



## Corsa Reports First Quarter 2014 Financial Results

**May 13, 2014 - Toronto, Ontario** - Corsal Coal Corp. (TSXV: CSO) (“Corsa” or the “Company”) reports financial results for the three months ended March 31, 2014. The Company has filed its unaudited Condensed Interim Consolidated Financial statements for the three months ended March 31, 2014 and 2013 and related Management’s Discussion and Analysis on [www.sedar.com](http://www.sedar.com) and has posted these documents to its website [www.corsacoal.com](http://www.corsacoal.com). All amounts are in United States dollars.

Keith Dyke, President, stated “During the first quarter of 2014, both the Kopper Glo thermal coal operations in Tennessee and the Wilson Creek metallurgical coal operations in Pennsylvania were impacted by lower coal sales volumes and lower coal prices than expected. Weather related issues delayed rail shipments and the relocation of a surface operation to a new reserve base area required more time than projected. The increased inventory will be reduced during the second quarter. For the balance of 2014, Corsal’s contracted sales will result in higher quarterly sales volumes. The Company expects coal prices to increase in late 2014. We have high quality coals in each of our market segments and we continue to expand and diversify our customer base. With high quality products and low operating costs, we will continue to execute the business plan and grow the Company. The balance sheet is strong with cash of \$11,983,000, total assets of \$197,948,000 and total debt of \$18,815,000 at March 31, 2014. The strong financial position of Corsal will allow us to confidently explore potential acquisition opportunities and to take advantage of opportunities in internal expansion projects.”

### Financial Highlights

	For the three months ended	
	March 31, 2014	March 31, 2013
Revenue	\$ 19,844,000	\$ 21,221,000
Net and comprehensive (loss) income	\$ (573,000)	\$ 809,000
Earnings (loss) per share	\$ (0.00)	\$ 0.00
Adjusted EBITDA <sup>(1)</sup>	\$ 72,000	\$ 4,413,000

(1) This is a non-GAAP measure. See “Non-GAAP Measures”.

Given the completion of the transaction with Quintana Kopper Glo Investment, LLC (the “Quintana Transaction”) on July 31, 2013, the operations of the Wilson Creek division are only reported for the three months ended March 31, 2014. Reference is made to the Management’s Discussion and Analysis for the three months ended March 31, 2014 for a description of the Quintana Transaction. References to “First Quarter 2014” means the three months ended March 31, 2014 and to “First Quarter 2013” means the three months ended March 31, 2013.

## Operations Highlights

- Sales of 267,000 tons of coal in First Quarter 2014. See “Operating Results - Sales”
- Sales guidance of 1,400,000 tons of coal for the year ended December 31, 2014. See “Outlook”.
- Increased production from Wilson Creek’s Casselman Mine with the start-up of a continuous haulage system in January 2014.

## Operating Results

Given the completion of the Quintana Transaction on July 31, 2013, the operations of the Wilson Creek division are only reported for the three months ended March 31, 2014. Reference is made to the Management’s Discussion and Analysis for the three months ended March 31, 2014 for a description of the Quintana Transaction.

## Mine Production

	For the three months ended	
	March 31,	March 31,
	2014	2013
	(tons)	(tons)
Kopper Glo		
- thermal coal		
- underground mine	169,000	166,000
- surface mines	39,000	90,000
- total	<u>208,000</u>	<u>256,000</u>
Wilson Creek		
- metallurgical coal		
- underground mine	50,000	-
- surface mines	12,000	-
- total	<u>62,000</u>	<u>-</u>
Total	<u>270,000</u>	<u>256,000</u>

Kopper Glo coal production decreased from First Quarter 2013 to First Quarter 2014 as the relocation of the surface and high wall miner operations from the Log Mountain Mine to the Back Creek Mine during First Quarter 2014 caused a reduction in in surface mine production.

There was no coal production from Wilson Creek reported in First Quarter 2013 as Wilson Creek was acquired on July 31, 2013.

## Purchased Coal

The Company purchases coal from third parties in order to increase the amount available for processing and blending at its preparation plants. The volume of coal purchases varies with market availability, quality blending needs and requirements to balance shipments. In First Quarter 2014, Kopper Glo purchased 18,000 tons of thermal coal compared with 48,000 tons in First Quarter 2013. The decrease in coal purchases was due to the greater quantities of coal available for purchase that met Kopper Glo’s quality blending and shipment requirements in First Quarter 2013 compared with First Quarter 2014.

Wilson Creek did not purchase metallurgical coal in First Quarter 2014 and there were no coal purchases reported in First Quarter 2013 as Wilson Creek was acquired on July 31, 2013.

## Preparation Plant

	For the three months ended	
	March 31, 2014	March 31, 2013
Kopper Glo		
- thermal coal		
- tons processed (raw)	379,000	370,000
- tons produced (clean)	169,000	202,000
- average recovery rate	45%	55%
Wilson Creek		
- metallurgical coal		
- tons processed (raw)	90,000	-
- tons produced (clean)	52,000	-
- average recovery rate	58%	-
Total		
- tons processed (raw)	469,000	370,000
- tons produced (clean)	221,000	202,000

The Kopper Glo preparation plant processes coal produced from the underground mine and the high wall mining operations. The increase in processed tons was primarily due to increased production at the Double Mountain Deep Mine in First Quarter 2014 compared with First Quarter 2013. The average recovery rate decreased from First Quarter 2013 to First Quarter 2014 due to the lower coal seam heights at the Double Mountain Deep Mine during First Quarter 2014.

The Wilson Creek preparation plant processes coal produced from the underground mine, the surface mine and the high wall mining operations. There was no coal processed or produced reported for Wilson Creek in First Quarter 2013 as Wilson Creek was acquired on July 31, 2013.

## Sales

	For the three months ended	
	March 31, 2014	March 31, 2013
	(tons)	(tons)
Kopper Glo		
- thermal coal	222,000	286,000
Wilson Creek		
- metallurgical coal	45,000	-
Total	267,000	286,000

Kopper Glo coal sales decreased from First Quarter 2013 to First Quarter 2014 as the relocation of the surface and high wall miner operations from the Log Mountain Mine to the Back Creek Mine during First Quarter 2014 caused a reduction in surface mine production and resultant decline in coal available for sale.

There were no sales reported for Wilson Creek in First Quarter 2013 as Wilson Creek was acquired on July 31, 2013.

## **Financial Results**

Given the completion of the Quintana Transaction on July 31, 2013, the operations of the Wilson Creek division are only reported for the three months ended March 31, 2014. Reference is made to the Management's Discussion and Analysis for the three months ended March 31, 2014 for a description of the Quintana Transaction.

### **Revenue**

#### **Coal Sales**

Coal sales were \$19,844,000 in First Quarter 2014 compared with \$21,221,000 in First Quarter 2013. The overall decrease of \$1,377,000 resulted from the decrease in Kopper Glo thermal coal sales from First Quarter 2013 to First Quarter 2014 partially offset by the Wilson Creek metallurgical coal sales in First Quarter 2014.

The Kopper Glo coal sales decreased by \$6,083,000 from \$21,221,000 in First Quarter 2013 to \$15,138,000 in First Quarter 2014 as a result of the declines in tons sold and price per ton. The decline in tons sold resulted from the relocation of the surface and high wall miner operations from the Log Mountain Mine to the Back Creek Mine during First Quarter 2014 which caused a reduction in surface mine production and resultant decline in coal available for sale. The decline in price per ton resulted from the downward price adjustments for both contract and spot market sales that reflected the lower market prices prevailing in First Quarter 2014 compared with First Quarter 2013.

The Wilson Creek coal sales were \$4,706,000 in First Quarter 2014. There were no Wilson Creek coal sales reported in First Quarter 2013 as the Wilson Creek division was acquired on July 31, 2013.

### **Operating Expenses**

#### **Cost of coal sold**

Cost of coal sold was \$17,183,000 in First Quarter 2014 compared with \$15,020,000 in First Quarter 2013. The overall increase of \$2,163,000 resulted from the Wilson Creek metallurgical coal sales in First Quarter 2014 partially offset by the decrease in Kopper Glo thermal coal sales from First Quarter 2013 to First Quarter 2014.

The Kopper Glo cost of coal sold decreased by \$3,276,000 from \$15,020,000 in First Quarter 2013 to \$11,744,000 in First Quarter 2014 as a result of the decline in tons sold. The cost per ton remained the same despite increases in overall production costs as there were declines in higher cost per ton surface production and higher cost per ton coal purchases from First Quarter 2013 to First Quarter 2014.

The Wilson Creek cost of coal sold was \$5,439,000 in First Quarter 2014. There was no Wilson Creek cost of coal sold reported in First Quarter 2013 as the Wilson Creek division was acquired on July 31, 2013.

#### **Royalties**

Royalties were \$1,913,000 in First Quarter 2014 compared with \$1,815,000 in First Quarter 2013. The overall increase of \$98,000 resulted from the Wilson Creek metallurgical coal sales in First Quarter 2014 partially offset by the decrease in Kopper Glo thermal coal sales from First Quarter 2013 to First Quarter 2014.

The Kopper Glo royalties decreased from \$1,815,000 in First Quarter 2013 to \$1,509,000 in First Quarter 2014. The decrease in royalties of \$306,000 resulted from the decline in tons sold from First Quarter 2013

to First Quarter 2014 partially offset by the higher average royalties per ton in First Quarter 2014 compared with First Quarter 2013.

The Wilson Creek royalties were \$404,000 in First Quarter 2014. There were no Wilson Creek royalties reported in First Quarter 2013 as the Wilson Creek division was acquired on July 31, 2013.

#### Amortization

Amortization was \$3,039,000 in First Quarter 2014 compared with \$1,830,000 in First Quarter 2013. The overall increase of \$1,209,000 resulted from the Wilson Creek metallurgical coal sales in First Quarter 2014 partially offset by the decrease in Kopper Glo thermal coal sales from First Quarter 2013 to First Quarter 2014.

The Kopper Glo amortization decreased from \$1,830,000 in First Quarter 2013 to \$1,400,000 in First Quarter 2014 due to lower sales.

The Wilson Creek amortization was \$1,632,000 in First Quarter 2014. There was no Wilson Creek amortization reported in First Quarter 2013 as the Wilson Creek division was acquired on July 31, 2013.

#### Corporate and administrative

Corporate and administrative was \$964,000 in First Quarter 2014 with no comparable amount in First Quarter 2013. As a result of the Quintana Transaction, the Company redefined corporate and administrative expenses to include only those expenses incurred by the Company's head office. All administrative expenses incurred at the Kopper Glo and Wilson Creek divisions have been included in cost of coal sold.

#### Total

The total operating expenses for First Quarter 2014 were \$23,099,000 compared with \$18,665,000 for First Quarter 2013.

#### **(Loss) income from operations**

The Company recorded a loss from operations of \$3,255,000 for First Quarter 2014 compared with income from operations of \$2,556,000 for First Quarter 2013.

#### **Other income/expense**

Interest income was \$18,000 in First Quarter 2014 compared with \$27,000 in First Quarter 2013.

Interest expense was \$144,000 in First Quarter 2014 compared with \$92,000 in First Quarter 2013 as the Company's debt was higher in First Quarter 2014 compared with First Quarter 2013.

Finance income was \$1,367,000 in First Quarter 2014 compared with finance expense of \$987,000 in First Quarter 2013. The finance income in First Quarter 2014 resulted from the decrease in the fair value of the redeemable units of Wilson Creek that were issued in connection with the Quintana Transaction. The finance expense in First Quarter 2013 resulted from the increase in fair value of the units repayable on demand that were extinguished on closing of the Quintana Transaction.

Foreign exchange loss was \$23,000 in First Quarter 2014 with no comparable amount in First Quarter 2013 as the Company had no foreign currency balances during First Quarter 2013.

Other income/expense was an income of \$1,218,000 in First Quarter 2014 compared with an expense of \$1,052,000 in First Quarter 2013.

### **Income tax recovery/expense**

Income tax recovery was \$1,464,000 in First Quarter 2014 compared with an expense of \$695,000 in First Quarter 2013.

### **Net and comprehensive (loss) income**

In First Quarter 2014, the Company recorded a net and comprehensive loss of \$573,000, or \$0.00 per share, compared with a net and comprehensive income of \$809,000, or \$0.00 per share, in First Quarter 2013.

### **Outlook**

The Company's coal sales guidance for 2014 is approximately 1,400,000 tons. Thermal coal sales guidance is approximately 1,000,000 tons and metallurgical coal sales guidance is approximately 400,000 tons.

#### **Thermal Coal**

As a result of colder than normal winter conditions and higher natural gas prices, the thermal coal industry has experienced an increase in demand that began in December 2013 and continued throughout the winter of 2014 with the result that both price and demand have stabilized. With this stabilization, the Company believes there may be a modest recovery in the demand and price for thermal coal beginning in the second half of 2014. In Q1, the Company was able to actively participate in the spot market for deliveries in second half of 2014. The Company has seen several utilities in the market securing tons for the second half of 2014 and the calendar year of 2015. While the thermal coal market continues to stabilize in early 2014, the Company has been successful in maintaining a high level of contracted sales. In First Quarter 2014, thermal coal sales were 222,000 tons. The thermal coal sales guidance for the last nine months of 2014 is approximately 778,000 tons for which sales contracts of 675,000 tons are currently in place. The Company also has sales contracts in place for 500,000 tons in 2015 and 500,000 tons in 2016. The Company continues to actively market coal to domestic utilities and industries.

#### **Metallurgical Coal**

During 2013, the Company was able to demonstrate the value of its metallurgical coal to domestic and international steel producers. As a result of the positive quality and reliability of its metallurgical coal, the Company has been awarded term supply agreements for 2014 and beyond. In First Quarter 2014, metallurgical coal sales were 45,000 tons. The metallurgical coal sales guidance for the last nine months of 2014 is approximately 355,000 tons for which sales contracts tons are currently in place. Prices in the domestic metallurgical coal markets for 2014 have fallen from 2013 levels by about 10% and prices for export shipments in 2014 have declined about 5% from 2013 levels. The Company also has sales contracts for 150,000 tons in 2015 and 38,000 tons in 2016. The Company continues to actively market metallurgical coal to domestic and international steel producers.

### **Non-GAAP Measures**

Management uses Adjusted EBITDA as an internal measurement of operating performance for the Company's mining and processing operations. Management believes this non-GAAP measure provides useful information for investors as they provide information in addition to the GAAP measures to assist in their evaluation of the operating performance of the Company. Reference is made to the Management's

Discussion and Analysis for the three months ended March 31, 2014 for a reconciliation of non-GAAP measures to GAAP measures.

## **Financial Statements and Management's Discussion and Analysis**

Refer to the Company's unaudited Condensed Interim Consolidated Financial statements for the three months ended March 31, 2014 and 2013 and related Management's Discussion and Analysis, filed on [www.sedar.com](http://www.sedar.com) and has posted to Corsa's website [www.corsacoal.com](http://www.corsacoal.com), for the details of the financial performance of the Company and the matters referred to in this 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's primary business is the mining, processing and selling of thermal and metallurgical coal, as well as actively exploring, acquiring and developing resource properties consistent with its coal business.

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## **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 for the year ended December 31, 2014, including price and demand, 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", "outlook", "capacity" 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 the Company'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 2014 fiscal year will be less than projected production or sales for these periods; risks that the prices for coal sales will be less than projected or expected; liabilities inherent in coal mine development and production including restarting idled mines; 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 the Company's coal preparation plant will not operate at production capacity during the relevant period, unexpected changes in coal quality and specification; variations in the coal mine or coal 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 with 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; the Company'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 where the Company conducts business; coal production levels; and the Company's ability to retain qualified staff and equipment in a cost-efficient manner to meet its demand. 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. The Company does not undertake to update any of the forward-looking statements contained in this press release unless required by law. The statements as to the Company'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.***