

# Pacific Coal Resources Ltd. Announces 2015 Second Quarter Financial Results and Operational Update

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[Pacific Coal Resources Ltd.](#) (TSXV: PAK) (PINKSHEETS: VGGGF) has filed its unaudited consolidated financial statements for the three and six months ended June 30, 2015, together with its management's discussion and analysis ("MD&A") for the corresponding period. All financial figures contained herein are expressed in U.S. dollars unless otherwise noted. These documents will be posted on the Company's website at [www.pacificcoal.ca](http://www.pacificcoal.ca) and under the Company's profile at [www.sedar.com](http://www.sedar.com).

Hernan Martinez, Executive Chairman, commented: "In the second quarter of 2015, I'm pleased to announce that the Company has entered an agreement which addresses the repayment of its largest debt, owed to Masering, which agreement is also expected to bring in cash on a monthly basis. Moreover, we continue to reduce our G&A and seek purchasers for the remaining interest in the Barranquilla port to further increase our cash flow."

## Financial and Operating Summary

A summary of the financial and operating results for the second quarter of 2015 is as follows:

Second Quarter Six Months Ended June 30 (000's except per share and operating data) 2015 2014 2013  
2015 2014 2013 Operational Tonnes of coal Produced (1) 238,241 279,593 398,865 460,150 554,014  
622,211 Average Stripping ratio-operations 8.82 14.09 8.28 7.83 11.61 9.00 Tonnes of coal sold 108,199  
229,276 349,818 354,970 600,992 570,569 Average realized thermal coal price per tonne sold \$ 68.30 \$  
95.39 \$ 106.05 80.23 95.56 \$ 103.36 Operating margin per tonne sold (\$35.93 ) (\$14.91 ) \$ 13.60 5.20 1.30  
\$ 6.78 Financial Revenues \$ 7,049 \$ 22,289 \$ 37,100 \$ 27,977 \$ 57,960 \$ 59,001 Adjusted EBITDA (4,978 )  
(4,917) 3,112 (399) (1,830 ) 609 Earnings (loss) from operations (2) (6,855) (6,578 ) 413 (5,093 ) (5,417 )  
(4,474) Net earnings (loss) attributed to shareholders (7,154 ) (12,772 ) 2,051 2,612 (12,885) (1,100) Basic  
and fully diluted loss per share (0.09) (0.26) 0.04 0.03 (0.26) (0.02 ) Cash 181 335 6,423 181 335 6,423  
Mineral properties additions - La Caypa 2,644 1,844 4,408 13,810 6,212 6,717 Total assets 113,464 250,154  
255,889 113,464 250,154 255,889 Total debt (3) 34,862 47,879 67,623 34,862 47,879 67,623

(1) The portion of the coal production for Norcarbon as defined in the joint venture agreement with Sloane was 6,381 tonnes, equivalent to 8.25% of the production in Cerro Largo in the three months ended June 30, 2015.

(2) See ["Non-GAAP and additional GAAP Financial Measures" in the Company's Second Quarter 2015 Management Discussion and Analysis dated August 28, 2015 for definitions and reconciliation.](#)

(3) Total debt includes short-term debt, long term debt, finance leases and amounts owed to Chipalo Resources by Norcarbon S.A.S. ("Norcarbon") (June 30, 2015 - \$9.4 million, June 30, 2014 - \$16.1 million).

## Q1 2015 Highlights

Coal production: The Company produced 238,241 tonnes of coal in the second quarter of 2015, which represents an increase of 7% compared to the first quarter of 2015 (221,909 tonnes). In the second quarter of 2015, the total stripping ratio for La Caypa mine decreased by 43% compared to the first quarter of 2015 (15.99 vs 28.21). Revenues: Coal revenues for the second quarter of 2015 were \$7.0 million (\$20.9 million in first quarter of 2015) from the sale of 108,199 tonnes of coal (101,508 from La Caypa and 6,691 from Cerro Largo) sold at an average realized price of \$68.30 per tonne (74% FOT and 26% FOB), compared to 246,771 tonnes of coal in the first quarter 2015 sold at an average realized price of \$85.45 per tonne (85% FOT and 15% FOB). The decrease in sales was a result of changes in international market conditions. Earnings (loss) from operations: Loss from operations for the second quarter of 2015 was \$6.9 million, compared to earnings of \$1.8 million in the first quarter of 2015 and a loss of \$6.6 million in the second quarter of 2014. This can be primarily attributed to the decrease in sales as set out above. Adjusted Earnings Before Interests, Taxes, Depreciation and Amortization ("EBITDA"): Adjusted EBITDA for the

second quarter of 2015 was a loss of \$5.0 million against a gain of \$4.6 million for first quarter of 2015. See "Non-GAAP and Additional GAAP Financial Measures"; in the Company's second quarter 2015 Management Discussion and Analysis dated August 28, 2015 for a definition and reconciliation of Adjusted EBITDA. Operation of La Caypa mine: The significant deterioration of international coal market and excessive cost of mining activity as a result of adverse geographical conditions found in the mine in year 2014, leading to the company and Ci Carbones de Santander SAS ("Ci Carbones") (the current operator at La Caypa as a result of an assignment of the operation contract by Masering) to agree on amendments to the operation contract. Operation of Cerro Largo mine: Sloane Mining Services Sucursal Colombia ("Sloane") continues operation activities despite not having fully performed its obligations under the joint operation agreement (the "Sloane JOA"). The Company negotiated an amendment to the Sloane JOA in July 2015 and has signed a memorandum of understanding ("MOU") with Sloane with respect to the potential purchase of the Cerro Largo mine. General and administrative ("G&A") expenses: The Company recorded \$1.1 million in G&A expenses in the second quarter of 2015, excluding DD&A and impairment of non-current assets which represents a decrease of 6% against first quarter of 2015 (\$1.2 million).

## Outlook

In the second quarter of 2015, production at the La Caypa mine was 160,896 tonnes and the production at the Cerro Largo mine was 77,345 tonnes, of which 6,381 tonnes belong to the Company under the Sloane JOA. The Company is forecasting thermal coal from La Caypa in 2015 of approximately 1.0 million tonnes, with a stripping ratio throughout the year of 13.4:1.

On July 15, 2015, the Company restructured its outstanding debt to Masering S.A.S. ("Masering") by entering into a new agreement whereby Masering will exploit and commercialize the remaining open pit coal reserves at La Caypa, which is estimated to be 3.4 million tonnes. On the signature date, the Company owed \$18.7 million for La Caypa operation and \$9.4 million for Cerro Largo operation to Masering. With the future margins generated by this agreement, the Company expects to pay down the entire debt with Masering. Under the agreement, the Company would receive a monthly cash payment of \$220,000 for thirty months subject to normal operation. As part of this agreement, the Company assigned the newly negotiated contract with its main customer, Lissan Coal Company Ltd. to Masering.

The Company continues to explore opportunities with third parties regarding underground mining at La Caypa with the goal of finalizing a contract before the end of 2015. Currently, management is negotiating the terms of an operation contract for underground mining with a third party with international expertise.

Regarding Cerro Largo, Sloane continues operation activities despite its non-compliance with the terms of the Sloane JOA. On July 24, 2015, the Company signed an amendment to the agreement with Sloane whereby Sloane has been granted an extension to produce a maximum of 400,000 tonnes of coal until December 2015 in the hope that the remaining advance will be paid by such time from receivables that Sloane expects to be paid. The advance, once received, will be repaid at a rate of 50% per tonne produced at the set price agreed with Sloane. The advance is subject to an annual interest rate of 8.75%.

On August 20, 2015, the Company signed an MOU with Sloane, with respect to exclusive negotiation of a potential purchase of the Cerro Largo mine. The MOU is valid until October 1, 2015.

In terms of G&A expenses, the expenses were \$1.1 million in the second quarter of 2015 which includes \$0.4 million in penalties for delayed payments to governmental authorities. Management is in discussion with governmental authorities to get approval to apply this amount to off-set other funds owed. The Company anticipates G&A expenses in 2015 will be approximately \$4.0 million, which would be a 25% of reduction as compared to 2014.

## About Pacific Coal Resources Ltd.

[Pacific Coal Resources Ltd.](#) is a Canadian-based mining company engaged in the acquisition, exploration and production of coal and coal-related assets from properties located in Colombia. The Company's common shares are listed on the TSX Venture Exchange and trade under the symbol "PAK".

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