

Corsa Coal Announces Financial Results for Second Quarter 2017 and Results of Annual and Special Meeting

CANONSBURG, PA, Aug. 16, 2017 /CNW/ - Corsa Coal Corp. (TSXV: CSO) ("Corsa"), a premium quality metallurgical, thermal and industrial coal producer, today reported financial results for the three and six months ended June 30, 2017 and announced the results of its annual and special meeting of shareholders held earlier today (the "Meeting"). Corsa has filed its unaudited Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2017 and 2016 and related Management's Discussion and Analysis under its profile on www.sedar.com. An updated investor presentation has been added to 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). Pricing and cost per ton information is expressed on a free-on-board, or FOB, mine site basis, unless otherwise noted.

Second Quarter 2017 Highlights

- Corsa reported positive net and comprehensive income of \$4.6 million for the second quarter of 2017, an increase of 157% from the second quarter of 2016. Revenues were \$66.2 million, an increase of 255% from the second quarter of 2016.
- Corsa achieved adjusted EBITDA⁽¹⁾ of \$12.1 million and \$11.3 million at its Northern Appalachia Division ("NAPP") and on a consolidated basis, respectively, for the three months ended June 30, 2017.
- Corsa achieved an average realized price per ton of metallurgical coal sold⁽¹⁾ of \$121.77 in the second quarter 2017, an increase of 101% as compared to the second quarter of 2016. This average realized price is the approximate equivalent of \$167 to \$170 on an FOB terminal basis⁽⁴⁾.
- Metallurgical coal sales volumes increased 35% in the second quarter of 2017 as compared to the first quarter of 2017 and 178% compared to the second quarter of 2016. This marks the fifth consecutive quarter of above 20% or greater growth in metallurgical coal sales volumes.
- For the second quarter of 2017, Corsa's operations demonstrated exceptional safety performance again, with violation per inspection day rates less than half of the Mine Safety and Health Administration's ("MSHA") national average and a lost time accident frequency rate that is comparable to the MSHA national average for coal mines.
- The Acosta Mine successfully commenced production in early June 2017, consistent with previous guidance. Early indications are positive from a geologic, equipment and hiring standpoint. Production from the Acosta Mine will increase over the second half of 2017, as additional shifts are added and a second mining unit is added.
- Key Operating Metrics:

(in thousands except per ton amounts)	For the three months ended			For the six months ended		
	June 30, 2017			June 30, 2017		
	NAPP - Metallurgical Coal	NAPP - Thermal Coal	CAPP	NAPP - Metallurgical Coal	NAPP - Thermal Coal	CAPP
Tons sold	370	49	178	665	126	298
Realized price per ton sold ⁽¹⁾⁽⁴⁾	\$ 121.77	\$ 45.16	\$ 61.37	\$ 137.01	\$ 43.98	\$ 59.01
Cash production cost per ton sold ⁽¹⁾⁽²⁾	\$ 65.34	\$ —	\$ 59.19	\$ 70.04	\$ 15.50	\$ 59.05
Cash cost per ton sold ⁽¹⁾⁽³⁾	\$ 82.40	\$ 44.61	\$ 59.19	\$ 85.08	\$ 40.87	\$ 59.05
Cash margin per ton sold ⁽¹⁾	\$ 39.37	\$ 0.55	\$ 2.18	\$ 51.93	\$ 3.11	\$ (0.04)

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

(2) Cash production cost per ton sold excludes purchased coal.

(3) Cash cost per ton sold includes purchased coal.

(4) Similar to most U.S. metallurgical coal producers, Corsa reports sales and costs per ton on an FOB mine basis and denominated in short tons. Many international metallurgical coal producers report prices and costs on a delivered-to-the-port 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 \$30-\$33 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.

George Dethlefsen, Chief Executive Officer of Corsa, commented, "Corsa made excellent progress towards its growth objectives in the second quarter. The Acosta Mine successfully opened in early June and is progressing according to plan with favorable geology and productivity levels. Metallurgical coal production at the NAPP Division was at the highest level in two years, driven largely by outstanding productivity at the Casselman mine.

Corsa's Sales & Trading platform achieved its fifth consecutive quarter of at least 20% sequential volume growth for sales of metallurgical coal. We are pleased to have picked up two new orders from domestic customers in the quarter and now expect a fairly balanced order book between domestic and international sales in the months ahead. As a result of the progress of our sales efforts, today we are increasing 2017 metallurgical coal sales guidance by approximately 20%.

We are thrilled to announce that we will soon begin rehabilitation work at the Horning Mine near Somerset, Pennsylvania. This project involves re-opening a mine that has been idled for five years, and marks the second mine opening project that Corsa has begun in the last year. The project is consistent with our strategy of increasing capacity utilization at company-owned preparation plants in Pennsylvania.

The metallurgical coal market is in very tight supply globally, with particular tightness in low volatile metallurgical coal supply in the United States. Spot metallurgical coal prices have risen sharply in July and August, as supply disruptions in Australia and the United States and coal production restrictions in China have taken tonnage out of the market. In a change from the recent surges in metallurgical coal prices which were primarily supply driven, steel demand has been a major contributor to increased demand for metallurgical coal. We expect a continued strong market for steel production in the second half of the year and into 2018.

Looking forward, we remain focused on both metallurgical coal production growth and growth in Sales & Trading volumes. Production from the Acosta Mine will ramp up over the third and fourth quarters of this year. We are currently evaluating additional expansion opportunities from our portfolio of projects located within economic trucking distance of our coal preparation plant capacity in Pennsylvania. Finally, we are evaluating ways to deploy the free cash flow that the business is generating. Production growth, acquisitions, and deleveraging remain strategic priorities."

Financial and Operations Summary

(in thousands)	For the three months ended			For the six months ended		
	June 30,			June 30,		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues	\$ 66,244	\$ 18,662	\$ 47,582	\$ 125,283	\$ 35,275	\$ 90,008

Cost of sales ⁽²⁾	\$ 55,079	\$ 22,560	\$ 32,519	\$ 100,060	\$ 42,236	\$ 57,824
Corporate and administrative expense	\$ 4,050	\$ 2,638	\$ 1,412	\$ 8,237	\$ 5,745	\$ 2,492
Net and comprehensive income (loss) for the period	\$ 4,551	\$ (8,052)	\$ 12,603	\$ 14,635	\$ (16,349)	\$ 30,984
Adjusted EBITDA ⁽¹⁾	\$ 11,262	\$ (1,796)	\$ 13,058	\$ 26,685	\$ (2,415)	\$ 29,100
Cash provided by (used in) operating activities	\$ 3,679	\$ (2,928)	\$ 6,607	\$ 17,378	\$ (4,525)	\$ 21,903
Coal sold - tons						
NAPP – metallurgical coal	370	143	227	665	250	415
NAPP – thermal coal	49	66	(17)	126	108	18
CAPP – thermal coal	150	97	53	270	196	74
CAPP – metallurgical coal	28	—	28	28	—	28
Total	<u>597</u>	<u>306</u>	<u>291</u>	<u>1,089</u>	<u>554</u>	<u>535</u>

⁽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,		June 30,	
	2017	2016	2017	2016
Mining and processing costs	\$ 19,746	\$ 15,409	\$ 39,082	\$ 26,872
Purchased coal costs	21,771	486	36,358	788
Royalty expense	2,047	1,500	4,243	2,910
Amortization expense	4,057	3,422	8,307	8,009
Transportation costs from preparation plant to customer	7,385	972	10,380	2,182
Idle mine expense	241	510	593	1,088
Change in estimate of reclamation provision	(148)	—	(148)	—
Write-off of advance royalties and other assets	112	70	170	196
Other costs	(132)	191	1,075	191
	<u>\$ 55,079</u>	<u>\$ 22,560</u>	<u>\$ 100,060</u>	<u>\$ 42,236</u>

	For the three months ended			For the six months ended		
	June 30,			June 30,		
	2017	2016	Variance	2017	2016	Variance
Realized price per ton sold ⁽¹⁾						
NAPP – metallurgical coal	\$ 121.77	\$ 60.73	\$ 61.04	\$ 137.01	\$ 63.12	\$ 73.89
NAPP – thermal coal	\$ 45.16	\$ 43.59	\$ 1.57	\$ 43.98	\$ 43.80	\$ 0.18
CAPP – thermal and metallurgical coal	\$ 61.37	\$ 62.89	\$ (1.52)	\$ 59.01	\$ 63.82	\$ (4.81)

Cash production cost per ton sold ⁽¹⁾						
NAPP – metallurgical coal ⁽²⁾	\$ 65.34	\$ 59.34	\$ (6.00)	\$ 70.04	\$ 59.51	\$ (10.53)
NAPP – thermal coal ⁽²⁾	\$ —	\$ 46.09	\$ 46.09	\$ 15.50	\$ 45.81	\$ 30.31
CAPP – thermal and metallurgical coal	\$ 59.19	\$ 60.05	\$ 0.86	\$ 59.05	\$ 54.49	\$ (4.56)

Cash cost per ton sold ⁽¹⁾						
NAPP – metallurgical coal ⁽³⁾	\$ 82.40	\$ 59.34	\$ (23.06)	\$ 85.08	\$ 59.51	\$ (25.57)
NAPP – thermal coal ⁽³⁾	\$ 44.61	\$ 46.09	\$ 1.48	\$ 40.87	\$ 45.81	\$ 4.94
CAPP – thermal and metallurgical coal	\$ 59.19	\$ 60.05	\$ 0.86	\$ 59.05	\$ 54.49	\$ (4.56)

Cash margin per ton sold ⁽¹⁾						
NAPP – metallurgical coal	\$ 39.37	\$ 1.39	\$ 37.98	\$ 51.93	\$ 3.61	\$ 48.32
NAPP – thermal coal	\$ 0.55	\$ (2.50)	\$ 3.05	\$ 3.11	\$ (2.01)	\$ 5.12
CAPP – thermal and metallurgical coal	\$ 2.18	\$ 2.84	\$ (0.66)	\$ (0.04)	\$ 9.33	\$ (9.37)

Adjusted EBITDA ⁽¹⁾ (000's)						
NAPP	\$ 12,059	\$ (1,160)	\$ 13,219	\$ 29,263	\$ (1,767)	\$ 31,030
CAPP	(2)	96	(98)	(733)	1,048	(1,781)
Corporate	(795)	(732)	(63)	(1,845)	(1,696)	(149)
Total	<u>\$ 11,262</u>	<u>\$ (1,796)</u>	<u>\$ 13,058</u>	<u>\$ 26,685</u>	<u>\$ (2,415)</u>	<u>\$ 29,100</u>

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

⁽²⁾ Cash production cost per ton sold excludes purchased coal.

⁽³⁾ Cash cost per ton sold includes purchased coal.

Guidance

Corsa's updated guidance for the year ending December 31, 2017 is as follows:

(all tonnage in short tons)

	1H2017		2H2017		Full Year 2017		Previous Guidance		Change from Previous Guidance	
	Actual	Low	High	Low	High	Low	High	Low	High	
<u>Metallurgical Coal Sales Tons</u>										
NAPP Division										
Company Produced	390,852	509,148	609,148	900,000	1,000,000					
Purchased - Value added services	143,463	106,537	156,537	250,000	300,000					
Purchased - Sales & Trading	130,874	241,187	291,187	372,061	422,061					
Total NAPP Met. Sales Tons	665,189	856,872	1,056,872	1,522,061	1,722,061	1,200,000	1,300,000	322,061	422,061	
CAPP Division	27,938	37,119	72,119	65,057	100,057	125,000	175,000	(59,943)	(74,943)	
Total Metallurgical Coal Sales Tons	693,127	893,991	1,128,991	1,587,118	1,822,118	1,325,000	1,475,000	262,118	347,118	
<u>Thermal Coal Sales Tons</u>										
NAPP Division	126,000	89,000	109,000	215,000	235,000	230,000	260,000	(15,000)	(25,000)	
CAPP Division	270,000	375,000	420,000	645,000	690,000	645,000	690,000	—	—	
	396,000	464,000	529,000	860,000	925,000	875,000	950,000	(15,000)	(25,000)	

Cash Production Cost/Ton Sold

NAPP Division Metallurgical Coal ⁽¹⁾⁽²⁾	\$ 70.04	\$ 65.00	\$ 70.00	\$ 65.00	\$ 70.00	\$ 65.00	\$ 70.00	\$ —	\$ —
CAPP Division - Metallurgical and Thermal Coal ⁽¹⁾	\$ 59.05	\$ 55.00	\$ 60.00	\$ 55.00	\$ 60.00	\$ 50.00	\$ 55.00	\$ 5.00	\$ 5.00

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

(2) Cash Production Cost / Ton Sold excludes purchased coal.

Coal Pricing Trends and Outlook

NAPP Division

Metallurgical coal prices declined from record levels in April 2017 after the Australian export terminals returned to service after the impact of Cyclone Debbie. In the second quarter of 2017, prices reversed course and have risen by more than 20%, as Chinese metallurgical coal miners have announced intentions to reduce output in response to seaborne prices breaching the \$140/mt FOB terminal price level. We view this move as a reflection of the cost curve for producing metallurgical coal in China and as a significant marker for estimating a long range metallurgical coal price. Additional supply interruptions in Australia and the United States occurred in July which pushed spot prices higher. These moves in aggregate continue to suggest that the global supply chain for metallurgical coal remains fragile and prone to disruption.

On the demand side, the steel industry is enjoying profitable prices globally and production growth has been robust in the first half of 2017, with global crude steel production up 4.5% year-to-date through June. Multiple catalysts for continued strong steel pricing and production levels exist in the second half of 2017, including healthy margins for Chinese and U.S. steel producers, a strong economic outlook, the potential for increased infrastructure spending in the U.S. and China, the potential for steel import tariffs in the United States, and the potential for higher blast furnace utilization rates in the United States.

Corsa's geographic proximity to over 50% of domestic coke production capacity and short rail distance and multiple options to access the Maryland and Virginia export terminals will continue to solidify Corsa's ability to serve both domestic and international customers. Our sales and trading platform operations also give us the ability to market a greater variety of products, access more users and increases our ability to respond to market-shaping events.

Corsa's metallurgical coal sales in 2017 from its NAPP Division are expected to be in the range of 1,522,061 to 1,722,061 tons. Actual sales will depend on customer demand and market conditions.

Corsa's thermal coal sales in 2017 from its NAPP Division are expected to be in the range of 215,000 to 235,000 tons and are expected to be primarily filled by coal purchased from third parties. We do not expect to sell internally-produced NAPP Division coal in the thermal market in 2017. Actual sales will depend on customer demand and market conditions.

CAPP Division

Spot prices for southeastern U.S. utility market thermal coal improved slightly since the previous outlook as coal burn increased due to increased utility demand and higher natural gas prices. Current spot pricing is approximately \$53 per ton for 12,500 British thermal unit ("BTU") thermal coal. The increased price of metallurgical coal continues to attract crossover thermal coal to enter the metallurgical market. This dynamic could impact spot pricing by reducing regional thermal coal supplies.

The CAPP Division mineral reserve base exclusively consists of high BTU and high carbon content coal. These unique qualities, combined with advantaged logistics, set the CAPP Division apart from other producers and create a niche in the utility and industrial marketplace.

The CAPP Division thermal and industrial coal sales for 2017 are expected to be in the range of 645,000 to 690,000 tons. The CAPP Division metallurgical coal sales for 2017 are expected to be in the range of 65,057 to 100,057 tons. Actual sales will depend on customer demand and market conditions.

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, 2017 and 2016 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.

Results of Annual and Special Meeting of Shareholders

Corsa is pleased to announce that at the Meeting, the following eight nominees set forth in the management information circular of Corsa dated June 27, 2017 were re-appointed as directors of the Company to hold office until the close of the next annual meeting of Corsa's shareholders or until his successor is duly elected: Robert C. "Bo" Sturdivant, John H. Craig, Alan M. De'Ath, George G. Dethlefsen, Arthur Einav, Robert Scott, Ronald G. Stovash and Kai Xia. In addition, Urish Popeck & Co., LLC, Certified Public Accountants, were appointed as auditors of Corsa and shareholders approved and ratified minor amendments to Corsa's existing stock option plan in the form of a second amended and restated stock option plan in accordance with the requirements of the policies of the TSX Venture Exchange.

Non-GAAP Measures

Management uses realized price per ton sold, cash production cost per ton sold, cash 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 six months ended June 30, 2017 for a reconciliation of non-GAAP measures to GAAP measures.

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 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. 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, 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 2017 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 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 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.

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