosta Deep Mine in Somerset County, Pennsylvania, which is forecasted to produce 375,000 tons per year of low volatile metallurgical coal once fully operational. Coal production at the mine is anticipated to begin in the second quarter of 2017 and ramp up over the course of the year.
- In October 2016, Corsa raised Cdn \$23 million by way of a private placement of 230,000,000 common shares of Corsa (138,880,000 of which were closed on a brokered basis and 91,120,000 of which were closed on a non-brokered basis) to fund mine development, general corporate and working capital purposes.
- NAPP variable cost reduction efforts have been successful with the cash production cost per ton sold⁽¹⁾ for metallurgical coal decreasing 10.2% [from \$66.90 to \$60.07] in the three months ended September 30, 2016 compared to the prior year comparable quarter.
- CAPP variable cost reduction efforts have been successful with the cash production cost per ton sold⁽¹⁾ for thermal coal decreasing 6.7% [from \$53.74 to \$50.16] in the three months ended September 30, 2016 compared to the prior year comparable quarter.
- Corsa's operations continue to achieve industry leading safety performance, with violation per inspection day rates that are 50% lower than the national average.
- In September 2016, Corsa was notified that it was awarded \$3,000,000 in funding under the Pennsylvania Redevelopment Assistance Capital Program (the "RCAP") to develop an underground coal mine in Somerset County subject to certain conditions, including but not limited to: (i) completing the Redevelopment Assistance application; (ii) confirmation that at least 50% of the required non-state funds necessary to complete the project are secured at the time of application; (iii) execution of a grant agreement; and (iv) commencement of construction within six months of the grant agreement. Once all the aforementioned conditions have been met, the grant will be released on a periodic basis and Corsa will be reimbursed for certain expenditures which Corsa will offset against the capitalized development costs.
- Corsa reached a settlement with the United States Environmental Protection Agency and the Pennsylvania Department of Environmental Protection on the alleged Clean Water Act violations in the amount of \$6.5 million. The entire \$6.5 million was released from an escrow that was established in connection with the Company's acquisition of PBS Coals, Inc. The Company was also reimbursed for its legal expenses from this escrow. As a result of this escrow release, the settlement of this matter had no impact to the cash flows of Corsa.
- Key Operating Metrics:

	For the three months ended		
	September 30, 2016		
(in thousands except per ton amounts)	NAPP - Metallurgical Coal	NAPP - Thermal Coal	CAPP
Tons sold	177	61	152
Realized price per ton sold ⁽¹⁾	\$ 69.48	\$ 39.64	\$ 56.07
Cash production cost per ton sold ⁽¹⁾	60.07	43.07	50.16
Cash margin per ton sold ⁽¹⁾	\$ 9.41	\$ (3.43)	\$ 5.91

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

George Dethlefsen, Chief Executive Officer of Corsa, commented, "Extreme global shortages of metallurgical coal have caused prices to increase 250% since earlier in the year. Corsa is taking steps to maximize coal production and sales to capitalize on the favorable market environment. In September, we commenced development work at the Acosta deep mine, which is scheduled to be in production in the second quarter of 2017. We have also increased capacity utilization at existing mines, have redirected tons sold under thermal contracts to the metallurgical market, and are exploring incremental growth opportunities within our portfolio of permitted mines. We expect Corsa's metallurgical coal sales volumes to increase by over 70% in 2017 and we expect the 2017 sales mix to be heavily weighted towards the higher-priced export market. We will be providing further guidance on production and sales during the fourth quarter.

The prolonged downturn in metallurgical coal prices over the past several years has left coal producers in a weakened position to respond quickly with new supply. With low metallurgical coal inventories globally, production difficulties in China and Australia, and signs of improvement in global steel pricing, we believe that metallurgical coal pricing will remain at elevated levels for an extended period of time.

Corsa has received increased interest for metallurgical coal sales from both international and domestic steel companies over the past few months. Due to the acceleration of metallurgical coal prices occurring in the middle of the third quarter, the impacts on our realized pricing for international orders will begin to be seen in the fourth quarter results. We expect average realized prices for Q4 2016 to increase by approximately 40% over Q3 2016 levels and a further increase in average realized prices in Q1 2017 as calendar year 2016 contracts roll off and as higher priced export orders are shipped. We are anticipating strong cash flows in Q4 2016 and into 2017 as a result of these increases in metallurgical coal prices. Corsa's customer relationships, preparation plant infrastructure, rail access and coal storage capacity allows for full participation in the seaborne market and significant operating leverage to the rising price environment."

Financial and Operations Summary

	For the three months ended			For the nine months ended		
	September 30,			September 30,		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Revenues (000's)	\$ 23,983	\$ 31,742	\$ (7,759)	\$ 59,258	\$ 102,778	\$ (43,520)
Cost of sales ⁽³⁾ (000's)	\$ 25,643	\$ 33,606	\$ (7,963)	\$ 67,879	\$ 132,923	\$ (65,044)
Corporate and administrative expense (000's)	\$ 3,281	\$ 3,864	\$ (583)	\$ 9,026	\$ 12,515	\$ (3,489)
Net and comprehensive income (loss) for the period (000's)	\$ (7,106)	\$ (9,288)	\$ 2,182	\$ (23,455)	\$ (46,635)	\$ 23,180
Adjusted EBITDA ⁽¹⁾ (000's)	\$ 534	\$ 1,955	\$ (1,421)	\$ (1,881)	\$ 1,653	\$ (3,534)

Cash (used in) provided by operating activities (000's) \$ (2,185) \$ 4,680 \$ (6,865) \$ (6,710) \$ 11,498 \$ (18,208)

Coal sold - tons (000's)

NAPP – metallurgical coal	177	145	32	427	569	(142)
NAPP – thermal coal	61	56	5	169	86	83
CAPP	152	222	(70)	348	612	(264)
Total	<u>390</u>	<u>423</u>	<u>(33)</u>	<u>944</u>	<u>1,267</u>	<u>(323)</u>

	For the three months ended September 30,			For the nine months ended September 30,		
			Increase (Decrease)			Increase (Decrease)
	2016	2015		2016	2015	
Realized price per ton sold ⁽¹⁾						
NAPP – metallurgical coal	\$ 69.48	\$ 73.32	\$ (3.84)	\$ 67.00	\$ 79.50	\$ (12.50)
NAPP – thermal coal	\$ 39.64	\$ 40.57	\$ (0.93)	\$ 39.15	\$ 41.74	\$ (2.59)
CAPP	\$ 56.07	\$ 67.29	\$ (11.22)	\$ 60.43	\$ 66.86	\$ (6.43)

Cash production cost per ton sold⁽¹⁾

NAPP – metallurgical coal ⁽²⁾	\$ 60.07	\$ 66.90	\$ 6.83	\$ 59.74	\$ 69.36	\$ 9.62
NAPP – thermal coal	\$ 43.07	\$ 38.68	\$ (4.39)	\$ 44.82	\$ 33.12	\$ (11.70)
CAPP	\$ 50.16	\$ 53.74	\$ 3.58	\$ 52.60	\$ 57.86	\$ 5.26

Cash margin per ton sold⁽¹⁾

NAPP – metallurgical coal	\$ 9.41	\$ 6.42	\$ 2.99	\$ 7.26	\$ 10.14	\$ (2.88)
NAPP – thermal coal	\$ (3.43)	\$ 1.89	\$ (5.32)	\$ (5.67)	\$ 8.62	\$ (14.29)
CAPP	\$ 5.91	\$ 13.55	\$ (7.64)	\$ 7.83	\$ 9.00	\$ (1.17)

Adjusted EBITDA⁽¹⁾ (000's)

NAPP ⁽²⁾	\$ 463	\$ 595	\$ (132)	\$ (1,304)	\$ 1,800	\$ (3,104)
CAPP	795	2,190	(1,395)	1,843	3,483	(1,640)
Corporate	(724)	(830)	106	(2,420)	(3,630)	1,210
Total	<u>\$ 534</u>	<u>\$ 1,955</u>	<u>\$ (1,421)</u>	<u>\$ (1,881)</u>	<u>\$ 1,653</u>	<u>\$ (3,534)</u>

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

⁽²⁾ NAPP cash production cost per ton sold⁽¹⁾ and Adjusted EBITDA⁽¹⁾ was impacted by adverse geologic conditions in 2016 which increased mining costs.

⁽³⁾ Cost of sales consists of the following:

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
Mining and processing costs	\$ 17,110	\$ 21,679	\$ 44,506	\$ 70,920
Purchased coal costs	2,295	940	3,083	3,145
Royalty expense	1,454	2,232	3,840	7,104
Amortization expense	3,875	6,240	11,884	21,860
Transportation costs from preparation plant to customer	737	2,658	2,919	8,116
Idle mine expense	163	24	1,079	3,130
Change in estimate of reclamation provision for non-operating properties	—	(445)	—	791
Impairment and write-off of mineral properties	—	285	—	16,531
Write-off of advance royalties and other assets	35	(7)	231	888
Other costs	(26)	—	337	438
	<u>\$ 25,643</u>	<u>\$ 33,606</u>	<u>\$ 67,879</u>	<u>\$ 132,923</u>

Guidance

Corsa is updating guidance for the year ended December 31, 2016, from Corsa's Management's Discussion and Analysis for the year ended December 31, 2015, which is as follows:

- Updated total sales of 1,300,000 to 1,550,000 tons.
- NAPP Division sales of 850,000 to 1,000,000 tons for 2016, including metallurgical coal sales guidance of 650,000 to 750,000 tons and thermal coal sales guidance of 200,000 to 250,000 tons. This compares to previous guidance of 600,000 to 700,000 of metallurgical coal sales and 250,000 to 350,000 of thermal coal sales. See "Coal Pricing Trends and Outlook – NAPP Division" below.
- NAPP Division sales of 250,000 to 350,000 tons for Q4 2016, including metallurgical coal sales guidance of 225,000 to 275,000 tons and thermal coal sales guidance of 25,000 to 75,000 tons.
- CAPP Division sales of 450,000 to 550,000 tons of thermal and industrial coal for 2016. This compares to previous guidance of 500,000 to 600,000 tons of thermal and industrial coal sales. See "Coal Pricing Trends and Outlook – CAPP Division" below.
- CAPP Division sales of 125,000 to 175,000 tons of thermal and industrial coal for Q4 2016.

- NAPP Division cash production cost per ton sold⁽¹⁾ for metallurgical coal of \$57 to \$62. This guidance remains unchanged.
- NAPP Division cash production cost per ton sold⁽¹⁾ for thermal coal of \$41 to \$46 compared to previous guidance of \$38 to \$43 as a result of a reduction in thermal coal sales commitments and an increase in metallurgical coal sales commitments.
- CAPP Division cash production cost per ton sold⁽¹⁾ for thermal coal of \$50 to \$55 compared to previous guidance of \$54 to \$59 due to a selective shift towards lower cost production sources.

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

Coal Pricing Trends and Outlook

NAPP Division

Spot prices for metallurgical coal have risen by approximately 250% on a year-to-date basis due to constraints in the supply chain. Over the past six months, Chinese initiatives to reduce production of metallurgical coal have been very successful, and adverse weather and geology in Australia have negatively impacted exports. Many metallurgical coal producers have very little supply availability over the coming months, which we believe will lead to pricing support. Over the past two years, over 55 million tons of metallurgical coal production cuts have been announced, representing approximately 18% of the annual seaborne metallurgical coal trade. Despite the rebound in pricing, supply has shown limited response as major Australian and Canadian mines are already running at maximum capacity. Incremental production from greenfield and brownfield projects may take up to two years or longer to come online, and generally face a lack of access to capital. We expect these supply and demand factors to continue to provide support for metallurgical coal prices in future quarters.

The fourth quarter 2016 coking coal benchmark pricing increased to \$200.00 per metric ton, representing an increase of approximately 115% from the third quarter of 2016, and is up approximately 140% on a year over year basis. As of October 2016, spot prices have increased well past the fourth quarterly settlement, reaching over \$260 per metric ton. If this trend continues, Corsa expects to see a further strengthening in the quarterly benchmark settlement in 2017.

Prior to the upturn in pricing in early 2016, the five-year downturn in metallurgical coal prices represented the longest and deepest downturn in pricing in over 60 years. 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 has mitigated in 2016 as the pipeline of growth projects was exhausted.

Domestically, severe financial distress has caused high profile bankruptcies in 2015 and 2016 which have led to significant supply cuts. 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. Mines that were inadequately maintained may now face flooding constraints, sterilizing part or the majority of the reserves. We expect the combination of these factors to limit the supply response from the U.S. in the near term.

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 will continue to solidify Corsa's ability to take advantage of any recoveries in coal pricing.

Corsa's metallurgical coal sales in 2016 from its NAPP Division are expected to be in the range of 650,000 to 750,000 tons. Approximately 95% of these sales are currently 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. Corsa is aggressively seeking to increase production volumes in 2017 and will be providing guidance for 2017 production and sales later in the fourth quarter.

Corsa's thermal coal sales in 2016 from its NAPP Division are expected to be in the range of 200,000 to 250,000 tons. Approximately 95% of these sales are currently committed at the midpoint of the range. Actual sales will depend on customer demand and market conditions. Corsa has been successful in purchasing coal to fulfill these thermal orders at the NAPP Division, which has freed up existing coal production to move to the metallurgical market. We do not expect to sell internally-produced NAPP Division coal on the thermal market in 2017.

CAPP Division

Current Southeastern U.S. utility market thermal coal spot pricing has improved 20% over the course of 2016. Even with the positive spot market improvement, much of the Central Appalachia coal production is uneconomic. Corsa expects utility coal demand for Central Appalachia production to decrease in 2016. Conversely, industrial thermal demand grew 4% year over year for 2015 and Corsa expects industrial demand to grow in 2016.

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.

In response to market conditions and to improve its contract portfolio, the CAPP Division coal sales for 2016 are now expected to be in the range of 450,000 to 550,000 tons. Approximately 95% of these sales are currently committed at the midpoint of the range. Actual sales will depend on customer demand and market conditions.

Stock Options Granted

Corsa also announces that its Board of Directors has granted stock options to purchase a total of 29,200,000 common shares of Corsa (the "Common Shares") to certain directors, officers and employees of Corsa, which grant represents approximately 1.5% of the total outstanding Common Shares. These options were granted in accordance with Corsa's Amended and Restated Option Plan (the "Option Plan"), are exercisable for five years at a price of the higher of (a) C\$0.12, being the closing price of the Common Shares on the TSXV on November 8, 2016 and (b) the closing price of the Common Shares on the TSX-V on November 10, 2016, being the date following Corsa's "blackout" period in connection with its third quarter 2016 financial statements, and are subject to the terms and conditions of the Option Plan and TSX-V approval. Such options will vest one-third on the first anniversary of the date of grant, one-third on the second anniversary of the date of grant and one-third on the third anniversary of the date of grant.

Officers of Corsa were granted an aggregate of 16,950,000 options, Corsa's non-executive directors, other than Corbin J. Robertson III, were each granted 1,250,000 options and other employees of Corsa received an aggregate of 4,750,000 options. Mr. Robertson III, Chairman of Corsa's Board of Directors and a representative of Corsa's significant shareholder Quintana Energy Partners L.P. and its affiliated investment funds, elected not to receive any options.

Non-GAAP Measures

Management uses realized price per ton sold, cash production cost per ton sold, cash margin per ton sold and adjusted EBITDA as internal measurements of operating performance for Corsa's mining and processing operations. These measures are not recognized under International Financial Reporting Standards ("GAAP"). 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 nine months ended September 30, 2016 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 nine months ended September 30, 2016 and 2015 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.

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. 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, acquisitions, the capacity and recovery of Corsa's preparation plants, expected cash production costs, geological conditions, future capital expenditures 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 2016 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; Corsa's ability to make accretive acquisitions and to meet funding obligations; 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 labor 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 and other 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. 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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